Thank you very much for that welcome and I certainly appreciate the opportunity to be here today – actually I appreciate the opportunity to be in Vancouver any day! You have a beautiful city and I always enjoy each chance I have to come out here to visit.

To put our discussion of the “Greening of the Automobile” in context, I wanted to tell you a little bit about the organization I represent.

The Association of International Automobile Manufacturers of Canada has 13 member companies, all of whom have their head offices outside of Canada. In 1979 when the association first started our members were responsible for about 10% of all of vehicle sales in Canada. Last year the members sold over 733,000 new vehicles in Canada, representing 45.5% of Canada's new vehicle market. Here in B.C. our members are fortunate enough to enjoy 53% market share. Three of our members Honda, Toyota and Suzuki (in a joint venture with GM) produce vehicles in Canada and since first establishing assembly plants in the mid 1980’s these companies have invested over $6 billion in manufacturing facilities and last year produced a record 900,839 new vehicles. My members are on the
cutting edge of leading safety and leading environmental
technologies as applied to the automobile.

I am also pleased to be joining Glen Ringdal of the New Car Dealers
of British Columbia and Mark Nantais of the Canadian Vehicle
Manufacturers Association for this discussion on the “Greening of
the Automobile”. I hope all of you have been, or will be, heading
over to the Vancouver International Auto Show and I want to
congratulate Glen and Paul McGeachie for putting on a great show.
If you have been over to the show, I am sure you will have picked up
on a particular theme amongst almost every auto maker.

That theme is “green”. (CLICK TO SLIDE TWO)

Each manufacturer is highlighting the “green credentials” of its
products, whether it be fuel efficiency, hybrid technology, advanced
diesel technology, alternative fuel technology, fuel cells and even
hydrogen technology (CYCLE THROUGH THE TECHNOLOGIES).
Hybrids are but one technology but they garner a lot of attention
even though they still represent about half of one percent of the
vehicles sold in Canada (WHO LIKES HYBRIDS and HYBRID SALES
NUMBERS) despite government incentives to help bridge the gap
between the cost of a conventional vehicle and a hybrid. In this
regard, our view would be that if the governments are going to offer
consumer incentives for vehicles that these incentives should be
technology-neutral.

You know despite all of the flux in the automotive industry right now,
it is a really exciting time to be part of this industry. For perhaps the
first time automakers are aggressively competing on the basis of
environmental technology and in many cases success lies in getting
those technologies to the market fastest. (Witness Toyota’s success
in hybrids and subsequent licensing of its hybrid technology to Ford and Nissan, along with Mercedes-Benz success with Bluetec advanced diesel technology that has been carried over to the Chrysler side of the DaimlerChrysler house, as well as to BMW and VW)

In many ways we are at a pivotal juncture in the development of automotive technology no different than a century ago when battery electric-powered, steam-powered vehicles, and gasoline-powered vehicles vied for technological supremacy in the automobile. You probably wouldn’t believe me if I told you that the first vehicle to achieve a speed of 100 kilometres an hour was a battery electric vehicle. According to analysts Graeme Maxton and John Wormald the gasoline internal combustion engine won out in the end “because it was reliable, easy to use and repair and inexpensive to mass produce.”

Right now, there is no clear winner amongst the various alternative technologies and most manufacturers are investing heavily in R&D in many of these different technologies, simply because you can’t afford to get it wrong by only looking at one technology stream.

But what’s really driving this? Well I’m wondering if you can tell me which environmental organization provided me with these two goals for these two environmental goals for the Auto sector?

(REVIEW TWO ENVIRONMENTAL GOALS FOR THE AUTO INDUSTRY AND SAME WITH ENLIGHTENED SELF INTEREST, FOLLOWED BY AUTO SECTOR REALITIES)

- Reduce transport-related conventional emissions (carbon monoxide, nitrogen oxides, volatile organic compounds,
particulates and lead) to levels such that they cannot be considered a serious public health concern anywhere in the world

- Limit transport-related greenhouse gas (GHG) emissions to sustainable levels

Well these goals for automotive emissions were not laid out by any environmental group, but rather by the automotive industry itself and they represent two of the seven key goals identified under the “Mobility 2030: Meeting the Challenges to Sustainability” Report as part of the Sustainable Mobility Project. The participants in this project were: BP, DaimlerChrysler, Ford, General Motors, Honda, Michelin, Nissan, Renault, Shell, Toyota and Volkswagen. If you consider the title of the report, you get a better idea of what drove those participants to come up with these two goals as priorities for the industry – the long term survival of the industry. Clearly, the vehicle manufacturers that are going to be successful in a carbon-constrained future are those that take steps now to ensure that their future product offerings have a negligible impact on the environment. It is truly a case of enlightened self interest.

Consider the following:

- In 2000 there were about 700 million light duty vehicles in the world, by 2030 that number is expected to be 1.3 billion and by 2050 there are expected to be about 2 billion vehicles on the road. VEHICLE PARC INCREASING = INCREASED EMISSIONS

- Oil discoveries have been decreasing since 1962 and some estimates suggest that peak oil production will occur in the first 20 years of the 21st century with half of the readily accessible oil already been used. At the same time oil consumption between 2000 and 2020 is expected to increase
about 55% = OIL SUPPLY DECREASING/CONSUMPTION INCREASING

- Greater Consumer awareness of, and demand for, environmentally friendly vehicles = CONSUMER IS DEMANDING

I am currently reading an interesting book entitled “The Way of Aikido” it talks a little bit about the martial art of Aikido and a whole lot about the philosophical principles that underlie aikido. One of the concepts raised in the book is the idea of “blending” which refers to how the aikidoist deals with an attack – they actually move towards the attacker and then “blend” with attacker’s own energy and line of movement, turning so that they end up standing beside the attacker looking at the situation from the attacker’s point of view. Why do I raise that here? Because I think too often the automotive industry feels “attacked” whether it be by governments or the environmental community. Are some of those attacks deserved – undoubtedly - but if we adopt the aikido approach of “blending” so that industry, governments, the environmental community can look at solutions to the problems facing us from each other’s point of view then that opens up a lot more potential solutions.

If I consider your Government’s recent Throne Speech there are some very commendable initiatives contained in that Speech:
  - Working with the federal government to put the first fleet of 20 fuel buses anywhere in the world on the road
  - Developing the “hydrogen highway” from Whistler to San Diego
  - Maintaining the $2000 tax credit for those purchasing hybrid vehicles
  - Ensuring that all government vehicles purchased are hybrids
  - Putting in place a low carbon fuel standard
All with the view to reducing GHG emissions by 33% from current levels by 2020 which is 10% below 1990 levels by 2020.

One initiative that causes the industry some concern is the desire for the province to move to a California-type emission standard to be phased in from 2009 – 2016, the same timeframe as California’s emissions standards – which are currently the subject of litigation.

Now, if I try and do an aikido “blend” with that so I can stand beside the government and look at it from their point of view, I think I what they are probably expressing is the desire to be leaders in addressing greenhouse gas emissions from vehicles. I understand and appreciate that desire. However, while the aikidoist tries to see the situation from the perspective of his partner, he never gives up his own perspective, which in this case would be that the industry believes California emission standards:

- Are problematic in that they are currently technologically-forcing,
- Require a reformulated fuel to be effective, and
- Detract from the business imperative of having one common national emission standard

In that regard this next slide shows what would happen today if we tried to apply California standards to 2007 fleet that we have today. (SHOW THE CALIFORNIA IMPACT SLIDE). This slide shows that, if we simply took the new 2007 model vehicles offered for sale today, and overlay the proposed California emission standards fully 62% of the cars and 49% of the light trucks would not meet the standard in 2009 and 99.5% of the cars and 95% of the trucks would not meet the standard in 2016 as the emission standards get progressively more stringent. Now to be clear – will vehicles change between now
and 2009 and between 2009 and 2016? Absolutely but one needs to remember that the average new vehicle takes 2-5 years to develop so it would clearly be quite a while until all vehicle platforms of all manufacturers were revised. Further, unless this emissions standard becomes a national standard, no manufacturer will build a specific vehicle for a 188,000 unit sales market, leaving few options.

That said, we want to talk openly and candidly with the government about what we can do to assist them with their goal of being leaders in reducing GHG emissions from automobiles. (PUT UP AUTO REALITIES – INTEGRATED PLAN SLIDE) We think that can be achieved through an integrated plan that includes:

- Clean fuels and regulated fuel standards for all fuels (gasoline and diesel as well as renewable fuels). As odd as it may seem, Canada has no federally regulated standard for fuel quality which is, in many ways, incomprehensible when the fuels and the vehicle emissions control equipment operate as a system – much like a computer. If you put garbage in you are going to get garbage out – regardless of whether you have a high quality computer or not. We’ve worked on the vehicle’s emissions control hardware, now we need some leadership from government on fuels.

- Public and private fleets offer a tremendous opportunity to showcase new technologies and build a critical mass of new technologies to bring them into the mainstream. Government fleets especially can be an opportunity to “walk the talk”.

- Retirement of older vehicles (smog reduction and GHG reductions/safety improvement). As noted, older vehicles contribute significantly more smog causing emissions into the atmosphere than new vehicles. When you combine this fact with the fact that new vehicles have state of the art
safety and occupant protection mechanisms built into them, the case can be made that scrapping older vehicles assists in improving road safety as well.

- Consumer supports for advanced technology vehicles. The problem with any new technology is that it is only “advanced” for a short period of time before something else comes along. However, advanced technology often costs more to incorporate into a vehicle than conventional technology and, thus, we support incentives to consumers (on a technology neutral basis)

- Research and Development. Canada can carve out its own niche in the development of the vehicles of the future by capitalizing on research and development opportunities in things like light weight vehicle components, alternative fuels, fuel cell development etc.

I mentioned clean fuels and wanted to very briefly show you a couple of final slides that deal with this issue (FUEL/TECHNOLOGY SLIDE), given that I started the presentation looking at technology.

As I noted earlier, the reality is that for significant GHG reductions from automobiles to take place, we need a “systems approach” that considers both the technology and the fuels because the full benefit of the technology will not be achieved without clean fuels – whether it be gasoline, diesel, alternative fuels like E85, or renewable fuels like ethanol and biodiesel.

This last slide (WELL TO WHEELS) attempts to show the CO2 produced from various fuels both in the production of the fuel (Well to tank) and the burning of the fuel (Tank to wheels). As you can see there is certainly merit in trying to pursue the development of lower carbon content fuels.
We’ve only touched the skimmed the surface today of all of the things that the automotive industry is currently undertaking to be green – as well as the factors driving that. I hope this has been helpful – thank you very much.

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