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AUTO QUARTERLY

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Newsletter of the Japan Automobile Manufacturers Association of Canada

After Three Record Years, 2001 Expected To Be Slower

As Frank Sinatra sang, 'It was a very good year'. In fact, the past three years have been very good. In 2000, several new records were established among Japanese affiliated automakers in Canada. Overall vehicle sales for JAMA Canada members reached a new high of 383,961 units, surpassing the previous record in 1999 at 365,487 units. On the industry side, combined production at Honda (HCM), Toyota (TMMC) and CAMI topped 620,000 units, up 3.6% from the record set in 1999 of 599,000 units. Vehicles exported from Canada rose 2.6% in 2000 to a new high level of 494,000 units, up from 482,000 in 1999.

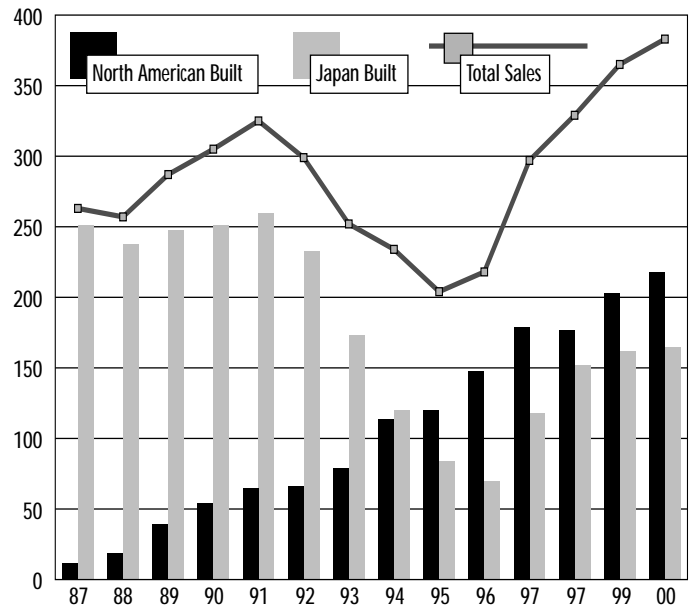
However, after several years of strong growth and record performance, a situation most analysts agreed was unsustainable, some dark clouds are gathering as the North American economy, particularly in the US, has begun to slow down. In both countries, sales through the last quarter of 2000 were dropping faster and sooner than most had expected. December was particularly dismal as overall sales dropped 11.8% and JAMA Canada members saw their sales plunge 15.5% compared to a year earlier. While the year end slump was not enough to spoil a record year for Canadian vehicle sales of 1.56 million units, slower sales are expected to continue through the first and perhaps second quarter of 2001, particularly because sales during the first half of 2000 were considerably stronger than forecast.

In spite of the cooling economy, most analysts are predicting that sales in Canada for 2001 will be down about 4% to 5% to around 1.5 million units. The market in Canada bottomed out in 1995 at 1.16 million units, so any year that promises about 1.5 million sales is still 'a very good year'. The risk, however, is mostly on the downside. The key assumption is that the economy and consumer demand will turn up in the second half of 2001. With the US Federal Reserve expected to continue to cut interest rates in the US, this will put pressure on David Dodge, the new Governor of the Bank of Canada, to follow suit. With tax cuts continuing to give Canadians more disposable income, further cuts in interest rates which should also help boost consumer confidence.

In general, Canada seems in a better position than the US to weather a slumping economy. However, in the auto industry, most Canadian production is built for export to the US, and the

JAMA Canada Members' Sales

1987-2000 (thousand units)



impact of declining sales south of the border is being felt as plants in Canada make adjustments in output. Already in the last quarter, Big 3 automakers in Canada cut production in a bid to reduce inventories, and several plants have scheduled weekly plant shutdowns and layoffs during the first few months of 2001. According to media reports, in the first quarter of 2001, GM Canada is planning to reduce output by 25%, while Ford will be 17% lower. DaimlerChrysler will trim output among Chrysler division's global operations by 15% in 2001.

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For Japanese automakers in Canada, the outlook is somewhat brighter. HCM output in 2001 will likely reach capacity of 340,000 units due to strong demand for the new Acura MDX, the new Civic and the Odyssey minivan. TMMC is expected to launch the new Corolla in the fall of 2001, followed by the new Matrix crossover vehicle in early 2002. Capacity at TMMC will expand to 220,000 units with the addition of the Matrix next year and the RX300 in 2003. Last fall, CAMI announced that it will stop production of subcompact passenger cars in the spring of 2001. However, this move appears to be unrelated to the current economic slowdown, as the phase-out of the Suzuki Swift and Chevrolet Metro has been expected for some time. CAMI will continue to produce the popular sport utility vehicles, Vitara and Tracker for the North American market, and the two-door Grand Vitara for export to 26 countries around the world.

And Japanese automakers in the US are also busy expanding their operations south of the border. Nissan recently announced that it will build a US\$930 million manufacturing plant in Canton, Mississippi with an annual capacity of 250,000 units. Production will begin in mid-2003 and the new facility will make a full-size pick-up truck, a full-size sport utility vehicle and the next generation Nissan minivan to replace the Quest currently made at a Ford plant in Ohio. Nissan has also announced that it will expand its engine plant in Decherd, Tennessee to include machining and assembly for V-6 and V-8 engines that are not currently produced in North America. Nissan also plans to maximize capacity utilization at their vehicle plant in Smyrna which currently makes the Altima sedan, Xterra sport utility vehicle and the full range of Frontier pick-up trucks.

Toyota also recently announced that they will put up a new US\$220 million engine plant in Alabama to machine and assemble V-8 engines for the full-size Tundra pickup truck, now being made in Indiana. The plant will commence operations in the summer of 2003. Meanwhile Honda is in the midst of building a new US\$440 million vehicle manufacturing plant in Alabama that will make minivans and/or SUVs along with engines for those vehicles. Initial vehicle production capacity will be about 120,000 units annually when the plant opens next year. Finally, in December, Suzuki announced a US\$30 million plant in Georgia that will produce All Terrain Vehicles (ATVs) for the North American market starting in 2002.

2000 Sales in Canada

As a group, JAMA Canada members sold 5.1% more light vehicles in 2000 than the previous year. Light vehicle sales reached a new high of 383,173 units, almost 18,500 more than in 1999. Passenger car sales climbed 6.2% to 282,666 units, while the tally for light trucks stood at 100,507 units for the calendar year. Light vehicle market share for all JAMA Canada members rose to 24.7% in 2000. Passenger car share reached 33.3%, while the light truck share was up to 14.4%.

Among individual companies, Honda Canada was the top seller in 2000 (the Honda Civic was the top selling model in Canada for the third year in a row) with record sales of 134,919 units, up 2.7% from last year. Mazda Canada took the top honours in terms of year over year growth, as sales climbed 26.1% to 52,070 units. Nissan Canada was not far behind with sales growth of 25.1% over last year with total sales of 47,404 units. Subaru Canada also turned in a solid performance, up 12.2% to a new record level of 14,609 units in 2000. Toyota Canada and Suzuki Canada both had lower sales in 2000, down 4.8% and 5.7% respectively.

In the medium and heavy truck market, the slump in the heavy duty Class 8 market and the alarming rise in fuel costs had some impact on the mid-level truck market as well. Hino Diesel Trucks Canada sells medium duty trucks aimed primarily at the service sector. In 2000, Hino recorded their second best year for retail sales with 788 units sold, and their best ever wholesale year with a total of 820 units. Hino's market share of the mid-range diesel truck market stands at 13% in Canada. The outlook for 2001 remains fairly optimistic, in keeping with the Canadian auto industry in general, where a slight downturn is expected after five years of strong growth.

2000 Production in Canada

While total motor vehicle production in Canada slid to below 3 million units as a result of production adjustments at Big 3 plants primarily during the last quarter of 2000, output for the three Japanese affiliated plants was up over 1999, but individually mixed. Honda in Alliston hit a new production record with over 326,800 units as a result of strong demand in North America for the Odyssey minivan and the combined launch last fall of the new Acura MDX sport utility vehicle and the new 2001 Civic. On the other hand, production at both TMMC and CAMI were lower than the previous year, down 13.0% and 2.6% respectively, largely due to the fact that certain models were farther along in the product cycle.

2000 Canadian Vehicle Exports & Imports

Every year since 1993, Canada has been a net exporter of Japanese related vehicles. In fact, over the past eight years, over 2.8 million vehicles have been exported from Canada to the US and several other countries, while 1.7 million vehicles were imported from Japan, the US and Mexico by all JAMA Canada members.

In 2000, HCM shipped a record 255,714 units, up 20.9% over 1999; TMMC exported 138,657 units, 17.7% fewer than the previous year; and CAMI's exports dipped 2.0% to 100,159 units as a result of lower output. Overall export shipments rose 2.6% to 494,530 units for the calendar year, up 12,530 units from 1999.

Imports from Japan, the US and Mexico rose 8.0% in 2000 to a total of 275,653 units as a result of higher shipments of vehicles originating in the two NAFTA partners. Exports from Japan were almost the same as in 1999, up slightly 0.4% to 167,894 units, while shipments from the US & Mexico jumped 22.4% to 107,759 units.

Light Vehicle Sales in Canada, by Company

Company	Jan-Dec 2000			Jan-Dec 1999			% Change		
	CARS	TRUCKS	TOTAL	CARS	TRUCKS	TOTAL	CARS	TRUCKS	TOTAL
HONDA	106,814	28,105	134,919	104,427	26,976	131,403	2.3	4.2	2.7
N.A. Built	98,539	14,492	113,031	90,027	12,130	102,157	9.5	19.5	10.6
Japan Built	8,275	13,613	21,888	14,400	14,846	29,246	-42.5	-8.3	-25.2
TOYOTA	95,023	28,573	123,596	94,214	35,651	129,865	0.9	-19.9	-4.8
N.A. Built	44,509	15,947	60,456	45,386	19,317	64,703	-1.9	-17.4	-6.6
Japan Built	50,514	12,626	63,140	48,828	16,334	65,162	3.5	-22.7	-3.1
MAZDA	35,876	16,194	52,070	31,955	9,324	41,279	12.3	73.7	26.1
N.A. Built	2,953	5,274	8,227	4,643	4,710	9,353	-36.4	12.0	-12.0
Japan Built	32,923	10,920	43,843	27,312	4,614	31,926	20.5	136.7	37.3
NISSAN	30,170	17,234	47,404	21,587	16,313	37,900	39.8	5.6	25.1
N.A. Built*	19,579	5,989	25,568	12,223	4,679	16,902	60.2	28.0	51.3
Japan Built	10,591	11,245	21,836	9,364	11,634	20,998	13.1	-3.3	4.0
SUZUKI	4,785	5,790	10,575	4,955	6,257	11,212	-3.4	-7.5	-5.7
N.A. Built	1,302	2,130	3,432	1,544	2,301	3,845	-15.7	-7.4	-10.7
Japan Built	3,483	3,660	7,143	3,411	3,956	7,367	2.1	-7.5	-3.0
SUBARU	9,997	4,612	14,609	8,917	4,101	13,018	12.1	12.5	12.2
N.A. Built	7,476	0	7,476	6,277	0	6,277	19.1	0.0	19.1
Japan Built	2,521	4,612	7,133	2,640	4,101	6,741	-4.5	12.5	5.8
TOTAL	282,665	100,508	383,173	266,055	98,622	364,677	6.2	1.9	5.1
N.A. Built	174,358	43,832	218,190	160,100	43,137	203,237	8.9	1.6	7.4
Japan Built	108,307	56,676	164,983	105,955	55,485	161,440	2.2	2.1	2.2

* car sales include Mexican built

Source: AIAMC

Motor Vehicle Production in Canada

	Jan-Dec 2000	Jan-Dec 1999	% Change
HONDA (HCM)	326,804	274,908	18.9
TOYOTA (TMMC)	183,740	211,081	-13.0
CAMI*	110,444	113,400	-2.6
TOTAL	620,988	599,389	3.6

* 1999 estimated

Source: JAMA Canada

Vehicle Imports (Shipments) to Canada

	Jan-Dec 2000	Jan-Dec 1999	% Change
JAPAN	167,894	167,179	0.4
U.S./MEXICO	107,759	88,023	22.4
TOTAL	275,653	255,202	8.0

Source: JAMA, JAMA Canada

Motor Vehicle Exports from Canada

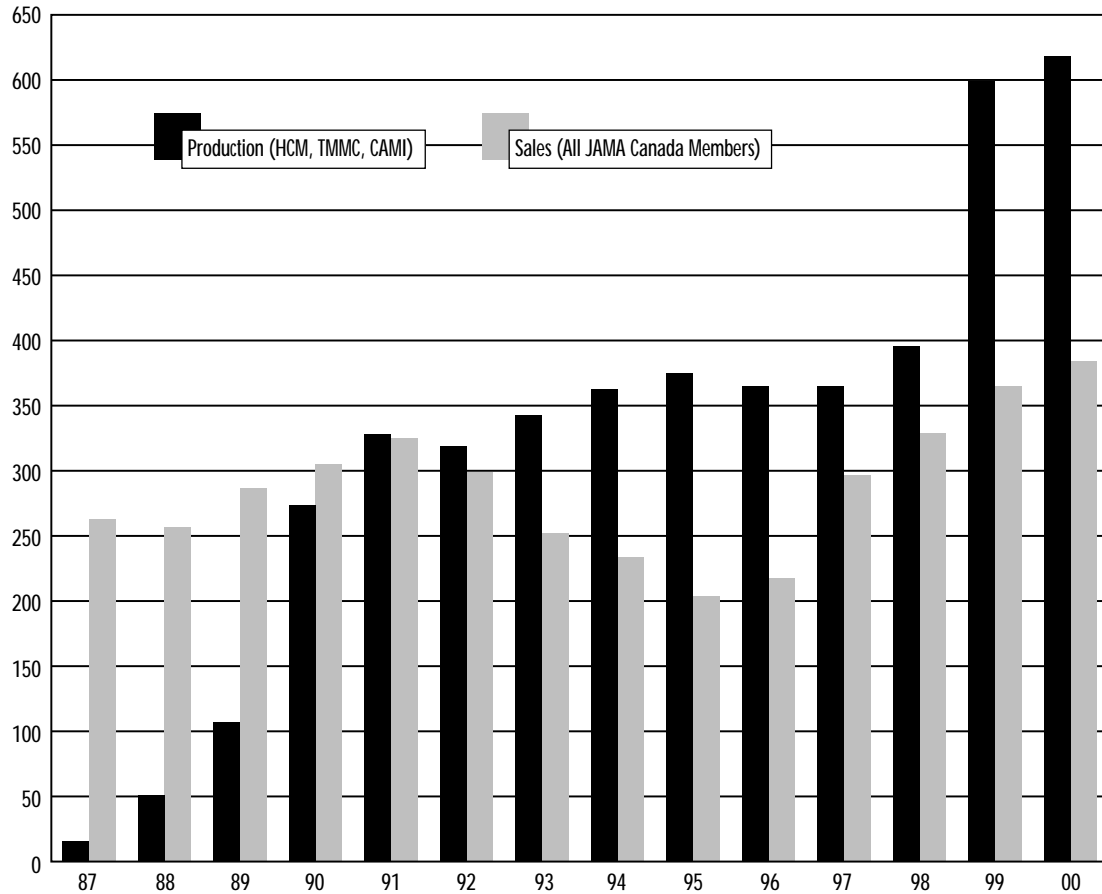
	Jan-Dec 2000	Jan-Dec 1999	% Change
HONDA (HCM)	255,714	211,535	20.9
TOYOTA (TMMC)	138,657	168,463	-17.7
CAMI*	100,159	102,200	-2.0
TOTAL	494,530	482,198	2.6

* 1999 estimated

Source: JAMA Canada

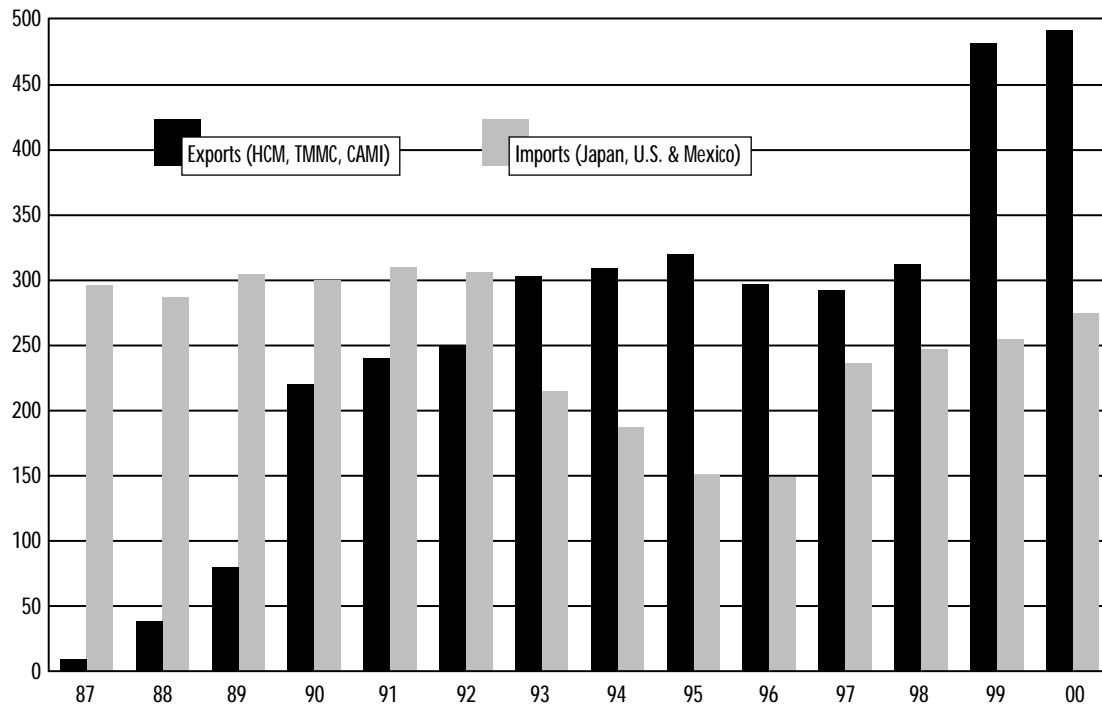
Production & Sales

1987-2000 (thousand units)



Vehicle Exports & Imports

1987-2000 (thousand units)



New Toyota 'Matrix' Will Be Made in Canada



The Toyota Matrix will be built at TMMC in Cambridge, Ontario starting in 2002.

Last month in Detroit, Toyota announced at the world debut of their new crossover vehicle, the 'Matrix', that exclusive production will begin early in 2002 at Toyota Motor Manufacturing Canada (TMMC) in Cambridge, Ontario. Riding on a platform

similar to the Corolla, the Matrix will be built alongside the new Corolla model that will be launched at TMMC later this fall.

The Matrix line will have an estimated capacity of 70,000 units annually. Investment for production of the Matrix is included in the \$650 million expansion announced by Toyota last year for the Lexus RX 300 luxury sport utility vehicle that will start in 2003. Altogether an additional 300 jobs will be created at TMMC.

Currently TMMC manufactures the 4 door Corolla in the North Plant and the Camry Solara (both coupe and convertible versions) in the South Plant. With the addition of the Matrix and RX 300, capacity will increase to 220,000 units per year.

The Matrix is clearly aimed at young buyers in North America to the extent that it combines the functional elements of a sport utility vehicle, the performance of a sports car and the competitive price of a small sedan. The Matrix was designed in Toyota's CALTY Design Studio in California for the North American market.

There will also be a sister vehicle, called the Pontiac Vibe, which will be produced for General Motors at the NUMMI plant in Fremont, California. NUMMI is jointly owned by Toyota Motor Corporation and General Motors.

Canada To Repeal the 35 Year Old 'Auto Pact'

Following the final report of the WTO Dispute Settlement Panel last June and the WTO Arbitrator's report last October, the Canadian Government has indicated that the Auto Pact, established as a bilateral sectoral free trade treaty between Canada and the US in 1965, will officially end on February 18, 2001 in keeping with their commitments to comply with the WTO ruling by February 19, 2001.

Essentially, Canada will repeal the Motor Vehicle Tariff Order (1998) and all of the Special Remission Orders (SRO) covering both production and export-based remission programs. In the absence of any further Government initiative to reduce the Most Favoured Nation (MFN) tariff, after February 18, all non-NAFTA qualifying imported vehicles will be subject to the current 6.1% ad valorem duty.

While the Auto Pact and SROs included provisions for duty free importation of both finished vehicles and original equipment

auto parts from any country, the elimination of the Auto Pact and SROs will affect only finished vehicle imports that do not qualify for NAFTA treatment. Original equipment auto parts will continue to enter Canada duty free because the Canadian Government reduced the MFN applied tariff to zero on all OE parts in 1996 when duty remission and duty drawback programs were eliminated under NAFTA rules.

From an investment and jobs point of view, the Auto Pact has not been a factor for many years. What's more, after the FTA in 1989, changes to the Auto Pact clearly made it discriminatory. And while repealing the Auto Pact will remove the discriminatory treatment, JAMA Canada would strongly urge the Canadian Government to take the final step and remove the remaining 6.1% MFN tariff on finished vehicle imports. Not only is the tariff a cost burden for both automakers and consumers, it is also substantially higher than the 2.5% MFN tariff applied to passenger vehicles in the US, or the 0% tariff in Japan.



Federal Minister of Industry, Brian Tobin

Just before the Federal Election was called last fall, Brian Tobin, the former Premier of Newfoundland, as well as a Federal Liberal MP since 1980 and Minister of Fisheries &

Oceans in the mid 1990's, jumped back into the limelight in Ottawa when he was named Minister of Industry to succeed John Manley, who was appointed Minister of Foreign Affairs following the departure of Lloyd Axworthy. JAMA Canada congratulates Mr. Tobin on his appointment as Minister of Industry and his election victory in November.



Moving Ahead and Beyond Old-Style Confrontation

As the year 2000 draws to a close so too does the U.S. Japan Auto Framework, a 5-year-old agreement born out of one of the most intense trade disputes of the last two decades. The agreement is set to expire on December 31. As discussions regarding the future of the agreement proceed, some in the U.S. parts industry are demanding that the U.S. government resurrect mechanisms of market manipulation that led to the confrontation in the first place.

In June 1995, the U.S. and Japan were poised on the brink of a trade war. At issue was a U.S. demand that Japanese auto companies agree to U.S. auto parts purchasing targets. The Japanese refused and the U.S. threatened to shut out luxury vehicle imports from Japan. The conflict was resolved through difficult negotiations that rejected the concept of targets and instead established an understanding designed to expand sales opportunities in Japan by letting the market work.

The agreement was successful on two counts. First, it prevented a trade war that would have had wrenching economic consequences for both countries. Second, in combination with notable structural change in the Japanese auto industry, it helped to identify and develop new opportunities for U.S. companies in Japan's market.

The trade council representing GM, Ford and Chrysler recently stated: "It is clear that the Japanese automobile industry has entered a period significant change, which is altering the type and degree of participation of foreign auto and auto parts companies in that market.

Japan Auto Trends has brought you news of these changes as they have occurred. At the top of the list are the capital participation of U.S. companies in the Japanese industry, the growing investment by U.S. auto parts companies in the Japanese industry, the growing investment by U.S. auto parts companies in Japan, the global parts purchasing of Japanese auto firms and new vehicle distribution methods in Japan. As reported in this issue of Japan Auto Trends, the Japanese government has been assertively seeking international harmonization of auto regulations as well as considering other nations' standards in setting its own. These positive trends confirm the wise decision to abandon targets and other market-distorting mechanisms aimed at arbitrarily reducing trade deficits. As a result, the automobile industry whether in America, Canada, Europe or Japan has

moved far beyond the national boundaries that defined it even five years ago.

The Future

The fundamental challenge for the industry will be to build vehicles that meet the increasing demands of protecting the consumer and the environment, while at the same time providing the performance, convenience and quality that consumers expect. This will be accomplished on a global basis, with companies relying on markets as the final arbiter and with governments seeking the best balance between local environmental needs and the efficiency found in common regulatory practices. Negotiated targets and mandates, on the other hand, could interfere with this dynamic to the detriment of both the consumer and the environment.

'Japan Auto Trends' is available on the internet at 'www.jama.org'.

The Auto Industry in Japan Turns the Corner in 2000

The signs of recovery in the auto industry in Japan, while not dramatic, were nonetheless evident in the year end tally that showed overall vehicle production had increased 2.5%, exports had edged up 1.0% and new vehicle sales had grown by 1.7% in 2000. After 1999 production fell below 10 million units for the first time in 20 years, output reached just over 10.1 million units in 2000. Sales of new vehicles in the domestic market recorded a small gain but fell short of 6 million units for the third consecutive year. Import vehicle sales did not fare as well, slipping 1.0% to 275,400 units.

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

Motor Vehicle Industry in Japan		
Passenger Cars, Trucks, Buses		TOTAL
PRODUCTION ¹	Jan-Dec 00	10,144,847
	Jan-Dec 99	9,895,476
	% change	2.5
EXPORTS ²	Jan-Dec 00	4,454,887
	Jan-Dec 99	4,408,943
	% change	1.0
SALES/ REGISTRATIONS ³	Jan-Dec 00	5,962,913
	Jan-Dec 99	5,861,216
	% change	1.7
IMPORT VEHICLE SALES ⁴	Jan-Dec 00	275,452
	Jan-Dec 99	278,225
	% change	-1.0

* (including models built by Japanese automakers overseas)

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

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