

Saving the Ontario Auto Sector

Our domestic auto industry is in trouble. Tom LaSorda, president of Chrysler, bemoaned the high cost of producing cars in Canada. Our well paid workforce, combined with the soaring dollar, threatens to make us the world's most expensive car manufacturing locale.

We are heavily reliant on gas guzzlers produced for Detroit's Big Three. The president of Desrosiers Automotive Consultants expects Ontario production volumes to fall to 2.5 million units, with huge job losses.

Part of the threat to this sector is from nations like China and India, with booming auto industries and low costs.

The problem is that some cost savings come at the expense of workers' rights, and adequate safety and emissions standards. A famous Youtube video shows German crash tests involving a Chinese 'Brilliance BS-6' model, which crumples like a tin can.

China's record in respecting intellectual property and producing high quality products leaves much to be desired. GM launched a lawsuit against Chinese maker Chery for blatantly copying the design of the mini-car Matiz. The streets of China are filled with shoddy knock-off products like 'Hongda', BYD-6 sedans (copies of BMW 7-series), and Laibao SRVs which bear an uncanny resemblance to the Honda CRV SUV.

A better way to rescue and revitalize our auto industry is to partner with economies which do not rely on low wages alone, but combine lower salaries with innovation and technology to drive down costs.

GM has made progress. Of the nine million vehicles made by the behemoth, almost 2 million come from GM Daewoo, a South Korean manufacturer purchased for a song in 2001. The Daewoo stable provides precisely the sort of low cost, fuel efficient cars which have eluded American firms.

The International Herald Tribune reports that Daewoos are badged mostly as Chevrolets, and the production techniques from Daewoo

have found their way into Chevy's American plants. GM Daewoo is the brightest part of the General's portfolio.

Last week, the global spotlight was on another region which combines low wages with innovation and technology to build products. India's Tata unveiled the Nano, a \$2500 small vehicle which meets Euro-4 emissions norms and has passed front-end crash testing.

Director Ravi Kant revealed that 'concise engineering' had yielded a vehicle with twenty percent increased interior space with eighty percent of the length of a Suzuki small car.

The Nano is a basic vehicle which lacks side mirrors and A/C, and will not sell in Canada. However, Tata has already promised slightly more expensive upgraded versions with greater amenities, and has also targeted a hybrid version for next year.

Another Indian firm, REVA, builds the top selling electric vehicle in Europe. The NY Times described the REVA as the world's most successful EV.

Renault/Nissan chairman Carlos Ghosn, an admired auto executive, told Fortune magazine that through their partnership with Indian Mahindra, the firm had drastically reduced the cost of their small car Logan, while maintaining quality. Mr Ghosn was so enamored of Indian 'frugal engineering' that Renault has an agreement with Indian firm Bajaj to develop a global small car.

He hopes that India's skills in design and engineering can be carried over to other parts of the company and revitalize the firm.

Others, like Suzuki and Hyundai, have already designated India as the global R&D / production hub for precisely the type of fuel-sipping, low emission small cars which the world demands.

Ontario must shift towards partnerships which can deliver those results. When the Conservatives suggested a free trade deal with India, Canadian Labor Congress economist Andrew Jackson told Maclean's magazine that such a deal would shift focus from China

towards a democratic nation more observant of labor rights, which would be a win for our unions.

Ontario cannot focus on the Big Three; nor will we benefit by allowing products from undemocratic nations which exploit their workers, copy designs, and deliver dangerous and shoddy products.

Cooperating with Indian firms can boost our abilities in the production of environmentally friendly cars as well as minimize job losses in the sector. This much needed technological boost will enable us to be competitive in the global economy.

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