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AUTO 

QUARTERLY

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Newsletter of the Japan Automobile Manufacturers Association of Canada

Production mixed but sales climb in first half of 2001

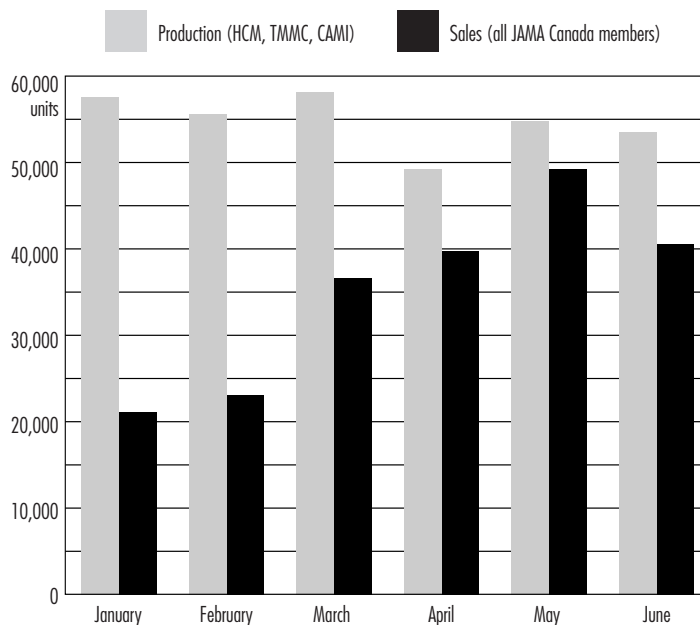
Through the first half of 2001, JAMA Canada members' combined sales performance has shown remarkable strength in the face of a softening economy with all companies recording higher light vehicle sales over 2000. To put the current market in perspective, JAMA Canada members together have sold more light vehicles in the first six months of 2001 than they did during the entire year in 1995 when 204,037 units were sold.

The final tally at the end of June shows 210,465 light vehicles sold, an increase of 12.1% over the same period last year. Passenger car sales climbed 10.8% to 156,072 units, while light trucks jumped 16.1% to 54,393 units. During the second quarter, Toyota Canada recorded their highest single month sales in May, while Suzuki Canada broke an eight year sales record in June. Mazda Canada continues to be the growth leader, up 33.7% over 2000 to 34,000 units, followed by Nissan Canada, with a sales gain of 15.4% to 25,740 for the first half. Honda Canada holds the top spot in unit sales, up 10.9% in the first two quarters to 73,777 units. Subaru Canada continues to surpass their previous sales record, up 3.6% in 2001 to 7,163 units.

Vehicle production at three Japanese affiliated plants in Canada (Honda, Toyota and CAMI) during the first half of 2001 is ahead marginally in the aggregate but individually mixed. Combined output rose 0.5% to 329,036 units through the end of June. Production at Honda (HCM) in Alliston jumped 14.2% for the year to date to 194,833 units, slightly above current capacity due to strong markets in North America for the Odyssey minivan, the Acura MDX sport utility vehicle and the new Civic. During the same period, output at Toyota (TMMC) in Cambridge slid 7.4% to 90,356 units, while CAMI production dropped 25.8% due to the termination of the subcompact passenger vehicle line in April 2001. TMMC continues to build the Corolla as well as the Solara coupe and convertible. Production of the new model Corolla, as well as the new Toyota Matrix will begin early in 2002. CAMI continues to build the compact SUV, Suzuki Vitara and Chevrolet Tracker for Suzuki and General Motors respectively.

Vehicles exported from the above three plants followed the pattern set by production, and rose 4.5% to just under 267,000 units. During the first half of 2001, over 81% of total production was

2001 Monthly Production & Sales in Canada



exported with the majority going to the US, while about 12,300 units were shipped to several other countries.

With respect to imports, vehicle shipments from Japan are down 3.5% at the end of June, while shipments to Canada from plants in the US and Mexico are up 5.3%. Overall, imported units were down slightly for the first half of 2001 to 140,912 vehicles.

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Light Vehicle Sales in Canada, by Company

Company	Jan-June 2001			Jan-June 2000			% Change		
	CARS	TRUCKS	TOTAL	CARS	TRUCKS	TOTAL	CARS	TRUCKS	TOTAL
HONDA	59,402	14,375	73,777	53,339	13,181	66,520	11.4	9.1	10.9
N.A. Built	55,666	8,610	64,276	49,387	6,919	56,306	12.7	24.4	14.2
Japan Built	3,736	5,765	9,501	3,952	6,262	10,214	-5.5	-7.9	-7.0
TOYOTA	46,334	17,569	63,903	48,342	12,861	61,203	-4.2	36.6	4.4
N.A. Built	22,990	8,341	31,331	23,945	7,388	31,333	-4.0	12.9	0.0
Japan Built	23,344	9,228	32,572	24,397	5,473	29,870	-4.3	68.6	9.0
MAZDA	23,059	10,941	34,000	18,318	7,120	25,438	25.9	53.7	33.7
N.A. Built	930	2,090	3,020	1,568	2,712	4,280	-40.7	-22.9	-29.4
Japan Built	22,129	8,851	30,980	16,750	4,408	21,158	32.1	100.8	46.4
NISSAN	19,497	6,243	25,740	13,527	8,779	22,306	44.1	-28.9	15.4
N.A. Built*	15,046	2,352	17,398	8,404	3,257	11,661	79.0	-27.8	49.2
Japan Built	4,451	3,891	8,342	5,123	5,522	10,645	-13.1	-29.5	-21.6
SUZUKI	2,479	3,403	5,882	2,713	2,634	5,347	-8.6	29.2	10.0
N.A. Built	831	1,009	1,840	697	941	1,638	19.2	7.2	12.3
Japan Built	1,648	2,394	4,042	2,016	1,693	3,709	-18.3	41.4	9.0
SUBARU	5,301	1,862	7,163	4,647	2,264	6,911	14.1	-17.8	3.6
N.A. Built	3,465	0	3,465	3,502	0	3,502	-1.1	0.0	-1.1
Japan Built	1,836	1,862	3,698	1,145	2,264	3,409	60.3	-17.8	8.5
TOTAL	156,072	54,393	210,465	140,886	46,839	187,725	10.8	16.1	12.1
N.A. Built	98,928	22,402	121,330	87,503	21,217	108,720	13.1	5.6	11.6
Japan Built	57,144	31,991	89,135	53,383	25,622	79,005	7.0	24.9	12.8

* car sales include Mexican built

Source: AIAMC

Motor Vehicle Production in Canada

	Jan-June 2001	Jan-June 2000	% Change
HONDA (HCM)	194,833	170,599	14.2
TOYOTA (TMMC)	90,356	97,605	-7.4
CAMI*	43,847	59,117	-25.8
TOTAL	329,036	327,321	0.5

Source: JAMA Canada

Vehicle Imports (Shipments) to Canada

	Jan-June 2001	Jan-June 2000	% Change
JAPAN	85,844	88,977	-3.5
U.S./MEXICO	55,068	52,299	5.3
TOTAL	140,912	141,276	-0.3

Source: JAMA, JAMA Canada

Motor Vehicle Exports from Canada

	Jan-June 2001	Jan-June 2000	% Change
HONDA (HCM)	156,375	129,326	20.9
TOYOTA (TMMC)	69,899	73,057	-4.3
CAMI*	40,595	52,937	-23.3
TOTAL	266,869	255,320	4.5

Source: JAMA Canada

CAW withdraws request for union vote at TMMC

Over the past few months, the Canadian Auto Workers (CAW) have been stepping up their campaign in an effort to hold the first union certification vote at Toyota Motor Manufacturing Canada (TMMC) in Cambridge, Ontario. The CAW applied to the Ontario Labour Relations Board (OLRB), and a vote was held on July 6. However, TMMC challenged the CAW calculations regarding the total number of eligible workers in the plant. At an OLRB hearing in late July, the CAW admitted that they had failed to get the 40% support of the team members at TMMC required by law, and have asked the OLRB to withdraw their request. Under current labour law in Ontario, the union cannot request another certification vote at TMMC for at least a year. The ballots that were cast in the vote held in early July are invalid and will not be counted.

Report on 24th Canada Japan Business Conference

In mid-May, over 200 senior business and industry representatives from Canada and Japan gathered in Calgary, Alberta to discuss the current state of the bilateral trade and economic relationship. Co-chaired by Hiroshi Okuda, Chairman of Toyota Motor Corporation and Paul Tellier, Chairman of Canadian National Railways, the plenary sessions focused for the second consecutive year on proposals for governments and the private sectors to explore ways for advancing the economic relationship. Speakers from Japan included Yoshio Nakamura, Keidanren; Hiroshi Zaizen, Mitsubishi Corporation; and Yasuhiko Nara, Tokyo Electric Power. Canadian speakers included Wendy Dobson, University of Toronto; Tom D'Aquino, BCNI and Richard Egelton, Bank of Montreal.

While remaining committed to multilateralism and the start of a new WTO trade negotiation at the next meeting in Qatar later this year, both sides proposed in a joint statement that the two national governments, in close consultation with the private sectors, 'explore the idea of a new comprehensive partnership framework for enhancing the economic relationship'. The Business Council on National Issues (BCNI) went a step further in stating that the relationship was stagnating and badly needs a 'shot in the arm' and a 'total re-thinking'. The BCNI announced the creation of a new committee to be headed by Dominic D'Alessandro, President & CEO of Manulife Financial to explore a proposed Canada-Japan Transpacific Partnership Agreement.

Various sector meetings were held on the second day, including the Automotive Sector. Highlights of the auto sector meeting included outlook presentations by Michael Robinet, CSM Worldwide, on vehicle production in North America, and by Takeo Fukui, Honda Motor on the outlook for the auto industry in Japan. In addition, there was an auto parts panel which focused on globalization. Panelists included Toru Onda (Honda Motor), Tsugio Kadowaki

(Toyota Motor Manufacturing North America), Don Walker (Intier Automotive) and Robert Magee (The Woodbridge Group).

The 25th Canada Japan Business Conference will be held in Sendai, Japan on May 9 and 10, 2002.

New Ambassadors in Canada and Japan



Ambassador Hogen

At the beginning of June, Mr. Kensaku Hogen arrived in Ottawa to become the 19th Ambassador of Japan to Canada, succeeding Ambassador Katsuhisa Uchida.

Born in 1941, Ambassador Hogen studied Law at Tokyo University and is a graduate of Cambridge University. He entered the Ministry of Foreign Affairs (MOFA) in 1964, holding various positions over the years including President of the Foreign Service Training Institute from 1996 to 1998.

Overseas postings included First Secretary at the Embassy of Japan in Ottawa from 1975 to 1977, Economic Counsellor at the Embassy in Washington D.C. in the early 1980s, Consul General in Boston from 1989 to 1991, and Consul General in Honolulu from 1991 to 1994. Prior to being named Ambassador to Canada, Mr. Hogen was Under-Secretary-General at the United Nations in charge of Communications and Public Information.

In a statement to the Governor-General, Her Excellency the Right Honourable Adrienne Clarkson, Ambassador Hogen said, "...I have been entrusted to further develop the friendly relations between our two countries and to deepen Canadians' understanding of Japan. ...I am also determined to enhance ongoing political and economic dialogues between our governments, and to strengthen our co-operation in multilateral fora such as the G8 and the United Nations."

Also in June, the Canadian Government announced that former Deputy Minister for International Trade, Robert Wright would become the next Ambassador to Japan succeeding former Ambassador Len Edwards, who would replace Mr. Wright as Deputy Minister for International Trade. This switch of high level officials underscores the importance for Canada of the trade relationship with Japan.



Ambassador Robert Wright

Ambassador Wright joined the federal government in 1971, and was posted to Geneva with the Canadian delegation during the Tokyo Round of GATT negotiations in the late 1970's. In 1985, he was appointed Minister (Economic) and Deputy Head of the Canadian Delegation to the Uruguay Round in Geneva. From 1993 to 1995, Mr. Wright served at the Canadian Embassy in Washington, and in December 1995 was appointed Deputy Minister for International Trade. On June 21, 2001 Mr. Wright presented his credentials to His Majesty the Emperor as Canadian Ambassador to Japan.

New Clean Air Initiatives includes MOU on Low Emission Vehicles in Canada

A Memorandum of Understanding (MOU) between the Federal Minister of the Environment and motor vehicle manufacturers in Canada (represented by the AIAMC and the CVMA) was concluded recently which set out the terms and conditions for light duty vehicle emissions for the 2001 - 2003 model years. This voluntary agreement furthers the harmonization of vehicle emission technology in North America.

All Automakers in Canada, through the 2003 model year, have committed to offer the same low emission vehicles as in the U.S. under the Voluntary Low-Emission Vehicle Program. Cleaner vehicles, along with cleaner fuels, have the potential to reduce smog-inducing hydrocarbon and nitrogen oxide emissions by about 99% and 95%, respectively, compared to uncontrolled levels, thereby generating health and environmental benefits for Canadians. The MOU can be found on Environment Canada's website - www.ec.gc.ca

The MOU was part of the Canadian Government's urban transportation strategy announced on June 11 in Toronto. The Government intends to invest more than \$109 million in various programs as part of the \$500 million Action Plan 2000 on Climate Change announced last October:

- \$40 million in the Urban Transportation Showcase Program to demonstrate ways of reducing greenhouse gas emission from transportation;
- \$30 million over 5 years to fund the development, integration and deployment of Intelligent Transportation Systems (ITS) across Canada;
- \$23 million investment in the Canadian Transportation Fuel Cell Alliance to investigate different fuelling options for fuel cell vehicles;
- \$16 million Motor Vehicle Fuel Efficiency Initiative to improve new motor vehicle fuel efficiency in Canada through negotiation of a voluntary agreement with the automotive industry and the United States.

New President at Hino Diesel Trucks Canada



On May 15th, Mr. Frank Suzuki officially took up his new responsibilities as President of Hino Diesel Trucks (Canada) Ltd. Mr. Suzuki succeeds Kenichi (Ken) Sekine who was President of Hino Canada since April, 1996.

Mr. Frank Suzuki Frank Suzuki comes to Hino Canada from his last post in Indonesia, where he was responsible for the development and sales initiatives of Hino in Jakarta. Mr. Suzuki has had various responsibilities in the Hino organization in his more than 20 year

tenure, including overseas posts to Hino distributorships. As a member of the team in Indonesia, Mr. Suzuki was recognized for his achievement in doubling market share of Hino trucks. His new assignment with Hino Canada is opportune in view of Hino's announcement to manufacture in North America and increase market share.

Hino Diesel Trucks (Canada) was established in Canada in 1974, and for several years ran a knock-down assembly truck operation in British Columbia. Sales, distribution and service is centred in the head office, located in Mississauga Ontario, for a current range of medium duty trucks in Class 5, 6 and 7 categories. In addition, Hino has regional offices in Burnaby, B.C. and Montreal, Quebec. In 2000, Hino Canada sold 788 units, the second best tally after the current peak of 810 units sold in 1999.

Mitsubishi Fuso Trucks in Canada



Mitsubishi Fuso trucks

After Mitsubishi Fuso, the medium and heavy duty truck manufacturer in the Mitsubishi group, set up sales and distribution in the US a few years ago, it was only a matter of time until they came to Canada. So in October 1999, MFTA Canada Inc., a wholly owned subsidiary of Mitsubishi Fuso Truck America, was launched with its head office in Mississauga Ontario. In July 2001, Isao Toda became President of Mitsubishi Fuso Truck of America, Inc. and MFTA Canada, Inc.

According to Brian Shantz, Director-Sales of MFTA Canada, Mitsubishi Fuso offers a full range of medium duty trucks as in the US, but sees specific business opportunities in the lighter end (Class 3-5) of the medium truck segment (Class 3-7), which represents about 80% of current medium duty market in North America. In general, the medium duty cab-over truck is largely an urban-based delivery vehicle. The market for these trucks is highly competitive, requiring among other things fast turnaround and a high level of service.

MFTA Canada currently has 7 dealers with five more to be operating by this fall, all in key truck markets across Canada. While MFTA Canada hopes to reach 300 unit sales this year, Mr. Shantz said, 'Growth will be driven by getting good dealers. We would like to have 25 - 30 points across the country, and sell 1000 units annually in 5 years.'

Highlights of the 2001 Harbour Report

The 2001 Harbour Report, an annual plant-by-plant benchmarking analysis of automotive manufacturing in North America, was released in June. While the analysis covers assembly, stamping, engines and powertrain, the key measure of productivity is 'labour hours per vehicle' (HPV). There are numerous factors that impact HPV including product design, capacity utilization, automation, the number of welds, modularization, option variations and model mix to name a few.

Highlights of the 2001 report:

- Among the ten most productive companies, the top five with the highest assembly productivity ratings (hours per vehicle) in North America were Japanese affiliates: Nissan (17.37), Honda (19.31), Toyota (21.60), NUMMI (21.94), Mitsubishi (23.89).
- Toyota Motor Manufacturing Canada's North Plant in Cambridge Ontario, which makes the Corolla, had the highest assembly productivity (17.73 HPV) in 2000 in the subcompact segment. Honda's East Liberty, Ohio plant (Civic) and the NUMMI plant in California placed second and third respectively.
- For overall productivity in vehicle assembly, Nissan's plant in Smyrna Tennessee remained the No. 1 company for the 7th consecutive year in assembly hours per vehicle at 17.37, a 7.1% improvement over 1999.
- Mitsubishi was the most improved manufacturer in assembly at 21.6%, moving from 9th to 5th overall.
- For company average engine productivity (hours per engine), Honda was the leader at 3.05 in 2000, followed closely by Toyota at 3.17 hours per engine.

TMMC Wins J.D.Power 2001 IQS Gold Plant Award



Toyota Motor Manufacturing Canada (TMMC) has won the J.D.Power 2001 Initial Quality Study Gold Plant Award for the highest quality assembly plant in North and South America. This is the fourth Gold Plant Award for TMMC -

they also won in 1991, 1995 and 1996.

The Worldwide Platinum Plant Quality Award was given to Toyota's plant in Kyushu Japan, while Honda's plant in Marysville, Ohio and Toyota's plant in Georgetown, Kentucky tied for the 2001 Silver Plant Award.

The J.D.Power Initial Quality Study examines the vehicle quality dynamics of 130 cars and 80 light trucks manufactured for sale in the United States by 37 different nameplates around the world. Results of the 2001 study are based on a survey of over 54,000 new vehicle owners after the first 90 days of ownership which covers 135 potential problem symptoms.

Other results of the 2001 IQS survey:

1. Car models ranking highest in their segment:

• Compact Car	Toyota Corolla
• Entry Mid-size Car	Nissan Altima
• Premium Mid-size Car	Toyota Avalon
• Full-size Car	Chrysler Concorde
• Entry Luxury Car	Lexus ES 300
• Mid Luxury Car	Saab 9-5
• Premium Luxury Car	Lexus LS 430
• Sporty Car	Acura Integra
• Premium Sports Car	Chevrolet Corvette
2. Light Truck models ranking highest in their segment:

• Compact Pickup	GMC Sonoma
• Full-Size Pickup	Toyota Tundra
• Entry SUV	Honda CR-V
• Mid-Size SUV	Nissan Pathfinder
• Full-size SUV	Ford Expedition
• Luxury SUV	Lexus RX 300
• Compact Van	Toyota Sienna

Ontario 2001 Budget: Hybrid Electric Vehicles Now Qualify for Tax Rebate

In his first budget as Ontario Minister of Finance, James Flaherty introduced two measures about which JAMA Canada and other auto industry groups had serious concerns. First, as of May 9, hybrid electric cars will be eligible for the Ontario retail sales tax rebate program for alternative fuel vehicles. This is a significant incentive as purchasers can claim up to \$1000 sales tax rebate.

JAMA Canada strongly supported changes to make the program more flexible by expanding the rebate to include all light duty hybrid electric vehicles, recognizing that the important policy objective is to obtain desired environmental results rather than attempt to distinguish among alternative fuel technologies.

Unfortunately, the budget proposal is not retroactive which would allow those who purchased hybrid electric vehicles (Honda Insight and Toyota Prius) prior to May 9, 2001 to claim the rebate.

Secondly, while there was no change to the Tax for Fuel Conservation (TFFC), the Ontario Government indicated that the TFFC will be reviewed. The auto industry in Ontario shares the view that the TFFC is a deeply flawed program that should be eliminated as it increases the cost of most new vehicles and at the same time encourages consumers to keep older, higher emission vehicles on the road.



2001 Honda Insight



2001 Toyota Prius



Foreign Companies vs. Domestic Companies Distinctions Getting Blurred

The Office of the U.S. Trade Representative in its trade priorities report to Congress released on April

30 expressed “disappointment” that foreign auto and auto parts sales in Japan had not met their expectations due in part to the weakness of the Japanese economy over the past three years. The report concludes: “the effects of the Japanese recession have been disproportionately felt by foreign firms.” Inherent in this conclusion is the premise that success in the automobile industry in Japan, and elsewhere for that matter, is still measured by the performance of imports relative to domestic brands.

Import statistics can, of course, be compiled to support the old “we-versus-them” premise. After all, last year import auto sales in Japan hit bottom at 68 percent below their 1996 peak. The Japanese market, on the other hand, is now only about 9 percent below 1996 levels having recovered slightly over the last couple of years. Using these statistics one might conclude that imports are not keeping up with the market. However, the picture this presents is incomplete.

The compiled numbers disguise the fact that auto markets, including Japan’s auto market, are becoming increasingly global. A true analysis is not reflected in country vs. country statistics but rather company vs. company statistics. BMW, for example, now sells its US built cars in Japan. DaimlerChrysler sells US and German built Mercedes in Japan as well as US made Chryslers. GM sells US built Chevrolets as well as Opels made in Germany.

Furthermore, not all imports move together. There are winners amongst the import companies as well as some losers. For example, VW/Audi, Japan’s leading importer sold a record volume last year, about 8.5 percent more than they did in 1996. Mercedes, Japan’s second largest importer, lost sales last year but, even so, Mercedes volume was up 14 percent over 1996. These two companies have also performed well in the first quarter of this year compared to the same period last year. VW sales in Japan are up 12 percent and Mercedes sales are up 28.5 percent in an overall auto market that declined by 0.2 percent over the same period last year. The two largest import sellers in Japan are beating the market in a weak economy. In short, all imports are not alike.

By contrast, the Detroit companies have experienced a reverse pattern. The Detroit companies’ sales did well in the early days of Japan’s downturn until about 1996 but since then have declined sharply. Last year GM, Ford and Chrysler sold 55 percent fewer of

their U.S.-built cars in the Japanese market than they did in 1996, their peak year. So far this year, GM and Ford sales are down 55 and 40 percent, respectively. GM recently announced that it was withdrawing its Saturn from Japan. Certainly sales from these companies have been declining in the Japanese market while others are gaining. But even this is not the entire picture. Chrysler, now DaimlerChrysler, is a German company with its Mercedes division cars, some of which are built in the U.S., beating the market, while its Chrysler division cars, also built in the U.S., are losing sales in Japan.

The “foreign firm” versus “domestic firm” picture is further blurred by the integration of the two. Over the past several years enterprising vehicle manufacturers from both Europe and America have seized opportunities by purchasing equity in Japanese vehicle manufacturers. As a result many foreign companies, including the Detroit companies, are positioning themselves as part of the domestic Japanese industry to take advantage of a recovering vehicle market. We have documented this trend in detail in previous issues of *Japan Auto Trends*.

Future!

While politics between the U.S. and Japan may strive for a while to perpetuate past rhetoric, the internationalization of the automotive industry is rapidly overtaking the ability to credibly sustain the “we-versus-them” approach to the U.S.-Japan automotive dialogue. In the future, governments will be unable to delineate benefits accruing solely to “domestic firms” versus “foreign firms.” In global auto markets some companies may win and some companies may lose, but when it comes to corporate nationality, drawing distinctions will border on the impossible if not the absurd.

For further information and updated monthly statistics, visit JAMA’s website at: ‘www.jama.or.jp/e_press/index.html’.

Snapshot of the Motor Vehicle Industry in Japan		
Passenger Cars, Trucks, Buses		TOTAL
PRODUCTION ¹	Jan-June 01	4,949,961
	Jan-June 00	5,170,860
	% change	-4.3
EXPORTS ²	Jan-June 01	2,002,197
	Jan-June 00	2,218,045
	% change	-9.7
SALES/ REGISTRATIONS ³	Jan-June 01	3,106,911
	Jan-June 00	3,105,766
	% change	0.0
IMPORT VEHICLE SALES ^{*4}	Jan-June 01	139,849
	Jan-June 00	138,891
	% change	0.7

* (including models built by Japanese automakers overseas)

source: 1,2-JAMA; 3-JADA, JMVA; 4-JAIA

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