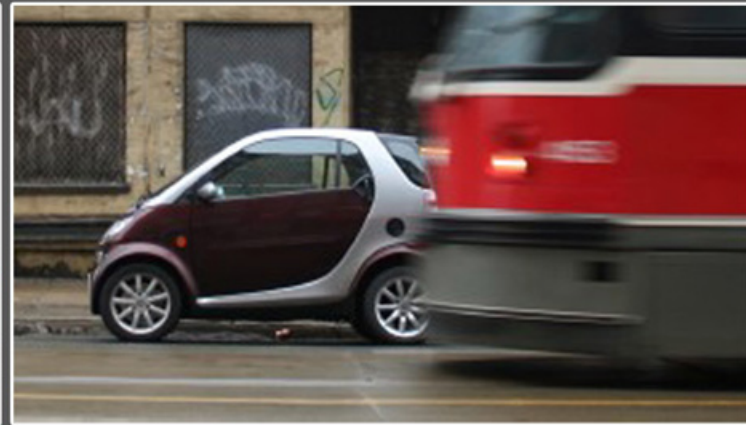


Vehicle Preferences of American and Canadian Consumers



The Canadian vs. American Consumer

- **Motor Vehicles are ingrained into North American lifestyles**
 - 80%+ drive to work
 - Structure of Cities / Suburbs
 - Highway System
 - Commerce – “Find someone who hasn’t used a fast food drive through”
 - Emergency Vehicles
 - Entertainment
- **Canadians tend to buy vehicles to fill fundamental needs rather than desires, whereas Americans are more aspirational with their vehicle purchases**

The Canadian vs. American Consumer

- In Canada vehicles are viewed as a
 - Means of transportation / necessary evil
 - Low “Do It Yourself” – 12%
 - Few motor sports enthusiasts
 - Long ownership cycle (8.2 years)
 - Little accessorization
- In the U.S. there is a True Love Affair
 - High knowledge / “car culture”
 - High “Do It Yourself” – 28%
 - True enthusiasts in all demographics
 - Motor sports huge
 - Short ownership cycles (under 5 years)
 - Significant accessorization

Vehicle Ownership

- Ownership, measured as vehicles per driving age population, increased rapidly through to the 1980s in both countries
- Ownership in the US continued to grow, reaching 100% in the past few years, while Canada stabilized around 2/3^{rds} and remains at that level today
- Actual ownership is about 10 points lower, but multiple vehicle ownership increases the percentages
- Significant ownership differences between Canada and the US in the youth, low-income, and elderly markets

Vehicles Per Driving Age Population

Year	United States	Canada	Difference
1960	54.5%	49.1%	-9.9%
1970	66.7%	55.7%	-16.5%
1980	79.3%	63.6%	-19.8%
1990	91.9%	68.9%	-25.0%
2000	96.4%	68.9%	-28.5%
2005	99.7%	71.9%	-27.9%

Vehicle Usage

- Consumers in Canada do drive more per vehicle than U.S. consumers, but this is because, in the U.S., usage is spread across more vehicles with their much higher level of ownership
- The U.S. also has a huge volume of secondary vehicles ... Canadian consumers typically do not own secondary vehicles

Vehicle Usage

- The increase in kilometers driven per vehicle is slowing:
 - Growth is slower in Canada than in the U.S.
 - Kilometers driven per vehicle has increased about 1000 kilometers per decade due to suburbanization/lifestyle issues
- Amount of driving appears responsive to energy prices
 - Less driving per vehicle in high energy cost 1980's vs. lower energy cost 1970's
- Lower energy costs in the 1990's have resulted in more driving

Kilometers Driven per Vehicle / Year

Year	United States	Canada	Difference
1960-1969	17,350	20,041	15.5%
1970-1979	18,279	20,412	11.7%
Percent Change	5.4%	1.9%	
1980-1989	18,229	19,621	7.6%
Percent Change	-0.3%	-3.9%	
1990-1999	19,997	21,539	7.7%
Percent Change	9.7%	9.8%	
2000-2009F	21,394	22,215	3.8%
Percent Change	7.0%	3.1%	

Vehicle Durability

- Durability has increased dramatically in both countries due to quality improvements
- In the 1960's when new vehicle prices were much higher in Canada than in the U.S., Canadians kept their vehicles 50,000 kms longer than Americans
- Now with new vehicle prices lower in Canada, Canadians keep their vehicles 20,000 kms less.

Vehicle Durability

Kilometer Reading When Scrapped

	United States	Canada	Difference
1960-69	148,014	192,688	30.2%
1970-79	169,371	171,108	1.0%
% Change	14.4%	-11.2%	
1980-89	212,639	197,271	-7.2%
% Change	25.5%	15.3%	
1990-99	259,301	262,912	1.4%
% Change	21.9%	33.3%	
2000-09 Forecast	286,136	263,584	-7.9%
% Change	10.3%	0.3%	

Light Truck vs. Passenger Car

- Canadians buy fewer light trucks relative to the U.S.
- Trucks as a percentage of new vehicle sales have increased substantially over the last five decades
 - Lifestyle
 - Number of products availability
 - Introduction of trucks as personal use vehicles
- Light trucks as a percent of sales in Canada have been stable over the last decade while continuing to grow in the US
- Be careful – “Cars = Good, Trucks = Bad” not always true

Light Truck vs. Passenger Car

Light Truck Percentage of Total Light Vehicle Sales

	U.S.	Canada
1960	12.2%	14.4%
1970	17.3%	17.3%
1980	22.0%	26.2%
1990	34.3%	32.6%
2000	49.0%	45.2%
2001	50.8%	44.7%
2002	51.8%	45.1%
2003	54.2%	45.7%
2004	55.4%	46.6%
2005	54.7%	46.6%

Light Vehicle Segmentation

- Smaller Vehicles are much more popular in Canada than in the U.S.
 - Subcompact and Compact cars and light trucks represent over 40% of the Canadian Market, only 22% in the U.S.
- Luxury vehicles and Large/Luxury/Sport Utility Vehicles are much less popular in Canada

Light Vehicle Sales by Segment - 2005

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

Light Vehicle Sales by Segment - 2005

	United States		Canada	
	Units	Share	Units	Share
Light Trucks				
Compact Sport Utility	1,307,021	7.7%	145,374	9.2%
Intermediate Sport Utility	1,748,537	10.3%	93,186	5.9%
Large Sport Utility	754,884	4.5%	15,165	1.0%
Luxury Sport Utility	806,328	4.8%	43,493	2.7%
Small Pick Up	582,784	3.4%	36,308	2.3%
Large Pick Up	2,589,716	15.3%	204,601	12.9%
Small Van	1,105,780	6.5%	171,534	10.8%
Large Van	364,291	2.2%	28,400	1.8%
Total Light Truck	9,259,341	54.7%	738,061	46.6%

Segmentation Differences

- The Canadian market is moving towards more entry level vehicles, the opposite is true in the US
- Family-sized vehicles are declining in both markets
 - Canadian consumers downsizing while US consumers are upsizing
- Still high personal use light truck in the US versus Canada

Light Vehicle Sales by Segment

	United States		Canada	
	1997	2005	1997	2005
Entry Level Market	3,647,759	4,176,444	432,918	677,142
Large/Luxury/Sport Market	2,454,048	3,787,167	113,156	184,576
Mid Size/Family Vehicles	6,689,111	6,024,086	605,770	488,572
Primarily Commercial Market	2,322,139	2,954,007	236,106	233,001
Total Light Vehicles	15,113,057	16,941,704	1,387,950	1,583,291
Entry Level Market	24.1%	24.7%	31.2%	42.8%
Large/Luxury/Sport Market	16.2%	22.4%	8.2%	11.7%
Mid Size/Family Vehicles	44.3%	35.6%	43.6%	30.9%
Primarily Commercial Market	15.4%	17.4%	17.0%	14.7%
Total Light Vehicles	100.0%	100.0%	100.0%	100.0%

Horsepower vs. Fuel Consumption

	Engine	Year	HP	L/100 KM City	L/100 KM Highway
Chevrolet Cavalier	2.2L I4	1990	95	9.4	6.5
	2.2L I4	2004	140	9.0	6.4
Honda Civic - Base	1.5L I4	1990	70	7.1	6.4
	1.7L I4	2004	115	7.4	6.2
Honda Civic - Si / SiR	1.6L I4	1990	106	8.4	7.4
	2.0L I4	2004	160	9.0	7.6

- Canadians embraced entry level products as horsepower increased
- Horsepower increased without fuel consumption penalty

Horsepower vs. Fuel Consumption

	Engine	Year	HP	L/100 KM City	L/100 KM Highway
BMW 5-series	2.5L I6	1990	168	13.1	9.4
	2.5L I6	2004	184	12.4	8.4
	3.4L I6	1990	208	15.9	10.2
	3.0L I6	2004	225	11.8	12.8
	4.4L V8	2004	325	13.1	9.0
Cadillac Deville	4.5L V8	1990	180	14.7	9.4
	4.6L V8	2004	300	13.1	9.0

- Americans prefer 1/3rd to 50% more horsepower than Canadians
- Technology delivering horsepower and fuel consumption benefits in high-end market

Summary

- Canadian and American consumers are fundamentally different in their ownership, usage and purchasing patterns
- Canadian consumers much more “socially responsible” than American consumers
- Canadians may not be “socially responsible” relative to other global markets, but “car culture” accounts for much of the difference
- Despite the huge similarities between American and Canadian culture, American consumers’ additional “love affair” with their vehicles impedes improvements on ownership, usage and purchasing patterns
- Consumers clearly drive the OEMs to horsepower over social responsibility

Questions?

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Appendix

The Canadian Automotive Consumer is Responsible

Light Vehicle Sales by Segment - Canada vs United States

	United States		Canada	
	1997	2005	1997	2005
Passenger Cars				
SubCompact	206,083	259,340	48,660	85,684
Compact	2,153,091	2,027,293	306,869	409,776
Sport	608,316	465,633	31,733	29,962
Luxury	479,480	941,004	29,313	63,169
Intermediate	4,156,537	3,169,769	296,340	223,852
Luxury High	593,826	615,242	23,314	25,421
Luxury Sport	74,347	204,076	2,328	7,366
Total Passenger Car	8,271,680	7,682,357	738,557	845,230
Light Trucks				
Compact Sport Utility	436,098	1,307,021	48,246	145,374
Intermediate Sport Utility	1,304,067	1,748,537	77,664	93,186
Large Sport Utility	607,276	754,884	21,673	15,165
Luxury Sport Utility	90,803	806,328	4,795	43,493
Small Pick Up	852,487	582,784	29,143	36,308
Large Pick Up	1,917,075	2,589,716	209,005	204,601
Small Van	1,228,507	1,105,780	231,766	171,534
Large Van	405,064	364,291	27,101	28,400
Total Light Truck	6,841,377	9,259,341	649,393	738,061
Total All Light Vehicles	15,113,057	16,941,698	1,387,950	1,583,291

The Canadian Automotive Consumer is Responsible

Light Vehicle Sales by Segment - Canada vs United States

	United States		Canada	
	1997	2005	1997	2005
Passenger Cars				
SubCompact	1.4%	1.5%	3.5%	5.4%
Compact	14.2%	12.0%	22.1%	25.9%
Sport	4.0%	2.7%	2.3%	1.9%
Luxury	3.2%	5.6%	2.1%	4.0%
Intermediate	27.5%	18.7%	21.4%	14.1%
Luxury High	3.9%	3.6%	1.7%	1.6%
Luxury Sport	0.5%	1.2%	0.2%	0.5%
Total Passenger Car	54.7%	45.3%	53.2%	53.4%
Light Trucks				
Compact Sport Utility	2.9%	7.7%	3.5%	9.2%
Intermediate Sport Utility	8.6%	10.3%	5.6%	5.9%
Large Sport Utility	4.0%	4.5%	1.6%	1.0%
Luxury Sport Utility	0.6%	4.8%	0.3%	2.7%
Small Pick Up	5.6%	3.4%	2.1%	2.3%
Large Pick Up	12.7%	15.3%	15.1%	12.9%
Small Van	8.1%	6.5%	16.7%	10.8%
Large Van	2.7%	2.2%	2.0%	1.8%
Total Light Truck	45.3%	54.7%	46.8%	46.6%
Total All Light Vehicles	100.0%	100.0%	100.0%	100.0%