

# Backgrounder: GM Oshawa Economic Impact



## Backgrounder

Unifor commissioned an independent study to examine the impact of a closure of General Motors' Oshawa operations on the wider Canadian economy. The full report is available at: <https://www.saveoshawagm.ca>

## What does the study examine?

The report provides an analysis of the overall economic contribution of the manufacturing activities of General Motors in Oshawa in terms of gross domestic product, employment, average labour income and government revenue. To assess the impact upon the wider economy, the report examines the implications of the permanent removal of these manufacturing operations from Canada.

## What are the key findings?

In 2017, the latest full-year data, 2,600 Unifor workers at GM Oshawa produced 159,000 vehicles and added \$680 million to the nation's GDP. Removing their contribution to the economy leads to...

- **Short-term:** In 2020, Ontario's GDP is expected to fall by \$5 billion with a loss of 4,000 jobs and a decline in Ontario government revenues of \$330 million.
- **Long-term employment:** Job losses increase over time reaching 24,000 by 2025 (14,000 jobs lost in Ontario, and a further 10,000 elsewhere across Canada).
- **Long-term GDP and government revenue:** Ontario's economy shrinks by an average of \$4 billion each year to 2030 leading to a reduction in Ontario government revenues of nearly \$0.5 billion and federal government revenues of just over \$0.5 billion a year.
- **Multipliers:** In the short-run, nearly \$7 in GDP is lost for each dollar of GDP generated by Unifor workers at GM Oshawa and over the longer-term GDP falls between \$4 and \$7 per dollar of Unifor generated GDP lost.

## Why did Unifor commission the report?

Canada's auto industry provides a unique and vital contribution to the wider economy. As a centre of technology-intensive advanced manufacturing, Canada's auto industry is a leading contributor to the economic well-being of the country. The direct employment and output of the General Motors' Oshawa operations are significant not only to the local community; but also in their role of supporting a much larger supply-chain, and the resulting economic spin-offs, that make these operations particularly valuable.

Given General Motors' announcement on November 26, 2018 to not allocate future product to Oshawa beyond the end of 2019, Unifor believes that a wider understanding of the economic impact of these operations provides an important context for our ongoing discussions with the company, and helps to inform public debate and policy making.

## Who prepared the report?

The report was prepared by Robin Somerville, Director of the Centre for Spatial Economics and President of Quantitative Economic Decisions, Inc. Robin has thirty years of experience in economic analysis, modelling and forecasting. Prior to joining The Centre for Spatial Economics (2002) and founding Quantitative Economic Decisions, Inc. (2006), Robin was a consultant with DRI-WEFA (1990 to 2002) and a research associate at the Bank of Canada (1986 to 1988). Robin has an MA degree in economics from the University of Western Ontario (1989).

He has extensive experience managing and conducting work for public and private sector clients with assignments typically focusing on either policy analysis or forecasting. Robin's policy analysis work is in such areas as regional economic competitiveness strategies, the costs of GHG mitigation, and the economic impact of tax and regulatory changes on infrastructure projects.

In 2016, Robin authored a report on the economic contribution of the manufacturing activities of the Detroit Three (FCA, Ford and General Motors) in Canada. In 2015, he authored a report on the economic contributions of General Motors' operations in Oshawa. Previously Robin authored reports for the Ontario Manufacturing Council on the economic contributions of the auto industry and the broader manufacturing sector. To learn more about Quantitative Economic Decisions, Inc. visit: <http://qedinc.ca/>

## What method was used?

The analysis in the report was conducted by permanently removing economic activity equivalent to General Motors' 2017 Oshawa manufacturing operations using QEDinc's Canadian Modelling System. A business-as-usual 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. The analysis considers the economic impacts over a 25-year timeframe.

## What are the implications for policy makers?

Attracting and retaining automotive investment is a key economic priority for both the Ontario and federal governments. The announcement by General Motors on November 26, 2018 to not allocate future production to Oshawa after the end of 2019 holds significant implications for the wider economy and the future of Canada's automotive industry.

Canada has lagged significantly behind other jurisdictions in securing automotive investment as the North American industry has preformed strongly, and production has migrated increasingly to Mexico. A consideration of the full economic impact of General Motors' Oshawa operations provides important insight to assess the value of anchoring the next generation of automotive investments in Canada.