

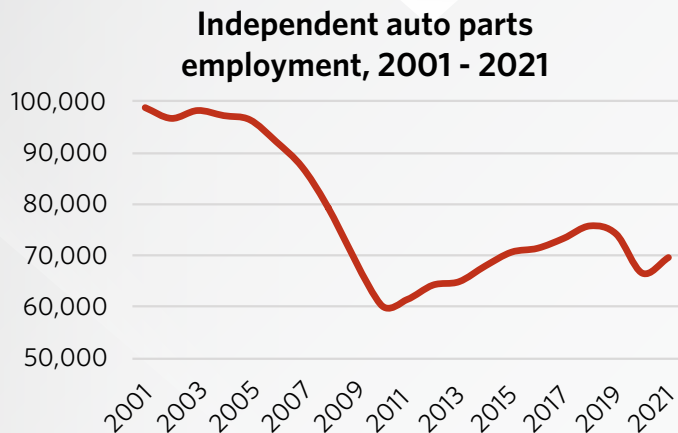
# Independent Auto Parts Sector Profile

## Sector Facts and Figures

Total GDP <i>Share of Canadian GDP</i>	\$8.0 billion 0.40%
Exports	\$16.3 billion
Imports	\$31.1 billion
Foreign Trade Balance <i>5-year change</i>	-\$14.8 billion -45.9%
Total Employment (2021) <i>Change since 2011</i>	69,700 +13.3%
Real wage growth (2011-2019)	+1.1%
Labour Productivity (2019)	\$65.5/hr
Average Work Hours/Week (2019)	37.9
Greenhouse Gas Emissions (2019) <i>Change since 2009</i> <i>Share of Canadian industry total</i>	387kt -2.0% 0.06%
Union Coverage Rate	23%
Unifor Members in the Industry	17,000
Share of Total Unifor Membership	5%
Number of Unifor Bargaining Units	122
Average Bargaining Unit Size	140

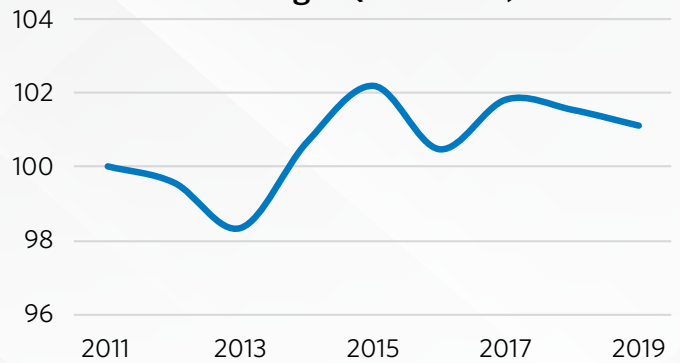
## Current Conditions

Canada's independent auto parts sector has, for years, served as a platform for industry innovation, productivity and skilled jobs. Despite major economic headwinds in recent decades, including rising global competition among low-wage suppliers, Canada is still home to nearly 1,000 individual parts firms, employing roughly 70,000 workers. This includes homegrown leaders, like Magna, Linamar and Martinrea, among others, supplying downstream automakers and after-market dealers.



The domestic parts industry is an example of Canada's resilient industrial base. In the face of expanding global supply chains, unfair trade deals and imbalanced competition, Canada still thrives at building things. At the same time, there is no denying the perpetual economic uncertainty parts workers face. Since 2001, industry employment fell by nearly 30,000, driven by plant closures in both Canada and the U.S. and a financial crisis in 2009 that drove many parts firms into restructuring, if not bankruptcy. In the intervening years, labour productivity rose steadily while wages stagnated.

## Independent auto parts: Real wages (2011=100)



Today, there is further change on the horizon. Canada's auto sector is experiencing a renaissance, with vehicle assembly returning to Oshawa alongside major electric vehicle investments. The shift to vehicle electrification (while still early days) is a mixed blessing. On the one hand, new EV programs signal a new growth trajectory for the Canadian industry. The APMA's Project Arrow zero-emission, all-Canadian concept car is one example of how domestic suppliers can seize this opportunity.

On the other hand, EVs require far fewer, and in some cases, entirely different parts - an industrial transition that will put unprepared parts firms and workers in jeopardy. Canada needs a forward-looking investment strategy in local supply chains to ensure parts workers fully benefit from this historic EV shift.

## Unifor in the Independent Auto Parts Industry

Select Unifor Employers	Approx. # Members
Magna	2,000
Flex-N-Gate	1,000
Ventra	800
Autoneum	650
Synchreon	600
Woodbridge Foam	600

Unifor's 17,000 auto parts members make up 5% of total union membership spread across more than 100 bargaining units of all sizes. Union density in Canada's auto parts sector is currently less than

half that found in auto assembly. It may be for this (and other) reasons that both wage levels and wage growth in this industry tend to trail auto assembly plants – although Unifor's recent strategic, pattern bargaining efforts in this sector are showing positive results.

Approximately 95% of Unifor's auto parts members live and work in Ontario, with the remaining members located in Quebec. However, the industry is comprised of many small and medium-sized firms, and the five largest Unifor employers account for just one-third of sectoral membership.

## Moving Forward: Developing the Independent Auto Parts Industry

One of the surest ways to secure work in the Canadian auto parts sector is to locate nearby vehicle assembly and powertrain production. Thankfully, and following years of production losses and dwindling manufacturing capacity, the Canadian auto sector is primed for a rebound – starting with the return of truck assembly to Oshawa (resulting in thousands of auto parts jobs returning as well). Forecasted growth in vehicle assembly throughout the Great Lakes Region, including places like Michigan and Ohio, and stricter North

American content trade rules under CUSMA, bodes well for Canadian parts suppliers too.

However, effectively developing the auto parts sector requires more than just chasing the tailwinds of auto assembly. Auto parts is lucrative business, and a critical part of what is already a sophisticated, industrial supply chain. Governments must seek out advanced, next-generation auto parts investments with the same fervor as new vehicle mandates and battery cell factories, especially those lucrative parts in electric and connected vehicles – e-motors, axles, power electronics, inverters and converters to name a few.

It also requires a laser-focus on strategies to synchronize investment attraction with job transitions and skills upgrading. EVs will come to dominate the passenger vehicle market in North America in the next 15-20 years. Without a proactive strategy to identify at-risk Canadian-built parts (those destined for obsolescence) and provide transition supports to both workers and firms (including connecting parts-makers to the wider EV ecosystem), Canada will fail to capture a key piece of the future industry.

To ensure that sector development helps build more good jobs, governments must also enable more coordinated and broad-based bargaining strategies – expanding collective agreement coverage to more parts workers and universalizing work standards.

## Major Sector Development Issues

- Establish a comprehensive auto industry strategy that, in part, focuses investment attraction on advanced component parts, in addition to vehicle assembly mandates.
- Undertake a comprehensive, nationwide risk assessment of the auto parts sector and coordinate on transition supports.
- Develop a comprehensive national skills inventory and enhanced labour market adjustment supports to protect jobs for auto parts workers.
- Organize more auto parts workers to achieve a critical mass of union shops in the sector, and enable innovative broad-based bargaining models to expand union coverage, and raise work standards.
- Address persistent auto parts trade imbalances with the United States, Mexico and offshore producers.