



# OBSERVATIONS

Dennis DesRosiers

## 49 Years and Counting

In 1969 I was studying economics at the University of Windsor. The professor that taught me mathematical economics took a shine to me and asked me to help him with his research on a paper on the automotive sector - befitting for someone living in Windsor, the automotive capital of Canada. His paper quantified the direct and indirect jobs tied to the automotive sector (one in seven in Canada and one in six in Ontario). I didn't write a word of it, but was mentioned in a footnote. The paper was never published and I've lost my copy of it. Drat. That was my start as an analyst in the industry. To tell the truth, I didn't do much research. Just the odd term paper related to the industry while I was studying until I was working as an economist in the Ontario Treasury in 1973. In November 1973 the first oil embargo hit and the automotive sector fell on its butt. The Treasurer needed to brief Bill Davis, who was Premier at the time and since I was from Windsor I was nominated as the Ontario Government's auto sector analyst. The rest is history and here I am 49 years later still writing about and researching the industry.

I turned 68 this year which is still relatively young in this day and age but this industry also takes a toll on you both physically and mentally. I wrote my first "Observations" in January 1973, so this is my 215<sup>th</sup>. Try writing a monthly four or more page paper related to something different and insightful about this industry for 25 plus years and you will get an understanding of how mentally tough it has been. I'm not complaining since not only does everyone work hard in this sector but they also play hard and find another industry where the 'product' associated with it is as spectacular. But I also have to admit this past year was the first time that I started to seriously think about retiring. I did at one point briefly contemplate announcing, in this "Observation", that this was going to be my last year working (I do now actually work part time taking all of the Summer off and December off and some days off each week during the rest of the year) and that I'd be essentially done on my 50<sup>th</sup> anniversary of studying this industry. However after some thought I've changed my mind. Instead of announcing my retirement I've decided to take

(continued from previous page)

**Employment in the Cdn Assembly and Parts Sector relative to NA Sales and Production**

	<b>Assembly Sector</b>	<b>Parts Sector</b>	<b>Total Automotive Manufacturing</b>	<b>N.A. Market Millions</b>	<b>N.A. Production Millions</b>
<b>1969</b>	<b>41,916</b>	<b>41,541</b>	<b>83,457</b>	<b>12.5</b>	<b>11.7</b>
<b>2017</b>	<b>43,623</b>	<b>73,459</b>	<b>117,082</b>	<b>21.2</b>	<b>17.5</b>
<b>Change from Trough (2009 Financial Crisis)</b>	<b>22.5%</b>	<b>20.0%</b>	<b>15.9%</b>	<b>64.7%</b>	<b>104.9%</b>

Source: Statistics Canada and DesRosiers Automotive Consultants Inc. (DAC)

this one year at a time from here on out. So a year from now I will go for "a walk in the woods" and decide whether to stay on an additional year or to think about it for another year. This could go on for some time but I definitely will not work a day past my 85<sup>th</sup> birthday! One of the things I am most proud of at DAC is that I've built a great team and the company operates smoothly whether I am around or not. Indeed some would say the company runs better when I'm not around with my crazy ideas!

There have been a lot of changes over the years and I've included some tables documenting these which I'll touch on later. The one thing that has changed dramatically is that I've become very much a cynic. I can think of a dozen or two dozen situations, events, developments over the years that were supposed to "change the industry as we know it" or at least part of industry. Most of these were forecast to change the industry in a negative way rather than a positive way. A couple of examples, 'Priceline',

'Autobytel' and a dozen other digital initiatives when first launched meant that car dealers were no longer needed. In 1969 there were 3,208 new vehicle dealers in Canada, today there are 3,424 dealers. So much for the demise of the vehicle dealer. This past year they sold a record number of new and used vehicles (2+ million new and another million used) and made a record amount of profit (over a million dollars per store for the first time). So it is hard not to be cynical when someone writes yet another obituary about

**NORTH AMERICAN PRODUCTION OF VEHICLES - # OF UNITS**

<b>YEAR</b>	<b>US TOTAL</b>	<b>CANADA TOTAL</b>	<b>MEXICO TOTAL</b>	<b>TOTAL PRODUCTION ALL COMPANIES</b>	<b>PERCENT TRUCK</b>	<b>U.S.A. AS A % OF N.A.</b>	<b>CANADA AS A % OF N.A.</b>	<b>MEXICO AS A % OF N.A.</b>
<b>1969</b>	<b>10,182,562</b>	<b>1,349,899</b>	<b>165,811</b>	<b>11,698,272</b>	<b>19.9%</b>	<b>87.0%</b>	<b>11.5%</b>	<b>1.4%</b>
<b>2017</b>	<b>11,189,985</b>	<b>2,194,003</b>	<b>4,069,389</b>	<b>17,453,377</b>	<b>67.4%</b>	<b>64.1%</b>	<b>12.6%</b>	<b>23.3%</b>

Source: Ward's Automotive, DesRosiers Automotive Consultants Inc. (DAC)

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**NORTH AMERICAN PRODUCTION OF VEHICLES - # OF UNITS**

YEAR	TOTAL BIG '3' & H.D. TRUCK PRODUCTION	BIG '3' & H.D. TRUCK PERCENT OF PROD.	TOTAL NEW DOMESTIC PRODUCTION	NEW DOMESTIC PERCENT OF N.A. PRODUCTION
1969	11,643,069	99.5%	55,203	0.5%
2017	8,449,763	48.4%	9,003,614	51.6%

Source: Ward's Automotive, DesRosiers Automotive Consultants Inc. (DAC)

**NORTH AMERICAN PRODUCTION OF VEHICLES - # OF UNITS  
UNIONIZED AND NON-UNIONIZED**

YEAR	TOTAL UNION VEHICLES	TOTAL NON-UNION VEHICLES	PERCENT NON- UNIONIZED
1969	11,649,084	49,188	0.4%
2017	8,548,292	8,905,085	51.0%

Source: Ward's Automotive, DesRosiers Automotive Consultants Inc. (DAC)

dealers because of some of the current 'so-called' disruptors faced by our industry (ride sharing, Uber, subscription services, autonomous vehicles, etc.). Another example, the first hybrid vehicles were sold in Canada in the year 2000 and were forecast to have a market share of upwards of 15 percent by now ... last year their market share was a little above 1 percent. So it is hard for me to believe that battery electric vehicles (a much tougher technology to sell than Hybrids) will have upwards of a 50 percent market share within 20 or even 30 years.

Or am I just an old fart that is out of touch with what's going on in this dynamic industry? Who doesn't have at least one or more TVs, computers, cell phones and indeed vehicles in the family driveway. My parents raised six kids in a 400 square foot house ( 20 feet by 20 feet )

with no basement or attic, a small house today is at least 2,000 sq. feet and many are larger. You'll laugh at this but in my country home I have eight fridges/freezers and another three in my home in Richmond Hill. The cynic in me says NO but maybe there will be a day when nobody owns a vehicle and we are all meeting our day to day mobility needs by summoning a POD on our cell phone.

I am proud of some of my/our accomplishments. Number one on the list is the number of young minds that got their start in the industry working for my company. I've lost track of the number who have moved on and are currently experiencing a rewarding career somewhere in the sector. Closely related to

**VEHICLE OWNERSHIP TRENDS - CANADA**

CALENDAR YEAR	NEW VEHICLE SALES AS A PERCENT OF VEHICLES ON THE ROAD	IN VEHICLE HOURS PER DRIVER PER YEAR	IN VEHICLE DAYS PER DRIVER PER YEAR	EXPECTED USEFUL LIFE Years
<b>CANADA</b>				
1969	11.8%	394	16.4	8.5
2017	7.8%	503	20.9	12.90

Source: Statistics Canada, iHS Automotive, driven by POLK, 2017 light vehicle registration database released 2018

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this is the two Endowments I have at Georgian College and the University of Windsor that help pay the tuition of students in their automotive programs. These Endowments have grown to over \$500,000 and over the years have funded close to 50 students. Some of this money came from my pocket but most of it came from the industry who has supported me every time I've asked. Each Fall I get letters from these students who tell me they are able to fulfil

their dream of studying in this industry because of this scholarship. Who knows, one of them might write a similar article to this one 50 years from now. I think I've contributed to the understanding of our industry. We were the first company to study the aftermarket/parts and service sector, the used vehicle sector, and the automotive finance sector. We were not the first to study the new vehicle sector but we have brought

some new thinking to how it operates.

For fun I've pulled together some tables which are spread throughout this Observation that highlights some basic information on the industry in 1969 compared to 2017 data. **DAR**

### VEHICLE OWNERSHIP TRENDS - CANADA

CALENDAR YEAR	TOTAL VEHICLE SALES UNITS Inc HD Truck	PERCENT TRUCK	EXPECTED USEFUL LIFE KILOMETRES	TOTAL UNITS IN OPERATION	VEHICLES PER DRIVING AGE POPULATION
<b>CANADA</b>					
<b>1969</b>	<b>917,227</b>	<b>17.1%</b>	<b>184,868</b>	<b>7,786,719</b>	<b>53.2%</b>
<b>2017</b>	<b>2,076,078</b>	<b>69.3%</b>	<b>295,531</b>	<b>26,771,802</b>	<b>87.0%</b>

Source: Statistics Canada, DesRosiers Automotive Inc. (DAC), and iHS Automotive, driven by POLK, 2017 light vehicle registration database released 2018

