

# The Automotive Industry & Clean Air

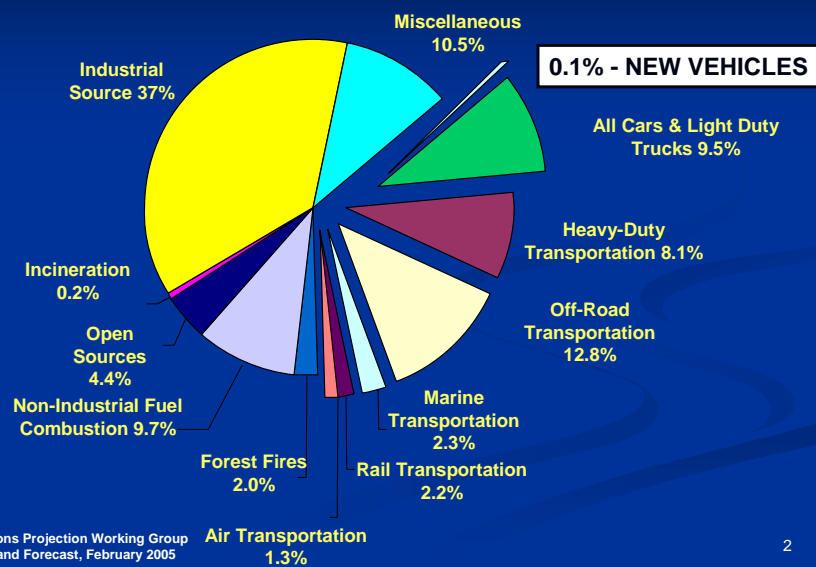
## CADA

Canadian Automobile Dealers Association

March 2007

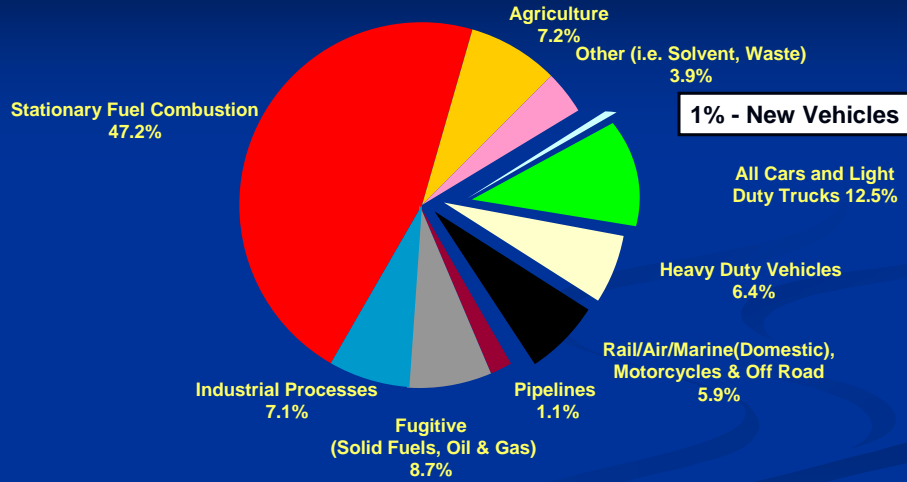
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## 2005 Canadian Contribution to Smog Forming Emissions by Sector (VOC and NOx)



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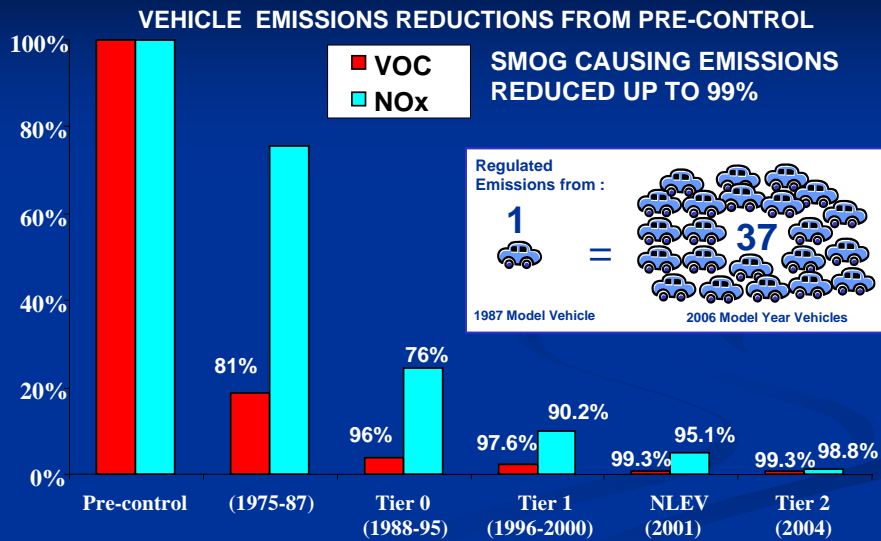
## Canadian GHG Contribution by Sector



Source: Canada 2004 GHG Inventory – Environment Canada 2006

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## Vehicle Emissions Standards



COMPARISON AT 80000 KM / 50000 MILES

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## Passenger Car Market

Passenger Cars Sales 2005*	Canada		United States	
	Units	Share	Units	Share
SubCompact	85,684	5.4%	259,340	1.5%
Compact	409,776	<b>25.9%</b>	2,027,293	<b>12.0%</b>
Sport	29,962	1.9%	465,633	2.7%
Luxury	63,169	4.0%	941,004	5.6%
Intermediate	223,852	14.1%	3,169,769	18.7%
Luxury High	25,421	<b>1.6%</b>	615,242	<b>3.6%</b>
Luxury Sport	7,366	0.5%	204,076	1.2%
Total Passenger Car	845,230	53.4%	7,682,357	45.3%
Total Light Truck	738,061	46.6%	9,259,341	54.7%

\* DesRosiers Automotive Consultants 2006

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## 2005 Light-Duty Truck Market

Light Truck 2005*	Canada	United States
	Share	Share
Small Van	<b>23.2%</b>	<b>11.9%</b>
Large Van	3.8%	3.9%
Small Pick Up	4.9%	6.3%
Large Pick Up	27.7%	28.0%
Compact Sport Utility	19.7%	14.1%
Intermediate Sport Utility	12.6%	18.9%
Large Sport Utility	<b>2.0%</b>	<b>8.2%</b>
Luxury Sport Utility	5.9%	8.7%

\* DesRosiers Automotive Consultants 2006

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## Automotive GHG MOU

- The only major sector to voluntarily commit to reducing GHGs (5.3 Mt by 2010) with interim targets
- GHG MOU does not translate into Fuel Efficiency
- Industry is on track to meet our commitment
- Prime Minister will respect MOU

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## Integrated Approach To Accelerate Emission Reductions

- Fuels
- Fleets
- Consumers and Technology
- Research & Development

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## Emissions Standards Implications of Nova Scotia and "California Standard"

- Individual jurisdictions considering regulation of vehicle fuel consumption / emissions standards for new vehicles
  - But many without any technical or economic analysis of impact on consumers or industry - very limited technical or economic understanding
  - Much focus on "California Standards" to start as soon as 2009 through 2016 – subject to litigation from U.S Federal Government & Industry
- Arbitrary unachievable standards will generate significant unintended impacts – especially in Canada
  - Consumer utility severely and quickly constrained – choices for families, farmers, SMEs
  - No recognition of industry investment cycles or response timelines

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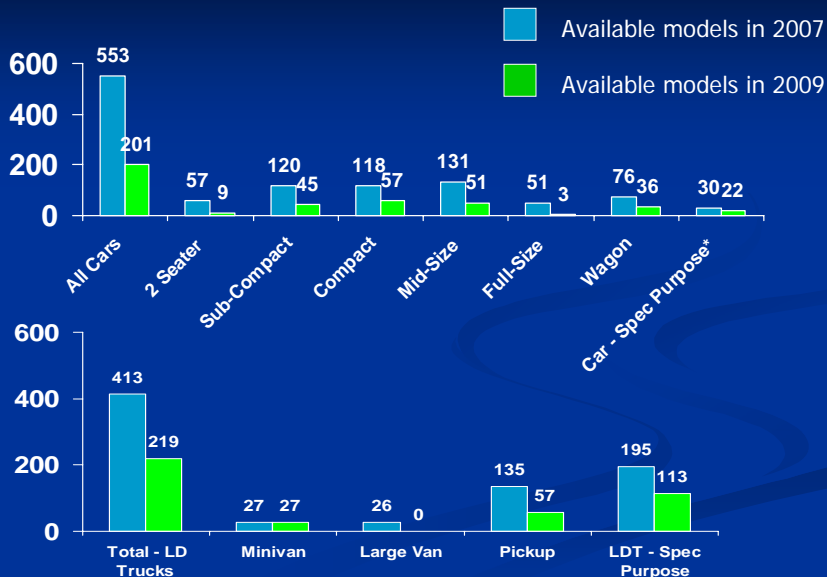
**Example: California Standard "30% Improvement in FE" -- For all Automakers, based on 2007 FE Ratings, significant number of models would no longer be available in Nova Scotia starting in 2009:**

	<u>% Cars Not Available</u>	<u>% Trucks Not Available</u>
2009**	62%	49%
2010	79%	59%
2011	92%	73%
2012	99%	89%
2013	99%	89%
2014	99%	91%
2015	99.5%	94%
2016	99.5%	95%

\* The use of a fleet averaging only minimally mitigates the impact. Even with fleet averaging product availability will be severely constrained for new vehicle purchasers.  
 \*\* Product development cycles are 2-5 years

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### Severe Near Term Impact with Imposition of California Standards



\* Using 2007 NRCan FCG Guide categories absent of any fleet averaging<sup>11</sup>

### Impact on Canadian Assembly - Model & Year in which vehicles could no longer be sold starting in 2009

Location / Model	Year Not Sold	Location / Model	Year Not Sold
Alliston, Ont.		Oshawa, Ont.	
Acura CSX	2010	Buick Allure	2009
Acura MDX	2010	Chev Impala	2009
Honda Civic Coupe	2012	Chev Silverado	2010
Honda Civic Sedan	2012	GMC Sierra	2010
Honda Pilot	2011	Pontiac Grand Prix	2009
Honda Ridgeline	2010		
Brampton, Ont.		Oakville, Ont.	
Chrysler 300/300c	2009	Ford Edge	2009
Dodge Charger	2009	Lincoln MKX	2009
Dodge Magnum	2009		
Cambridge, Ont.		St Thomas, Ont.	
Lexus RX 350	2012	Ford Crown Victoria	2009
Toyota Corolla	2015	Ford Grand Marquis	2009
Toyota Matrix	2012	Lincoln Towncar	2009
Ingersoll, Ont.		Windsor, Ont.	
Chev Equinox	2012	Chrysler Pacifica	2011
Pontiac Torrent	2012	Chrysler Town & Country	2011
Suzuki XL-7	2012	Dodge Grand Caravan	2012
		St. Catharines and Windsor, Ont. Engine Plants Misc large displacement powertrains	

How would Canada address this economic impact?

## Understanding Limitations

- Key Implications:
  - Production mandate implications
  - Employment impacts in Canada
  - Consumer impact – families, farmers and SMEs
  - Consumer affordability issues in Canada
  - Dealership franchise valuations
  - Free trade implications
  - Pushes Consumers to Unregulated 2<sup>nd</sup> Hand Vehicles from the U.S.
  - Requirements for significant new government regulatory oversight related to certification and testing

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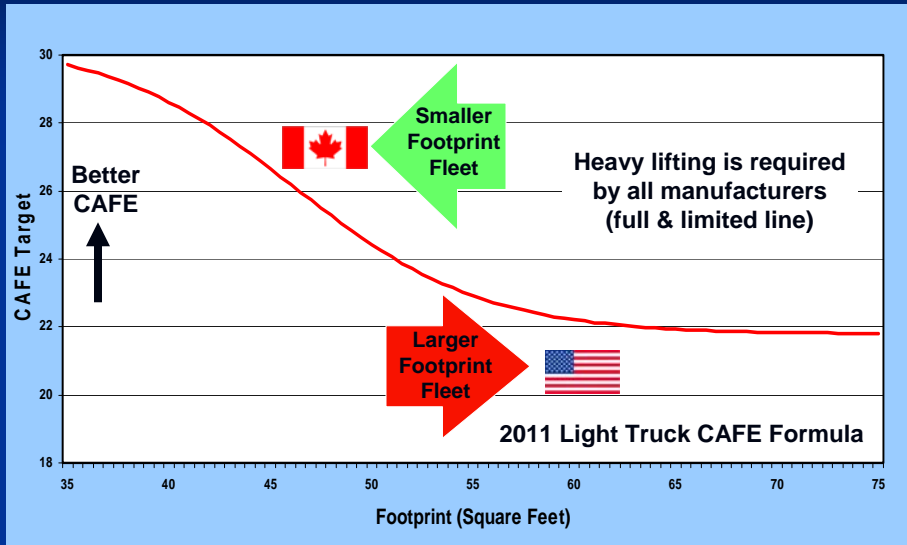
## Why An Integrated Approach is Necessary for Better Results

- Accelerating GHG reduction through an integrated plan that includes:
  - 1) Clean fuels
  - 2) Public and private fleets
  - 3) Retirement of older vehicles (smog reduction and GHG reductions/safety improvement)
  - 4) Consumer supports for advanced technology vehicles
  - 5) Research and Development
- Reformed U.S. fuel efficiency (CAFE) standards locks in a more stringent standard for Canada

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## Benefits of a Smaller Fleet

Smaller Canadian Market Mix inherently results in a tougher target



## Benefits of Aligning with Reformed CAFE

- Aligning with US Reformed CAFE will automatically recognize and capture the Fuel Efficiency Benefit that Canada realizes through our smaller market mix
- Harmonization of fuel efficiency standards with U.S. CAFE maximizes economic, employment, safety, and emissions benefits for all Canadians at the lowest cost
- Minimizes the cost of compliance for manufacturers and government

## Reformed CAFE A Higher Standard

- A 2002 study by the National Academy of Sciences made several recommendations to improve the current CAFE program
- In response, NHTSA's goals for reforming CAFE were to:
  - 1) increase energy savings compared to continuing the existing CAFE approach,
  - 2) support enhanced safety,
  - 3) provide a more equitable framework for different vehicle manufacturers,
  - 4) drive advanced technology for all manufacturers, and
  - 5) be more market-oriented.
- Improvements flow across all vehicle sizes