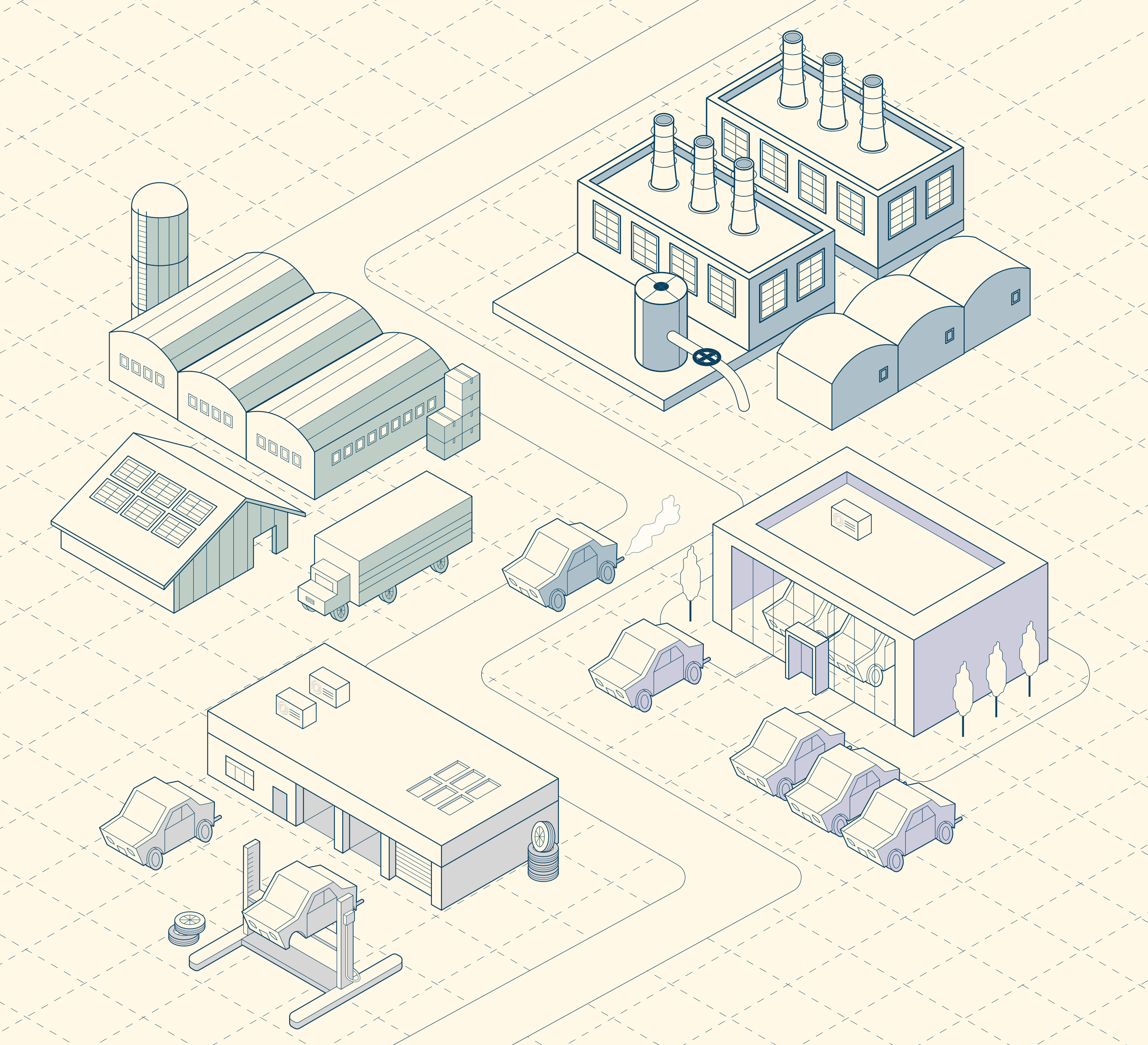

The Automotive Anatomy of Ontario:
Understanding the Impact of Tariffs on Ontario Small Businesses

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CANADIAN FEDERATION OF INDEPENDENT BUSINESS
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HIGHLIGHTS

- Nearly half (49%) of all automotive businesses in Ontario have paused or cancelled investments due to the U.S.-Canada trade war, translating to a potential $2.89B in missed investment over the next year.

- The average revenue for small- and medium-sized enterprises (SMEs) in Ontario's automotive sector has declined by 13% since the start of the U.S.-Canada trade war.

- 1 in 3 businesses have already shifted to domestic suppliers, with many more diversifying supply chains globally.

- Ontario government funding and support programs like the Ontario Automotive Modernization Program (O-AMP), Ontario Vehicle Innovation Network (OVIN), and the new Ontario Together Trade Fund (OTTF) are underused, with many SMEs ineligible and/or unaware of their existence.

- The Ontario government should take a "reassess or reallocate" approach to helping auto SMEs, focusing on improving program accessibility or using some program funds for tax breaks.

INTRODUCTION

The automotive sector remains a cornerstone of Ontario's economy, deeply integrated into cross-border supply chains and highly vulnerable to trade disruptions. That vulnerability was underscored on April 2, 2025, when the U.S. administration implemented a 25% tariff on Canadian steel and aluminum, as well as 25% tariffs on imported vehicles and non-Canada-United States-Mexico Agreement (CUSMA)-compliant auto parts. Exactly one week later, Canada imposed reciprocal 25% tariffs on all U.S. vehicles that do not meet CUSMA requirements while exempting auto parts to mitigate further disruption to the supply chain. At the time of this report, President Trump doubled down on steel and aluminum tariffs, raising them to 50%, further straining Ontario's automotive sector.

To better understand the impact of these trade measures on Ontario's automotive sector, the Canadian Federation of Independent Business (CFIB) conducted a survey of SMEs in this sector.[1] The results paint a troubling picture:

- 55% of businesses report being impacted by U.S. tariffs on cars, trucks, and auto parts – with over 30% affected directly and 25% affected indirectly.[2]

- Looking ahead, 65% anticipate negative impacts from ongoing cross-border trade tensions.[3]

The damage to Ontario's auto sector has already been significant. Manufacturers and consumers have reported increased costs, and automakers are facing production slowdowns, temporary layoffs, and heightened uncertainty. More than half (54%)[4] of auto-related SMEs claim to have already experienced a drop in sales, underscoring the widespread and immediate consequences across the sector.

Tariff-driven cost increases and supply chain instability have compounded pressures on automakers in Ontario, raising serious doubts about the future of Honda, Ford, and Stellantis's proposed investments. While these major Original Equipment Manufacturers (OEMs) are a primary source for Ontario jobs in the sector, any disruption to their operations threatens to cascade through the broader network of suppliers, service providers, and dealerships that depend on them. The Ontario government must consider the collateral damage on small businesses across the sector, with 41% buying from, selling to, or servicing OEMs, and another 44% connected to OEM suppliers.[5]

More than one in four Ontario auto SMEs are involved in the electric vehicle (EV) market.[6] Ontario's latest budget reaffirmed the government's commitment to a green transition; however, as this transition unfolds, it is essential that support measures be extended beyond large technology-based businesses to include small- and mid-sized innovators.

[1] CFIB, Survey on Ontario's Auto industry and supply chain, from May 22 - June 10, 2025, n = 500.
[2] CFIB, Your Voice Survey, April 2025, April 10-April 24, 2025, n = 363 (Auto only). Question: Has your business been impacted by the following recent tariffs? (Select one for each line): U.S. tariffs on cars, trucks and automobile parts not built in the U.S.
[3] CFIB, Your Voice Survey, April 2025, April 10-April 24, 2025, n = 345 (Auto only). Question: To what extent do you agree or disagree with the following statements about tariffs? (Select one for each line) Cross-border automobile tariffs between Canada and the U.S. are going to negatively impact our business.
[4] CFIB, Survey on Ontario's Auto industry and supply chain, from May 22 - June 10, 2025. Question: How have your gross sales revenues changed since the start of the U.S.-Canada trade war in early 2025? (Select one)
[5] CFIB, Survey on Ontario's Auto industry and supply chain, from May 22 - June 10, 2025. Question: Does your business buy from, sell to, or provide services to any of the following in the automotive industry? (Select all that apply)
[6] CFIB, Survey on Ontario's Auto industry and supply chain, from May 22 - June 10, 2025. Question: How, if at all, is your business directly involved in the electric vehicle (EV) supply chain (e.g., manufacturing or distributing EV parts, servicing EVs, or supplying related tools, software, or infrastructure)? (Select one)

Ontario's automotive sector cannot thrive without a two-pronged strategy of supporting the large auto manufacturers at its core and supporting the SMEs that supply and service them. While attracting and retaining major OEMs is critical, so too is ensuring that the thousands of local suppliers — from parts producers to repair shops — have the tools to remain competitive and resilient. When the automotive sector stumbles, the effects ripple across entire communities, touching everything from restaurants to retail stores and other local businesses.

This report examines the cascading impact of U.S.-Canada trade tensions on Ontario's automotive SMEs — from supply chains and investment decisions to employment, innovation, and government program access — and offers recommendations to strengthen the sector's resilience.

ONTARIO'S AUTOMOTIVE INDUSTRY: BY THE NUMBERS

The automotive sector[7] is a critical pillar of the Canadian economy, contributing approximately 4% — or about $94 billion[8] — to national Gross Domestic Product (GDP) in 2024. Canada's auto industry is deeply integrated with the U.S. market, with approximately 93% ($79 billion) of motor vehicle and parts exports destined for the United States.[9] This high degree of supply chain interdependence emphasizes the sector's reliance on stable and predictable trade relations.

Ontario is Canada's leading automotive manufacturing centre, with five OEMs (Ford, General Motors [GM], Honda, Stellantis, and Toyota) operating vehicle assembly facilities across the province.[10] In 2024, Ontario's motor vehicle, body, trailer, and parts (MVBTP) manufacturing subsector alone contributed nearly 2% to the province's total GDP and 15% to its manufacturing GDP.[11] The subsector is also a major employer, with 144,400 people working in Ontario's MVBTP manufacturing industry in 2023, representing 1.8% of the provincial workforce.[12]

[7] For this report, CFIB defines the automotive sector using a value chain approach that includes not only manufacturers, but also businesses involved in distribution, sales, repair, leasing, logistics, and aftermarket services. This definition is based on selected NAICS codes. See full methodology for details.
[8] Author's own calculations based on the definition of the automotive sector (selected NAICS codes) outlined in this report and Statistics Canada: Table 36-10-0402-01 Gross domestic product (GDP) at basic prices, by industry, provinces and territories (x 1,000,000) See full methodology for details.
[9] Bergman, S. (2025, January 9). Canada's auto sector faces bumpy road. Export Development Canada. https://www.edc.ca/en/trade-matters/canada-auto-sector-faces-bumpy-road.html
[10] Canadian Vehicle Manufacturers' Association (CVMA). State of the Canadian Automotive Industry 2023. December 2023. https://www.cvma.ca/wp-content/uploads/2023/12/State-of-the-Canadian-Automotive-Industry-2023.pdf
[11] Statistics Canada. Table 36-10-0402-01 Gross domestic product (GDP) at basic prices, by industry, provinces and territories (x 1,000,000)
[12] Employment and Social Development Canada. (2025, March). Sectoral profile: Motor vehicle, body, trailer and parts manufacturing (Ontario). Job Bank. https://www.jobbank.gc.ca/trend-analysis/job-market-reports/ontario/sectoral-profile-motor-manufacturing

SMEs in Ontario's Auto Industry

Ontario's automotive supply chain relies on a vast network of SMEs. As of 2023, SMEs made up 99.8% (over 101,000) of all businesses working either directly or indirectly within the auto industry in Canada, including over 43,000 in Ontario.[13] These establishments span a wide range of activities — including manufacturing, parts distribution, vehicle sales, repair, and leasing — supporting the province's broader vehicle production and mobility ecosystem.

In 2024, Ontario's automotive sector contributed $46 billion to provincial GDP (5% of the total provincial economy).[14] Survey data from CFIB members shows that SMEs in the sector are reporting an average revenue decline of 13% in 2025.

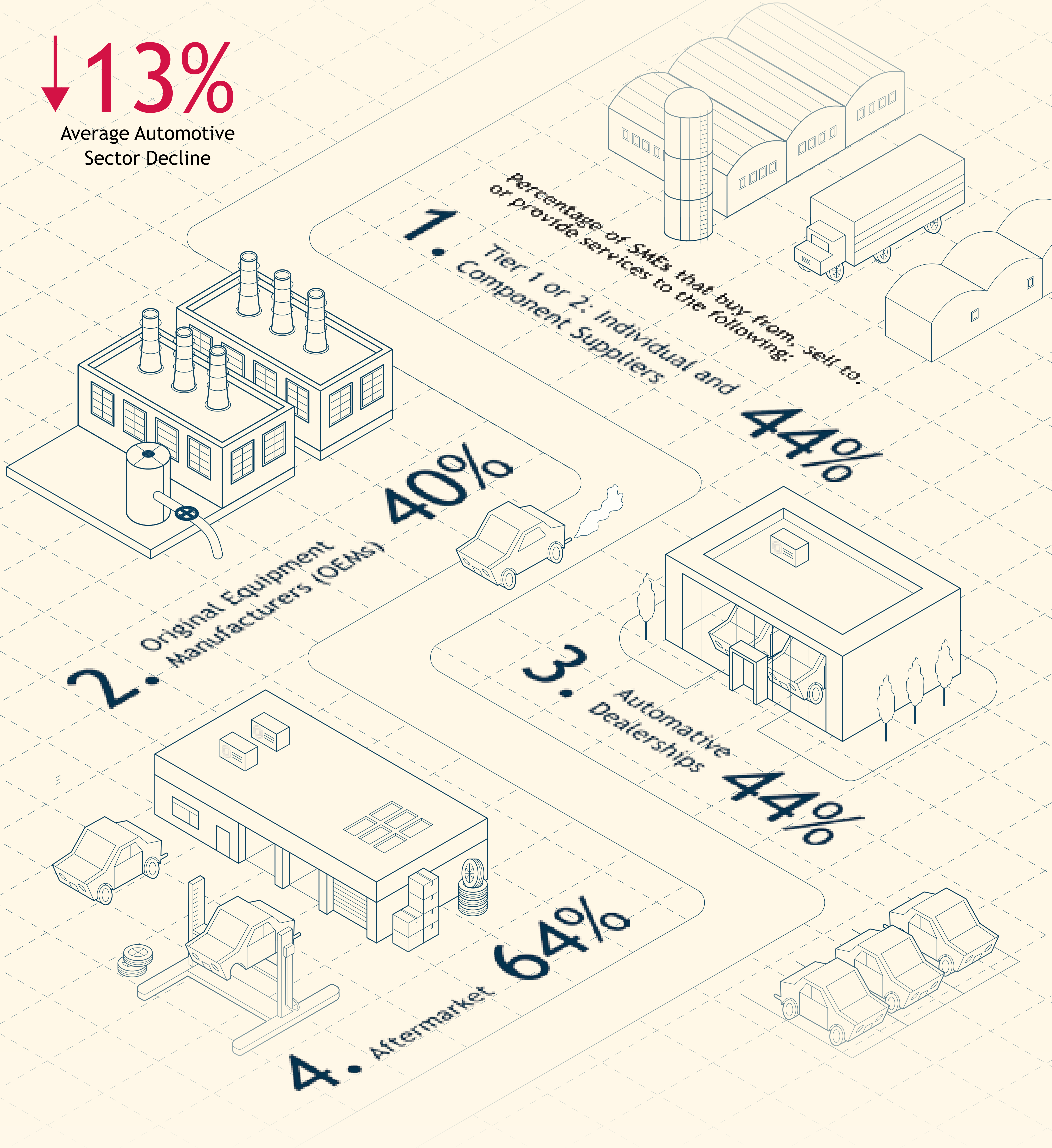
Though GDP measures value added rather than revenue, applying this 13% revenue decline proportionally to the sector's GDP contribution, offers a rough estimate of the potential economic impact — approximately $5.9 billion, or 0.7% of Ontario's real GDP. This highlights the scale of risk facing the sector if current challenges persist.[15]

[13] Author's own calculations based on ISED data Statistics Canada, special tabulations based on selected NAICS codes. https://ised-isde.canada.ca/app/ixb/cis/search-recherche#brwseinds. See full methodology for details.
[14] Author's own calculations based on the definition of the automotive sector (selected NAICS codes) outlined in this report and Statistics Canada: Table 36-10-0402-01 Gross domestic product (GDP) at basic prices, by industry, provinces and territories (x 1,000,000) See full methodology for details.
[15] This estimate should be interpreted as an upper-bound scenario, as the 13% decline reflects data from small- and medium-sized enterprises only, not large automakers or Tier 3 manufacturers that account for a significant share of total sector output. See full methodology for details

The Automotive Anatomy of Ontario:

Understanding the impact of tariffs on Ontario small businesses

Since the start of the U.S.-Canada trade war in early 2025, 54% of Ontario SMEs in the auto sector have reported a decline in gross sales revenue, with an average drop of approximately 13% among those affected.



CHANGING BUSINESS BEHAVIOUR: SUPPLY CHAIN INVESTMENTS

The ongoing U.S.-Canada trade disruptions, including tariffs, border slowdowns, and escalating costs, have forced Ontario SMEs in the automotive industry to make difficult operational decisions. Many are reevaluating supply chains to stay viable.

Over a third of businesses have already pivoted to domestic suppliers and markets to reduce their reliance on U.S. trade and insulate themselves from political volatility, with another one in five considering similar shifts (see Figure 1). Meanwhile, 29% are turning to international suppliers outside the U.S.

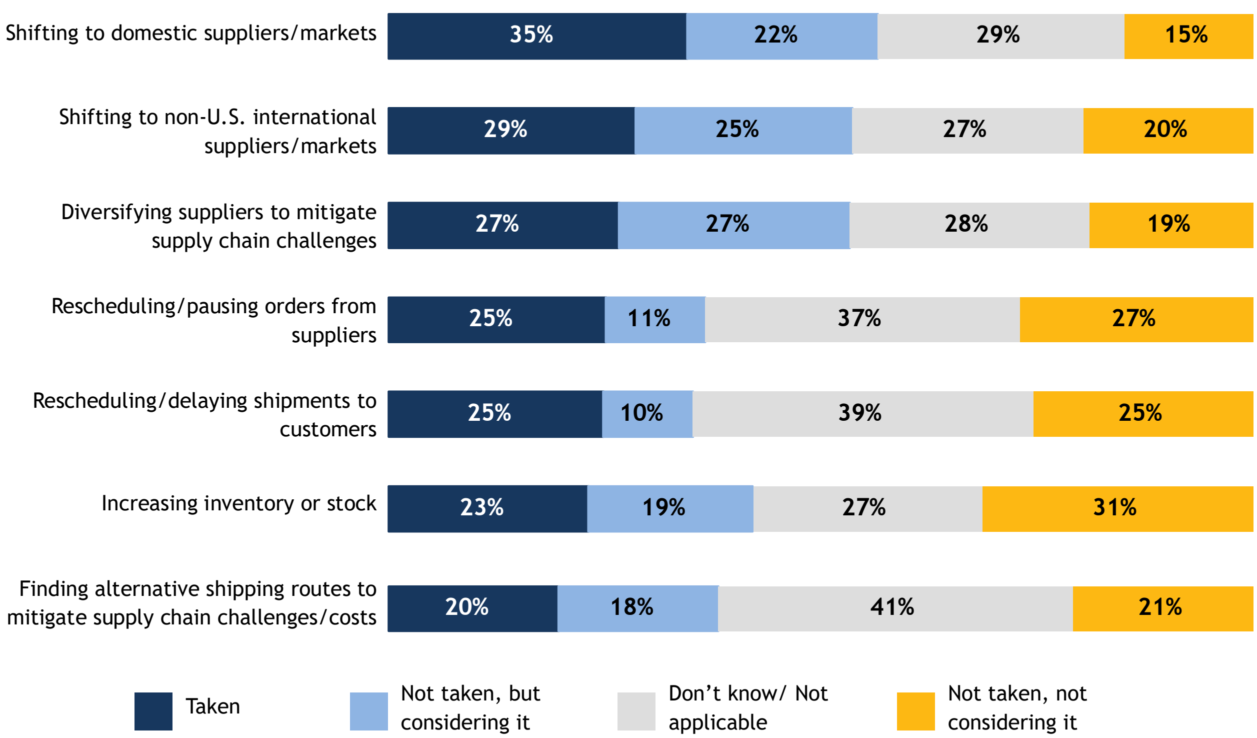
Diversifying supplier networks is emerging as a key strategy, with 27% of businesses already expanding their supplier base to mitigate region-specific shortages and delays, and an additional 27% considering taking similar action.

> *"Our biggest customer is the U.S., and that is a huge problem because we have all our eggs in that basket. [Governments should] expand our markets — open trade with Europe & Japan."*
>
> -Automotive components manufacturing business, Ontario

While these numbers point to a growing interest in supply chain reconfiguration, many automotive SMEs face structural constraints that limit their ability to act. Even when the will to diversify exists, viable alternatives may be limited, cost-prohibitive, or logistically complex — often requiring upfront investments that are out of reach, particularly without targeted support.

> *"Government could do a better job of supporting increased investments during this time, as we spend money to diversify or change services to accommodate new client situations."*
>
> - Auto-sector industrial health services business, Ontario

Figure 1: Auto supply chain adjustments due to international trade disruptions



Question: Has your business taken the following supply chain adjustments due to international trade disruptions (tariffs, crossborder or supplier delays)?

The direct hit: Rising costs from tariffs

Business owners in the auto sector have loudly voiced their frustration at the implementation of tariffs, including unverified charges from suppliers and unclear information about which products are affected.

> *"Some suppliers in Canada are adding extra tariff charges to their Canadian quotes for goods that they bring in from their U.S. plants. Are these additional charges valid? We do not know for sure as there is so much confusion with regards to what products are "on the list" and what are not, especially depending on what Tariff Code was actually applied to those products coming in from the U.S."*
>
> \- Automotive diamond tooling wholesaler, Ontario

Others have seen direct revenue losses: "We've lost 12% of our revenue [between March - June 2025] as a supplier to an OEM in Cambridge [Ontario]. We're doing our best to manage, but we just need the trade war settled."

Many auto SMEs say that the unpredictability of pricing and delivery is undermining their ability to serve customers and plan for the future. One auto retail business commented, "The trade war affects our business because the manufacturers are increasing the cost of goods. We can't cost our goods effectively because we never know what the prices are going to be."

Ripple effects across the supply chain

The trade war's impact on Ontario's auto industry extends beyond pricing into the entire supply chain. Operational changes are also widespread. According to Figure 1, **25% of SMEs in the province's auto sector have rescheduled or paused orders, delayed customer shipments (25%), and/or increased inventory levels of key parts (23%) — all stopgap measures to ensure continuity, but ones that come with financial costs.**

These disruptions are already straining customer relationships.

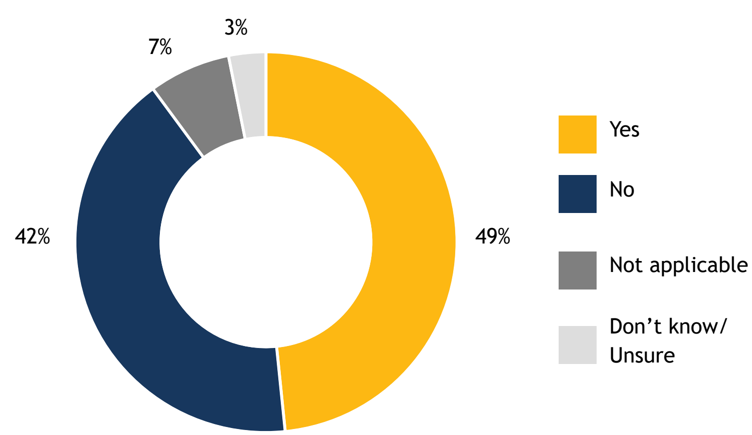
> *"Due to the uncertainty and complications at the border, our current and long-time U.S. customers are looking for American suppliers. Even if the tariffs are reduced or dropped, the damage is done. Also, our Canadian OEMs and Tier I and II customers have already cut their production due to the 25% tariffs on vehicles made in Canada being shipped to the USA. Our sales to Canadian customers have plummeted."*
>
> -Auto welding consumables manufacturer, Ontario

Businesses not traditionally viewed as part of the auto sector are also feeling the cascading effects of halted production. In the words of one CFIB member, "If production stops at the OEM plants, our cleaning and repair business closes. We're hanging by a thread."

Investment hesitation in a volatile climate

The uncertainty surrounding trade, tariffs, and cross-border operations is not just disrupting automotive supply chains — it is also freezing long-term decision-making, namely in capital investments. Nearly half of Ontario's automotive SMEs have paused or cancelled planned business investments such as hiring, equipment upgrades, or facility expansions due to the ongoing trade war (Figure 2). This could translate to as much as $2.89 billion in missed investment annually, representing a significant loss of economic activity and delayed growth across the sector in Ontario.[16]

Figure 2: Almost half of auto SMEs have paused/cancelled planned investments due to the ongoing U.S.-Canada trade war



Question: Have you paused or cancelled any planned business investments (e.g., hiring, equipment upgrades, expansion) due to challenges from the ongoing U.S.-Canada trade war (e.g., uncertainty, volatility, increased costs)?

These delays or cancelled investments are not just prudent caution — they represent missed opportunities for growth and modernization. Many businesses that were previously considering expansions, production upgrades, or automation investments are now shelving these plans in favour of cost containment. As a specialty vehicle coachmaker put it: "We want to increase our fleet, but we can't afford the USA exchange rate and then the tariffs as well."

[16] See full methodology for details.

This pullback is especially concerning given Canada's long-standing productivity gap with its international peers.[17] Without investments in technology and capacity, this gap might continue to widen.

Trickledown to households and consumer spending

The downstream impacts are now reaching Ontario households. Shortages of parts and higher import costs are driving up prices, extending wait times, and complicating service delivery across the automotive sector. "Part costs increases due to tariffs […] will be passed along to the client," one repair shop noted.

Others are seeing changes in consumer behaviour. One CFIB member observed, "Economic slowdowns and uncertainty are pushing more people to repair rather than replace vehicles." Another CFIB member highlighted how financial pressures are affecting demand: "Customers can't afford regular priced items anymore. Their dollar doesn't stretch. Income hasn't gone up, but prices have."

Still, despite the strain, many automotive businesses remain cautiously optimistic. Over three in five Ontario auto businesses say they feel confident in their ability to manage further disruptions over the next year.[18] This reflects both a determination to adapt and a hope that the worst of the instability can be mitigated, if not through immediate resolution, then through support and clearer communication on tariffs from policymakers.

However, confidence has its limits. Without more clarity on tariffs, targeted support for SMEs, and efforts to stabilize trade policy, many small firms risk being permanently weakened long before any trade agreements are renegotiated.

To ensure Ontario's auto sector remains competitive, government decision makers must acknowledge both the urgency and complexity of the situation. Businesses need stability, clarity, and support — not just to weather the moment, but to rebuild for what comes next.

[17] See OECD, GDP per hour worked. And Statistics Canada. Table 36-10-0206-01 Indexes of business sector labour productivity, unit labour cost and related measures, seasonally adjusted. As of Q3, 2024. Retrieved December 12, 2024.
[18] CFIB, Survey on Ontario's Auto industry and supply chain, from May 22 - June 10, 2025. Question: How confident are you in your business's ability to manage any potential trade and production disruptions over the next 12 months (e.g., tariffs/ retaliatory tariffs, cross-border delays, plant shutdowns, parts shortages, supply issues)? (Select one)

Government Programs and Policies

The 2025 Ontario budget refers to itself as a Plan to Protect Ontario and within it, acknowledges the significant concentration of U.S.-Ontario trade around the auto industry. With motor vehicles and parts comprising 33% ($65 billion) of Ontario's exports to the U.S. and 28% ($68.5 billion) of imports in 2024,[19] it is no surprise why Ontario's protection plan outlines 12 different ways the government plans to support its automotive sector.

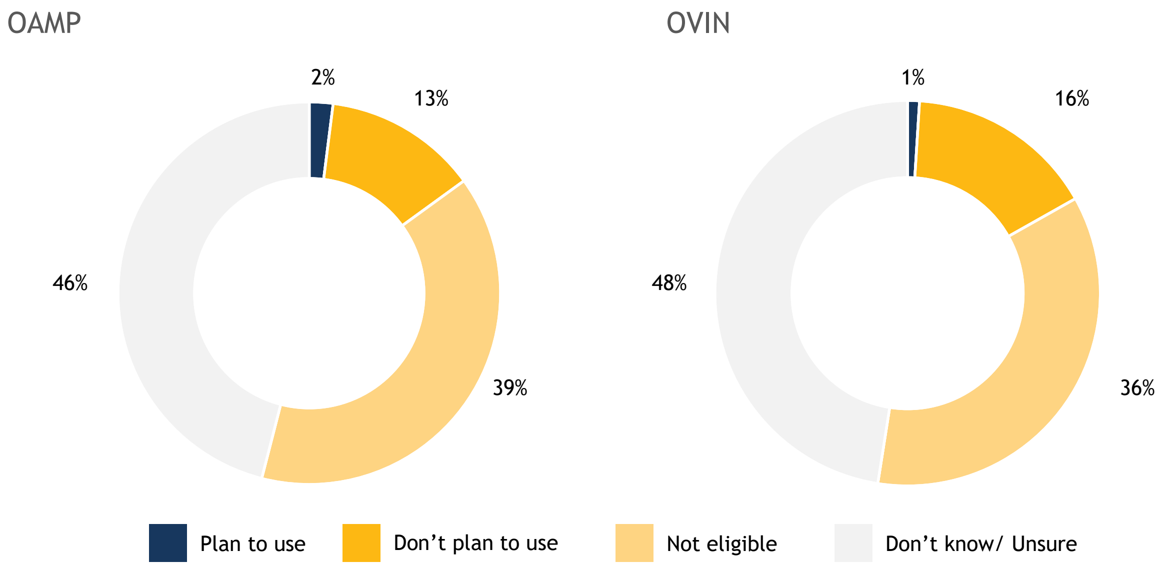
While some of these measures include high-level initiatives for the broader auto industry, such as a commitment to maintain fiscal contributions to the battery auto pact, others are more targeted. The Ontario Vehicle Innovation Network (OVIN) — meant to support new research & development (R&D) and mobility advancements — and the Ontario Automotive Modernization Program (O-AMP) — which helps cover the costs of machinery and equipment upgrades and new technologies — are receiving a combined $85 million in program funding. These programs are touted as two of the most significant approaches the Ontario government plans to take to directly help automotive SMEs innovate and grow, yet eligibility requirements and lack of awareness will translate to little uptake of the expanded funding by SMEs.

Though these programs have been created with good intentions, few small businesses plan to use them, and **over a third of them are ineligible.** The programs focus on R&D innovation and large-scale manufacturing, while disregarding the reality that most automotive SMEs either cannot afford or are not involved in these processes.

Many of OVIN's sub-programs require applying businesses to partner with larger institutions — a similar framework that has repeatedly dissuaded SMEs from utilizing the government's Skills Development Fund that offers funding to help businesses address labour challenges. Other OVIN programs support only advanced technology projects, which is outside the scope of nearly all small business operations. As such, just 1% of SMEs plan to use the program (Figure 3).

[19] Government of Ontario. (2025). 2025 Ontario Budget: A Plan to Protect Ontario [PDF]. Retrieved from Budget: https://budget.ontario.ca/2025/pdf/2025-ontario-budget-en.pdf

Figure 3: Only 1-2% of Ontario automotive SMEs plan to use O-AMP and OVIN



Question: How would you describe your business's current stance on each of the following programs?

Even in cases where a small business does fit within the program's scope, businesses are still unlikely to use it. Such is the case for O-AMP, a program open to direct OEM suppliers and EV-based businesses. While this would qualify the four in ten Ontario automotive businesses who are directly involved with OEMs[20], as well as the businesses already within the EV market, only 2% plan to apply.

> *"Any government programs, provincial or federal, come with hoops to jump through and end up costing the taxpayer more than they are worth. If you want to help small businesses, get rid of the red tape and bureaucracy."*
>
> -Fabricated metal manufacturer, Ontario

Programs like OVIN and O-AMP are designed to support specific initiatives that deliberately follow the Ontario government's mandated shift towards new automotive technology. Since small auto-related businesses are generally not part of this shift, these programs would not protect them against U.S. tariffs.

[20] CFIB, Survey on Ontario's Auto industry and supply chain, from May 22 - June 10, 2025. Question: Does your business buy from, sell to, or provide services to any of the following in the automotive industry? (Select all that apply)

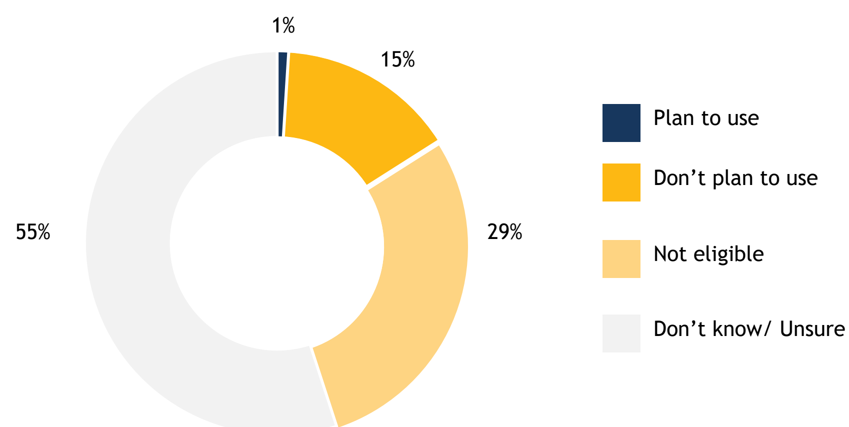
The newly created Ontario Together Trade Fund (OTTF) — created to provide financial support for small businesses looking to expand their operations within Canada — faces a similar predicament. At first glance, the broad conditions for funding might make the OTTF seem like a more usable program for SMEs, especially since most of the program's goals, such as finding local supply chains, align with how small businesses are already responding to tariffs (Figure 1). Furthermore, a minimum of only five full-time, active workers are required to be eligible.

However, the fine print requirements for funding approval make most small businesses ineligible. Businesses need to show a 30% or more loss in revenue to qualify for funding, and as the average business loss from tariffs is around 12%, the average business wouldn't be eligible for the OTTF. Additionally, even if businesses could prove 30% losses, the required minimum investment of $200,000 from the business' own capital is a luxury that most SMEs cannot afford — especially those who have lost a significant portion of their income over the last few months due to tariffs.

The expected usage level for the OTTF is also low, with higher uncertainty (Figure 4) that could be due to the program being new, while OVIN and O-AMP are well-established.

Figure 4: Expected usage levels for the OTTF are just as poor, but with even more uncertainty

OTTF



Question: How would you describe your business's current stance on each of the following programs?

New government programs often struggle to gain traction among small business owners, who do not have a compliance department to tackle the task of tracking every new announcement across all government levels. Many programs end up flying under the radar, and even the most useful programs often see limited SME usage.

Programs such as OVIN, O-AMP, and the OTTF should be re-evaluated to determine their small business accessibility levels. If they continue to see low uptake and cannot serve as a proven response for small businesses to U.S. tariffs, some of the funds should be reallocated towards measures that lower costs for small businesses without additional administrative effort, like a reduction in Ontario's small business tax rate (SBTR).

Figure 5: Reducing Ontario's SBTR to 2% and increasing its threshold to $700,000 could save SMEs up to $25,000 per business—at a modest cost to government revenues

	Lowering SBTR from 3.2%-2%	Increasing SBTR threshold from $500,000-$700,000
Maximum savings per business	$6,000	$19,000
Cost to government	$507M (or 0.234% of Ontario's total revenues)	$250M (or 0.121% of Ontario's total revenues)

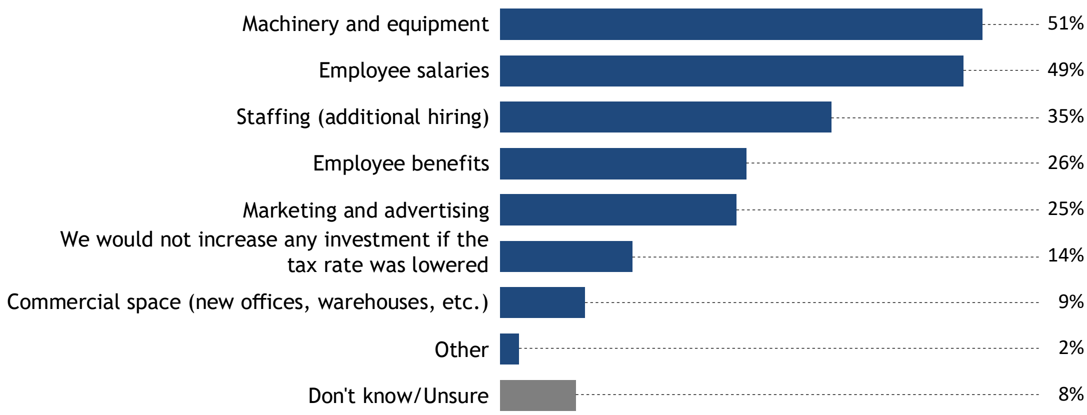
CFIB analysis of government tax rates and thresholds, own calculations based on Ontario Government data.[21]

Ontario's SBTR is the highest in the country, tied with Quebec at 3.2%. The latest SBTR reduction took effect in January 2020 (3.5%-3.2%), and the latest threshold increase to $500,000 goes all the way back to 2007. If the SBTR threshold had been indexed annually to inflation since then, it would sit at $723,879 for the 2024 tax year. To bring the tax system in line with current economic realities, the province should consider reducing the SBTR to 2% and increasing the threshold to $700,000 — a move that could save SMEs up to $25,000 per business, at a cost of less than 0.4% of provincial revenues (Figure 5).

Tax reduction is the most effective way to help businesses respond to tariffs because they allow individual business flexibility. Each SME can direct the savings where they feel they are most needed.

[21] Government of Ontario. (2024, October 30). Descriptions of the tax provisions listed in the Taxation Transparency Report, 2024 [Fall Statement]. Retrieved from Budget: https://budget.ontario.ca/2024/fallstatement/transparency.html.

Figure 6: Nearly eight in ten (78%) of Ontario's SME auto businesses would reinvest the savings from an SBTR reduction back into their business



Question: If the Ontario government were to lower the provincial small business tax rate from 3.2% to 1.6%, which areas would your business increase investment in? (Select all that apply)[22]

Additional CFIB data from February 2025 supports this preference, as (63%) of Ontario SMEs said a tax reduction would be the most helpful action to offset the potential impacts of U.S.-Canada tariffs, ahead of direct financial assistance (50%) and low-interest loans (34%).[23]

[22] CFIB, Your Voice Survey, January 2025, January 9 – January 31, 2025. (Auto only). Question is based on a Private Member's Bill that did not pass.
[23] CFIB, Survey on the impact of U.S.-Canada tariff situation on businesses, February 6 – February 13, 2025, n = 1,019, (ON only). Question: What types of government actions would be most helpful for your business to offset the potential impacts of the U.S.-Canada tariffs? (Select all that apply

CONCLUSION AND RECOMMENDATIONS

With small business confidence still low, governments should prioritize immediate business health, while managing future automotive industry goals (e.g., EV milestones). This would help Ontario to remain a global automotive leader in new technologies and support auxiliary businesses like high-skilled mechanics, manufacturers, and suppliers to ensure the industry can continue to evolve without gaps in local networks. At the same time, local businesses (e.g., restaurants, retail stores, and services providers like cleaners) that rely on the automotive industry as a main source of revenue in cities such as Windsor would be protected from losing the business a larger auto company brings to surrounding communities.

The protection of Ontario's economy is deeply dependent on the protection of Ontario's automotive sector. The findings of this report demonstrate that the current, targeted provincial programs do not work for SMEs and must be fixed. However, the federal government also has a major role to play in the success of the province's auto sector. As mentioned earlier in this report, without more clarity on tariffs and efforts to stabilize trade policy, many small businesses could suffer permanent damage before any trade agreements are renegotiated.

Whether through supply chain disruptions or increased costs, every business has been impacted by the ongoing trade war. If the Ontario government wants their automotive and other industries to not only survive, but thrive, they need to use blanket measures to improve the investment capacity of every business, not just those who are eligible under niche, unknown programs. The Ontario government should build on the success of its Workplace Safety and Insurance Board surplus rebates to Ontario businesses, a popular blanket measure that requires no administrative effort, just like new SBTR measures.

Recommendations

Provincial government:

- Take a reassess and/or reallocate approach to government programs meant to support SMEs:
    a. Review eligibility for OVIN, O-AMP, the OTTF and other similar programs to improve SME accessibility; and/or
    b. Use some funds from the programs listed above to reduce the SBTR from 3.2%-2% and increase its threshold to at least $700,000.
- Focus on improving education and awareness of government programs among small business owners.
- Consult with small business stakeholders like CFIB before finalizing criteria for any SME-targeted government programs.
- Continue urging the federal government to fairly and quickly return money collected through Canadian counter-tariffs.

Federal government:

- Quickly return the money collected through Canadian counter-tariffs to impacted Canadian small businesses.
- Provide support for pivoting to new markets (e.g., help with shipping costs, and clear guidance on the rules of product origin to help small businesses determine if a product is CUSMA-compliant).
- Increase awareness of services offered by the Trade Commissioner Service and Export Development Canada to help SMEs explore and navigate new markets more effectively.
- Under the Canada Border Services Agency Assessment and Revenue Management System (CARM), the Release Prior to Payment program imposes a financial burden on SMEs at a time when many are already facing economic pressures. An exemption or carve-out for small businesses should be created.
- Make programs easy to understand, streamlined, and accessible for small businesses (e.g., tariff remission program and temporary six-month duty relief).

METHODOLOGY

Unless otherwise noted, data in this report are from the CFIB Survey on Ontario's Auto Industry and Supply Chain, conducted May 22 - June 10, 2025 (n = 500, margin of error ±4.4%). Of the 500 respondents, 187 are CFIB members who identified themselves as directly or indirectly involved in Ontario's automotive sector and/or operated businesses aligned with select NAICS (North American Industry Classification System) codes.

This analysis takes a value chain approach, capturing not just manufacturing, but also sectors involved in supplying, transporting, distributing, servicing, and selling motor vehicles and components. Eleven targeted NAICS codes were used to reflect key upstream and downstream activities. While not all businesses operate solely in auto-related work, each plays a material role in the broader supply chain. As such, this classification represents an upper-bound estimate of the sector's economic footprint.

The NAICS codes used in our definition include:

NAICS	Industry Group
3321, 3326-3328	Fabricated Metal Product Manufacturing (select subsectors)
3361(Y)	Motor Vehicles and Parts Manufacturing
484	Truck Transportation
49319	Other Warehousing and Storage
5321	Automotive Equipment Rental and Leasing
441	Motor Vehicle and Parts Dealers
415	Motor Vehicle and Parts Wholesalers
8111	Automotive Repair and Maintenance

Estimated GDP Impact of Revenue Decline in Ontario's Auto Sector

To estimate the GDP impact of declining revenues in Ontario's auto sector, we applied a simplified model using Statistics Canada GDP data (Table 36-10-0402-01). This report uses real GDP figures for 2024 to reflect the most current data available from Statistics Canada. While nominal GDP is often preferred for industry comparisons, the latest nominal data only extends to 2021. The difference between real and nominal values for the automotive sector was found to be modest, making real GDP a reasonable substitute for estimating economic impact. The projected output decline reflects average revenue losses reported in CFIB's 2025 survey. While not all revenue losses translate directly into GDP contraction, this proportional approach provides a directional estimate for policy analysis.

Real 2024 Basis

- Ontario auto sector GDP: $45,417.3 million
- Ontario total GDP: $876,619.7 million
- Assumed decline in auto sector output: 13%
- Estimated lost output: $45,417.3 × 0.13 = $5,904.2 million
- Share of total GDP: $5,904.2 / $876,619.7 ≈ 0.67%

Estimated GDP Impact of Revenue Decline in Ontario's Auto Sector

$$\text{Missed Investment} = (\text{Share of SMEs affected}) \times (\text{Total number of auto SMEs}) \times \frac{\text{ON GFCF}}{\text{Total Number of ON businesses}}$$

Share of SMEs affected: Survey respondents were asked whether they had paused or cancelled any planned business investments (e.g., hiring, equipment upgrades, expansion) due to challenges stemming from the ongoing U.S.-Canada trade war (e.g., uncertainty, volatility, increased costs).

Question: Have you paused or cancelled any planned business investments due to challenges from the ongoing U.S.-Canada trade war?

Based on responses, 49% of Ontario's automotive SMEs reported cancelling or pausing planned investments (see Figure 3).

Total number of automotive SMEs: The total number of employer SMEs in Ontario's automotive sector was calculated using NAICS codes, as outlined in this methodology, and CFIB custom tabulations aligned with ISED Canadian Industry Statistics.

⟶ **Total employer automotive SMEs = 43,168**

Ontario Gross Fixed Capital Formation (GFCF): To estimate average investment per business, Ontario's **average gross fixed capital formation** (GFCF) over 2021–2023 was calculated as **$159.83 billion**, based on Statistics Canada, Table 36-10-0222-01 Gross domestic product, expenditure-based, provincial and territorial, annual (x 1,000,000)

Total number of Ontario businesses: To calculate the per-business investment value, the total number of businesses in Ontario (employer + non-employer) was used:

Self-employed (non-employer businesses): 811,200

(CFIB custom tabulations from Statistics Canada. Table 14-10-0288-02 Employment by class of worker, monthly, seasonally adjusted (x 1,000)

Employer businesses (with 1+ employees): 359,281

(CFIB custom tabulations from Statistics Canada. Table 33-10-0270-01 Experimental estimates for business openings and closures for Canada, provinces and territories, census metropolitan areas, seasonally adjusted)

Total = 1,170,481 Ontario businesses

Resulting Estimate:

$$2.89\text{B/year} \approx (21{,}151) \times (159.83\text{B} \ / \ 1{,}170{,}481)$$

This estimate is intended as a directional indicator of the scale of foregone investment. It assumes that all reported pauses or cancellations represent fully unrealized investment, rather than deferred or partially implemented plans. Additionally, the average investment per business is based on overall provincial capital formation and may overstate typical spending among smaller automotive SMEs, particularly those with lower capital intensity.