

“ ‘Not In Canada,’ You Say... Pity!”

All things considered, it's difficult to imagine a better national neighbour than the United States. Canada has privileged access to the richest trade market and the strongest defense umbrella the world has ever known, and our society has benefited from this close relationship in countless ways. Canada would not be as wealthy a nation as it is today if not for the vast absorption capacity for Canadian goods and services that America has provided.

But when it comes to our light vehicle markets, in many cases our close relationship with the U.S. has worked to Canada's disadvantage in a very real, very quantifiable way. I have written extensively on the differences between the American and Canadian vehicle markets, and I believe that we are quickly approaching the point where manufacturers will need to appreciate those differences in meaningful ways - more meaningful, for instance, than Buick's swapping of LaCrosse for Allure.

Contrary to what our population numbers traditionally suggest, the Canadian vehicle market is not a 1/10th scale carbon copy of the U.S. market. Our different buying patterns are driven by a combination of economic, geographic, psychographics, attitudinal, and yes --cultural factors, and the resulting vehicle mix is one of the world's most international. Canadian consumers have tastes for European, Japanese, Korean, and

American products. And indeed, it won't be very long before Chinese-built vehicles are tooling along our main streets. Canadians jump freely between the various brands looking for the most appropriate solutions to their transportation needs. Canada has

Contrary to what our population numbers traditionally suggest, the Canadian vehicle market is not a 1/10th scale carbon copy of the U.S. market.

already welcomed vehicles like Toyota's Yaris platform, which surfaced in Canada as the 2004 Echo Hatchback, and Mercedes-Benz's smart fortwo. It is my contention that our arms are wide open for another cohort of foreign-market vehicles.

Some automakers have responded to our distinctive market segmentation. Besides the 'smart' and the Echo Hatchback, entries such as Nissan's X-Trail and BMW's 323i indicate a willingness to engage in the sort of corporate "new think" that our vehicle market sorely needs. Honda's promise to import the Japanese-market Fit, a sub-Civic city car, and Nissan's recent announcement of the Mexican-built Versa are signs of the intellectual currency given to this growing movement.

(continued on next page)

" 'Not In Canada,' You Say... Pity!"

(continued from previous page)

And when I say we are ready for a cohort of foreign vehicles, I do not mean badge-engineered 'Maple Leaf Mutant' versions of already-available vehicles such as Pontiac's Pursuit and Wave. These do not qualify for kudos, although they may be valuable entrants to the Canadian market for other reasons.

Canada's entry-level market is proportionally twice the size of the American entry-level market just as our 'large/luxury/sport' segment is half the size of its U.S.

There have been many memorable Canadian mutants over the years. The Dodge Regent and Crusader in the 1950s were often referred to as 'Plodges' since Chrysler had combined Plymouth and Dodge for the Canadian market. Ford sold the Meteor, which looked like a Mercury in the front and a Ford in the rear, and Ford's Monarch was the opposite. Ford also brought their compact Falcon to Canada, giving it a thoroughly Canadian appellation honouring Count Louis de Baude de Frontenac, twice governor of New France in the late 1600s. As with all Maple Leaf Mutants, the Frontenac was a clone - in this case of the Falcon. GM was the most aggressive of the Detroit-based OEMs when it

came to Canadian mutants. The list is long and includes the Laurentian, Parisienne, Beaumont, and Acadian. GM also imported from overseas a number of unique vehicles including the Envoy Epic, Isuzu I-Mark (also sold as the Chevrolet Spectrum and Pontiac Sunburst). In 1988, GM ambitiously established an import-only dealer network (Passport International Automobiles) to serve as an umbrella for various imported vehicles built by Isuzu, Daewoo, and Saab.

All these offerings may have had merit 'in their time,' but I believe the Canadian market

has matured beyond this level of product into a market that can support a number of international vehicles without U.S. volumes to support them. U.S. volumes would obviously help in most cases but may not be necessary.

I can make the case that a number of current Canadian-market product offerings are mismatched to Canadian transportation needs. One could easily overhaul the vehicle lineups of most major Canadian OEMs, replacing U.S.-targeted models with more appropriately sized alternatives from Asian and European home markets.

(continued on next page)

Canadian Light Vehicle Sales by Segment - Units

	2000	2001	2002	2003	2004
Passenger Car					
SubCompact	4.2%	4.0%	3.8%	4.1%	5.2%
Compact	24.3%	26.1%	25.7%	25.4%	25.3%
Sport	2.4%	2.5%	2.6%	2.2%	1.9%
Luxury	2.0%	2.0%	2.3%	2.7%	3.2%
Intermediate	19.3%	18.3%	18.1%	17.7%	15.7%
Luxury High	2.3%	2.1%	1.9%	1.8%	1.7%
Luxury Sport	0.3%	0.3%	0.4%	0.5%	0.5%
Light Truck					
Compact Sport Utility	4.4%	6.4%	6.7%	7.0%	7.5%
Intermediate Sport Utility	5.2%	5.3%	6.3%	6.6%	5.7%
Large Sport Utility	2.0%	1.6%	1.5%	1.3%	1.2%
Luxury Sport Utility	1.0%	1.2%	1.3%	2.0%	2.6%
Small Pick Up	1.7%	1.6%	1.9%	1.8%	1.7%
Large Pick Up	13.1%	12.2%	12.2%	12.7%	13.9%
Small Van	15.8%	14.6%	13.7%	12.5%	12.0%
Large Van	2.1%	1.7%	1.5%	1.7%	1.9%
Total Market	100.0%	100.0%	100.0%	100.0%	100.0%
Entry Level	34.6%	38.1%	38.1%	38.3%	39.7%
Family/Intermediate	40.2%	38.2%	38.2%	36.8%	33.4%
Large/Luxury/Sport	10.0%	9.8%	10.0%	10.5%	11.1%
Primarily Commercial	15.1%	13.9%	13.8%	14.4%	15.7%
Pure Luxury	5.6%	5.6%	5.9%	7.0%	8.0%

Source: DesRosiers Automotive Consultants Inc., AIAMC and CVMA

" 'Not In Canada,' You Say... Pity!"

(continued from previous page)

Canada's entry-level market is proportionally twice the size of the American entry-level market just as our 'large/luxury/sport' segment is half the size of its U.S. counterpart. Our entry-level market could support a number of Canada-specific vehicles.

I'm not saying I don't appreciate the array of choice that we currently have - I do. Although certain vehicles sell much better in the U.S. than they do in Canada, for the most part, I am certainly not advocating removing these vehicles. Most vehicles fill a "need niche" of some sort. The fact that the Canadian mix

of niches is different than that of the U.S. is not surprising and should not be taken as a signal to limit product availability. There are some exceptions ...the Infiniti Q45, Lexus LX470, and VW Phaeton do not sell well in Canada. Their presence may not be widely missed and their marketing dollars could be better utilized elsewhere in the market.

What I think would make more sense would be for vehicle manufacturers and importers to augment Canadian lineups with some of their better overseas efforts. My suggestions generally fall into three groups, as defined by their European

segment names: space wagons, superminis, and B-class vehicles.

The European market has a small van class that's referred to as the 'space wagon' or 'midi-MPV' segment. Canada recently got its first taste of such products with the

These vehicles are available in Europe; OEMs just have to bring them to Canada.

introduction of the Mazda5 -- arguably one of the best small vans on sale anywhere. This class of vehicle has terrific sales potential, with greater interior volume, better drivability, and less fuel consumption than equivalent-sized compact SUVs - and remember -- Canadians love their minivans. These 'space wagons' weigh at least 1000 pounds less than the minivan class leaders, seat six, and deliver sporty performance from engines less than two-thirds the size of, say, a Ford Freestar's 4.2L V6. They would be valued gas misers for all those soccer moms worried about fuel economy but who are addicted to the larger-than-a-wagon capacity of SUVs and traditional minivans.

The Mazda5 bears a stronger conceptual resemblance to the original 1984 Chrysler T-vans than to today's maxi-minis, and it's poised to replicate that

U.S. Light Vehicle Sales by Segment - Units

	2000	2001	2002	2003	2004
Passenger Car					
SubCompact	1.6%	1.5%	1.3%	1.2%	1.5%
Compact	13.1%	13.1%	12.8%	12.4%	11.5%
Sport	3.4%	3.3%	3.0%	2.3%	2.3%
Luxury	3.4%	3.4%	3.9%	3.9%	4.5%
Intermediate	24.4%	22.9%	22.4%	21.2%	20.1%
Luxury High	4.3%	4.1%	3.8%	3.6%	3.4%
Luxury Sport	0.8%	0.9%	1.1%	1.2%	1.3%
Light Truck					
Compact Sport Utility	4.5%	6.2%	6.5%	6.8%	7.0%
Intermediate Sport Utility	8.7%	9.1%	10.7%	11.0%	10.8%
Large Sport Utility	5.3%	5.8%	5.6%	5.7%	5.5%
Luxury Sport Utility	1.8%	2.0%	2.2%	3.7%	4.7%
Small Pick Up	5.1%	4.4%	4.0%	3.8%	3.3%
Large Pick Up	13.3%	14.3%	14.0%	14.8%	15.4%
Small Van	7.9%	6.9%	6.8%	6.5%	6.6%
Large Van	2.4%	2.0%	2.0%	2.0%	2.1%
Total Market	100.0%	100.0%	100.0%	100.0%	100.0%
Entry Level	24.3%	25.2%	24.6%	24.2%	23.3%
Family/Intermediate	41.0%	38.9%	39.9%	38.7%	37.6%
Large/Luxury/Sport	19.0%	19.5%	19.6%	20.4%	21.6%
Primarily Commercial	15.7%	16.3%	16.0%	16.7%	17.5%
Pure Luxury	10.3%	10.4%	10.9%	12.4%	13.9%

Source: DesRosiers Automotive Consultants Inc. and Ward's Automotive Reports

(continued on next page)

" 'Not In Canada,' You Say... Pity!"

(continued from previous page)

vehicle's success with fuel-conscious young families. Imagine if other automakers entered this nascent segment with competitive products. Ford uses the same basic platform components to build the slightly smaller European-market Focus C-Max. Why does Ford not bring this vehicle to Canada?

Most full-line manufacturers have a space wagon of some sort for sale in Europe, but certain models stand out from the pack. The Honda FR-V, Volkswagen Touran, and Opel/Vauxhall Zafira seem especially well suited to our market conditions. Each provides the mix of versatility, styling, and performance to which Canadians respond. For a long time consumers have had to tolerate V6 fuel consumption to get third row seating. However, with the Mazda5 leading the way, true six-or-seven passenger utility and four-cylinder fuel economy are no longer mutually exclusive. These vehicles are available in Europe; OEMs just have to bring them to Canada.

Going a step further, imagine if Canada's supermini segment were to be expanded. With the Toyota Yaris and smart selling well, one can say with a fair amount of certainty that 'premium-feeling' city cars have a reasonable amount of upside potential. Volkswagen's new Fox would find a

welcome home in the Canadian market, snuggled nicely below the Golf. Others in the segment that could also do a great deal of Canadian business include the Hyundai Atos Prime, Ford Ka, Toyota Aygo, Mazda 2, and Daihatsu Charade. Mercedes-Benz would do well to bring in the smart forfour. There isn't room for all these models, but two or three selected vehicles could capture a lot of share in a very big hurry and potentially keep some of the lesser lights from entering.

Canada surely needs and one that could clearly demonstrate to the other OEMs that Canada is not a U.S. market clone but instead one of the most accepting 'global' markets on this planet.

Stepping up a class - think Chevrolet Cobalt size - there are two or three interesting options available. This size of vehicle, referred to in Europe as the B-class (not to be confused with Mercedes' new B-class offering, the B-Class!), is a hotbed of competition and innovation. Why not consider a four-cylinder BMW 1-Series? VW has vehicles produced by sister companies Skoda and SEAT that could sell with a VW badge on them. The entries in this segment are surprisingly roomy, much lauded in their home markets,

and available with a variety of fuel-sipping gasoline and diesel engines. Economic conditions are ripe for a group of no-sacrifice subcompacts to hit the Canadian market.

GM impresario Bob Lutz recently made mention of a plan to harmonize the company's international product lineup, offering the same vehicles under the Saturn brand as its European Opel/Vauxhall marques. If this pans out, it would be a very positive development. Although the "world car" concept attempted in the 1980s met with limited success, many factors such as the hyper-globalized parts sourcing industry; rising foreign-market consumer expectations and increasing consumer awareness of all things automotive, have combined to return the idea to the sphere of relevancy. It is a 'bold' move like this that Canada surely needs and one that could clearly demonstrate to the other OEMs that Canada is not a U.S. market clone but instead one of the most accepting 'global' markets on this planet.

Bring the right foreign cars to Canada, and they will likely sell. Not in Canada, you say? Pity! **DAR**