



AUTO QUARTERLY

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www.jama.ca

NEWSLETTER OF THE JAPAN AUTOMOBILE MANUFACTURERS ASSOCIATION OF CANADA

JAMA Canada's 20th anniversary reception in Ottawa



L to r: Kenji Tomikawa (President, Toyota Canada and Chairman, JAMA Canada), Belinda Stronach (MP, Aurora), Ambassador Kensaku Hogen, The Hon. Ed Lumley (Director, Magna International and former Minister of Industry, Trade & Commerce).

Under a favourably mild and clear Indian summer sky, JAMA Canada members and directors celebrated two milestones at a reception in Ottawa in early October - the 20th anniversary of the association, and the 75th anniversary of Canada-Japan diplomatic relations.

During the formalities, His Excellency Ambassador Kensaku Hogen spoke about the early history of diplomatic relations, the extent to which this relationship has grown over the past 75 years and the potential for deepening our bilateral economic, social and cultural relations.

Federal government representatives, both current and former, expressed support for the contribution that Japanese automakers have made to the growth of the Canadian auto industry over the past two decades. The Honourable Ed Lumley, formerly Minister of Industry Trade & Commerce in the Trudeau government in the early 1980's, currently Vice Chairman of BMO Nesbitt Burns and a Director of Magna International, spoke about the success in attracting Japanese automotive investment to Canada in the mid-1980's as well as the continuing growth in both vehicle manufacturing and auto parts.

The Honourable Jerry Pickard, Parliamentary Secretary to the Minister of Industry also referenced the growth of investments and jobs created by Japanese automakers in Canada, and outlined the Government's commitment to develop a new national strategic framework for the Canadian auto industry.



L to r: Don Walker (President, Intier and Co-Chair, Canadian Automotive Partnership Council), Mark Hogan (President, Magna International), Kenji Tomikawa

Finally, the Chairman of JAMA Canada, Mr. Kenji Tomikawa, concluded with a snapshot of the Japanese auto and auto parts industry in Canada, as well as the challenges over the next 20 years from intensified competition and deeper international economic and industrial integration.



Reception tent, East Block Courtyard, Parliament Hill, Ottawa

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L to r: Brad Bradshaw (President, Nissan Canada), Don Durst (VP, Subaru Canada), Werner Schmidt (MP, Kelowna)



L to r: Kenji Tomikawa, Helena Guergis (MP, Simcoe-Grey), Colin Carrie (MP, Oshawa and Chair, Conservative Auto Caucus), Ambassador Hogen, Gary Goodyear (MP, Cambridge and Chair, Conservative Ontario Caucus)



L to r: Dave Kobayashi (TMMC), Greig Mordue (TMMC), The Hon. David Anderson (MP, Victoria and former Minister of the Environment), and Brian Sundue (Industry Canada).



The Honourable Jerry Pickard, Parliamentary Secretary to the Minister of Industry.

Address of The Hon. Jerry Pickard, P.C., M.P.,

Parliamentary Secretary to the Minister of Industry at JAMA Canada's 20th anniversary reception

David Emerson, the Minister of Industry, couldn't be here tonight, but he asked me to pass on his personal congratulations to JAMA Canada and its members for their 20 years in Canada.

I am very pleased to be here to mark the 20th anniversary of JAMA Canada, as well as the 75th anniversary of diplomatic relations between Japan and Canada.

Twenty years is not really a very long a time, yet the members of JAMA Canada have accomplished much over those 20 years.

Over that time, its members have invested over \$6 billion in vehicle manufacturing, and last year, they produced a record 671,248 vehicles in Canada.

They accomplished this with the help of the more than 25,000 Canadians they employ in manufacturing and in parts production and distribution.

JAMA Canada members have clearly made a large and positive difference to our society and our economy, and I can say on behalf of the government, that we appreciate and are thankful for that contribution.

I can also say that it is the government's intention to do all it can to work to ensure the continued success of the auto industry in Canada.

As you know, the Speech from the Throne yesterday identified the automotive industry as one of Canada's important sectors. The government committed to do its part to enable the success of the auto industry.

Budget 2004 also acknowledged the importance of the automotive industry to Canada. It committed the government to develop a new national strategic framework for the Canadian auto sector in the 21st century, with a strong emphasis on research and development.

This framework is now being developed by Minister Emerson. He will build on the work done by the Canadian Automotive Partnership Council (CAPC). The framework will guide government policy development for years to come, and it will help shape the Canadian auto industry of the future.

• See Address of The Hon. Jerry Pickard... continued on page 3

• Continued from page 3... Address of The Hon. Jerry Pickard

Minister Emerson will be consulting extensively with stakeholders. He and I will be particularly interested in getting the views of JAMA Canada and all its members on how, together, government and industry can work together to ensure that the success which JAMA Canada has enjoyed over the last 20 years can be guaranteed for the next 20 years - and longer.

Again, congratulations on your first 20 years in Canada, and best wishes for the continued success of JAMA Canada and the Canada-Japan relationship in the future.

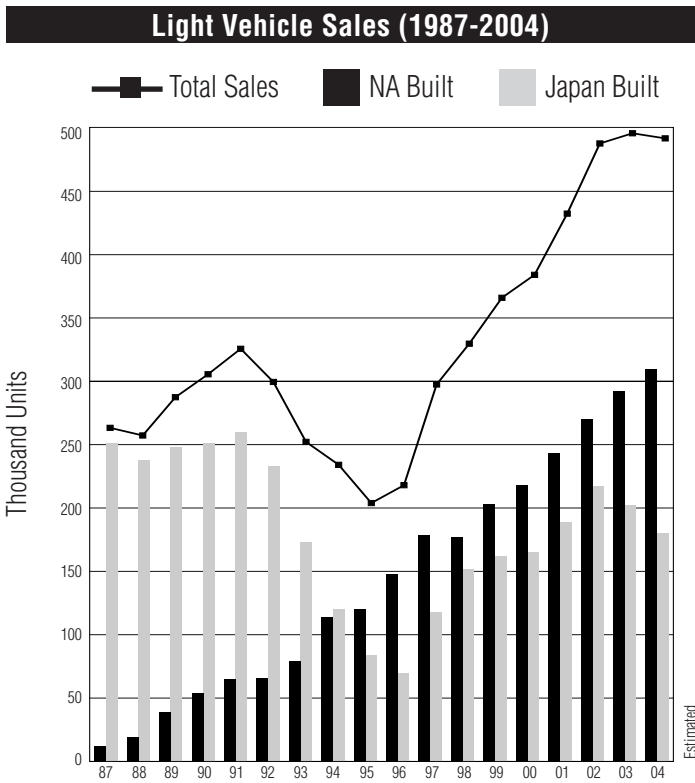
Sales plateau in 3Q, while production & exports accelerate

While combined new vehicle sales in the third quarter in Canada for JAMA Canada members were only marginally ahead of last year, output at plants in Canada made strong gains driven by robust demand in export markets, particularly the US.

Sales

While sales have been sluggish through the first half of 2004, third quarter results for Japanese automakers indicated that things might be improving. At the end of September, total Japanese brand sales for the year to date were down 1.2% to 382,249 units, about 4600 units fewer than last year. By comparison, the overall vehicle market in Canada has dropped 5.3%, a year over year decline of over 66,000 units.

Japanese brand car sales have slipped 0.5%, while light trucks dipped 3.2% over the first nine months of 2004. During this period,



sales of vehicles built in North America gained 4.0%, as imports from Japan fell 8.6%, and indication that JAMA Canada members are sourcing more from plants in North America as recent expansions reach full capacity.

Among individual companies, Mazda Canada is the growth leader with a sales gain of 14.2% for the first three quarters of 2004. Suzuki Canada, Subaru Canada and Toyota Canada are also in positive territory for the year to date. Nissan Canada, Honda Canada and Mitsubishi Motor Sales Canada have reported lower sales for the same period.

Market share for Japanese automakers stands at 32.3%, up from 31.0% in 2003 due to the larger decline in the overall market.

As for other automakers in Canada, sales among the Big Three (GM, Ford and DaimlerChrysler) have fallen 6.1% to date, and market share is down to 56.5%. Sales of European automakers declined 7.6% over the same period, while Korean vehicle sales plunged 16.4%, with a market share of 5.6% and 5.5% respectively.

In the medium and heavy truck sector (Class 4 to 7), Japanese truck makers (Hino and Mitsubishi Fuso) recorded combined sales of 1030 units, a gain of 23.3% over 2003. Hino Motors Sales Canada is up 24.3% to 926 units, while Fuso has gained 15.5% to 104 units for the nine months of 2004.

Production / Exports

Production at Japanese affiliated plants in Canada has risen dramatically in 2004, due to a new vehicle programs at both Toyota Motor Manufacturing Canada (TMMC) and CAMI. Overall, total output has jumped 21.9% to 605,909 units. Honda production has remained steady, up 0.8% at 298,200 units. HCM has stopped making the Odyssey and is preparing for the launch of the new sport utility pickup truck in early 2005. TMMC output is up 32.7% to over 217,800 units largely as a result of the launch in September 2003 of the Lexus RX330, the first Lexus to be built outside of Japan. CAMI production has more than doubled, gaining 141.5% to almost 90,000 units as a result of the launch of the Equinox in February 2004. CAMI stopped production of the Vitara / Tracker and is currently only making the Equinox for Chevrolet.

As the majority of vehicles built in Canada are produced for export, shipments from these three facilities have risen significantly in 2004. Overall, exports of finished vehicles are up 32.8% to 502,000 units. While most shipments are destined for markets in the US, vehicles are also exported to over a dozen other countries around the world. Exports from HCM rose 5.6% to 253,000 units, while shipments from TMMC and CAMI jumped 54.3% and 168.7% respectively. The key reason for these gains is the strength of new vehicle demand in the US for these Canadian built models.

Imports

With softer demand in Canada through the first three quarters of 2004, imports of vehicles into Canada by Japanese automakers fell 5.8% to less than 250,000 units. Shipments from Japan have decreased 13.8% to less than 129,000 units, while imports from plants in the US and Mexico under NAFTA have gained 4.6% to over 120,000 units.

Light Vehicle Sales in Canada, by Company

Company	Jan-Sept 2004			Jan-Sept 2003			% Change		
	CARS	TRUCKS	TOTAL	CARS	TRUCKS	TOTAL	CARS	TRUCKS	TOTAL
HONDA	83,437	27,667	111,104	89,745	30,833	120,578	-7.0	-10.3	-7.9
N.A. Built	76,375	16,286	92,661	81,618	17,945	99,563	-6.4	-9.2	-6.9
Japan Built	7,062	11,381	18,443	8,127	12,888	21,015	-13.1	-11.7	-12.2
TOYOTA	96,838	34,389	131,227	95,389	34,543	129,932	1.5	-0.4	1.0
N.A. Built	67,617	20,869	88,486	54,730	17,045	71,775	23.5	22.4	23.3
Japan Built	29,221	13,520	42,741	40,659	17,498	58,157	-28.1	-22.7	-26.5
MAZDA	49,286	10,306	59,592	39,424	12,765	52,189	25.0	-19.3	14.2
N.A. Built	7,214	5,850	13,064	5,336	6,753	12,089	35.2	-13.4	8.1
Japan Built	42,072	4,456	46,528	34,088	6,012	40,100	23.4	-25.9	16.0
NISSAN	32,532	19,059	51,591	38,089	15,066	53,155	-14.6	26.5	-2.9
N.A. Built	27,755	5,975	33,730	30,835	4,014	34,849	-10.0	48.9	-3.2
Japan Built	4,777	13,084	17,861	7,254	11,052	18,306	-34.1	18.4	-2.4
SUZUKI	5,715	2,476	8,191	3,972	3,657	7,629	43.9	-32.3	7.4
N.A. Built	0	687	687	0	846	846	0.0	-18.8	-18.8
Japan Built	5,715	1,789	7,504	3,972	2,811	6,783	43.9	-36.4	10.6
SUBARU	9,000	2,946	11,946	8,308	3,492	11,800	8.3	-15.6	1.2
N.A. Built	4,931	82	5,013	3,733	205	3,938	32.1	-60.0	27.3
Japan Built	4,069	2,864	6,933	4,575	3,287	7,862	-11.1	-12.9	-11.8
MINI	5,982	2,616	8,598	9,202	2,361	11,563	-35.0	10.8	-25.6
N.A. Built	1,503	710	2,213	3,686	0	3,686	-59.2	0.0	-40.0
Japan Built	4,479	1,906	6,385	5,516	2,361	7,877	-18.8	-19.3	-18.9
TOTAL	282,790	99,459	382,249	284,129	102,717	386,846	-0.5	-3.2	-1.2
N.A. Built	185,395	50,459	235,854	179,938	46,808	226,746	3.0	7.8	4.0
Japan Built	97,395	49,000	146,395	104,191	55,909	160,100	-6.5	-12.4	-8.6

* car sales include Mexican built

Source: AIAMC, DesRosiers Automotive Consultants Inc.

Motor Vehicle Production in Canada

	Jan-Sept 2004	Jan-Sept 2003	% Change
HONDA (HCM)	298,202	295,795	0.8
TOYOTA (TMMC)	217,864	164,194	32.7
CAMI	89,843	37,198	141.5
TOTAL	605,909	497,187	21.9

Source: JAMA Canada

Motor Vehicle Exports from Canada

	Jan-Sept 2004	Jan-Sept 2003	% Change
HONDA (HCM)	253,382	239,988	5.6
TOYOTA (TMMC)	165,703	107,366	54.3
CAMI	83,635	31,126	168.7
TOTAL	502,720	378,480	32.8

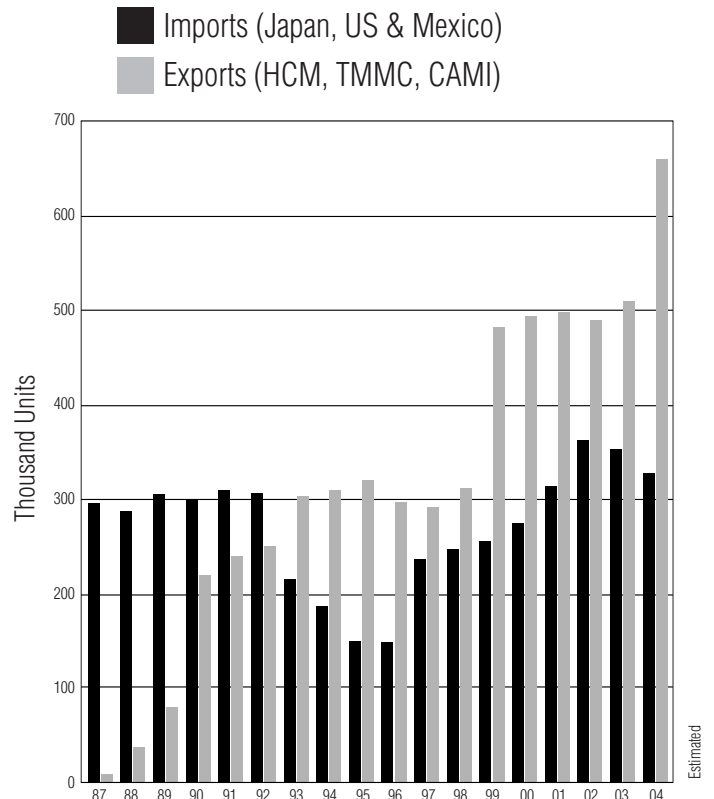
Source: JAMA Canada

Vehicle Imports (Shipments) to Canada

	Jan-Sept 2004	Jan-Sept 2003	% Change
JAPAN	128,876	149,565	-13.8
U.S./MEXICO	120,615	115,287	4.6
TOTAL	249,491	264,852	-5.8

Source: JAMA, JAMA Canada

Vehicle Exports & Imports (1987-2004)



Mazda Canada celebrates 35th anniversary & opens new head office in Richmond Hill



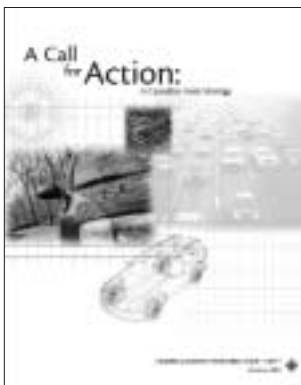
The Mayor of Richmond Hill, William F. Bell (centre) joins Mazda Canada President Michel Benchimol (right) in cutting the ribbon at the official opening of Mazda Canada's new corporate headquarters at 55 Vogell Road in Richmond Hill, Ontario.

This year, Mazda Canada is celebrating its 35th anniversary of operation in Canada. And to mark the occasion, Mazda Canada has just officially opened its new headquarters at 55 Vogell Road in Richmond Hill.

Mazda Canada was the second overseas subsidiary after Mazda in Australia in 1967. Mazda Canada has enjoyed steady growth in Canada and reached an all-time sales record of 71,140 vehicles in 2002 and revenue of C\$2 billion. Currently Mazda Canada provides employment for over 5,000 Canadians, including 125 at head and regional offices in Canada. There are approximately 150 independent Mazda dealerships in all provinces across Canada.

For more information about Mazda Canada and Mazda vehicles visit their website at www.mazda.ca.

CAPC Report on a new auto strategy for Canada



In late October, the Canadian Automotive Partnership Council (CAPC) released a major report entitled, "A Call for Action – A Canadian Auto Strategy".

According to the report, there are five areas representing the highest priorities for short-term action:

Large Scale Investment Incentives

Ensure Canada's competitiveness in attracting automotive investment by improving the focus, flexibility and

accessibility of government incentives which are now essential to win large-scale automotive investments or re-investments. These incentives can be linked to innovation, technology implementation, skills enhancement and sustainability.

Infrastructure

Urgent action is required to address congested U.S./Canada border crossings, including accelerated implementation of the "Let's Get Windsor-Essex Moving" strategy and the implementation of an emergency/contingency plan to protect Canada's just-in-time supply reliability.

Innovation

Make innovation a competitive cornerstone for Canada's automotive industry by taking action now to strengthen industry process and product innovation capacity, automotive technology, Research and Development capability (for both manufacturers and suppliers) and by introducing improved, auto-focused innovation incentives such as early commercialization tax credits, consumer supports to encourage the purchase of environmentally friendly vehicle technologies and more effective supports for manufacturing process innovation.

Regulatory Harmonization

Take action to coordinate and streamline regulations (including those pertaining to vehicle safety, certification and emissions) between Canada and the United States, and within Canada, in recognition of the integrated nature of the North American industry and the need to coordinate automotive-related investment marketing by Canadian jurisdictions.

Human Resources

To ensure that a talented, flexible and innovative workforce remains a core Canadian automotive strength in the future, initiatives must be undertaken now. Through the recently announced Automotive Human Resource Sector Council and other avenues, actions include: review existing training programs and opportunities; address the impact of demographic trends on the skilled trades' workforce; strengthen apprenticeship programs; and attract more young people to careers in the automotive industry.

The report also outlines four key performance metrics to track how well the industry is doing in meeting its goals:

Assembly

Increase the share of Canadian-assembled vehicles to 15 percent of North American new vehicle sales by 2010.

Parts and Components

Increase the total value of Canadian-made components shipments by \$20 billion by 2015.

Employment

Pursue productivity enhancements while maintaining total direct employment in automotive assembly and components manufacturing at 150,000 positions or more.

Trade

Improve Canada's automotive trade balance to \$15 billion or better by 2010.

CAPC is an industry-led organization formed in September 2002 to address the key competitive issues facing the Canadian automotive industry. Membership comprises the CEOs of Canada's five

• See CAPC Report... continued on page 6



Love the CAR, Love the PARTS

We often speak of the American love affair with the car. It's a long and rich tradition. However, few have a similar love affair with the parts that go into making up the cars. Some parts, the engine for example, may generate more enthusiasm than others, let's say filters. But most drivers purr along the

open road with little awareness, much less affection, for these mechanical wonders quietly performing their essential duties.

There is even less awareness of the challenges facing the automobile parts makers. Auto parts makers today are under pressure from manufacturers to raise quality, lower costs, and take on added responsibilities for tooling, R&D and design. They can no longer build parts in large lots across model lines. Instead they have to design the parts into the vehicles often on a model-by-model basis. All this requires close, dependable relationships with the car manufacturers.

It is well known that Japanese manufacturers have worked with their suppliers in Japan since the 1960s developing these relationships. In America, JAMA and its member companies also work closely with U.S. suppliers. In 1987, JAMA and the Motor and Equipment Manufacturers Association (MEMA) formed a liaison committee made up of senior executives of JAMA companies and U.S. parts manufacturers. The committee has served to clarify the purchasing practices of the Japanese manufacturers and develop joint projects that will expand business. In addition, the companies also have their own supplier development programs.

As a result, business has expanded dramatically. In 1990 Japanese companies purchased \$9.1 billion of U.S. auto parts. In 2003 they purchased \$41.5 billion. However, these relationships go beyond dollars. They improve competitiveness on a global basis for the benefit of the car buying public.

On September 27, the JAMA/MEMA Liaison Committee agreed to enhance its contribution to the industry by sponsoring a supplier symposium directed at the production and development departments of the U.S. suppliers. The symposium, scheduled for April 21, 2005, will explore ways to increase global competitiveness and promote deeper technical exchanges through what the industry calls QCDD: quality, cost, delivery and development.

The Future

Sometimes the obvious goes unspoken and one example is that the vitality of the automobile industry depends on the vitality of the automobile parts industry. Stronger technical and developmental ties between manufacturers and suppliers will be essential if the industry is to continue to provide high quality personal transportation while at the same time meeting the challenges of cleaner air, reduced global warming, energy conservation and vehicle safety. For the moment, it may be too much to expect consumers to fall in love with filters, wiring, steering wheels, brake parts and flashing rear lights. However, the more manufacturer/supplier relationships and their products are developed and promoted, the more consumers

will appreciate and may even come to love the parts. This in turn will strengthen the consumer's love for the car.

(*Japan Auto Trends* is available on the web at www.jama.org)

• Continued from page 5... CAPC Report

assemblers, CEOs of Canada's four leading parts suppliers, representatives of industry associations, President of the Canadian Automotive Workers Union, President of the University of Windsor, and provincial and federal Ministers of Industry.

The full report is available on the internet from the CAPC website at http://capcinfo.ca/english/news/news-nouvelles_oct26_04.html.

New JAMA Publication

The Motor Industry of Japan, 2004 is now available on the web



The Japan Automobile Manufacturers Association of Japan (JAMA) has recently published the latest annual booklet entitled "The Motor Industry of Japan, 2004" which is available on the internet for the first time.

This edition contains a wealth of information about the auto industry in Japan, as well as Japanese automakers operations around the world. There is also an extensive section devoted to environmental issues, safety, ITS (Intelligent transportation systems), auto-related taxes and market trends.

This is also the first bilingual edition (Japanese-English) of this annual report.

A pdf version of the publication can be downloaded from the JAMA Canada website at www.jama.ca/industry/japan/index.asp.

Motor Vehicle Industry in Japan		
Passenger Cars, Trucks, Buses		TOTAL
PRODUCTION ¹	Jan-Sept 2004	7,896,569
	Jan-Sept 2003	7,671,175
	% change	2.9
EXPORTS ²	Jan-Sept 2004	3,646,335
	Jan-Sept 2003	3,476,169
	% change	4.9
SALES/ REGISTRATIONS ³	Jan-Sept 2004	4,491,893
	Jan-Sept 2003	4,474,497
	% change	0.4
IMPORT VEHICLE SALES ^{4*}	Jan-Sept 2004	205,369
	Jan-Sept 2003	204,045
	% change	0.6

* (including models built by Japanese automakers overseas) source: 1,2-JAMA; 3-JADA, JMVA; 4-JAIA