Strong U.S. auto sales good for Canada

Forecasts showing that the Detroit Three automakers will run out of production capacity in North America over the next two years boosts the CAW's hand at the contract negotiating table, a senior analyst at the Center for Automotive Research (CAR) said Wednesday. "How seriously can you take the Detroit Three threat to close plants unless they get the same flexibility and wage costs they have in the U.S. when to go elsewhere will mean spending $1.5 billion for a new assembly plant?" said Sean McAlinden, chief economist at CAR, an industry research think tank based in Ann Arbor, Mich. "That's a lot more money than paying 21,000 Canadian workers a little more." If the U.S. and Canadian markets continue to improve, CAR's analysis shows that General Motors will run out of capacity for pickup truck production in 2014, while Ford and Chrysler will run out of production capacity for passenger cars and crossover vehicles in 2015, "even with overtime and extra shifts." In Canada, all three carmakers have unused floor space at their Ontario operations. Chrysler, for example, runs a two-shift operation at its Brampton plant, which assembles the Chrysler 300 and Dodge Challenger and Charger sedans. Ford runs a two-shift operation, which builds the Ford Edge, Flex, Lincoln MKX and MKT. Ford also has unused capacity at its engine plants in Windsor. General Motors' Oshawa complex will close its consolidated line next year, affecting 2,000 jobs, and will be left with its flex line, which handles the Chevrolet Camaro muscle car and Buick Regal mid-size sedan. While the carmakers are pressing the CAW to match and lower labour costs to be in line with those at UAW plants, the union says the Detroit Three could maximize competitiveness on this side of the border by fully utilizing their Canadian plants. "If capacity is required, we have enough floor space," said CAW president Ken Lewenza. "Increase capacity and labour costs come down." CAR predicts U.S. vehicle sales will reach 13.9 million units this year, 14.4 million in 2013, 15.2 million in 2014 and 15.9 in 2016. That's a sharp recovery for an industry that saw plant utilization plunge to below 50 per cent during the 2008-09 economic crisis. Prior to the crisis, the Canadian and U.S. market supported about 17 million vehicle sales a year before plunging to an annual rate of 10 million in 2008. A record number of new vehicle launches also will put pressure on carmakers to add production, said McAlinden. Though he would not comment on CAW-Detroit Three bargaining, Mark Nantais, president of the Canadian Vehicle Manufacturers' Association, said car companies are more inclined to add shifts and overtime instead of new plants to meet rising demand. Rising sales bode well for Canadian operations, he added. "That is something which from a production standpoint is a desirable thing. You want to achieve the highest possible utilization of plants because of efficiencies that exist."