

Canada to invest \$254 million in auto industry to spur jobs

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OAKVILLE, Ontario (Reuters) -- Canada will invest C\$250 million (\$253.69 million) in the country's auto industry, Prime Minister Stephen Harper said on Friday, as Ottawa tries to encourage private sector investment and create manufacturing jobs.

Harper announced a five-year extension to the Automotive Innovation Fund, which was set up in 2008 to provide government support to research and development projects in Canada's automotive sector.

"Our government remains focused on creating jobs, growth and long-term prosperity and to keeping Canada's automotive manufacturing sector globally competitive and innovative," Harper said, speaking at an event at the Ford Motor Co. assembly plant in Oakville, Ontario.

In order for companies to be considered for the funds, they need to make auto sector investments of more than C\$75 million. The government said its support to date has leveraged up to C\$1.6 billion in industry investment.

Companies who have made use of the fund include Ford Motor Co of Canada, Linamar Corp., Toyota Motor Manufacturing of Canada and Magna International.

The government subsidy comes as the industry is still reeling from General Motors' announcement last month that it will produce the next generation of its Chevrolet Camaro in Lansing, Mich., instead of at GM's Canadian production hub in Oshawa, Ontario, where it currently produces the sports car.

Canadian Auto Workers union president Ken Lewenza welcomed the government support for the auto industry, but said Canada needed to do more to match the level of incentives offered by other countries and certain U.S. states.

"I'm very grateful for the fact that they established the fund, but I still think we have to take a look at a longer term approach to how do we sustain it long term, because what we know is investment comes and goes," Lewenza told reporters at the event.

According to the CAW, Canada was the fourth largest auto producing jurisdiction in the world in 1999. A decade later, hit by a range of factors including a soaring Canadian dollar, which hiked manufacturing costs, Canada has fallen out of the top 10 and the number of industry jobs has shrunk by a third.

Separately, Harper said the Canadian government does not intend to keep its stake in General Motors over the long term, but it will not be influenced by the United States on when to sell.

"We are not bound by what the United States decides," Harper said. "We'll sell in a way that attempts to maximize the value for the Canadian taxpayer."

Canadian Industry Minister Christian Paradis said last month that he was "concerned" about GM's decision to move the Camaro and that Ottawa would hold the Detroit automaker to the commitments it made in return for the Canadian government's investment in the company.

The Canadian government and the province of Ontario, the heartland of Canada's auto industry, pumped more than C\$10 billion into GM in 2009 to bail out the struggling automaker.

In return, the Canadian governments required that GM maintain its share of production in Canada for several years moving forward.