

Ottawa has power to save threatened GM truck plant; Invoking Auto Pact rules might violate NAFTA but it's more important to protect Canadian jobs

Buzz Hargrove, Special to The Star
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GM's plan to close its truck assembly plant in Oshawa next year has struck a painfully raw nerve - and not just among the 2,600 CAW members who will lose their jobs if this decision is allowed to stand.

Canada's manufacturing sector has been crumbling before our eyes for five years. It's shed more than 400,000 jobs. Dozens of plants have closed. Our trade deficit in manufactures reached a crushing \$32 billion last year.

So why has this particular closure sparked such outrage? Because GM crossed a moral line with this decision. Several aspects of GM's announcement deeply offend Canadians' sense of fair play and mutual obligation:

It came two weeks after GM committed to operate the plant throughout a new three-year collective agreement with the CAW. In return, our members accepted unprecedented provisions (including a wage freeze) that will save GM a half-billion dollars over the same period. GM is happy to pocket these savings - but is walking away from the plant.

The truck plant won repeated honours for top quality and productivity. Incredibly, just as the closure was announced, the plant was recognized again by J.D. Power & Associates for the best quality of any large truck plant. Productivity is also higher than other GM plants. If delivering the absolute best quality and best productivity, along with freezing our wages, can't save our jobs, what will?

Yes, pickup sales have declined this year. That might justify down time at the plant - but not its outright closure. GM will still produce the vehicles we currently make in Oshawa. It just won't produce them in Canada.

We all recognize the need to adapt to environmental challenges. We've been pushing the companies (with government support) to invest in made-in-Canada production of "green" vehicles and components. Indeed, this very plant just began assembling the first-ever Canadian-made hybrid (a hybrid powered version of the pickup). But now GM is shifting

production of the hybrid truck to Mexico.

In short, we had everything going for us: competitive costs, a newly inked contract, unbeatable productivity and quality, and an environmentally friendly product. Yet GM's corporate leadership snatched it all away with its panicked and unjustified decision to close this plant.

No wonder our members, other residents of Oshawa, and millions of Canadians (including major political figures of all stripes) have expressed such fury at this decision. And the federal government is feeling the heat as much as General Motors. The plant is in Finance Minister Jim Flaherty's backyard. His broken-record refrain that Canada's fundamentals are in "great shape" is wearing awfully thin as thousands of his constituents lose their jobs. Ottawa's inaction in the face of the worst crisis ever to hit Canadian manufacturing is inexcusable, and Canadians know it.

But with a simple change in trade law, Ottawa could prevent this closure (and others like it). GM sells 230,000 light trucks (including pickups, minivans, and SUVs) in Canada each year. Under the rules of the former Canada-U.S. Auto Pact, every participating company had to produce here as many cars, and as many trucks, as it sells here. If it closes this plant, GM will break the Auto Pact rules. So Ottawa can prevent the closure by simply announcing that Canadian auto makers must continue to follow those rules.

The Auto Pact was probably Canada's most successful industrial development policy ever. It was abolished after a kangaroo court ruling from the World Trade Organization. Ottawa meekly accepted that ruling - but it didn't have to. Even under the WTO, national governments still have legal power to set economic policies, in line with national interests.

After all, the Americans don't let trade treaties get in the way of defending their jobs - nor does Japan, China and others. Only Canada plays Boy Scout in international trade, following the "rules" (so loaded in favour of corporations) no matter the damage to our own jobs and industries.

The federal government should insist that the Canadian content rules of the Auto Pact will continue to apply to GM and other auto makers. Yes, this goes against the principles of the WTO and NAFTA. Yes, the companies will complain. But it's more important to protect Canadian jobs - the 2,600 direct jobs at the GM plant, the 10,000 other jobs that depend indirectly on that plant, and the many thousands of other

auto-related jobs at risk in coming years if Ottawa sits on its hands.

The government can use carrots and sticks to force GM to reverse this outrageous decision (and to apply the same standard to other auto makers). It can make investment subsidies and tax cuts contingent on meeting Auto Pact principles. It can impose emergency tariffs on companies that do not. Merely expressing outrage over GM's decision would make a difference.

In short, there are many perfectly legal levers Ottawa could use to give this reasonable principle - if you sell here, you must produce here - some real teeth. But instead, Flaherty and his colleagues accept yet another plant closure as normal corporate behaviour.

Premier Dalton McGuinty's government, in contrast, has been active and supportive, recognizing the importance to the whole provincial economy of retaining these high-productivity jobs. But the crucial factors driving this crisis - a vastly overvalued loonie and a one-way flow of imports - are obviously beyond provincial control.

GM has no moral or legal right to close this plant. We will fight that decision with every means at our disposal. What about the Harper government? It has the power to make a difference for tens of thousands of Ontario workers who now fear for their future. But does it have the political will?

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