

Economic Impact of GM Operations in Oshawa

by **Quantitative Economic Decisions, Inc.**
for **Unifor**

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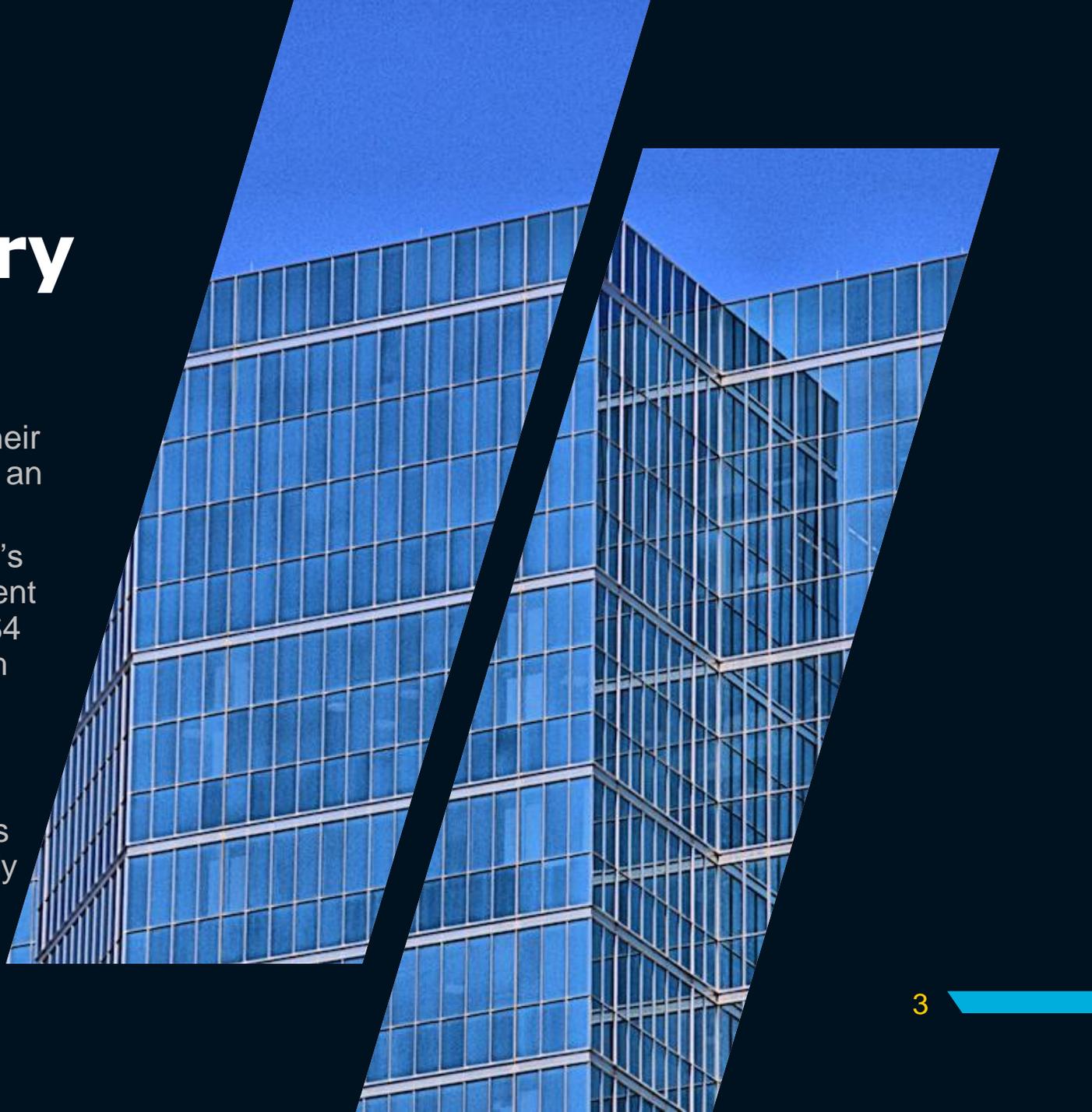
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Quantitative Economic Decisions, Inc.

Applied economic research, consulting and forecasts for Canada, its provinces, territories and sub-provincial geographies

Our mission is to provide quantitative economic research to support informed decisions

Executive Summary



- **Purpose:** This study estimates the economic contribution of GM operations in Oshawa
- **Direct Impact:** Over 4,400 jobs at GM Oshawa and their parts suppliers in Ontario will be lost in 2020 rising to an average of 6,300 jobs over the next 5 years
- **Ontario GDP and Jobs:** The loss of production at GM's Oshawa assembly plant reduces GDP and employment in Ontario over the long-term with GDP down about \$4 billion each year to 2030, and 14,000 fewer jobs each year by 2025
- **National Employment:** The weaker economy reduces employment outside Ontario by 10,000 jobs by 2025
- **Government Revenue:** The weaker economy reduces Ontario government revenues by an average of nearly \$0.5 billion a year to 2030 and federal government revenues by just over \$0.5 billion

Background

This study is an update of a 2015 report prepared for Unifor by the C₄SE



Purpose & Approach

- **Purpose:** This study estimates the economic contribution of GM operations in Oshawa
- **Approach:** The analysis is conducted by permanently removing activity related to GM operations in Oshawa using QEDinc's Canadian Modelling System
- **Scenarios:** Business-as-Usual (BAU) scenario maintains production after 2019 at GM Oshawa's average share from 2013 to 2017 of Canadian light motor vehicle production. The Closure scenario has production cease after 2019
- **Comment:** The economic contribution analysis excludes salaried GM staff in Oshawa and any potential new research and development positions in Canada. No other vehicle manufacturer is assumed to increase production in the Closure scenario

Direct Impacts

Production at GM Oshawa

MV Parts Used at GM Oshawa



Production at GM Oshawa

Unifor assembly worker employment in 2020 is expected to be about 2,600; rising to an average of just over 3,600 over the next 5 years in the BAU scenario

Direct Impact of GM Oshawa Operations (millions of 2018 dollars)

	2020	Average 2021-2025
Production (units)	169,139	253,165
Value of Shipments	5,427	8,246
Value Added	740	1,124
Labour Compensation	341	479
Production Jobs (number)	2,591	3,638

Data Sources

Production: Ward's Automotive for 2017

Shipments: Statistics Canada's 2014 Supply-Use Tables value added share of gross output for MV assembly used to estimate shipments

Value Added: author's estimates based on vehicle production and value added per vehicle

Labour Compensation: Statistics Canada table 36-10-0480-01

Production Jobs: GM Canada for 2017

Simulation Data: estimates for years after 2017 from QEDinc's Canadian Modelling System

Direct Impact

- **Light Vehicle Production:** In the BAU scenario, the number of vehicles produced in Oshawa for 2018-20 is assumed to remain at 7% of light vehicles produced in Canada but then to rise to 11% in subsequent years reflecting the allocation of new vehicles
- **Exports:** In the BAU scenario, the value of goods exported from Ontario to the US reflects the value of vehicles shipped from Oshawa
- **Income:** In the BAU scenario, Ontario's GDP includes the value added from vehicles produced in Oshawa and the labour compensation paid to production workers
- **Employment:** From 2018-20 an estimated 2,600 production workers are expected in the BAU scenario but the increase in vehicle production raises this to just over 3,600 over the next five years



MV Parts Impact

- **MV Parts Purchased:** In the BAU scenario, GM Oshawa purchases about \$4.4 billion of parts in 2018-2020. Unifor estimates that 25% of these parts, or \$0.9 billion, are manufactured in Ontario
- **Income:** In the BAU scenario, Ontario's GDP includes the value added from parts sold to GM Oshawa and the labour compensation paid to produce those parts
- **Employment:** Parts purchased by GM Oshawa between 2018-20 are estimated to support about 1,800 jobs at parts manufacturers in the BAU scenario and the assumed increase in vehicle production raises this to nearly 2,700 over the next five years

MV Parts Used at GM Oshawa

Vehicles produced at GM Oshawa support about 1,800 jobs at motor vehicle parts manufacturers in Ontario in the BAU scenario; rising to an average of nearly 2,700 from 2021-25

Motor Vehicle Parts Purchased by GM Oshawa (millions of 2018 dollars)

	2020	Average 2021-2025
Cost of motor vehicle parts	4,371	6,643
parts manufactured in Ontario	917	1,394
Value Added in Ontario	274	416
Labour Compensation in Ontario	165	240
Employment (number)	1,833	2,670

Data Sources

Cost of MV parts: Statistics Canada's 2014 Supply-Use Tables motor vehicle parts share of gross output for MV assembly

Value Added: Statistics Canada's 2014 Supply-Use Tables value added share of gross output for the MV parts production sector

Labour Compensation: Statistics Canada table 36-10-0480-01 compensation per worker for MV parts sector

Employment: Statistics Canada table 36-10-0480-01 value added per worker for MV parts sector

Simulation Data: estimates for years after 2017 from QEDinc's Canadian Modelling System

Closure Scenario

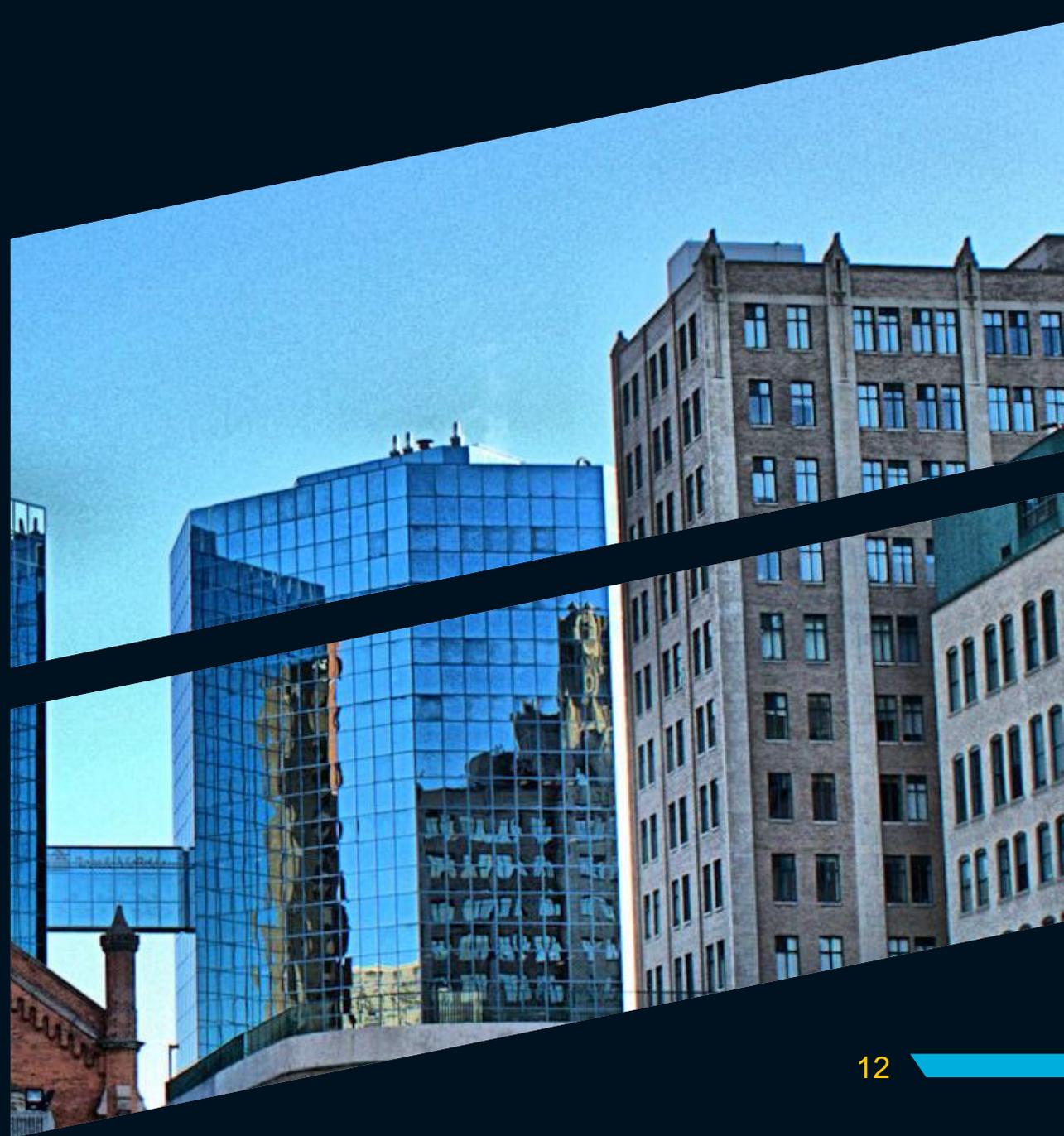
- **Before 2020:** The Closure and BAU scenarios are assumed to be identical until 2020
- **2020:** No vehicles are produced at GM Oshawa in 2020 in the Closure scenario. The BAU scenario maintains production consistent with the current contract. In the Closure scenario, Ontario's economy loses the direct production impacts and MV parts production impacts presented in the previous slides
- **After 2020:** No vehicles are produced at GM Oshawa in the Closure scenario. The BAU scenario assumes production based on new vehicles allocated to GM Oshawa. In the Closure scenario, Ontario's economy loses the direct production impacts and MV parts production impacts presented in the previous slides



Economic Impacts

Total Impacts

Multiplier Impacts



Economic Impacts

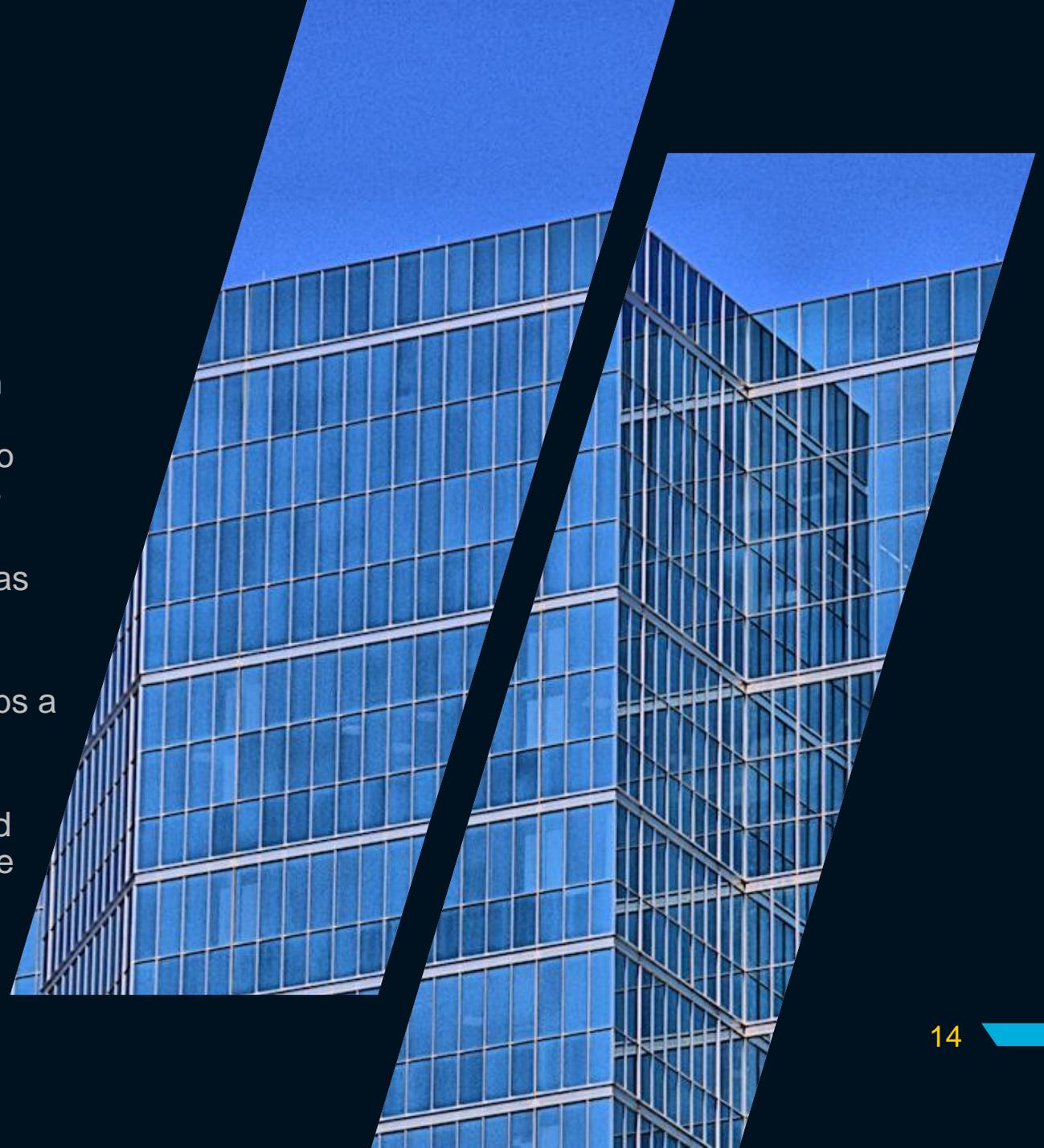
The closing of GM's Oshawa assembly plant leads to a long-term reduction in Ontario's GDP, employment and average annual labour income which negatively impact provincial and federal government revenues

Summary of the Economic Impact of Closing GM Canada's Oshawa Assembly Plant on Canada's Economy

Difference from the BAU Scenario	2020	Average 2021-2025	Average 2026-2030
GDP (millions of 2018 dollars)			
Ontario	-5,067	-5,250	-3,166
Canada	-4,768	-4,186	-2,990
Employment (number)			
Ontario	-4,085	-7,058	-14,236
Canada	13,070	4,234	-24,202
Average Annual Labour Income (2018 dollars)			
Ontario	-29.79	-35.18	-2.72
Canada	-7.69	-9.34	22.14
Government Tax Revenue (millions of 2018 dollars)			
Government of Ontario	-327	-563	-383
Federal Government	-412	-640	-427

GDP and Employment

- **Ontario GDP** is reduced by \$5 billion (measured in 2018 dollars) in 2020 with the closure of GM's Oshawa assembly plant with this loss deepening to about \$7 billion in 2021 before averaging about \$4 billion a year to 2030
- **National GDP** falls by slightly less than in Ontario as the rest of the country makes marginal gains from workers displaced to other provinces
- **Ontario Employment** is reduced by over 14,000 jobs a year by 2025
- **National Employment** rises in the short-term from people moving to other provinces from Ontario and lower wages but falls by an additional 10,000 in the long-term in response to the weaker economy



Labour Income & Government Revenue

- **Average Annual Labour Income:** The loss of high wage auto assembly and motor vehicle parts production jobs reduce average annual labour income in Ontario by \$30 in 2020. Average wages remain lower for nearly a decade before reductions in inflation lead to a recovery in inflation-adjusted (real) wages
- **Ontario Government:** Long-term reductions in employment, average labour income and output lead to an average annual decline in government revenues of \$460 million a year to 2030
- **Federal Government:** The weaker economy leads to an average annual decline in national federal government revenues of \$520 million a year to 2030



Economic Multipliers

Economic multipliers can be used to estimate the economy-wide spin-off impacts associated with a direct loss in production or employment

Economic Multipliers from GM Canada's Oshawa Assembly Plant			
Impact Relative to estimated 2020 Unifor GDP or Employment	2020	Average 2021-2025	Average 2026-2030
GDP per dollar of direct GDP			
Ontario	6.9	7.1	4.3
Canada	6.4	5.7	4.0
Employment per direct job			
Ontario	1.6	2.7	5.5
Canada	-5.0	-1.6	9.3
Government Tax Revenue per dollar of direct GDP			
Government of Ontario	0.4	0.8	0.5
Federal Government	0.6	0.9	0.6

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