

Trouble in Canada's Motor City: The future of GM's Oshawa plant hangs in the balance

By Greg Keenan

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To understand how vital General Motors of Canada Ltd. has been to life in Oshawa for almost a century, consider the 1977 Grade 12 students of R.S. McLaughlin Collegiate Institute.

John Henry, a member of that class, recalls that most of the men among the more than 200 Grade 12 students that year left school before graduation and went to work at General Motors or at one of the myriad of nearby auto plants that fed the giant.

“If you were a young person in Oshawa right up to about 1980, you could have left and gotten a job in any one of the feeder plants or General Motors itself,” says Mr. Henry, now the mayor of Oshawa.

The high school itself was named after Sam McLaughlin, the man whose family's carriage business provided the foundation for what became the largest auto assembly complex in North America.

Mr. Henry took a different path than his fellow students, even though his father was a foreman in the materials handling department at GM.

Mr. Henry's two brothers followed in their father's footsteps and are still employed at the GM plant. But this is not their father's General Motors.

The future of one remaining car plant with its two assembly lines is in grave doubt as company management and the union that represents workers face off in talks on a new contract.

The union, Unifor, insists it will not sign a new contract until the auto maker makes a commitment to produce new vehicles that will replace the cars scheduled to go out of

production later this decade. GM Canada has countered that no decision about replacement vehicles can be made until after a new contract is signed.

At stake are 2,460 direct hourly paid jobs on the two assembly lines in Oshawa, plus thousands more jobs at supplier plants in the city, the surrounding region and across the country; about \$1-billion in annual tax revenues for all three levels of government; and the future of manufacturing in what was once the Motor City of Canada.

GM Canada would not comment for this article, citing a policy of remaining silent publicly once contract negotiations are under way.

But a senior company executive who asked to not be named said GM expects to be producing some vehicles in Oshawa until at least 2019.

“So, from our perspective, we have some time in terms of discussions and decisions with respect to the future of Oshawa,” the executive said. “It's important that we stay in the game. There are no predetermined outcomes here. We're going through the economics.”

The city and the company are intertwined. The Junior A hockey club Oshawa Generals are named after the company that was for decades the largest employer in the city. The team plays home games at the General Motors Centre.

“You'd be hard-pressed to find someone” whose life hasn't been affected by GM, Mr. Henry says.

Ceasing production in the hometown of its Canadian operations may reduce GM's costs and improve the capacity utilization of its North American assembly operations.

However, the auto maker risks damage to its brand if it shuts down after taxpayers in Canada contributed \$10.8-billion to a bailout that saved the company in 2009, even though it has met the commitments it made in return for that money.

None of this was even remotely in view when Sam McLaughlin sold his fledgling auto-making business to General Motors in 1918.

By the time GM Canada hit its production peak in 2003, it was cranking out 940,000 vehicles annually from two car-assembly plants and one pickup-truck factory in a giant complex that stretched 1.5 kilometres from almost the edge of Highway 401 south to a few blocks from the shore of Lake Ontario.

The Silverado and Sierra pickup trucks, Buick LaCrosse and Regal, Chevrolet Impala and Monte Carlo, and Pontiac Grand Prix cars that rolled off the lines represented 37 per cent of auto production in Canada. There were more than 11,000 jobs at the three plants.

By last year, production in Oshawa had plunged to 222,000 vehicles, which accounted for just 10 per cent of all Canadian vehicle output. The three remaining vehicles to be produced after 2017 when the consolidated line shuts down will be the Chevrolet Impala, Cadillac XTS and Buick Regal.

In addition to the production jobs, there are 750 GM Canada head office employees in Oshawa and another 300 engineering and technical employees at its engineering centre in the city. Another 1,100 people work at the GM Onstar call centre.

Those jobs are not at risk, the GM executive says.

Although GM does not dominate Oshawa the way it once did and the city has diversified with new port facilities and growth in health-care jobs, a permanent closing of the assembly plant would be a blow that would ripple

throughout Ontario and the country, Mr. Henry says.

“It will hurt us as a municipality if something happened to General Motors, but it will affect every community where an employee lives,” he says in an interview in his office at Oshawa City Hall. “The car is that shiny apple, but that’s not the story. The story is the parts suppliers, the retirees and most of all the thing that everybody tends to [forget] is the taxes collected, because it funds everything.”

Taxes paid by GM to Oshawa, Durham Region and local boards of education amount to more than \$12-million annually.

A study done for Unifor by the Milton, Ont.-based Centre for Spatial Economics puts the macroeconomic impact bluntly:

“The closure of the Oshawa facility would constitute an important negative shock to the Canadian economy.”

The decline in vehicle production since the peak hit in 2003 – including the shutting of the truck plant in 2009 – has already had a negative effect.

Lear Corp., which makes seats for the three remaining passenger cars assembled at the GM plant, has cut its work force to about 300 employees at a single factory about two kilometres away in Whitby, Ont. At peak production, 800 Lear workers at two plants made seats for GM vehicles in Oshawa, says Scott Bateman, chair of the Lear unit of Unifor’s Local 222.

If GM shuts Oshawa, the 300 Lear jobs are almost certain to disappear, too, because seat-making plants are usually dedicated to a single assembly facility and located close to that plant for just-in-time delivery as one of the last components to be installed in vehicles.

Mr. Bateman notes that the relentless drive by auto makers to slash their costs has cascaded down the line to Lear and other parts suppliers.

Workers are paid \$28 an hour, but have not had a raise in 10 years, he says. They have surrendered two weeks of vacation, so the maximum is now four weeks after 20 years, compared with six weeks previously.

The labour agreement between Lear and Unifor has been extended for six months until the future of GM's assembly lines becomes more clear.

"We understand the landscape," Mr. Bateman says. "We're not in a position where we think we need a raise. We want to maintain what we have."

Eric Berentschot knows what it's like to lose one of these well-paying manufacturing jobs that provide a solid middle-class lifestyle in Oshawa and the other Ontario cities where the auto industry is the largest employer.

Mr. Berentschot, 48, went to work at Lear in 1998. The job gave him a big pay raise from his previous job in the predelivery inspection department of a local car dealership.

"When I started and I jumped up in pay from the dealership, I thought wow, I hit the jackpot," he recalls. "Better wages, pension, benefits, great holidays. So when the big crisis came, it was a big shock. Nobody saw it coming."

He was laid off by Lear in 2008 during the depths of the recession. It took him a year to find another job, which paid \$14 an hour, about half what he was making at Lear.

His wife kept her job as a receptionist at a physiotherapy clinic and they had accumulated savings from his 10 years at Lear so they were able to hang on to their house.

Late in 2010, he was recalled by Lear. He's now an area relief worker, filling in when people are missing on the assembly line.

The years since then, however, have been much leaner than his early years at Lear with

weeks of layoffs annually as GM trimmed production amid up-and-down sales of the remaining vehicles assembled in Oshawa.

He has advice for his fellow employees in the auto sector who have not lived through a downturn and could be facing the permanent loss of their jobs.

Save money now, learn how to live on a tight budget and do without vacations, he says over a coffee at a Tim Hortons about five minutes away from the Lear plant.

Companies and businesses well beyond the auto sector will be affected, says Brandon Junkin, a partner in boat dealership Lakeview Marine in Port Perry, Ont., about a 30-minute drive north of Oshawa.

His business actually thrived through the recession, when laid-off GM workers and managers spent some of their severance money buying boats.

Sales to GM workers and retirees have fallen to as little as 5 per cent of Lakeview's sales, Mr. Junkin says, compared with about 25 per cent in 2008 and 2009 when the dealership was just getting established.

The impact of a GM closing, however, would come on the maintenance and service side of the business. Laid-off workers will cut back on service because they won't use their boats as much, he predicts.

Mr. Henry's loyalty to Oshawa and GM is displayed with his white 2011 Chevrolet Equinox, a crossover utility vehicle that comes off what GM calls the consolidated line in the Oshawa plant.

"I will drive a car that is made in Oshawa," he says.

Left unsaid is what he will drive if GM is not making cars in Oshawa.