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Increase support for automakers, Ottawa told

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'Help Us Out'

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Top executives for General Motors Corp. are warning that Canada needs to raise its level of financial support for the auto industry to echo the billions in loans U. S. lawmakers are considering for America's embattled car companies. Otherwise, it risks losing future engineering and assembly plant investment.

"It is a serious issue here. If the government is willing to support it in the United States, then the Canadian government needs to decide: Are they willing to support it?" Ray Young, GM's chief financial officer, said in an interview late Tuesday. He said the stakes are even higher given the massive shakeup in the U. S. financial industry this week.

"The challenges that we're seeing in the capital markets puts a bigger sense of urgency on the part of automakers and suppliers to go to government and say, 'Hey you need to help us out.' He said the U. S. loans are conditional on automakers doing engineering and making investments in the United States.

Executives from Ford Motor Co., Chrysler LLC and GM descended on Capitol Hill in Washington over the past 48 hours in a renewed push to convince congressional leaders to finalize US\$25-billion in low-cost loans for the industry. Congress has approved the loans but has not yet appropriated the funds to guarantee them. They are intended to help finance the estimated US\$8-billion automakers will spend to retool their factories for more fuel efficient vehicles like gasoline-electric hybrids.

U. S. lawmakers agreed last December to raise fuel economy standards by 40% for cars and light trucks by 2020. The Canadian government has committed to achieving, at minimum, that same target.

Ottawa has pledged \$250-million for a special Automotive Innovation Fund, a loans scheme similar to that being debated in the United States in the sense that it targets innovation and advanced technology. But the fund's value is only one hundredth of the U. S. loans program despite the fact the Canadian auto market is one tenth the size of America's by sales.

Proportionate funding is needed from the Canadian government, said David Paterson, GM Canada's vice-president of corporate and environmental affairs. He said lawmakers should simply consider the scope of the retooling car companies are being asked to do -- essentially the equivalent of making every car and truck as fuel efficient as the current subcompact car. "We're literally reinventing automobiles by regulation."

Canada has to be much more aggressive with its aid packages if it wants to protect and maintain its auto manufacturing industry, said George Magliano, director of North American auto industry research for Global Insight. He presented a forecast to a Toronto audience yesterday that showed the country's share of North American passenger vehicle production will peak next year at about 2.85 million vehicles before falling steeply for the next five years.

"You're going to have to spend money."

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