

## Canada

**Capital:** Ottawa  
**Population:** 33,274,000 (2008 estimate)  
**GDP\*:** \$1.274 trillion (2007 estimate)  
**Currency:** Canadian dollar  
**Language:** English, French



### Summary

With a value of C\$54 billion in passenger vehicle sales in 2007, Canada represents the second largest automotive market in North America, and the largest industry-trading partner for the United States. Canadian sales figures thus far for 2008 have indicated an across-the-board increase, with each major manufacturer demonstrating improvement over their 2007 monthly totals for January and February. In particular, American manufacturers have benefited tremendously from new sales incentives, which analysts agree have maintained record sales, continuing the industry momentum from December 2007. For the month of January, the U.S. Census Bureau calculates roughly \$1 billion in automobile and light automobile exports to Canada, representing 33 percent of total exports and a 29 percent increase over January 2007.

### Canada Motor Vehicle Sales 2007 (Units)

	2007	2006	Year/Year Change (%)
Passenger vehicles*	858,679	863,161	-0.5
Trucks **	831, 869	803,168	3.6
Motorcycles	82,482	82,022	0.5
<b>Total Canadian Sales</b>	<b>1,690,548</b>	<b>1,666,327</b>	<b>1.5</b>

Note: \*Canadian statistics include light commercial vehicles under passenger vehicles.  
 \*\*Trucks include minivans, SUV's, light and heavy trucks, vans and buses.

### Market Entry

	<u>Exports to Canada for January 2008 (\$1,000)</u>	<u>Canada's % of World Totals (US Exports)</u>	<u>January 2007/2008 Change (%)</u>
Automobiles and Light Duty Motor Vehicles, including Chassis	1,016,405	33%	29%
Heavy Duty Trucks and Chassis	503,007	66%	-7%
Motor Vehicle Parts	796,425	45%	-7%
Motor Vehicle Gasoline Engines and Engine Parts	356,137	68%	-14%
Motor Vehicle Electric and Electronic Equipment	126,552	45%	-14%
Motor Vehicle Steering and Suspension Components	54,148	63%	-22%
Motor Vehicle Brake Systems	81,707	55%	-27%
Motor Vehicle Transmissions and Power Train Parts	315,374	66%	-4%
Motorcycles and Parts	34,720	20%	20%

Source: U.S. Census Bureau – U.S. International Trade Statistics

## Main Competitors

While American automotive imports retain a majority in Canada, market trends indicate significant inroads for Asian manufacturers – including aftermarket and component parts, in addition to passenger vehicles and trucks.

## Current Demand

Despite increased competition over vehicle sales within Canada, U.S.-based manufacturers continue to out-sell all competitors within the light and heavy-duty truck market, retaining an 89 percent market share. Consumer demand for trucks - which includes minivans, SUV's, light and heavy trucks, vans and buses – is forecasted to abound through 2008, with the aforementioned preference for American trucks expected to continue.

At present, new cars represent less than 11 percent of total automobiles on Canada's roads at any given time. As such, repairs and maintenance have, and will remain a staple within the Canadian automotive landscape. Moreover, customizing also continues to be a popular trend. Subsequently, the automotive aftermarket in Canada remains an excellent prospect for American exporters. Despite growing competition from Mexico and China, U.S. aftermarket manufacturers and suppliers accounted for 80.5 percent of Canadian imports in 2007, up 4.5 percent from the previous year. The U.S. market share is expected to maintain current growth levels over the short-term.

The automotive aftermarket includes: plastic parts (NAICS 316193), rubber and plastic hose and belting (NAICS 326220), engines and assemblies (NAICS 336310), steering and suspension components (NAICS 336330), brake systems (NAICS 336340), transmission and power train parts (NAICS 336350), seating and interior (NAICS 336360), and audio and video equipment (NAICS 334310).

Interestingly, the motorcycles and aftermarket parts market is demonstrative of a growing export market for 2008. U.S. Census Bureau statistics indicate a 20 percent growth in exports between January 2007 and January 2008, with Canada consuming 20 percent of total U.S. manufactured motorcycles and parts exported globally. New motorcycle sales grew roughly 1 percent through 2007, and are expected to continue upward in 2008. The slight increase in annual sales indicates a strong aftermarket parts industry, which given the annual decline in American motorcycle sales evident over the past year - 85,000 fewer units were sold in 2007 – offers a reprieve for U.S.-based manufacturers.

Technology and innovation represent the most significant opportunity for American automotive exporters. For the first time, the Federal government of Canada is developing fuel consumption regulations for all new cars and light trucks beginning with the 2011 model year. Consequently, manufacturers, exporters, importers and distributors of cars and light trucks, as well as component parts, engines, electrical systems, computer technologies, aftermarket parts, assembly equipment and any other stakeholder currently within, or expressing interest in the Canadian market employing hybrid or "alternative" technologies stand to benefit from the impending regulations. In particular, reducing fuel consumption is necessarily linked with vehicle weight. This means demand for lightweight plastics and other component parts will increase as a corollary to the impending federal regulations. Moreover, as "green" technologies advance throughout the manufacturing sector, subsequent technologies within the aftermarket and vehicle maintenance sectors will develop to meet industry trends. As a result, U.S. exporters of aftermarket parts and machinery in-line with "green" technologies will experience increased opportunities as this technology proliferates.



Gasoline-electric hybrids represent a strong growth sector within Canada's automotive market. Responding to high fuel prices and an increased awareness of global warming, consumer sales of hybrids have abounded over 300 percent since 2004, with January 2008 demonstrating a 27.3 percent improvement over the previous January. While hybrid sales represent only about 2 percent of light automobile sales in Canada, with high fuel prices and global warming as the primary catalysts for

sales, this market sector will continue to grow. As a result, the hybrid-based aftermarket parts and accessories industry sector will certainly experience greater opportunity within the Canadian marketplace going forward.



Clean diesel, which accounts for up to 70 percent of new vehicle sales in certain European countries, also provides a possible replacement option to contemporary fuel injection engines. However, while diesel engines emit less carbon dioxide than gasoline engines, they emit more oxides of nitrogen and particulate matter, and therefore face significant regulatory challenges in many regions of North America. Presently, ultra-low sulfur diesel fuel and more effective exhaust control technology are being implemented to help meet tighter tailpipe emissions standards, increasing the marketability of this technology. Yet, there remains the issue of fuel cost and access. Diesel costs substantially more than gasoline – 15-20 percent in most cases. Moreover, it remains difficult to locate diesel at the pump in many urban centers. Despite this, manufacturers have targeted 2010 as the year to introduce clean diesel vehicles to market in North America. If cost and access can improve to parallel this introduction, clean diesel could make a significant immediate impact on the market. Thus, clean diesel is a prospect which R&D firms and aftermarket manufacturers should watch with interest as its proliferation would signal new opportunities in Canada's automotive market.

At present, the main impediment to the commercialization of electric automobiles is the economic imbalance between performance and cost. With top speeds averaging between 32-40 km/h, all provinces and territories, except British Columbia, limit the use of electric vehicles to areas low traffic areas (e.g. gated communities, golf courses). What's more, electric vehicles are typically sold at high premium prices outside the reach of the average consumer. To improve feasibility, manufacturers and research and development (R&D) departments must find a way to close the gap between cost and performance.

Similarly, hydrogen systems currently encounter issues pertaining to cost and access. Only three manufacturers – BMW, General Motors and Honda – have hydrogen vehicles on the road, though only within a select test group; none are available commercially. Given that only ten certified fueling stations exist with Canada, sufficient access to hydrogen fueling facilities would require a complete overhaul of the fuel distribution networks already in place. Subsequently, widespread use of this technology, even if costs are reduced, remains years away.

Panelists at the AutoFutureTech Summit 2008 representing auto manufacturers and electricity providers spoke in support of "plug-in" hybrids as a feasible enhancement to present hybrid technology. Where hydrogen will require an overhaul of fuel delivery infrastructure, "plug-ins" can use existing power grids to charge electric motors with only minor adjustments to infrastructure, comparatively speaking. What's more, this technology could assist any future large-scale transition to electric automobiles. Consequently, U.S. R&D departments addressing the development of electric motor technologies as they relate to battery longevity, electricity transfer, and improved hybrid fuel economy, as well as grid adaptation and additional infrastructure could find an improved marketplace within Canada in the near future.

Given their status as developing technologies, combined with an prospects for future demand, the evolution of the aforementioned fuel alternatives will be driven in large part by the R&D departments of companies which supply components and raw materials. Eco-innovation is the lifeblood of the alternative fuels industry, and the precursor to eventual large-scale manufacturing. Thus, U.S.-based firms presently engaged, or with the capacity to undertake R&D in this field, as well as manufacturers of necessary components and materials, will find a lucrative market within Canada as conceptualization and development becomes more important with increased demand.

## Trade Events

AutoMechanika Canada <http://www.automechanikacanada.com>  
Truck World <http://www.truckworld.ca>  
Ontario Transportation Expo <http://www.ote.ca>  
Toronto Int'l Spring Motorcycle Show <http://www.supershowevents.com>  
Bike-Expo Calgary <http://www.confabb.com/conferences/34678>

## Available Market Research

U.S. Commercial Service Country Commercial Guide (CCG) 2008  
Canada: Automotive Aftermarket (2008)

## U.S. Commercial Service Contact Information

*Name:* Madellon Lopes  
*Position:* Commercial Specialist  
*Email:* [Madellon.Lopes@mail.doc.gov](mailto:Madellon.Lopes@mail.doc.gov)  
*Phone:* +1-416-595-5412 x227

