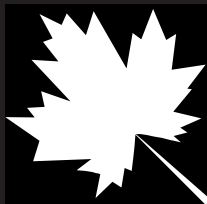




AutoWatch










December 10, 2007

desrosiers
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Industry Checklist

	Economic Condition	GREEN
	Light Vehicle Sales	GREEN
	Auto Production	YELLOW
	Fuel Prices	RED
	Incentives	GREEN
	Economic Condition	YELLOW
	Light Vehicle Sales	YELLOW

Consumers remained on the sideline in November...

The Canadian light vehicle market faced the largest monthly sales decline in 2007 last month. November vehicle sales slipped 5.0 percent, negatively impacting a majority of manufacturers

in Canada. Last month's performance contradicted the positive trend we have been witnessing throughout the first 10 months. In November, only eight manufacturers reported year-over-year improvements. General Motors (-10.0%), Ford (-8.4%), Toyota (-7.9%) and Honda (-6.4%) were the notables impacted by the setback. It was a disappointing month for other key players including Hyundai (-5.1%), Mazda (-9.9%), Nissan (-11.1%) and Volkswagen (-4.0%). The negative influence dragged the market down from 123,465 units in November 2006 to 117,284 units last month. Demand for passenger cars were severely reduced by a margin of 8.9 percent, falling much faster than light trucks (-0.9%). With a soft month in November, the year-to-date growth has been cut back to 3.0 percent.

H I G H L I G H T S

- Chrysler Canada impressive again in November
- Mitsubishi Canada on pace to set a record year
- Mercedes Benz Canada gearing up for a strong finish
- Mazda Canada surpassed 80,000 units in sales

Feature Models 2009 Hyundai Genesis sedan

	November	November	YTD	YTD	YTD Share
	2007	07/06	2007	07/06	2007
General Motors	27,761	-10.0%	372,967	-1.8%	24.3%
Chrysler	18,419	7.1%	213,703	5.8%	13.9%
Ford	15,909	-8.4%	208,662	-1.4%	13.6%
Toyota	11,587	-7.9%	174,073	0.8%	11.4%
Honda	11,464	-6.4%	134,646	2.4%	8.8%
Mazda	4,715	-9.9%	81,848	7.1%	5.3%
Hyundai	5,510	-5.1%	70,916	8.5%	4.6%
Nissan	4,386	-11.1%	65,057	17.6%	4.2%
Volkswagen	2,903	-4.0%	34,938	8.7%	2.3%
Kia	2,765	17.3%	32,942	16.9%	2.1%
BMW	1,956	16.0%	21,900	18.3%	1.4%
Acura	2,212	22.9%	17,844	-3.9%	1.2%
Mitsubishi	1,023	31.7%	15,213	48.2%	1.0%
Subaru	1,243	-15.5%	15,186	1.7%	1.0%
Mercedes-Benz	1,434	22.1%	14,702	12.7%	1.0%
Lexus	967	-13.4%	12,165	11.2%	0.8%
Suzuki	801	-20.9%	11,466	11.0%	0.7%
Volvo	454	-15.5%	8,476	-9.4%	0.6%
Audi	606	-12.4%	7,516	-1.1%	0.5%
Infiniti	472	-27.0%	6,341	0.7%	0.4%
Land Rover	169	-41.1%	2,696	17.6%	0.2%
MINI	265	17.8%	3,417	11.2%	0.1%
smart	10	-87.2%	2,188	-25.9%	0.1%
Saab	104	-42.9%	2,042	-16.7%	0.1%
Porsche	114	1.8%	1,877	6.0%	0.1%
Jaguar	35	-50.0%	687	-20.3%	0.0%
Total Market	117,284	-5.0%	1,533,468	3.0%	

Note: Manufacturers sorted based on YTD market share.
Source: DesRosiers Automotive Consultants Inc., AIAMC, CVMA

Market Snapshot



Monthly Sales Highlights

CHRYSLER CANADA INC. produced another magical month as total sales for the company increased 7.1 percent. November marked the 16th consecutive month of sales increase for Chrysler Canada. A newly rejuvenated product portfolio and incentive price adjustments lured many consumers. Chrysler also recorded the highest year-to-date sales growth among all manufacturers in 2007. Chrysler's year-to-date total was 5.8 percent ahead of last year through November.

NISSAN CANADA INC. (NCI) concluded November sales down 13.0 percent for its Nissan and Infiniti divisions. Total NCI sales were 4,858 units, compared to 5,583 units from November 2006. Nissan division posted an 11.1 percent decrease, while Infiniti dropped 27.0 percent in sales. Nissan introduced the Rogue compact SUV last month, which added 838 units.

TOYOTA CANADA INC. (TCI) sales moderated to 12,554 units in November, down 8.3 percent from the same month last year. Toyota division sold 11,587 units, a decrease of 7.9 percent compared the a year ago. Demand for Toyota passenger cars softened 12.8 percent, while light trucks grew 2.3 percent. Under the downward pressure from the overall market, Lexus division reported a rare sales decrease of 13.4 percent last month.

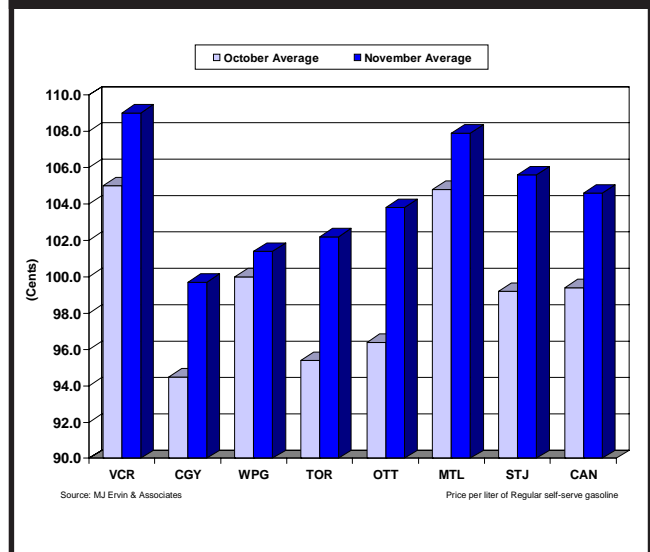
Monthly Sales Highlights

HONDA CANADA INC. (HCI) announced a sales decrease of 2.7 percent in November by its Honda and Acura divisions. Honda division reported total sales of 11,464 units, down 6.4 percent for a year ago. Acura division posted sales of 2,212 units, up 22.9 percent from November 2006. Total sales for HCI were 13,676 last month. The new Honda Accord was voted as the "Best New Family Car" in the 26th annual AJAC Canadian Car of the Year competition.

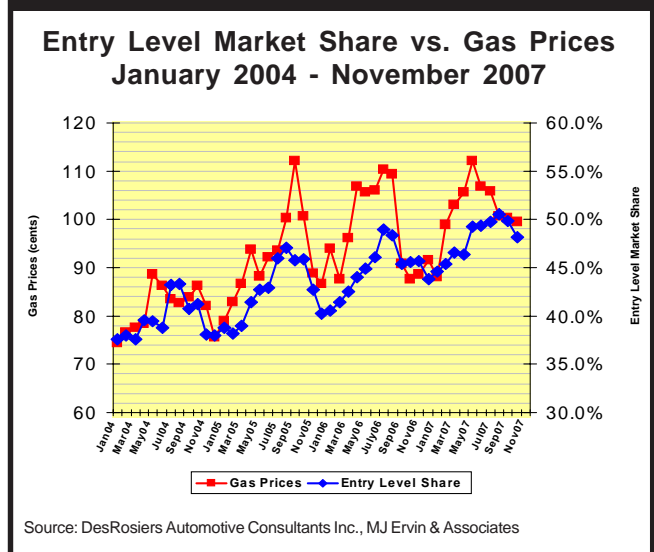
MITSUBISHI MOTOR SALES OF CANADA INC. appears not to have been influenced by the negative market in November. The Japanese automaker announced another strong sales increase of 31.7 percent, adding another 1,023 units to its 2007 total. Mitsubishi led all manufacturers in year-over-year growth (+31.7%) as well as year-to-date gains (+48.2%) in November.

MAZDA CANADA announced November sales were down 9.9 percent from last year. Total monthly sales dropped 517 units to 4,715 units. Weaker passenger car sales (-12.5%) offset growth in light truck sales (+3.0%) for the company. Mazda's year-to-date sales grew 7.1 percent as of November, surpassing 80,000 units for the first time in company's history.

Monthly Gasoline Prices



Entry Level vs. Gas Prices





Monthly Sales Highlights

VOLKSWAGEN CANADA delivered a total of 2,903 vehicles to consumers last month. November's result was down 4.0 percent from the same month last year, which were 3,023 units. The City Golf and City Jetta were again the volume sellers for the Volkswagen brand. The two vehicles combined sold 1,334 units, accounting for 46 percent of the company's monthly total. Volkswagen Canada's year-to-date sales were tracking 8.7 percent ahead of last year.

GENERAL MOTORS OF CANADA finished November sales with a decrease of 10.2 percent. The company sold 27,865 new light vehicles from all of its brands including Saab. GM registered 12,973 passenger car and 14,827 light truck sales, down 8.1 and 11.6 percent respectively from the same month last year. Mid utility sales were up 67.4 percent and there was a 38.1 percent gain for the new Cadillac CTS.

BMW GROUP CANADA reported a new November sales record for the BMW and MINI brands combined. The company sold 2,221 new vehicles, represented an increase of 16.2 percent from the same month last year. The BMW division registered 1,956 new vehicle sales, up 16.0 percent from last year. The MINI division sold 265 units in November, an increase of 17.8 percent. Year-to-date sales for BMW Group Canada were 25,317 units, that is 17.3 percent better than last year.

MERCEDES BENZ CANADA delivered its strongest November sales last month. A total of 1,444 new Mercedes-Benz and smart were sold, represented a 15.3 percent year-over-year increase. Mercedes-Benz division posted a strong 22.1 percent sales increase thanks to a solid product offering. Passenger car and light truck sales were up 23.4 and 18.2 percent respectively. The newly launched Mercedes-Benz C Class accounted for 517 units in company's sales in November..

Feature Model



Hyundai Genesis Sedan

What is luxury? Is luxury something unessential but yet desirable that not everyone can afford? It seems though labelling a price tag on a luxury product is often an inappropriate method to quantify its integrity. So how would one consider a product or a brand as being luxury? Which brings us to this month's featured manufacturer, Hyundai. For the majority of time, Hyundai has been taken into account as a company who offers reasonably priced vehicles in the Canadian marketplace. And according the industry segmentation by AIAMC and CVMA, Hyundai does not appear as a serious competitor in the Canadian luxury vehicle market. Not until recently the Korean automaker was all in tune to crack into the lucrative market. Last week Hyundai hosted a press conference on its home soil Korea to showcase its latest weapon to reach North America in 2008. The 2009 Hyundai Genesis sedan will be on the watch list for next year. It will be the single most significant vehicle from Hyundai to compete outside its domestic market. The Genesis sedan will be the very first rear-wheel-drive vehicle developed by Hyundai, which will likely pave roads for other future vehicles to come. The Genesis will also feature another Hyundai first, the inaugural V8 engine will be available at launch of the new car. So the stage is set and all eyes will be on the Genesis next month at the 2008 Detroit Auto Show. The only question that remains is how the Hyundai Genesis will fair in the marketplace and what sort of strategic plans Hyundai will use to position this vehicle? The implications point to the likelihood that the Genesis will be positioned competitively against other luxury products from established luxury players like BMW and Mercedes-Benz. This is an admirable statement from the Korean automaker, but would consumers consider Hyundai equally alongside brands like BMW and Mercedes-Benz? If the opening statement appeals to the common sense of vehicle buyers, Hyundai could be on the road to fabricate a brand new segment for reasonably-priced but luxuriously-perceived vehicles.



Top Ten Selling Models (Oct YTD)

1	Ford	F-Series	62,789
2	Honda	Civic	59,097
3	Dodge	Grand Caravan	46,851
4	Mazda	3	43,698
5	Toyota	Corolla	36,575
6	Dodge	Ram Pickup	35,438
7	GMC	Sierra	34,345
8	Chevrolet	Silverado	34,186
9	Toyota	Yaris	30,824
10	Chevrolet	Cobalt	28,965

Source: DesRosiers Automotive Consultants Inc., AIAMC, CVMA

Select New Model Introductions

Infiniti EX	December 2007
Chevrolet Malibu	December 2007
Nissan Murano	January 2008
Toyota Corolla	February 2008
Pontiac Vibe	February 2008
Lexus IS-F	First Quarter 2008

Monthly Sales By Segment (000's)

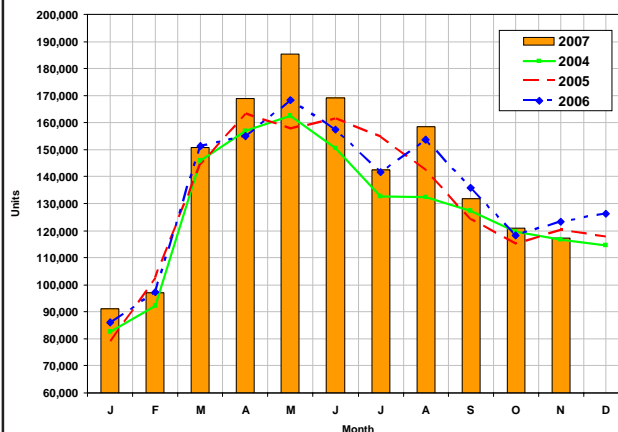
October	2002	2003	2004	2005	2006	2007	07/06
Compact Utility	9.8	9.5	9.8	11.4	14.6	16.4	12.6%
Intermediate Utility	9.2	7.5	6.6	5.0	5.9	7.4	24.9%
Large Pickup	15.7	15.3	17.2	13.0	14.0	15.7	12.1%
Large Utility	2.4	1.7	1.6	1.1	1.7	1.4	-15.3%
Large Van	1.9	1.8	2.1	1.9	2.3	2.0	-14.2%
Luxury Utility	2.0	3.5	4.2	3.6	3.8	3.6	-4.7%
Small Pickup	2.4	1.6	2.1	2.8	4.1	4.4	8.6%
Small Van	16.1	14.9	12.2	12.1	9.6	8.1	-14.8%
Total Light Truck	59.5	55.9	55.9	50.9	56.0	59.1	5.6%
Compact	36.1	30.7	30.8	32.7	30.0	28.4	-5.3%
Intermediate	23.9	20.2	17.5	16.1	15.6	16.3	4.7%
Luxury High	2.3	2.9	2.2	2.2	1.7	1.7	-2.3%
Luxury	3.7	3.4	4.2	4.8	4.6	4.1	-11.1%
Luxury Sport	0.5	0.5	0.5	0.4	0.4	0.3	-29.0%
Subcompact	5.6	5.5	6.7	6.0	8.4	9.0	7.5%
Sport	3.1	2.2	2.0	1.9	1.8	2.1	12.1%
Total Passenger Car	75.2	65.2	63.9	64.2	62.4	61.8	-1.0%
Total Light Vehicle Sales	134.7	121.1	119.8	115.2	118.4	120.9	2.1%

Source: DesRosiers Automotive Consultants Inc., AIAMC, CVMA

Market Comment

Canadian Light Vehicle Sales Monthly

2004 vs. 2005 vs. 2006 vs. 2007T



Source: DesRosiers Automotive Consultants Inc., AIAMC, CVMA

November provided an interesting twist to the what seems like to be a smooth sailing finish in 2007. The decrease came as a bit of a surprise as the market has been flooded with price adjustment incentives and year-end promotions. There are two possible ways to interpret last month's result: first we could suspect consumers were waiting for more generous discounting from the manufacturers given the recent strength of the Canadian dollar and second; the underlying variables of our market were at a more vulnerable position than what the first 10 months of sales have suggested. We believe both variables could very well have contributed to the market condition last month, and the downside risk associated with the variables is becoming a greater concern. Monetary policy makers appeared to show more initiative to keep the rising Canadian dollar and inflation in check, and the U.S. credit concern could weigh on Canada in the horizon. In October we pointed out the mixed results in the market place, and it appears the situation has become more apparent last month. Four of the top five manufacturers all witnessed sales moderated below previous year. We could be heading for another disappointing month in December.

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The Canadian Economic Environment

Economic Checklist

Gross Domestic Production	GREEN
Consumer Price Index	YELLOW
Canadian Dollar	GREEN
Employment	GREEN

H i g h l i g h t s

CDN dollar traded at US\$1.03 in November

Rising mortgage concerned Canadian inflation

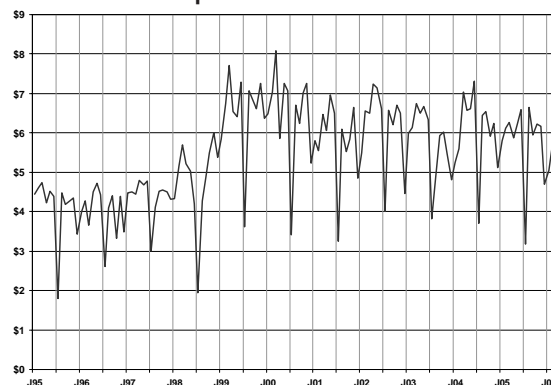
Employment grew by an estimated 43,000 jobs

Productivity advanced 2.9 percent in 3Q

Economic Forecast	(AAr. over AAr. % change unless indicated)						
	2008F	2007F	2006	2005	2004	2003	2002
Real Gross Domestic Product	2.4	2.6	2.4	2.9	2.8	1.7	3.4
Consumer Spending	3.4	4.0	3.4	3.9	3.3	3.1	3.4
Consumer Price Index	2.1	2.3	2.1	2.2	1.8	2.8	2.3
Exchange Rate (US\$/CDN\$)	103.8	97.7	88.2	82.7	76.8	71.4	63.7
Real Disposable Income	2.8	3.7	2.8	2.2	2.3	1.4	1.7
Industrial Production	0.5	0.6	0.5	1.8	3.4	0.1	1.7
Unemployment Rate	6.1	6.0	6.3	6.8	7.3	7.6	7.6

Forecast data represents an average of figures released by:
BMO Nesbitt Burns, TD Economics, Bank of Montreal and ScotiaBank

Canadian Motor Vehicle Assembly Shipments - \$Billions



Automotive Assembly & Parts Manufacturing Employment



Source: Statistics Canada

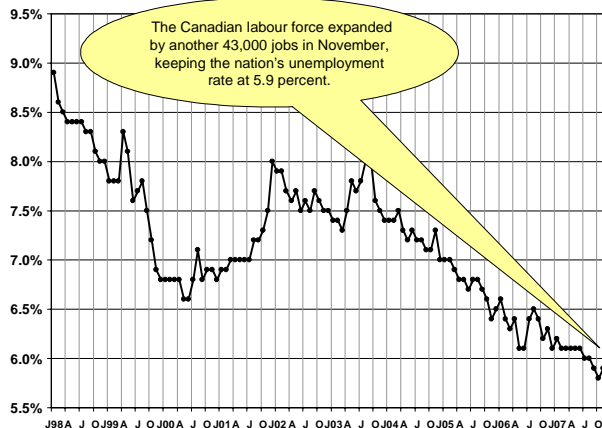
Real Gross Domestic Product	Year over Year Percentage Change										
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
January	2.0	3.3	3.2	1.6	3.4	2.0	3.1	4.7	3.1	3.3	2.8
February	2.1	3.3	3.6	1.6	3.1	2.6	3.0	3.8	2.4	3.4	3.5
March	3.7	3.2	3.3	1.6	2.5	2.5	2.3	4.7	2.4	4.4	3.1
April	2.1	3.1	2.7	2.9	1.8	3.4	2.5	4.3	2.7	3.5	3.7
May	2.5	2.6	2.8	3.2	1.8	2.8	2.4	4.8	3.1	3.0	4.0
June	2.7	2.6	2.6	3.1	1.6	3.2	1.9	4.7	3.6	2.5	3.8
July	2.5	2.5	2.6	3.1	1.9	3.9	1.5	4.6	4.6	1.1	4.4
August	2.4	2.2	2.7	4.6	0.8	3.9	1.3	4.4	4.1	2.0	4.1
September	2.9	2.5	2.8	3.3	1.1	4.6	0.4	4.1	4.4	2.1	4.2
October		1.6	3.1	3.2	0.2	4.4	0.9	4.6	4.2	2.0	4.2
November		1.6	3.0	3.2	1.8	3.8	1.4	4.7	4.3	2.7	3.3
December		2.3	2.3	3.0	0.5	3.7	1.4	4.9	4.2	2.1	4.5
Average		2.7	2.9	2.8	1.7	3.4	1.9	4.5	3.6	2.7	3.8

Source: Statistics Canada



Unemployment Rate

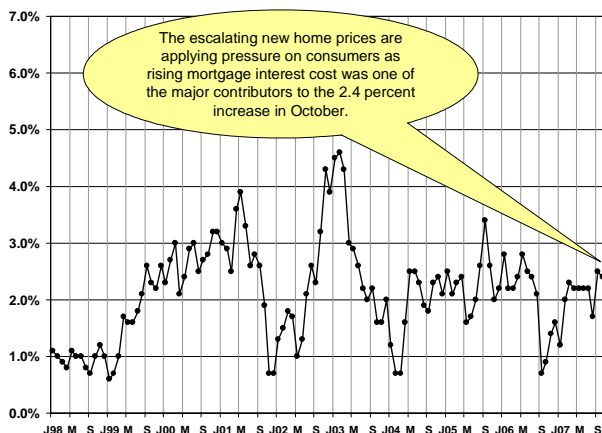
January 1998 - November 2007



Source: Statistics Canada

Consumer Price Index

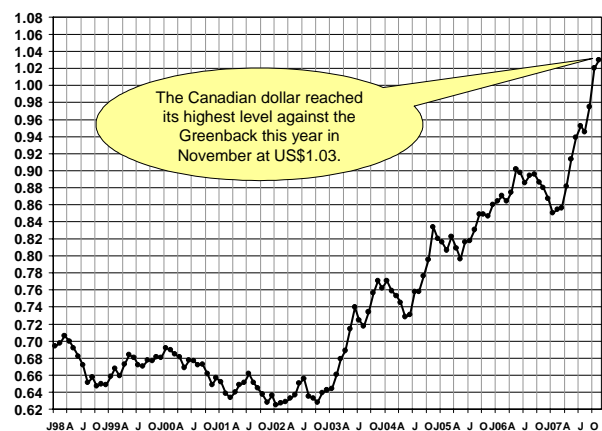
January 1998 - October 2007 (YOY)



Source: Statistics Canada

Exchange Rate (Monthly Average)

January 1998 - November 2007 (\$CDN/\$US)



Source: Bank of Canada

Economic Commentary

Excerpts from commentary made by:

Craig Alexander
 VP & Deputy Chief Economist
 TD Economics
 December 4, 2007

The Bank of Canada acted proactively today by cutting its benchmark overnight rate by 25 basis points to 4.25%. The decision had not been fully priced into fixed income markets and economists were deeply divided about the outcome of today's decision.

The interest rate call was also made more difficult by news that the Canadian economy grew at a faster than expected 2.9% in the third quarter, implying that the economy was still in a state of excess demand, and employment growth in the last few months was remarkably strong and confirmed considerable tightness in labour markets. So, why the easing in policy?

Although the Bank acknowledged that upside risks to inflation remain from the strength in domestic demand and weak productivity growth, the monetary authority believes that the downside risks to economic growth and inflation have increased. Specifically, the lingering problems in credit markets and a deteriorating outlook for the U.S. economy are likely to weigh on Canada. There is an increased risk to the prospects for demand for Canadian exports as the outlook for the U.S. economy, and in particular the U.S. housing sector, has weakened. Inflation has also slowed more quickly than the Bank had been expecting when they published their October forecast.

TD Economics believes that the Bank's risk assessment is correct. The U.S. economy appears to be headed for several extremely weak quarters of growth in the near-term and this will dampen Canadian exports, which will continue to struggle under the weight of a strong currency. Economic growth in both countries is likely to be well below 2% in the fourth quarter of 2007 and modestly below 2% in early 2008. This will eliminate the excess demand in Canada and contribute to lower inflation risks.

Next Issue

January 17, 2007

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