



Unifor commissioned an independent study into the industry's impact on the wider Canadian economy. The full study is available at [unifor.org/autotalks16](http://unifor.org/autotalks16)

### **What did the report examine?**

The report provides an analysis of the overall economic contribution of the manufacturing activities of the Detroit Three (FCA, Ford and General Motors) in Canada in terms of gross domestic product, employment, average labour income and government revenue. To assess the impact upon the wider economy, the report examines the implications of the permanent removal of these manufacturing operations from Canada.

### **What are the key findings?**

In 2015, 24,600 workers at the Detroit Three automakers produced 1.3 million vehicles, 1.1 million engines and added \$5.8 billion to the nation's GDP. Removing their contribution to the economy leads to:

- Short-term: GDP falls by up to \$26 billion with a loss of up to 150,000 jobs and a decline in government revenues of up to \$4.7 billion per year.
- Long-term: Ontario's economy is permanently reduced by up to \$21 billion and 38,000 jobs, while government revenues are permanently reduced by up to \$3.9 billion per year.
- Standard of living: Average labour income in Ontario is permanently reduced by up to \$1,600 per year.
- Employment impact: In the short-run, up to seven jobs are lost for each Unifor job eliminated.

### **Why did Unifor commission the report?**

Canada's auto industry provides a unique and vital contribution to the wider economy. As a centre of technology-intensive advanced manufacturing, Canada's auto industry is a leading contributor to the economic well-being of the country. The direct employment and output of the Detroit Three in Canada are significant to local communities; however it is their role in supporting a much larger supply-chain, and the resulting economic spin-offs, that make these operations particularly valuable.

Given the urgent need to secure investment and future product allocation at several Detroit Three operations, Unifor believes that a wider understanding of the economic impact of these operations provides an important context for our current negotiations, and helps to inform public debate and policy making.

# Detroit Three Economic Impact



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## Who prepared the report?

The report was prepared by Robin Somerville, Director of the Center for Spatial Economics and President of Quantitative Economic Decisions Inc. Robin has more than 15 years of experience in economic analyses, modeling and forecasting. Prior to joining the Centre for Spatial Economics, Robin was a consultant with DRI-WEFA (1990 to 2002) and a research associate with the Bank of Canada (1986 to 1988). Robin has an MA degree in economics from the University of Western Ontario (1989). He has extensive experience managing and conducting work for public and private sector clients with assignments typically focusing on either policy analysis or forecasting.

Robin's policy analysis work is in such areas as the costs of GHG mitigation, regional economic competitiveness strategies, and the economic impact of tax and regulatory changes on infrastructure projects. In 2015 Robin authored a report on the economic impact of General Motors' operations in Oshawa, and previously authored reports for the Ontario Manufacturing Council on the economic contributions of the auto industry and the broader manufacturing sector. To learn more about the Centre for Spatial Economics visit: [www.c4se.com](http://www.c4se.com)

## What method was used?

The analysis in the report was conducted by permanently removing economic activity equivalent to the Detroit Three's 2015 manufacturing operations in Canada from the economy using the Centre for Spatial Economics' Provincial Economic Modelling System. The analysis includes a high and a low estimate based on purchases of auto parts produced in Ontario of either 20% or 30% respectively, and considers the economic impacts over a 25-year timeframe.

## What are the implications for policy makers?

Attracting and retaining automotive investment is a key economic priority for both the Ontario and federal governments. Like other leading automotive jurisdictions, Canada has a number of investment support programs, including the federal *Automotive Innovation Fund* and the Ontario *Jobs and Prosperity Fund*.

Canada has lagged significantly behind other jurisdictions in securing automotive investment as the North American industry has recovered during the last five years. There is broad industry consensus that Canada requires greater responsiveness and coordination among levels of government, and stronger overall support mechanisms. A consideration of the full economic impact of the Detroit Three operations provides important insight to assess the value of anchoring the next generation of automotive investments in Canada.