## 3. EUROPE 1992: IMPACT ON THE CANADIAN AUTOMOTIVE SECTOR

### 3.1 Overview

It is difficult to examine the potential impact of Europe 1992 on Canada's automotive industries in isolation of the competitive developments that are reshaping the industry worldwide. The current and expected restructuring of the European Community's motor vehicle and parts industries is only partly a result of the Single Market program. As such Europe 1992 is an important factor determining the nature and extent of Canadian export opportunities, but it is not the dominant factor.

### 3.2 Export Opportunities — Vehicles

Europe and North America are and are likely to remain different markets for passenger cars. Much of this difference is dictated by Europe's higher fuel prices, narrow roadways and greater urban crowding. For example, a large percentage of the European market is oriented to cars with engine displacements of 1.5 litres or less and very spartan trim levels -- vehicles unacceptable to the vast majority of North American consumers (though "dressed up" versions of such models can appeal to niche markets in Canada and the U.S.). Also, European consumers' demands regarding drivetrain performance are geared to high rpm responsiveness, while their North American counterparts place a premium on torque output at lower engine speeds. Thus, most domestically assembled cars feature relatively slow turning, high displacement overhead valve-type engines that are at best marginally acceptable in the European market. Prevailing tastes in exterior colours and interior trim styling and material diverge widely between the two continents. In North America there is a strong emphasis on quiet and convenience, while in the EC countries there is a widespread disdain for the "mobile living room" nature of the cars desired by U.S. and Canadian motorists. Fuel economy considerations further militate against the wider acceptance in Europe of comfort/convenience features such as automatic transmissions and air conditioning.

The European truck market will remain largely a distinct entity as well. Maximum length requirements mean that "conventional"-type (versus cab-over-engine-type) medium- and heavy-duty trucks are practically unknown in Europe. The prevalence of narrower streets and highways also exerts a restrictive influence on medium- and heavy-duty truck design.

In the light truck market, pickup trucks are a rarity in Europe; light commercial vehicles are generally vans or van-based designs. High fuel prices mean there is no market in Europe for North-American-type full-size vans and pickup trucks with high-displacement engines. Conversely, European light trucks are generally considered too underpowered for widespread North American applications.

Representatives of the Big Three vehicle manufacturers expect North American exports of passenger cars and light trucks to the European Community to reach 200 000 in the years immediately following 1992. This will still account for less than 1.5 per cent of total North American production. Exports will primarily be made up of niche models such as minivans and sport/utility vehicles. Two of the leading export models, the Plymouth Voyager/Dodge Caravan minivans and the Jeep YJ, are built at Chrysler plants in Canada.

While the leading Japanese manufacturers have solidly committed themselves to building assembly capacity in the EC, the possibility still exists that they may elect to supplement European production