



Canada - Government Automotive Innovation Fund Renewed with Further \$250 million

Stefan Popescu
Jason Strader

March 2013

Background

As part of the 2008 federal budget the Government of Canada created the Automotive Innovation Fund to invest in research and development projects in the auto sector. The fund was created with an initial investment of \$250 million over five years to expand employment prospects in the auto industry through innovation. Companies are required to have research and development projects worth more than \$75 million and are required to pay back the contribution. They must also contribute their own investment to be able to receive the repayable contribution from the federal government. The fund seeks to create sustainable innovation and private sector investment to increase the Canadian auto sector's ability to compete internationally.

The fund has been able to support \$1.6 billion in investment towards creating a more innovative automotive sector. The fund has included contributions to innovation in the green energy sector including an investment of \$54 million to Linamar Corporation for the development of fuel efficient automotive powertrains. The fund provided Toyota's Ontario based plants with a \$70 million investment to produce fuel efficient vehicles. The fund also included investments of \$80 million into Ford Canada to create fuel efficient engines and a \$21 million investment towards Magna International's project in clean vehicle technology.

Recent Developments

On January 4, 2013 the Government of Canada announced that it will extend the program for another five years with another repayable contribution of \$250 million to support continued innovative development in the auto industry. The program's success in creating an auto sector that is more innovative and competitive was a significant factor in the Canadian government's decision to renew the repayable contribution, for a second five year mandate. The requirements to access the fund have been maintained to ensure that the companies themselves are directly involved in promoting innovation in the industry.

In February 2013, the Government of Canada provided a repayable contribution of \$16.9 million to Toyota as part of the renewal of this government program. The Government of Ontario matched the \$16.9 million investment from its' Strategic Jobs and Investment Fund. The repayable contribution from this partnership will be assigned to manufacturing the Lexus hybrid vehicle at Toyota's plant in Cambridge, Ontario commencing in 2014. This is the first time the hybrid version of Lexus RX 450h will be built in Canada. This investment will directly lead to the creation of 400 jobs and further automotive innovation in fuel efficient vehicles.

Sector Insight

The auto sector is an important manufacturing industry in Canada which consists of 12% of the countries manufactured products. Automotive products are an important export for Canada as they are 12% of its' total exported products. The Canadian automotive industry supplies 25% of the North American automotive market. In past year Canadian automotive production increased by 20% from the previous year and automotive sales in Canada reached their highest point in ten years with 1.69 million light vehicle sales.

Opportunities for US Companies

The Government of Canada's decision to contribute another \$250 million and renew the Automotive Innovation Fund will contribute to a stronger automotive industry in North America. It will allow for American companies either through their Canadian subsidiaries or through partnerships to benefit from increased investment in automotive research and development. There is an opportunity for American companies to form research partnerships, particularly in fuel efficient vehicles, with Canadian companies to benefit from the increased investment. The capital investments that will result from this fund present an opportunity for American manufacturers and suppliers of industrial equipment. American manufacturers of industrial equipment and auto parts may have a business opportunity to supply their products to the firms benefiting from this innovation fund. The addition of new hybrid vehicles to the North American market will allow for American local vehicle distributors to import them at a reduced cost.

Further information on the Automotive Innovation Fund is available at:

<http://www.ic.gc.ca/eic/site/auto-auto.nsf/eng/am02257.html>.

Sources

Government of Canada

<http://pm.gc.ca/eng/media.asp?category=1&featureId=6&pageId=26&id=5256>

Canadian Department of Finance

<http://www.fin.gc.ca/access/budinfo-eng.asp>

Reuters

<http://ca.reuters.com/article/businessNews/idCABRE9030J620130104?pageNumber=1&virtualBrandChannel=0>

The Toronto Star

http://www.thestar.com/business/2013/01/04/canadian_auto_industry_gets_250_million_boost.html

For More Information

The U.S. Commercial Service in Toronto, Canada can be contacted via e-mail at: Stefan.Popescu@trade.gov; Phone: 1-416-595-5412 ext 223; Fax: 1-416-595-5419; or Jason.Strader@trade.gov; Phone: 1-416-595-5412 ext 234; or visit our website: www.BuyUSA.gov/Canada.

The U.S. Commercial Service — Your Global Business Partner

With its network of offices across the United States and in more than 80 countries, the U.S. Commercial Service of the U.S. Department of Commerce utilizes its global presence and international marketing expertise to help U.S. companies sell their products and services worldwide. Locate the U.S. Commercial Service trade specialist in the U.S. nearest you by visiting <http://www.export.gov/eac>.

Comments and Suggestions: We welcome your comments and suggestions regarding this market research. You can e-mail us your comments/suggestions to: Customer.Care@mail.doc.gov. Please include the name of the applicable market research in your e-mail. We greatly appreciate your feedback.

Disclaimer: The information provided in this report is intended to be of assistance to U.S. exporters. While we make every effort to ensure its accuracy, neither the United States government nor any of its employees make any representation as to the accuracy or completeness of information in this or any other United States government document. Readers are advised to independently verify any information prior to reliance thereon. The information provided in this report does not constitute legal advice. The Commercial Service reference to or inclusion of material by a non-U.S. Government entity in this document is for informational purposes only and does not constitute an endorsement by the Commercial Service of the entity, its materials, or its products or services.

International copyright, U.S. Department of Commerce, 2009. All rights reserved outside of the United States.