

## 5. Future direction of the industry

This section analyzes the future direction of the auto industry, particularly in the North American market, in the next 5-20 years, Canada's potential to move towards high-value production of auto products, and the potential to attract future assembly and production of auto production. What would be needed, including vis-à-vis trade policy, to promote high-value production?

### 5.1 Future direction

Most of the relevant issues have already been addressed in the preceding Sections. Here I just summarize the most important trends—most important in terms of likely future impact.

#### 5.1.1 Fuel

The great unknown for the industry is what type of fuel cars will drive in the future. Currently, the vast majority of vehicles today use a gasoline internal combustion engine, but that is likely to change in the not so distant future<sup>59</sup>. The corporate average fuel efficiency norms (CAFE) have been tightened repeatedly for cars, and the Bush Administration finally raised the standards for light trucks as well, which currently account for more than 50% of new vehicle sales in the U.S.<sup>60</sup>. More efficient, direct injection gasoline engines have started to appear, but more radical alternatives are also on the horizon.

It is not impossible that diesel engines will become much more popular in North America. In Europe they already account for more than 50% of new vehicle sales. A number of big manufacturers, especially Volkswagen and DaimlerChrysler, are committed to offer a greater selection of diesel engines in their passenger vehicle lineup. The advent of clean (low-sulfur) diesel

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<sup>59</sup> The most popular current alternatives are diesel (especially for pickup trucks), LPG (especially for taxis and limos), and hybrids.

<sup>60</sup> Automotive News, March 29, 2006, "Fuel economy is toughened for 2008-2011 trucks".