



**Canadian Vehicle
Manufacturers' Association**
Association canadienne
des constructeurs de véhicules

Contingency Planning and the North American Auto Industry

Canada - U.S. Transportation Border Working Group

November 2005



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About the CVMA

§ CVMA

- Ø National industry association
- Ø Almost 80 years of experience
- Ø Represents Canada's largest manufacturers of light and heavy duty vehicles

§ CVMA Members:

- Ø DaimlerChrysler Canada Inc.
- Ø Ford Motor Company of Canada, Limited
- Ø General Motors of Canada Limited
- Ø International Truck and Engine Corporation of Canada

§ CVMA and its members are active in forums including Canadian Automotive Partnership Council, Shared Border Accord Private Sector Working Group, Canada Border Services Advisory Committee, Borders Commercial Consultative Committee, the Coalition for Secure and Trade Efficient Borders, and others.



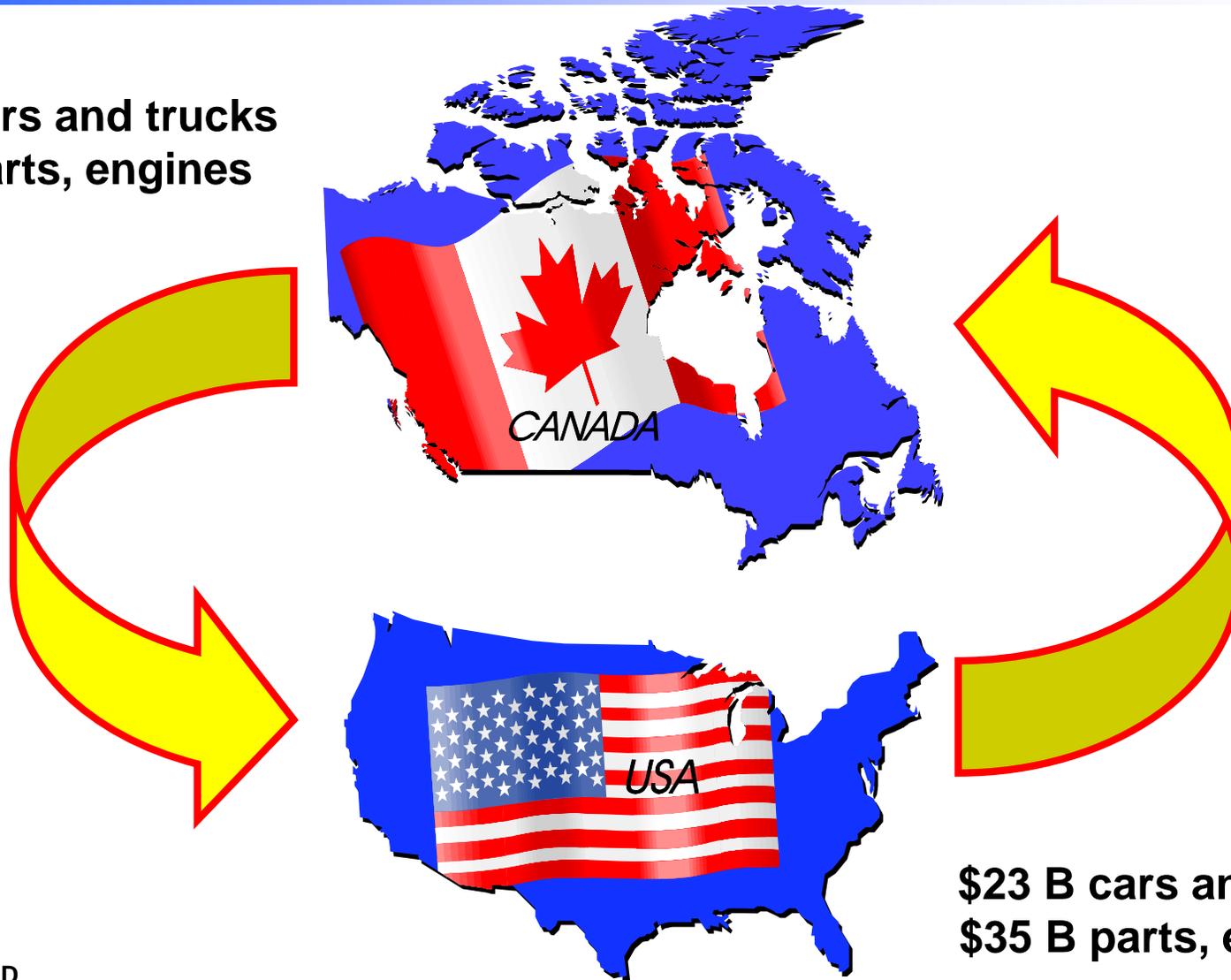
An Integrated Industry – Overview

- Rationalized in North America with signing of the Auto Pact (1965) and Enshrined by signing of FTA (1989) and NAFTA (1994)
- Localized within 400 miles of Detroit-Windsor:
 - Ø 58% of U.S. vehicle assembly facilities and 100% of Canadian vehicle assembly facilities
 - Ø 65% of U.S. Tier 1 parts suppliers and 92% of Canadian Tier 1 parts suppliers
- Industry is completely integrated:
 - Ø 50% of U.S. vehicle exports being shipped to Canada and over 99% of Canada's vehicle exports sent to the U.S.
 - Ø 58% of U.S. parts exports are shipped to Canada and 94% of Canadian parts exports go to the U.S.



An Integrated Industry – Trade

**\$60 B cars and trucks
\$20 B parts, engines**



**\$23 B cars and trucks
\$35 B parts, engines**

All in CAD
2004 statistics from IT CAN & US DOC



Canada/US Automotive Trade

- \$378 million (CAD) in automotive trade crosses the Canada/U.S. border daily – nearly 20% of the total of 1.9 billion (CAD) in goods and services that are traded
- Almost 70% of automotive related shipments occur at the Bluewater and Ambassador Bridges – the majority of the remainder goes through the Niagara region
- Because of automotive trade, Detroit-Windsor, has the world's busiest border crossing, the Ambassador Bridge
- The auto industry is one of the biggest industrial multi-modal transportation users including railway and ferries



Auto Production & JIT

- **The Auto industry has led manufacturing integration in N.A.**
 - Parts production and vehicle assembly is tightly integrated with controlled shipments and production
 - Finished vehicles are a combination of over 8,000 unique parts, all of which are required in a specific sequence for production to operate efficiently
 - Every assembly plant requires parts supply from “across the border”
 - Plants have at most 4 hours of inventory – but this varies from facility to facility
 - Assemblers and suppliers are located very close to Detroit-Windsor – most within a 6 hour drive

All automotive assembly is Just In Time



Auto Production & JIT

- Just In Time is necessary for industry competitiveness and requires:
 - Ø Predictable and efficient border crossings that allow streamlined entry/exit with minimal paperwork and delays
 - Ø Highly reliable and modern transportation and information systems
 - Ø Modern programs that move as much border processing away from the border as possible and allows for streamlining shipments into high and low risk

Little or no production inventory places greater emphasis on the transportation network for efficiency



Auto Production & JIT

- A vehicle is produced roughly every minute at each assembly plant
- If any of the over 8,000 parts are not available the production line stops
- “Downed lines” cost over \$1.5 million US in lost revenue per hour per plant

Reliable and consistent parts supply for vehicle production is critical to maintain efficient operations at all assembly plants



Border Delays Do Not Support JIT!





Importance of Low-Risk Programs

- Modern border management programs are key:
 - Ø Free And Secure Trade (FAST)
 - Ø Customs Self-Assessment (CSA)
 - Ø Partners in Protection (PIP)
 - Ø Customs Trade Partnership Against Terrorism (C-TPAT)
 - Ø NEXUS
- These programs allow governments to process as much as possible away from the physical border and streamline shipments and people by level of risk



Importance of Low-Risk Programs

- FAST & NEXUS are designed to work in all security conditions because industry shares all relevant trade information with the government prior to the shipment arriving at the border
 - Known shipper
 - Known cargo
 - Known driver
 - Known transportation provider

PRE-APPROVED & LOW RISK

- A main reason for investing in these programs is to ensure consistent and reliable border crossings in all security conditions
 - Avoid plant closures and associated costs

These programs should signal to all government departments – not just customs – low-risk status



Emergency Planning Simulation – Why?

- Industry uncertainty surrounding how those in FAST & NEXUS programs (pre-approved/low-risk) would actually be treated during an emergency situation
- CVMA coordinated an emergency planning simulation in July 2005:
 - Ø The first simulation (that we are aware of) to include participation from both public and private sectors
- Simulation included over 60 total participants from:
 - Ø Governments & Agencies – CDN/U.S./Mich/Ont/Municipal
 - Ø Crossing Operators
 - Ø Auto Industry



Emergency Planning Simulation - Why

- Industry goal for emergency planning simulation:
 - ∅ Gain a better understanding of government protocols, actions, and responsibilities
 - ∅ Improved knowledge of communication protocols between governments and government agencies
 - ∅ Educate government on the positive role of auto industry
 - Industry will attempt to maintain production in all situations through any means possible – cost industry and government too much to shut down
 - 20+% of volume at key crossings – we can cause backlogs
 - Coordination can significantly reduce backlogs
 - ∅ **Help to develop a functioning emergency/contingency plan**
- The simulation focused on key border crossings in Windsor/Detroit and Sarnia/Port Huron



Emergency Planning Simulation - Results

- Positive and active participation from all players
- Good first step on coordination, identifying contacts, and communication
- Identified some gaps in response and actions
- Identified areas for improvement in both government and industry



Emergency Planning Simulation - Lessons

- Major issue identified was the lack of communication and coordination between key partners including:
 - Ø Governments
 - Ø Levels of Government
 - Ø Government Departments
 - Ø Government and Industry
 - Ø Industry
- Other issues identified/lessons learned:
 - Ø Roles and responsibilities of key contacts have not been clearly defined and communicated
 - Ø The positive role of industry has not been adequately considered
 - Ø Reduce non-critical shipments and diversions to other crossings
 - Ø The use of low risk, pre-approved programs has not been adequately considered
 - Ø FAST approval tells all government that shipment is low-risk – not just customs



Emergency Planning Simulation - Recommendations

- Make emergency/contingency planning a high priority
 - Ø SPP commitment a good start
- Establish a multi-stakeholder working group to continue to work through challenges and solutions
- Build on relationships established through the simulation
- Further develop communication and response protocols
 - Ø Identify key contacts
 - Ø Define roles and responsibilities
 - Ø Identify traffic control and routing options
 - Ø Provide mechanisms for both on-going communication and provision of real-time information during an emergency situation



Emergency Planning Simulation – Next Steps

- Continue to engage governments on this critical issue:
 - Ø Focused on addressing the concerns identified during the simulation
 - Ø Working closely with CBSA under the SPP
 - Ø Working with our U.S. counterparts
 - Ø Working with Canadian Automotive Partnership Council
- Continued end goal:
 - Ø Create a contingency plan that can be implemented in times of emergency that recognizes the positive role of industry and supports low-risk, pre-approved programs – such as NEXUS and FAST
 - Ø Contingency plan must be agreed to and supported by all levels of government on both sides of the border to be effective



Contact Information



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