



# AUTO QUARTERLY

Winter 2007  
www.jama.ca

NEWSLETTER OF THE JAPAN AUTOMOBILE MANUFACTURERS ASSOCIATION OF CANADA

## Production, Exports & Sales set new records in 2006

### Sales in Canada - 2006

Total Canadian light vehicle sales for 2006 finished at 1,614,700 units compared to 1,583,291 units in 2005, a year over year gain of 2.0%. This was the second best sales year on record in Canada.

According to analysts, the strong Canadian dollar helped support ongoing incentive programs (most vehicles sold in Canada are imported), as well as the robust economic performance in the resource and energy sectors which energized sales in resource rich provinces, particularly Alberta, Saskatchewan, B.C and Newfoundland. At the same time, strong employment growth (lead by the resource sector) also contributed to higher vehicle demand.

A number of companies set new sales records in 2006 including Toyota/Lexus, Honda/Acura, Mazda, BMW, Audi, Mercedes Benz, and Hyundai.

Combined sales of the Detroit 3 (General Motors, Ford and the Chrysler division of DCX) dropped 1.7% to just under 865,000 units for a market share of 53.6% (down from 55.6% in 2005). GM alone was responsible for the decline with a drop of 8% in 2006. DCX was slightly below the overall market at a 1.7 percent increase, while Ford was 8% ahead of 2005. Besides GM, only Nissan/Infiniti, Porsche, Jaguar and Volvo saw sales declines.

For JAMA Canada members as a group, combined light vehicle sales were up 6.5% in 2006 to a new record of 547,832 units, representing a 33.9% market share. Passenger car sales climbed 4.2% to just under 390,000 units, while light trucks jumped 12.5% to almost 158,000 units. These gains came primarily from vehicles imported from Japan, up 16.7%, while NA built sales made only a marginal gain of 0.6% due entirely to a 5.7% increase in locally made light trucks. Except for Nissan Canada, all members recorded sales gains over 2005, led by Suzuki whose sales soared 26.6% over last year.

### Top Ten Best Selling Cars in Canada – 2006

<b>Honda Civic</b>	<b>70,028</b>	<b>(2.2%)</b>	<b>compact</b>
<b>Mazda3</b>	<b>47,933</b>	<b>(-5.5%)</b>	<b>compact</b>
<b>Toyota Corolla</b>	<b>44,182</b>	<b>(-5.1%)</b>	<b>compact</b>
<b>Toyota Yaris</b>	<b>34,202</b>	<b>(453.7%)</b>	<b>subcompact</b>
Chevrolet Cobalt	31,729	(20.2%)	compact
<b>Toyota Camry</b>	<b>28,039</b>	<b>(48.7%)</b>	<b>intermediate</b>
Ford Focus	27,718	(3.2%)	compact
Pursuit/G5	25,551	(56.9%)	compact
<b>Toyota Matrix</b>	<b>23,536</b>	<b>(-2.1%)</b>	<b>compact</b>
Chevrolet Impala	21,486	(16.3%)	intermediate

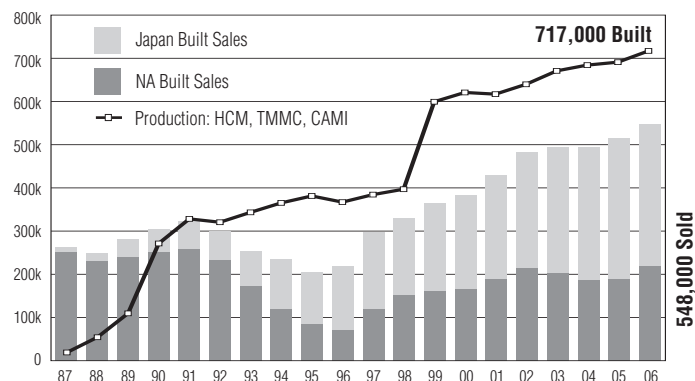
## New Chairman of JAMA Canada



Hiroshi Kobayashi, President & CEO, Honda Canada Inc. has been elected Chairman of JAMA Canada, succeeding Mr. Kenji Tomikawa, former President of Toyota Canada who has returned to Japan.

Mr. Kobayashi has been President of Honda Canada since April 2004. He joined Honda in 1978 and has held senior positions at Honda international operations in the US, Asia and Europe prior to coming to Canada.

## Vehicle Production & Sales in Canada



Korean automakers (Hyundai & Kia) recorded a sales gain of 6.8% to just under 100,000 units for a 6.1% market share. Sales of European brands rose 7.3% to 102,273 units for a 6.3% share.

With respect to commercial truck sales in Canada, combined medium & heavy truck sales rose 6.9% to 53,548 units. Heavy duty truck

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(Class 8) sales were up almost 11% to 38,458 units, primarily due to new emission regulations that came into force on January 1, 2007. Medium duty (Class 4-7) sales fell 2.3% to 15,090 units in 2006. However, Japanese brands did remarkably well with a 22% sales gain to 1,922 units. Hino sales increased 19.2% to 1,430 units, and Fuso jumped 31.2% to 492 units in 2006.

**Light Vehicle Production in Canada - 2006**

Total light vehicle production in Canada (GM, Ford, DC, Honda, Toyota, CAMI) fell 4.8% to just under 2.5 million in 2006 from 2.62 million units the year before, entirely as a result of cutbacks at the Big Three plants. Combined Big Three output was down 8.3% to almost 1.6 million units, while Honda, Toyota & CAMI built just over 901,000 units, a 2.2% increase over 2005.

Since CAMI makes vehicles for both GM (Equinox & Torrent) and Suzuki (XL 7), Japanese brand production (including Honda, Toyota

& Suzuki) in 2006 was 717,620 units, up 3.8% over 2005.

Hino Motors Canada started production of commercial trucks in Woodstock Ontario in April 2006. Total production for 2006 reached 1,559. All production is aimed at the Canadian market. Exports are not planned at this time.

**Light Vehicle Exports - 2006**

For Japanese affiliated plants (Honda, Toyota & CAMI), exports in 2006 slid 1.6% to 709,681 units. While most were shipped to the US, just over 32,600 units were sent to non-US export markets in 2006. Export shipments from Honda dropped 6.3% in 2006 to just under 299,000 units, an export ratio of 77.2%. Exports from TMMC rose 5.4% in 2006 to almost 244,000, an export ratio of 76.8%. The lower export rates at Honda and Toyota stems from the fact that the models they build are among the best selling models in Canada. The Civic has been the best selling vehicle in Canada for the past

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**Light Vehicle Sales in Canada, by Company**

Company	Jan-Dec 2006			Jan-Dec 2005			% Change		
	CARS	TRUCKS	TOTAL	CARS	TRUCKS	TOTAL	CARS	TRUCKS	TOTAL
<b>HONDA</b>	115,678	50,307	165,985	110,597	43,990	154,587	4.6	14.4	7.4
<b>N.A. Built</b>	98,212	36,337	134,549	102,164	28,014	130,178	-3.9	29.7	3.4
<b>Japan Built</b>	17,466	13,970	31,436	8,433	15,976	24,409	107.1	-12.6	28.8
<b>TOYOTA</b>	141,668	54,112	195,780	132,842	42,945	175,787	6.6	26.0	11.4
<b>N.A. Built</b>	96,451	26,544	122,995	92,759	26,573	119,332	4.0	-0.1	3.1
<b>Japan Built</b>	45,217	27,568	72,785	40,083	16,372	56,455	12.8	68.4	28.9
<b>MAZDA</b>	69,209	11,798	81,007	67,523	10,344	77,867	2.5	14.1	4.0
<b>N.A. Built</b>	9,971	6,188	16,159	11,738	7,546	19,284	-15.1	-18.0	-16.2
<b>Japan Built</b>	59,238	5,610	64,848	55,785	2,798	58,583	6.2	100.5	10.7
<b>NISSAN</b>	38,026	28,729	66,755	39,365	31,618	70,983	-3.4	-9.1	-6.0
<b>N.A. Built*</b>	32,320	12,026	44,346	32,809	14,604	47,413	-1.5	-17.7	-6.5
<b>Japan Built</b>	5,706	16,703	22,409	6,556	17,014	23,570	-13.0	-1.8	-4.9
<b>SUZUKI</b>	6,658	4,500	11,158	5,943	2,870	8,813	12.0	56.8	26.6
<b>N.A. Built</b>	0	217	217	0	0	0	0.0	0.0	0.0
<b>Japan Built</b>	6,658	4,283	10,941	5,943	2,870	8,813	12.0	49.2	24.1
<b>SUBARU</b>	11,500	4,690	16,190	11,498	4,468	15,966	0.0	5.0	1.4
<b>N.A. Built</b>	5,345	953	6,298	5,881	854	6,735	-9.1	11.6	-6.5
<b>Japan Built</b>	6,155	3,737	9,892	5,617	3,614	9,231	9.6	3.4	7.2
<b>MINI</b>	7,235	3,722	10,957	6,338	4,053	10,391	14.2	-8.2	5.4
<b>N.A. Built</b>	2,802	821	3,623	2,228	1,040	3,268	25.8	-21.1	10.9
<b>Japan Built</b>	4,433	2,901	7,334	4,110	3,013	7,123	7.9	-3.7	3.0
<b>TOTAL</b>	389,974	157,858	547,832	374,106	140,288	514,394	4.2	12.5	6.5
<b>N.A. Built</b>	245,101	83,086	328,187	247,579	78,631	326,210	-1.0	5.7	0.6
<b>Japan Built</b>	144,873	74,772	219,645	126,527	61,657	188,184	14.5	21.3	16.7

\* car sales include Mexican built

Source: AIAMC, DesRosiers Automotive Consultants Inc.

**Motor Vehicle Production in Canada**

	Jan-Dec 2006	Jan-Dec 2005	% Change
<b>HONDA (HCM)</b>	387,078	385,491	0.4
<b>TOYOTA (TMMC)</b>	317,433	305,966	3.7
<b>CAMI</b>	196,598	189,997	3.5
<b>TOTAL</b>	<b>901,109</b>	<b>881,454</b>	<b>2.2</b>

Source: JAMA Canada

**Motor Vehicle Exports from Canada**

	Jan-Dec 2006	Jan-Dec 2005	% Change
<b>HONDA (HCM)</b>	298,819	318,995	-6.3
<b>TOYOTA (TMMC)</b>	243,895	231,392	5.4
<b>CAMI</b>	166,967	170,745	-2.2
<b>TOTAL</b>	<b>709,681</b>	<b>721,132</b>	<b>-1.6</b>

Source: JAMA Canada

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8 years. At CAMI, exports fell 2.2% to 167,000 units in 2006 for an export ratio of 84.9%.

### Vehicle Imports - 2006

Import shipments of light vehicles by JAMA Canada members for the Canadian market from all countries rose 5.4% in 2006 to 388,411 units. Light duty shipments from Japan increased 18.1% to 224,942 units, while imports from the US and Mexico declined 9.1% to 163,469 units in 2006.

Due to the long standing integration of the auto industry in North America, and the relatively small size of the Canadian market, the majority of vehicles build in Canada are exported. At the same time, most vehicles sold in Canada are imported. Canada continued to be a net exporter of Japanese brand vehicles in 2006 in spite of lower exports and higher imports. Exports from Toyota, Honda and CAMI (Suzuki) totaled 562,300 vehicles, while 388,411 vehicles were imported by all JAMA Canada members from Japan, the US and Mexico combined, for a net export of almost 174,000 in 2006. Since 1993, the first year exports exceeded imports, more than 2.1 million more vehicles have been exported than imported.

### Outlook for 2007

Last year, analysts forecast lower sales in Canada in 2006. Clearly this didn't happen as sales in Western Canada were unusually strong. This year, analysts are once again forecasting a slower market for light vehicles in Canada in a range of 1% to 4% lower than 2006.

While overall unit production is forecast to soften in 2007 due to slowing demand in the key US market, a turnaround is expected in 2008 with the start-up of the Toyota Woodstock plant that will build the RAV 4. Also, GM will begin production of the new Camaro at Oshawa #2 plant in 2008, and Chrysler will begin production of the new minivan in Windsor in the third quarter of 2007.

The Ontario Automotive Strategy has successfully attracted over \$7 billion in automotive investment by GM, Ford, DC, Honda & Toyota in the past two years. Moreover, in 2006, Ontario was the leading auto producing region in North America, outpacing Michigan for the third year in a row.

### Commercial Truck Sales in Canada

#### Medium & Heavy Duty (Class 4-8)

	2006	2005	% Change
<b>Medium Duty (Japanese)</b>	1,922	1,575	22.0
<b>Hino (Class 5-7)</b>	1,430	1,200	19.2
% share (medium duty)	9.5	7.8	
<b>Mitsubishi Fuso (Class 4-7)</b>	492	375	31.2
% share (medium duty)	3.3	2.4	
<b>Medium Duty (All Companies)</b>	15,090	15,450	-2.3
<b>Heavy Duty (Class 8 - All Companies)</b>	38,458	34,663	10.9
<b>Grand Total - Medium/Heavy Duty</b>	<b>53,548</b>	<b>50,113</b>	<b>6.9</b>

Source: JAMA Canada

### Vehicle Imports (Shipments) to Canada

	Jan-Dec 2006	Jan-Dec 2005	% Change
<b>JAPAN</b>	226,821	191,499	18.4
<b>U.S./MEXICO</b>	163,469	179,740	-9.1
<b>TOTAL</b>	<b>390,290</b>	<b>371,239</b>	<b>5.1</b>

Source: JAMA, JAMA Canada

### Member News

## Mitsubishi Motor Sales of Canada joins JAMA Canada



JAMA Canada welcomes Mitsubishi Motor Sales of Canada (MMSCAN) which has joined JAMA Canada as of January 2007. MMSCAN began operations in September 2002, and over the past four years has gradually built its sales and distribution network of 59 dealers in key markets in Canada. Further dealership expansion is planned for 2007.

In 2006, Mitsubishi sales totalled 10,957 units, up 5.4% over 2005. MMSCAN will introduce the new 2008 Lancer, the 2007 Outlander as well as the Concept X at the Toronto International Auto Show along with their entire 2007 vehicle line-up. The Concept X is a concept vision of the next generation Lancer Evolution (Evo X) that will become available in the first quarter of 2008.

In January, Mitsubishi celebrated their unprecedented 7th consecutive win in the 2007 Dakar Rally. The Mitsubishi Pajero/Montero Evolution rally car took 1st, 2nd, 5th and 12th positions in the brutal and demanding 15 day race through 5 countries and over 7,900 kilometers.

For more information on Mitsubishi Motor Sales of Canada, visit their website at [www.mitsubishi-motors.ca](http://www.mitsubishi-motors.ca).

## New President at Toyota Canada – Yoichi Tomihara



JAMA Canada extends a warm welcome to the new President & CEO at Toyota Canada (TCI), Mr. Yoichi Tomihara, who succeeded Kenji Tomikawa who has returned to Japan to take up a new responsibilities with Toyota.

Mr. Tomihara joined Toyota Motor Corporation in 1975, and has had a variety of senior responsibilities at TMC particularly in Europe, including President of Toyota Deutschland GmbH in Köln, Germany from 2004 to 2006. Mr. Tomihara is a graduate of Kobe University and is married with two daughters. We wish Mr. Tomihara every success in his first posting in Canada at TCI.

## Industry Awards

### AJAC 2007 Car of the Year Awards

Recently, AJAC announced the winners of the 2007 Car of the Year awards in thirteen sub-categories. JAMA Canada members have won seven awards.

Canadian Car of the Year	<b>Toyota Camry Hybrid</b>
Canadian Utility Vehicle of the Year	<b>Acura RDX Technology Package</b>
Small Car (under \$18,000)	<b>Honda Fit LX</b>
Family Car (\$22,000 - \$30,000)	<b>Toyota Camry LE</b>
Family Car (over \$30,000)	<b>Toyota Camry Hybrid</b>
Luxury Car (under \$50,000)	<b>Lexus ES 350</b>
Sports/Performance Car (under \$50,000)	<b>MazdaSpeed3</b>
SUV / CUV (under \$35,000)	<b>Toyota RAV 4 – V6 Sport</b>
SUV / CUV (\$35,000 - \$60,000)	<b>Acura RDX Technology Package</b>



Toyota Camry Hybrid – 2007 AJAC Car of the Year

Commenting on the Car of the Year Award, Tony Wearing, Managing Director of Toyota Canada said, "Toyota had a clear goal in mind when creating this vehicle. We wanted to bring the benefits of hybrid technology - fewer emissions, increased fuel efficiency, and improved performance - into the heart of the mid-size passenger car market, which is the most popular market segment in Canada."



Acura RDX (Technology Package) – 2007 AJAC Utility Vehicle of the Year

In the Sport Utility / Pick-up Category, the Acura RDX was chosen the overall winner from amongst 25 eligible vehicles.

"On our 20th anniversary, Acura is proud to celebrate that award-winning news travels fast -- Acura RDX turbo fast," said Jim Miller, executive vice president, Honda Canada Inc. "This award highlights the advanced technology in the new RDX, including variable-flow turbo charging and Super-Handling All-Wheel Drive.

AJAC's 2007 Canadian Car of the Year Awards (CCOTY) chair, Paul Williams, commented, "With manufacturers introducing an increasing number of new vehicles each year, consumers may find it harder to keep track of what's available in the marketplace, and how one vehicle differs from another. The AJAC Canadian Car of the Year program identifies and categorizes all the new vehicles each year, then subjects them to detailed testing in real-world situations. It's not a popularity contest; it's a thorough, objective and trustworthy process to help consumers make informed purchase decisions".

The AJAC Awards are determined as a result of a comprehensive battery of 'real-world' tests comparing new or substantially new 2006 model year vehicles by automotive journalists over a three day period last October in Niagara-on-the-Lake, Ontario. Further details about AJAC and the Car of the Year Awards can be found at [www.ajac.ca](http://www.ajac.ca).

### Canadian Automobile Association 2007 Pyramid Award for Innovation in Safety

Toyota Canada Inc. was awarded the 2007 CAA Pyramid Award™ for Environmental Initiatives, for the 2007 Toyota Camry Hybrid.

In presenting the award, the CAA cited the Camry Hybrid's affordability, impressive fuel efficiency rating, and potential to contribute to positively addressing climate change. The Toyota Camry Hybrid is a full gasoline-electric hybrid passenger car that seamlessly switches between its four-cylinder gasoline engine and its high-torque electric motor, or uses both, as driving conditions warrant, delivering both power and fuel efficiency.

### EnerGuide Awards for Most Fuel-Efficient Vehicles, 2007

		<b>Fuel Consumption</b>
<b>Mazda MX-5</b>	2-seater	City: 9.5 L/100 km (30 mi./gal.) Hwy: 7.3 L/100 km (39 mi./gal.)
<b>Toyota Yaris</b>	Subcompact	City: 6.9 L/100 km (41 mi./gal.) Hwy: 5.5 L/100 km (51 mi./gal.)
<b>Honda Civic Hybrid</b>	Compact (CVT)	City: 4.7 L/100 km (60 mi./gal.) Hwy: 4.3 L/100 km (66 mi./gal.)
<b>Toyota Prius</b>	Mid-size	City: 4.0 L/100 km (71 mi./gal.) Hwy: 4.2 L/100 km (67 mi./gal.)
<b>Mazda B2300</b>	Pickup Truck	City: 9.9 L/100 km (29 mi./gal.) Hwy: 7.5 L/100 km (38 mi./gal.)
<b>Honda Fit</b>	Station Wagon	City: 7.3 L/100 km (39 mi./gal.) Hwy: 5.8 L/100 km (49 mi./gal.)
<b>Toyota Sienna</b>	Minivan	City: 11.7 L/100 km (24 mi./gal.) Hwy: 8.1 L/100 km (35 mi./gal.)

From the 2007 Fuel Consumption Guide, published by Office of Energy Efficiency, Natural Resources Canada. For further information visit the EnerGuide website at [www.vehicles.gc.ca](http://www.vehicles.gc.ca).

## Ontario 2007 Pre-Budget Consultation

JAMA Canada participated in the 2007 Ontario pre-budget consultations with Finance Minister Greg Sorbara. Our submission consisted of the following six points:

1. We appreciate the Ontario Government expanding the tax incentives on the sale of advanced technology and alternative fuel vehicles last year. While the current \$2000 rebate on hybrid vehicles is a significant and important step, we would encourage the Government to consider a technology-neutral program that would provide incentives for any advanced technology vehicles that can deliver the targeted environmental benefits. Due to the high cost of developing and producing advanced technology vehicles, incentives will not only stimulate consumer demand by making such vehicles cost competitive, but also will help pull into the market vehicles with significant improvements in fuel efficiency and lower emissions. Automakers are constantly striving to provide vehicles that meet the needs of evermore demanding consumers. But at the end of the day, it is consumers who determine the fuel economy of the whole fleet through their purchase decisions. While consumers express strong interest in acquiring environmentally friendly, fuel-efficient vehicles, the reality is that they balk at paying more for advanced technology than they would for a comparable conventional vehicle. We feel governments can play a supportive role with consumer-based incentives on any advanced technology vehicle where clear environmental benefits are attainable.
2. At the same time, we strongly urge the Government to allow advanced technology vehicles to use HOV lanes in Ontario as an added incentive for consumers and to further acknowledge the benefit in driving environmentally friendly vehicles.
3. JAMA Canada commends the Ontario Government for improving the business and investment climate by reducing the deficit and lowering taxes. To help Ontario maintain a favourable environment for automotive related investment, we urge the Government to completely eliminate capital taxes. As you know, the auto industry is a capital-intensive sector, and removing capital taxes will send a clear signal to international and local investors that Ontario is indeed open for business.
4. We share with others in the auto industry the need for the elimination of the Tax for Fuel Conservation (TFFC). While the intention may have been sound, the TFFC is seen as an ineffective and inefficient tax that has the perverse effect of harming the environment by encouraging consumers to keep older, higher polluting vehicles and less safe vehicles on the road longer. The TFFC is clearly misplaced - by increasing the cost of new vehicle ownership, rather than addressing the key factor of usage, the TFFC may very well delay the purchase of cleaner and safer new vehicles.
5. Our members share the growing concern within the automotive industry about the long-term supply of electricity in Ontario at

competitive prices. As you know, the auto industry in Ontario was seriously affected by the blackout in August 2003. We appreciate the Ontario Government's determination on finding appropriate solutions to ensuring the reliability of the electricity system. Among other things, a stable and affordable energy supply is a critical component of global competitiveness.

6. We congratulate the Ontario Government on the renewable fuels regulation requiring an annual average of 5% ethanol in gasoline in 2007 which will help reduce greenhouse gas emissions. We also share the concern of the auto industry in Canada about the need for appropriate fuel quality. To be effective in reducing emissions, new vehicle emission systems require fuel that is properly blended and consistent with the World Wide Fuel Charter (WWFC).

## JAMA Canada statement on automotive trade policy

Over the past few weeks the Canadian Auto Workers union (CAW) has been engaged in a misdirected campaign in support of protectionist, trade distorting policies similar to the managed trade provisions of the now defunct Canada-US Auto Pact. Canada repealed the Auto Pact in 2001 following a WTO dispute settlement ruling that found the Auto Pact in Canada was discriminatory and in contravention with international trade rules.

In response, JAMA Canada has prepared the following statement:

### **Automotive Trade Policy: competition & cooperation rather than managed trade**

The CAW wants to resurrect the sectoral, managed trade policies of the old Auto Pact, involving Canada and several Asian countries, including Japan. To be sure, these are not free trade agreements being proposed. Among other things, sector-based managed trade would contravene Canada's obligations under international trade rules.

Originally, Canada negotiated the Auto Pact with the US to assure that a 'fair share' of the automotive industry in North America would be in Canada. Since then, the auto industry in Canada has changed dramatically. NAFTA has replaced the Auto Pact. And over the past 20 years, Japanese automakers have invested over \$6 billion in vehicle and components manufacturing observing the principle of "building vehicles where you sell them".

Last year, Honda, Toyota and Suzuki (CAMI – a 50/50 joint venture between Suzuki and General Motors) produced 717,000 vehicles in Canada and exported 526,000 of them, mainly to the US.

Moreover, these Canadian plants exported two and half times more vehicles as imported from Japan in 2006. Since 1993, Japanese automakers in Canada have been net exporters of finished vehicles, with an accumulated net export of over 2 million vehicles.

Due to rising demand, capacity and employment in Canada is expanding. In 2008, Toyota will open a new plant in Woodstock,

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and Honda will begin production of fuel-efficient 4 cylinder engines in Alliston. Hino Motors started building medium duty trucks in Woodstock for the Canadian market earlier last year. And there are currently 55 Japanese affiliated auto parts related plants in Canada, with several more under development. Expansions will increase manufacturing employment in Canada by approximately 3,000 beyond the current 11,600 jobs in vehicle plants and the 15,500 jobs at Japanese affiliated auto parts plants.

Over the past 40 years, Japanese automakers have set up Canada-wide vehicle distribution systems with full dealer organizations, a basic and critical element to selling and servicing motor vehicles in any country. Retail sales and service contributes significantly to employment. Currently, over 32,000 direct jobs have been created by 1,100 Japanese brand dealers across Canada.

Building more capacity and creating more employment in Canada in response to North American demand means less reliance on imports from Japan. Currently, three out of every five vehicles sold in Canada by our members are built in North America. We are, in fact, building where we sell. The continuing growth in investments for both vehicle assembly and parts manufacturing in Canada are strong votes of confidence in the industry's long term vitality.

So why is the CAW calling for a moribund and outdated policy to do what is already being done?

Confusing access with success in the market, the CAW is claiming foreign automakers are shut out of the market in Japan. However, an apples-to-apples comparison will demonstrate that the Japanese market is indeed open.

In 2006, light vehicle sales in Japan totaled 5.6 million, of which 2 million were mini-vehicles (small vehicles with engines under 660 cc), a low-margin, highly competitive segment in which no foreign automakers participate. Of the 3.6 million other light vehicles, European automakers recorded sales of 227,460 units for a market share of 6.3%. By comparison, European automakers' 2006 light vehicle share in Canada was also 6.3%. And Canada, as the CAW would no doubt agree, is an open market, even though import tariffs in Japan are zero, while Canada levies a 6.1% duty on import vehicles from outside of NAFTA.

In Japan, European and American imports tend to compete in the large, luxury and high performance segments, where sales are relatively successful. Given the dominance of smaller vehicles in the market, large, left-hand drive US vehicles may be popular among some consumers in Japan, but sales are likely to be small, not because of closed markets or unfair trade policies, but because they are seen as the exotic vehicles that they are. And let's not forget that gasoline prices in Japan are twice as high as in the US.

Surely the key to achieving greater success, whether in Japan, Canada or any other market, is to design and build vehicles that consumers in those particular markets actually need and want to buy.

Along with many others, we are concerned about the financial problems facing the US automakers in North America. At the same time, we don't for a minute underestimate the ability of the Detroit Three to turn things around. But from a policy perspective, we

believe Canada needs a forward looking, strategic auto policy based on global competition and cooperation rather than the protectionist notions of managed trade.

## A snapshot of the Japanese auto industry in Canada in 2006

- Combined production at Honda (HCM), Toyota (TMMC) and CAMI (Suzuki / General Motors joint venture plant in Ingersoll) totaled 901,000 units in 2006, up 2.2% over 2005, and representing 33.6% of total Canadian production, up from 5.4% in 1989.
- Exports from those plants topped 709,000 units, which represents a 79% export ratio.
- Canada has been a net exporter of 'Japanese' vehicles since 1993. Over these 14 years over 2.1 million **more** vehicles have been exported from Canada than imported from Japan, the US and Mexico combined.
- Vehicle sales in 2006 set a new record of 547,832 units - a 33.9% market share.
- Three of every five vehicles (60%) sold in Canada by Japanese automakers were built in North America in 2006.
- Over 27,000 manufacturing jobs have been created in vehicle and auto parts related manufacturing plants, while 1,100 dealerships across Canada employ another 32,000 and head offices and regional sales and distribution operations account for 2,000 jobs. In total, direct and indirect employment stands at 61,000.
- There are 55 auto parts, materials and machine tool plants currently operating in Canada.

### Motor Vehicle Industry in Japan – 2006 Year End Review

Passenger Cars, Trucks, Buses	TOTAL	
<b>PRODUCTION<sup>1</sup></b>	<b>Jan-Dec 2006</b>	11,484,233
	<b>Jan-Dec 2005</b>	10,799,659
	<b>% change</b>	6.3
<b>EXPORTS<sup>2</sup></b>	<b>Jan-Dec 2006</b>	5,966,672
	<b>Jan-Dec 2005</b>	5,053,061
	<b>% change</b>	18.1
<b>SALES/ REGISTRATIONS<sup>3</sup></b>	<b>Jan-Dec 2006</b>	5,739,506
	<b>Jan-Dec 2005</b>	5,852,067
	<b>% change</b>	-1.9
<b>IMPORT VEHICLE SALES<sup>4</sup></b>	<b>Jan-Dec 2006</b>	262,274
	<b>Jan-Dec 2005</b>	268,112
	<b>% change</b>	-2.2

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