Shifting Gears: The Potential for a Canadian Car Company

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INTRODUCTION

Conversations about the prospect of the elusive Canadian car company re-emerged in 2025. For some, this interest was fueled by reading University of Toronto faculty member Dimitry Anastakis' 2025 book *Dream Car* and its analysis of the failed Bricklin Vehicle Company. For others, this interest was the result of 1) questions about economic sovereignty in light of tariffs on Canadian-made vehicles, steel, aluminum, and other manufactured goods imposed by the Trump administration, 2) Canada's role in a global automotive industry that is undergoing technological changes and witnessing a number of new entrants, and 3) the effects of the retreat of US-based automakers from Canada since the industry's peak in the late 1990s.

It is likely that this much-discussed Canadian car company will remain elusive for the time being. Capital requirements in the billions serve as a barrier to entry and profitability. So does the monumental task of designing a vehicle that meets consumer needs and manufacturing it profitably.

What is more likely is that Canada and the United States reach a new arrangement related to vehicle trade as part of the negotiation of a new CUSMA in 2026. That arrangement may leverage the power that accompanies a domestic market that is capable of consuming up to two million vehicles annually. It will also, hopefully, reward the automakers that continue to invest and assemble vehicles in Canada.

Until we reach that arrangement, it is likely that conversations about a Canadian car company will persist. These conversations can be valuable, stimulating, and at times, inspiring. They also have a tendency to veer into the unrealistic. This report contributes to these conversations. It provides insight into the current state of the automotive industry in Canada, the capabilities of Canadian-domiciled companies that manufacture (or have manufactured) vehicles, and what is necessary to create a Canadian car company. In so doing, the report establishes boundaries for the broader conversation and helps define what proponents need to consider when they say they want a Canadian car company.

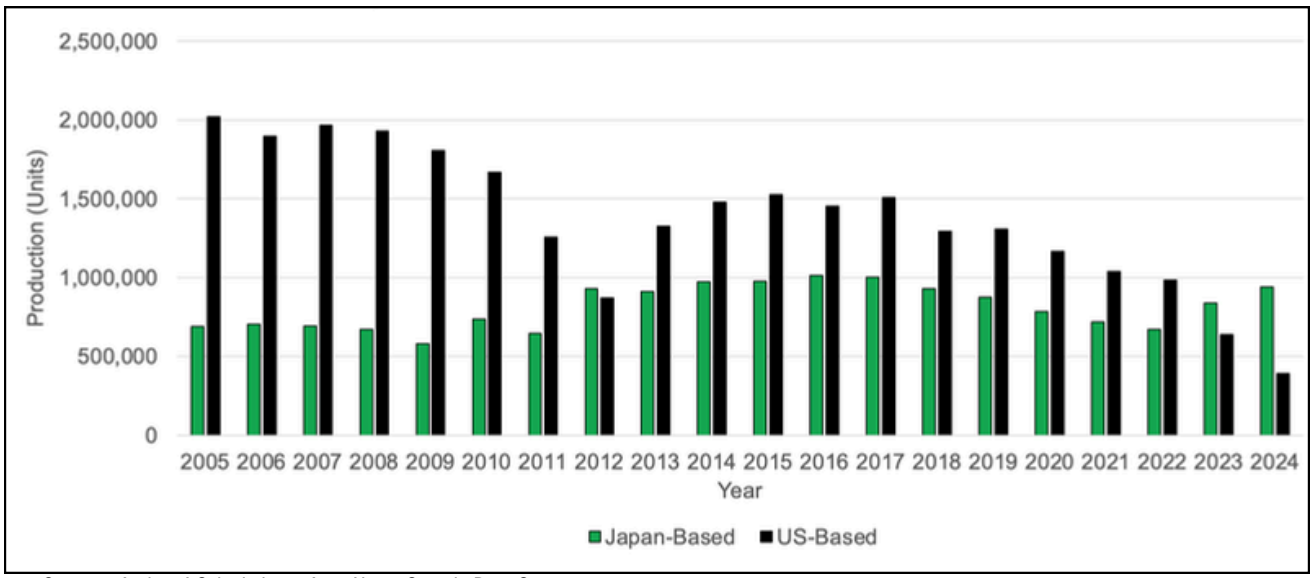
THE AUTOMOTIVE INDUSTRY IN CANADA

The idea of creating a Canadian car company re-emerged in part because of questions about economic sovereignty and ways to reverse the decline in vehicle production and automotive industry employment since the early 2000s. Canada lacks a homegrown automaker. As a result, decisions about what vehicles are assembled and where in Canada are made in other countries, primarily the United States and Japan. With the exception of Bricklin (and perhaps the lesser-known Manic GT), this has been the case since the advent of the Auto Pact in the 1960s, which provided massive economic benefits but placed decision-making control primarily in the hands of US-based automakers.

Despite the lack of control over what was assembled here, the Auto Pact was perhaps the most successful trade agreement in Canada's history. Throughout the 1990s, Canada produced more than 2.3 million vehicles annually. At its peak in 1999, assembly plants in Canada produced more than three million vehicles. The annual average increased to more than 2.5 million units in the 2000s as Japan-based automakers increased production, but decreased to 2.2 million units in the 2010s. In the first half of the 2020s, annual vehicle production averaged 1.3 million units.

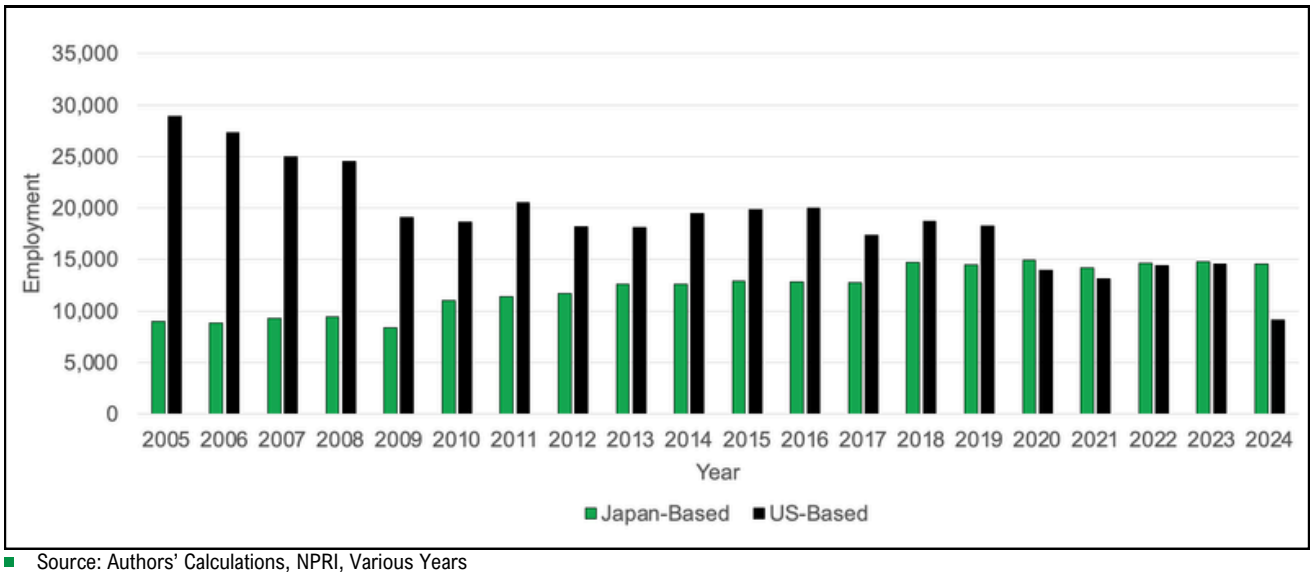
US-based automakers dominated Canada's automotive industry until relatively recently. In 2005, they assembled more than 74 per cent of all vehicles made in Canada. This is no longer the case. Japan-based automakers have accounted for more than half of vehicles assembled in Canada since 2020 (Figure 1). They also account for a growing majority of passenger vehicle assembly plant employment in Canada (Figure 2).

Figure 1: Canadian Light-Duty Vehicle Production, 2005-2024



Source: Authors' Calculations, Auto News Canada Data Centre

Figure 2: Light-Duty Vehicle Assembly Plant Employment, 2005-2024



Source: Authors' Calculations, NPRI, Various Years

The source of vehicles sold in Canada also changed over the past two decades. Approximately 90 per cent of vehicles sold in Canada are imported. In 2005, 66 per cent of vehicles imported to Canada (by dollar value) came from the United States. In 2015 that number fell to 60 per cent. In 2024, and for the first time in recent history, that number fell below 50 per cent (Table 1). Over the same time, vehicle imports from Mexico and South Korea increased considerably. Imports from China increased from virtually zero in 2005 and 2015 to three per cent in 2024, but are poised to decrease due to tariffs. Germany and Japan are also significant sources of imported vehicles.

Table 1: Canadian Vehicle Imports, 2005, 2015, and 2024

Country	2005	2015	2024
US	$19.3B (65.6%)	$26.6B (60.1%)	$35.6B (48.9%)
Mexico	$2.1B (7.3%)	$6B (13.5%)	$12.1B (16.7%)
Japan	$3.8B (12.8%)	$3.2B (7.2%)	$7.9B (10.8%)
Korea, South	$1.6B (5.3%)	$2.6B (5.9%)	$7.4B (10.2%)
Germany	$1.6B (5.5%)	$3.6B (8.2%)	$4.2B (5.8%)
China	$2M (0.0%)	$10M (0.0%)	$2.1B (2.9%)
Others	$1B (3.5%)	$2.3B (5.1%)	$3.3B (4.6%)

Source: Authors' Calculations, ISED Trade Data Online

Increased vehicle imports from Mexico, a signatory to two free trade agreements with Canada, are due to the growth of its automotive industry since the mid-1990s. Mexico is now capable of producing more than four million vehicles annually. Increased imports from South Korea, with which Canada has a free trade agreement, are due largely to consumer incentives for electric vehicles (EVs). The same is true for China, although the sales of Chinese-made vehicles are expected to plummet in 2025 and 2026 because of tariffs.

About 90 per cent of vehicles assembled in Canada are exported to the United States. Virtually all of the remainder are sold in Canada. While it is possible that Canadians' purchases of vehicles assembled in Canada will increase, it is unlikely that such a change in buying habits would be enough to sustain an entire industry. This leaves many industry stakeholders searching for new strategies and ideas.

Manic GT from the Collection of the Canadian Automotive Museum

CANADIAN CAPABILITIES

With all this in mind, it makes sense that Canadian automotive industry stakeholders are seeking ways (in addition to ongoing commitments to Honda and Toyota) to secure and grow the automotive industry, and fill the gap left by US-based automakers. But before we go any further in our discussion about a Canadian car company, it's important to identify our existing capabilities and where homegrown companies have come close to developing a truly Canadian car.

Several Canadian companies have successfully designed, manufactured, and profitably sold on-road vehicles. Perhaps the closest thing we have to a Canadian car company is BRP (which was spun out of Bombardier in 2003) and its three-wheeled Can-Am Spyder. The Spyder is made by BRP at the company's global headquarters in Valcourt, Quebec, and in a sibling facility in Austria. If the Spyder only had one more wheel, we wouldn't be having this conversation. But here we are.

Canadian companies have designed and manufactured buses. These include Quebec-based Prevost Car's H-Series platform (at least those designed and assembled prior to its acquisition by Volvo Group in 2003), Lion Electric's school buses (some of which were designed in partnership with US-based Spartan Chassis), Letenda's midsized electric transit buses (developed with support from Rio Tinto), and coach buses designed by Motor Coach Industries since its acquisition by New Flyer in 2015.

Several Canadian-domiciled companies have experience manufacturing other automakers' niche vehicles on contract. Multimatic Niche Vehicles North America, a subsidiary of GTHA-based Multimatic, assembles 'supercars' such as the Ford Mustang GTR, Ford GT, Ford Bronco DR, and several Aston Martin variants in York Region. Bombardier built several thousand units of the Volkswagen Iltis, a light-duty military vehicle, in the 1990s. Some of these vehicles were bought by the Canadian Armed Forces; others found their way to Belgium's military. While the original site of Iltis production was supposed to be a stand-alone facility in Barrie, Ontario, Bombardier wound up producing the Iltis in the same facility that BRP now operates in Valcourt.

Dozens of Canadian companies manufacture vocational, emergency, security, and military vehicles on General Motors, Ford, and Freightliner 'chassis cabs' (stripped down trucks and vans) imported from the United States. Armoured car manufacturer Roshel (Brampton, Ontario), ambulance manufacturer Crestline Coach (Saskatoon, Saskatchewan) and fire truck manufacturer Camions Carl Thibault (Pierreville, Quebec) are examples of such companies.

Two Canadian-domiciled companies operate assembly plants outside of Canada that assemble vehicles on a contract basis. Multimatic operates two niche vehicle assembly plants in the United Kingdom. Magna Steyr, a division of Magna International, operates a full-scale assembly plant in Graz, Austria.

Magna acquired the assembly plant in 1998 with the purchase of Steyr-Daimler-Puch, the manufacturer of the Mercedes-Benz G-Class. It expanded its operations in Graz with the purchase of the neighbouring Eurostar assembly plant from DaimlerChrysler. In addition to the G-Class, Magna Steyr assembles several models, including the Toyota GR Supra, and beginning in 2025, the XPeng G6 and G9 EVs for the China-based automaker. Magna Steyr has assembled the Jaguar I-Pace and E-Pace, BMW Z4, BMW 5 Series, and Aston Martin Rapide (among dozens of other models) in the past.

Finally, several concept cars have been designed and assembled in Canada. Most recently, the Automotive Parts Manufacturers' Association's (APMA) Project Arrow zero-emission prototype helped showcase the skills of Canadian companies and demonstrate Canada's ability to develop its own car company. Project Arrow was initially revealed in 2023 at the Consumer Electronics Show (CES) in Las Vegas. Two decades earlier, Multimatic designed and assembled the MDP1, an endurance racing vehicle that achieved some success in competition. Multimatic assembled a total of four MDP1s. Prior to that, Magna designed and assembled the Torrero concept vehicle to showcase its design and production capabilities in advance of the outsourcing boom of the 1990s. Two Torreros were built, one of which made its debut at the 1989 North American International Auto Show. A Torrero is on display at the Canadian Automotive Museum in Oshawa.[1]

This is an interesting inventory of Canadian vehicle innovations and achievements. All are great examples of the capabilities that exist in Canada. But they do not constitute the elusive ‘‘Canadian car company" or come close to replacing the vehicle assembly jobs lost over the past two decades. Nor would they represent a robust market for Canadian-made automotive parts if US-based automakers continue to scale back production in Canada. Moreover, none have a truly Canadian powertrain or propulsion system. Some vehicles made by Multimatic have an engine made in Windsor by a US-based company (Ford). Lion Electric buses have a Dana TM4 motor, but import the battery cells from the United States. Even the Torrero had a US-made Eagle Racing engine. More on powertrain and propulsion systems later.

1987 Magna-Vehma Torrero from the Collection of the Canadian Automotive Museum

1: Authors' note: The Torrero is pretty cool and was ahead of its time. Worth a gander if you're in Oshawa. The fax machine is a nice touch.

THE CANADIAN CAR COMPANY

Let's take a step back and determine what defines the long-desired 'Canadian car' or 'Canadian car company'.

First, the vehicle must be designed in Canada, with some input from Canadian citizens or permanent residents. Second, the vehicle must be assembled in Canada (this, surprisingly, is the easy part). Third, the company that designs the vehicle, manufactures (or arranges to have the vehicle manufactured), and markets the vehicle must be domiciled in Canada. Finally, that Canadian-domiciled company should have a plan to turn a profit within five years of its first sale.

We can now start to narrow the list. We have a better idea of what constitutes a Canadian car company, and a few examples of what doesn't. Here are some things we can cross off the list:

- A purpose-built vehicle on an imported chassis cab;
- An unaffordable, niche, high-performance vehicle that cannot be produced at scale; or
- A bus.

Nor should we consider any vehicle that competes in such established market segments as mid-sized SUVs or pickups. The likelihood that a fledgling company can develop a product that can directly compete with the Canadian-made Toyota RAV4 or the US-made Ford F-150 is unrealistic.

The design element is vital. The design and concept phase is the genesis of any vehicle. Without an exceptional design, efforts to create a Canadian car company–or any company that designs the next Ford Mustang, Dodge Caravan, or Tesla–are unlikely to succeed.

The problem is that the Canadian divisions of foreign automakers have seldom been tasked with designing a vehicle. Outside of a very small number of design shops, the most experienced Canadian vehicle designers are those who have spent parts of their careers in Detroit working in the R&D and engineering departments of US-based automakers. Identifying champions among this group could prove essential to efforts to establish greater vehicle design capacity in Canada.

Recruiting designers with experience working in the EU, the United Kingdom, or Asia might also help. Those would serve as a compliment to entrepreneurs and design engineers trained in Canada. In any case, supporting one or more organizations that can design a vehicle that is production- and market-ready is an important first step.

Assembling a vehicle is relatively easy, at least when compared to the task of conceiving and designing a vehicle that is desirable to consumers in five to ten years. There is absolutely no question that Canada has the capability to manufacture vehicles and components on a niche basis or at scale.

Identifying a suitable location for production is also relatively easy. The Canadian car company could contract an incumbent manufacturer to produce its vehicles on a flexible assembly line that is designed to accommodate multiple platforms. Some[2] may recall that FCA Canada (now Stellantis) produced several thousand Volkswagen Routans alongside Dodge Grand Caravans and Chrysler Town & Countrys in Windsor, Ontario. The Canadian car company could assemble vehicles in an existing, but underutilized, facility, of which there are several in southern Ontario. It could also choose to build its own factory.

The other great challenge, in addition to design, is creating and financing the company itself. It is possible, but improbable, that a self-funded company owned by an already-wealthy entrepreneur or group of entrepreneurs seeking to improve their lot via the automotive industry emerges.

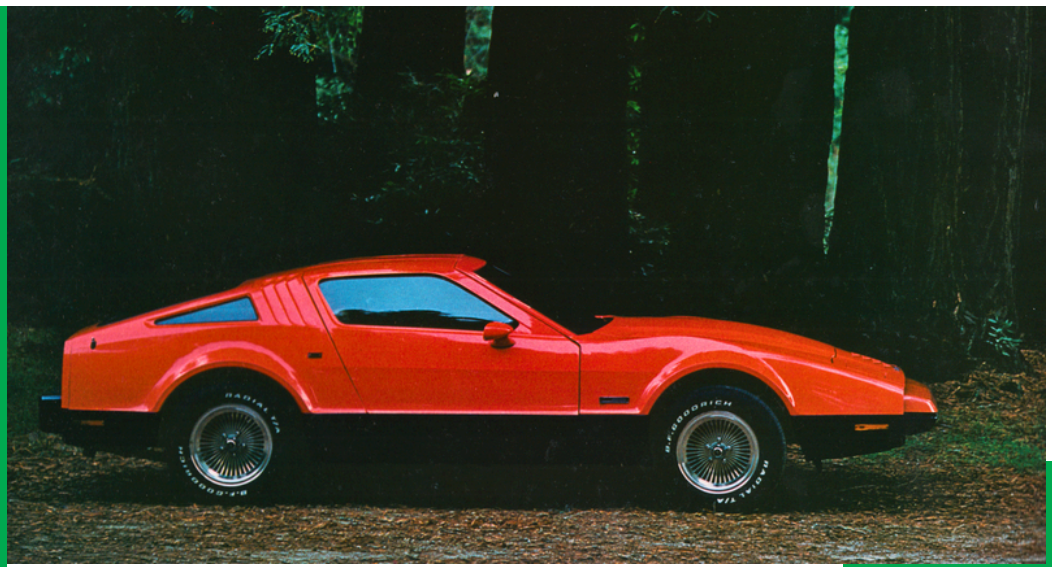
Any entity seeking to finance such an operation will need deep pockets. Capital spending, including research and development costs for the 25 largest global auto makers, amounted to more than $250 billion (US) combined in 2023, or more than $10 billion each on average. The late Sergio Marchionne, the Italian-Canadian industrialist who led Fiat SpA to save Chrysler in 2009, called the auto industry one of the leading destroyers of capital in modern business. He described automakers going it alone to try to develop their own powertrains and other systems as a “fundamentally immoral” waste of capital. Making such a substantial investment in an already-crowded industry requires investors with an unusually high risk tolerance.

As a candidate to lead a Canadian car company, Magna seems obvious, at least on the surface. This is because it is the largest manufacturing employer in Canada and has owned and operated a full-scale assembly plant in Austria for more than two decades.

2: The Volkswagen Routan was built on the same platform as the Grand Caravan and Town & Country. It featured different trim, interior styling, and suspension. If we accept that this was indeed a Volkswagen vehicle (rather than a FCA vehicle), would a vehicle designed in Canada, by a Canadian-domiciled company, and assembled in Canada on a foreign automakers’ existing platform be sufficiently ‘Canadian’ enough to constitute a Canadian car?

It is our opinion that Magna is not such an obvious candidate. Magna came by its Austrian assembly plant through very particular circumstances. Nor is Magna in the business of designing vehicles. Furthermore, Magna is less a Canada-based company with a global footprint and more a global company with Canadian roots these days. Its CEO is based in another country. That same CEO recently ruled out establishing contract assembly operations in North America so long as there is unused capacity at existing assembly plants. At the time of writing, there is somewhere between 400,000 and 600,000 annual units of unused capacity in Canada alone (maybe more). Finally, and importantly, Magna's Canadian footprint has shrunk considerably over the past decade. While it remains Canada's largest manufacturing employer–a distinction that once went to General Motors–Magna risks being overtaken by Linamar or Maple Leaf Foods in the next few years.

What is more likely to succeed is a Canadian-domiciled partnership made up of Canada-based and foreign companies that fill specific niches (e.g. design, engineering, financing, manufacturing, marketing). Multimatic is a potentially valuable partner. The company continues to increase production and employment at its Toronto-area facilities in York Region during a time when other Canada-based suppliers are trending in the opposite direction. It also has experience assembling vehicles, including prototypes. That said, it can be difficult to get a read on Multimatic's long-term strategies given the company's fierce preference for privacy.



1975 Bricklin SV-1 from the Collection of the Canadian Automotive Museum

BRP represents another potential partner. It already manufactures on- and off-road vehicles, as well as propulsion systems for internal use (albeit in Austria and Mexico) via its Rotax division. Moreover, BRP owns and operates a facility in Valcourt, Quebec, that once produced several thousand units of the aforementioned Volkswagen Iltis in the 1990s.

Speaking of Volkswagen, it may not be too far-fetched to think that it may be interested in contributing to such a partnership (as it once contributed to a partnership with Bombardier). This could be in the form of a stakeholder or a supplier, especially if the Canadian car was electrified and incorporated battery cells made by PowerCo in St. Thomas, Ontario.

There are examples of original equipment manufacturers (OEMs) in other industries that were created through international partnerships. Airbus is perhaps the best example of such a company. Headquartered in the Netherlands (like Stellantis), Airbus is owned by a number of states (e.g. France, Germany, Spain) and private investors. Originally a consortium of mostly state-owned companies from France, West Germany, the United Kingdom, and Spain, the modern Airbus includes assets once owned by dozens of companies. These include Bombardier and the former aerospace division of Daimler-Benz.

There are also examples of global manufacturing companies that have completely transformed their businesses over time. There is no better example than Bombardier. In the early 1980s, Bombardier had little aerospace business. Its first major investment in aerospace came when it acquired Canadair from the Government of Canada in 1986 (after overtures by Magna and other suitors were rejected). Bombardier has since divested its rail (to Alstom), recreational vehicles (to BRP), and commercial aircraft (to Airbus and Viking Air) to focus on business aircraft.

Bombardier's sale of its commercial aircraft business is a lesson for any company thinking of challenging long-established players in the automotive industry. The Quebec-based company's C-Series program mounted a formidable challenge to the established Boeing/Airbus duopoly in the single-aisle commercial jet segment. Despite its best efforts, however, Bombardier ultimately sold this business to Airbus in order to focus its efforts on business jets.

Airbus and Bombardier are very specific examples. One demonstrates that large international consortiums can work, when the right strategic partners are involved.

Project Arrow - Automotive Parts Manufacturers' Association

The other demonstrates that large companies can change their DNA almost entirely over the long term. Together, they also demonstrate that successful companies in competitive and concentrated industries emerge not on a whim, but as the result of strategic, long-term investments.

Finally, a truly Canadian car should have a Canadian propulsion system. The propulsion system is the most valuable part of the vehicle, electrified or otherwise. It may account for more than one-third of the value of a larger pickup or bus.

In most cases, automakers develop and manufacture their own propulsion systems. In others, they do so in close collaboration with trusted long-term suppliers (e.g. Cummins, Aisin, ZF, BorgWarner). The lack of a homegrown automaker has meant that Canada has been slow to develop homegrown propulsion system designers and manufacturers, with some exceptions.

British Columbia-based Ballard Power Systems develops and manufactures fuel cell products. It has a diverse client base that includes bus manufacturers. It has entered into technology development partnerships with automakers such as Ford, Daimler AG, and Audi, although the slow uptake of fuel cell electric vehicles (FCEVs) has limited the company's presence in the passenger vehicle industry. That said, Ballard is capable of producing fuel cell systems for on-road vehicles.

Two Canadian companies–TM4 and Enedym–have successfully developed and commercialized EV motors. TM4 was originally spun out of Hydro-Quebec's R&D centre. Ohio–based automotive parts supplier Dana became the majority owner of TM4 in 2018, creating Dana TM4. Dana TM4 counts a number of North American, European, and Chinese bus and mining equipment manufacturers as customers. Hamilton-based Enedym has developed an EV motor that does not rely on rare earth magnets. Based in a part of a former Westinghouse/CAMCO factory at the McMaster Innovation Park (fun fact: both McMaster and CAMCO are former employers of one of the report's authors), Enedym recently secured an investment from Honda Xcelerator Ventures (a subsidiary of Honda Motor Co.) to help scale its operations.

We would be remiss if we didn't mention Linamar. The second largest manufacturing employer in Canada, Linamar is known for its expertise in manufacturing engine and transmission components primarily for US-based automakers. The company has R&D capabilities, although its highest-order work is done at McLaren Engineering near Detroit (not to be confused with the UK-based, Bahraini-owned sports car manufacturer McLaren Group). If Linamar were willing to repatriate the development or manufacturing of its most advanced propulsion system innovations–such as the eMD15 eAxle–it would certainly make an important contribution to the elusive Canadian car.

A truly Canadian propulsion system would be one composed of a Ballard fuel cell system, an Enedym motor, and other componentry made in Canada by Linamar. But if an FCEV is unrealistic, would the combination of a PowerCo EV battery made in St. Thomas and a Hamilton-made Enedym motor be sufficiently Canadian? A definitional problem such as that would be a nice one to have if we make it that far.[3]

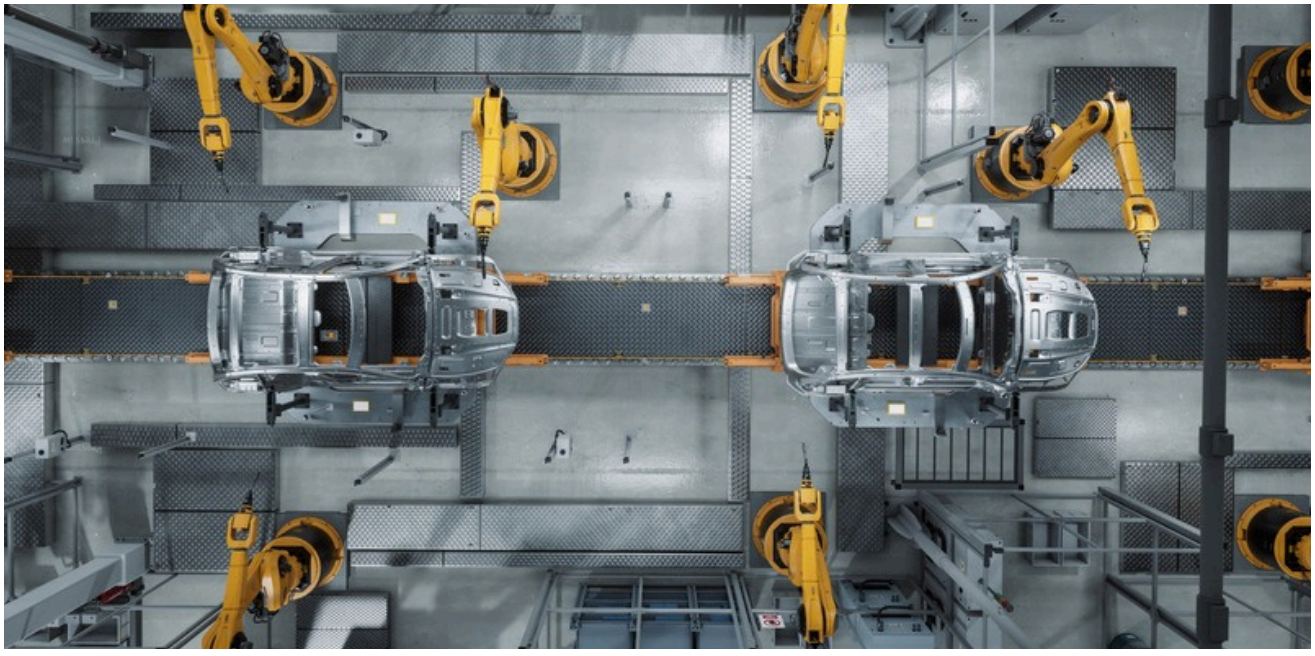
3: Note that these are concepts and ideas advanced by the authors. None of the companies mentioned in this report were consulted by the authors or asked to contribute to the report.

AUTOMATION, DIGITIZATION, AND THE NUCLEAR OPTION

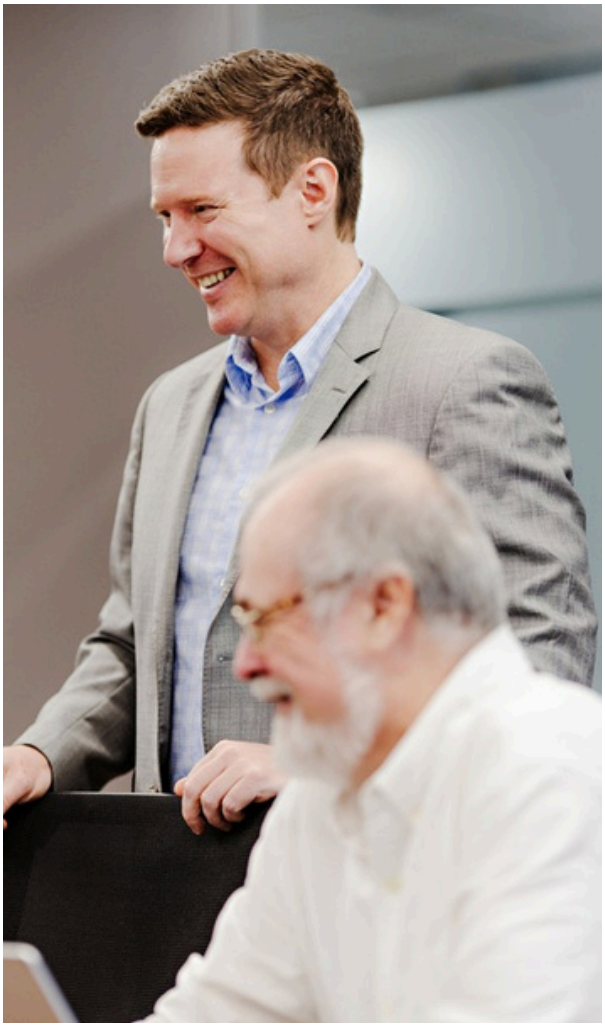
So far, we've identified investments in design capabilities, a company formed through a consortium, and an emphasis on a Canadian-made propulsion system as key elements of a Canadian car company. We believe that we should also consider some other ideas as part of the broader conversation. These are related to the automation and nuclear industries.

It would be wise to consider including Canada-based automation companies in the conversation and perhaps in any eventual consortium. The most likely candidates are ATS Corporation and (the recently re-patriated following its acquisition by Accenture) Eclipse Automation. Both companies are based in Cambridge, Ontario, a short drive from the largest vehicle assembly complex in Canada, which is operated by Toyota. They are part of a broader automation ecosystem located in the Waterloo region, which is known for its software and AI development capabilities. Both companies have significant local manufacturing footprints that could serve as the location for prototype or niche vehicle production. They also have deep-seated experience working in the automotive industry, although they devote an increasing proportion of their time to industries such as life sciences and nuclear.

The thought of including automation companies in the conversation begs another question. What if the Canadian car project was designed to demonstrate, develop, and commercialize advances in automation and digital production technologies rather than a new vehicle or in-vehicle technology? Unlike decisions around what to manufacture, the Canadian divisions of



Japan- and US-based automakers have some control over how those vehicles are manufactured. This is evident to those who have taken the public tour of Toyota's Cambridge facilities. Such an initiative would likely find a welcome partner in NGen, Canada's advanced manufacturing supercluster.



Including the nuclear industry would also be beneficial. Canada's nuclear industry is well-developed, growing, and features CANDU reactors designed and built in the country. A Canadian nuclear OEM has emerged recently as the result of the acquisition of Westinghouse Nuclear by a joint venture between Toronto-based Brookfield Renewable Partners and Saskatoon-based uranium fuel producer Cameco. Other foreign-based companies, such as General Electric, Hitachi, and BWXT, also play an important role in Canada's nuclear industry.

We are not suggesting that Canada take the lead on developing a nuclear-powered car (yet). We are suggesting that there is value in engaging with the companies–preferably those domiciled in Canada–that develop, build, and operate nuclear power generating stations. They are technologically proficient. They are energy providers at heart, and are certainly worth having at the table when discussions around the intersections of energy and mobility inevitably appear. Bringing Brookfield into the mix may also help with financing.

Finally, what if a Canadian car company were successful in designing and producing a vehicle? Getting it to market might seem prohibitive, especially given the high cost of real estate needed to establish dealerships in Canada's largest cities. Here's an idea to overcome that: the company could partner with Canadian Tire. Such a partnership would provide instant access to a nationwide service and repair network. It could also provide showroom space in the more expansive Canadian Tire locations.

CONCLUSION

Creating a Canadian car company would be expensive and time-consuming. (Although not nearly as expensive and probably not as time-consuming as building a road to the Ring of Fire.) But with US protectionism threatening to restrict the number of Canadian-made vehicles that are sold south of the border, it is time to consider options that seemed unrealistic and impractical only a few years ago. Some of those options include leveraging the large Canadian market for vehicles; a market that surpassed two million units in its best years. Another, as discussed throughout this report, is to create a Canadian-domiciled automaker.

A Canadian car company would be one that designs and assembles vehicles in Canada. It would sell those vehicles in Canada and abroad. To create that company, a few things have to happen. The first involves investments in vehicle design capabilities. Those investments may happen alongside the consolidation of existing company and institutional (e.g. university) capabilities, the repatriation of Canadian citizen designers working abroad, and recruiting non-citizens with similar talents from abroad. The second involves assembling (pun intended) a consortium of willing partners from the automotive industry, other industries (e.g. aerospace, automation, nuclear), and governments willing to participate in such an initiative. An important part of this second item would be identifying and securing financing (in the billions). The third involves designing and integrating a (mostly) Canadian-made propulsion system into the vehicle. Or at least, into variants of the vehicle.

The likelihood that the United States will shut Canadian-made vehicles completely out of its market is low. Doing so would constrict supply south of the border, thus increasing costs to consumers, and inevitably lead to retaliation by Canada, which consumes upwards of 800,000 US-made vehicles annually. But if that were to happen, the market opportunity in Canada alone would be tremendous. With this in mind, there is little harm in anticipating and preparing for such an opportunity.

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