

1999 Year in Review

For JAMA Canada members as a group, 1999 set an all-time sales record of 365,000 units, rising 10.7% over 1998, our second highest sales year at 330,000 units. For the second consecutive year, the best selling passenger car in 1999 was the Honda Civic, two models of which, the 3 and 4 door, are made in Canada.

Moreover, not only did the Canadian auto industry establish a new level of vehicle production in 1999 at almost 3 million units of output, the three Japanese affiliated automakers with plants in Canada, created their own milestone by churning out almost 600,000 units last year, up more than 50% over 1998.

Production

Combined output for the 1999 calendar year jumped 51.2%, adding over 200,000 units as a result of plant expansions, for a combined total of 599,389 units at Honda, Toyota and CAMI plants in Canada. Output at Honda (HCM) in Alliston, Ontario rose 52.9% to 274,908 units from 179,751 in the previous year. HCM currently makes four models: 3 and 4 door Civic, Acura 1.6EL and the Odyssey minivan. Later this year, HCM will also begin production of the new Acura sport utility vehicle, code-named MDX, which will expand total capacity to 330,000 units annually.

Production at Toyota (TMMC) in Cambridge, Ontario grew 22.9% in 1999 to 211,081 units, slightly in excess of their normal capacity of 200,000 units annually. TMMC currently builds two models: the 4 door Corolla, and the 2 door Camry Solara. In 2000, TMMC will start production of the convertible version of the Camry Solara, in association with sunroof specialist ASC Inc.

Motor Vehicle Production in Canada

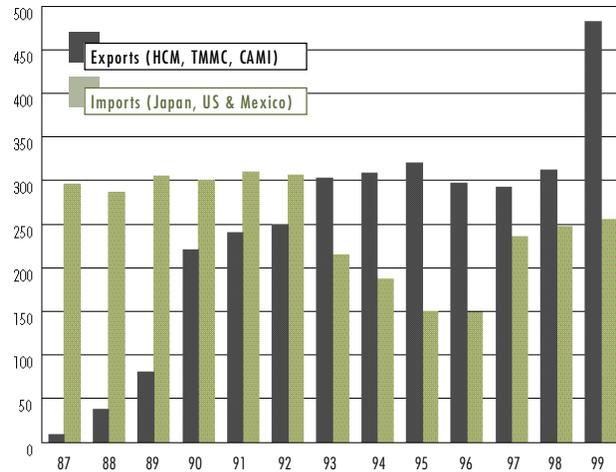
| | Jan-Dec 1999 | Jan-Dec 1998 | % Change |
|----------------------|----------------|----------------|-------------|
| HONDA (HCM) | 274,908 | 179,751 | 52.9 |
| TOYOTA (TMMC) | 211,081 | 171,739 | 22.9 |
| CAMI* | 113,400 | 45,000 | 152.0 |
| TOTAL | 599,389 | 396,490 | 51.2 |

* estimated

Source: JAMA Canada

Vehicle Exports & Imports

1987-1999 (thousand units)



At the CAMI Automotive plant in Ingersoll, Ontario production in 1999 made a dramatic recovery from the previous year due to the start-up in the fall of 1998 of the new Suzuki Vitara compact sport utility vehicle that replaced the Sidekick. Output soared 152% in 1999 as total number of units built reached 113,400 compared to 45,000 in 1998. CAMI makes a sub-compact passenger car for both Suzuki and General Motors, the Suzuki Swift and the Chevrolet Metro/Pontiac Firefly respectively; as well as the SUV noted above, the Suzuki Vitara and the Chevrolet Tracker/Pontiac Sunrunner, respectively. About two-thirds of total production in 1999 was the SUV, while the compact passenger car accounted for the remainder.

See 1999 Year In Review... page 2

IN THIS ISSUE

| | |
|--|---|
| Member Profile: Hino Diesel Trucks (Canada) Ltd. | 3 |
| 2000 AJAC/CAA Award Winners | 4 |
| 6th ITS World Congress In Toronto | 5 |
| WTO Final Panel Report | 5 |
| Commentary by Willam C. Duncan, JAMA U.S.A. | 6 |
| Auto Industry in Japan - 1999 | 6 |

Vehicle Exports

While the Canadian market is small, integration of the industry on a North American basis has allowed a large export-focused auto industry to develop in Canada. Since 1965, the majority of vehicles made in Canada have been exported, largely to the US, although more recently, a growing number of finished vehicles are being shipped to other countries, including Japan.

Export shipments in 1999 jumped with the rise in production, gaining 54.3% over 1998 to a total of over 482,000 units, up from 312,000 in the previous calendar year.

Imports (Shipments to Canada)

With over 87% of all Canadian built vehicles exported to other markets, at the same time the majority of vehicles sold in Canada are imported, specifically all those models that are not covered by Canadian production.

In 1999, JAMA Canada members imported 255,200 vehicles from all countries including Japan, the US and Mexico, up 3.5% over 1998. Shipments from Japan rose 14.7% to just over 167,000 units, while imports from the US and Mexico were down 12.7% to 88,000 units for the

1999 calendar year.

Since 1993, vehicle exports from affiliated plants in Canada have exceeded total imports from Japan, US and Mexico combined. In 1999, there were almost 1.9 vehicles exported for every one imported.

Vehicle Imports (Shipments) to Canada

| | Jan-Dec 1999 | Jan-Dec 1998 | % Change |
|--------------------|--------------|--------------|----------|
| JAPAN | 167,179 | 145,755 | 14.7 |
| U.S./MEXICO | 88,023 | 100,816 | -12.7 |
| TOTAL | 255,202 | 246,571 | 3.5 |

Source: JAMA, JAMA Canada

Sales

A new sales record was set in 1999 as JAMA Canada members sold over 365,000 motor vehicles, including 810 medium duty commercial vehicles by Hino Diesel Trucks (Canada) Ltd. Overall sales of light duty vehicles were up 10.7% over 1998 when over 329,000 units were sold.

Passenger car sales increased 8.0% to 266,000 units, while light trucks leapt 18.6% to over 98,600 units in 1999.

Light Vehicle Sales in Canada by Company

| Company | Jan-Dec 1999 | | | Jan-Dec 1998 | | | % Change | | |
|--------------------|--------------|--------|---------|--------------|--------|---------|----------|--------|-------|
| | CARS | TRUCKS | TOTAL | CARS | TRUCKS | TOTAL | CARS | TRUCKS | TOTAL |
| HONDA | 104,426 | 26,977 | 131,403 | 98,586 | 18,430 | 117,016 | 5.9 | 46.4 | 12.3 |
| N.A. Built | 90,027 | 12,130 | 102,157 | 72,018 | 2,149 | 74,167 | 25.0 | 464.4 | 37.7 |
| Japan Built | 14,399 | 14,847 | 29,246 | 26,568 | 16,281 | 42,849 | -45.8 | -8.8 | -31.7 |
| TOYOTA | 94,214 | 35,650 | 129,864 | 91,528 | 36,847 | 128,375 | 2.9 | -3.2 | 1.2 |
| N.A. Built | 45,386 | 19,316 | 64,702 | 48,959 | 18,241 | 67,200 | -7.3 | 5.9 | -3.7 |
| Japan Built | 48,828 | 16,334 | 65,162 | 42,569 | 18,606 | 61,175 | 14.7 | -12.2 | 6.5 |
| MAZDA | 31,955 | 9,324 | 41,279 | 22,650 | 5,847 | 28,497 | 41.1 | 59.5 | 44.9 |
| N.A. Built | 4,643 | 4,710 | 9,353 | 5,906 | 3,722 | 9,628 | -21.4 | 26.5 | -2.9 |
| Japan Built | 27,312 | 4,614 | 31,926 | 16,744 | 2,125 | 18,869 | 63.1 | 117.1 | 69.2 |
| NISSAN | 21,587 | 16,313 | 37,900 | 20,036 | 14,348 | 34,384 | 7.7 | 13.7 | 10.2 |
| N.A. Built | 12,223 | 4,679 | 16,902 | 12,831 | 3,711 | 16,542 | -4.7 | 26.1 | 2.2 |
| Japan Built | 9,364 | 11,634 | 20,998 | 7,205 | 10,637 | 17,842 | 30.0 | 9.4 | 17.7 |
| SUZUKI | 4,955 | 6,257 | 11,212 | 5,381 | 3,922 | 9,303 | -7.9 | 59.5 | 20.5 |
| N.A. Built | 1,544 | 2,301 | 3,845 | 2,122 | 1,437 | 3,559 | -27.2 | 60.1 | 8.0 |
| Japan Built | 3,411 | 3,956 | 7,367 | 3,259 | 2,485 | 5,744 | 4.7 | 59.2 | 28.3 |
| SUBARU | 8,917 | 4,098 | 13,015 | 8,154 | 3,729 | 11,883 | 9.4 | 9.9 | 9.5 |
| N.A. Built | 6,277 | 0 | 6,277 | 5,963 | 0 | 5,963 | 5.3 | 0.0 | 5.3 |
| Japan Built | 2,640 | 4,098 | 6,738 | 2,191 | 3,729 | 5,920 | 20.5 | 9.9 | 13.8 |
| TOTAL | 266,054 | 98,619 | 364,673 | 246,335 | 83,123 | 329,458 | 8.0 | 18.6 | 10.7 |
| N.A. Built | 160,100 | 43,136 | 203,236 | 147,799 | 29,260 | 177,059 | 8.3 | 47.4 | 14.8 |
| Japan Built | 105,954 | 55,483 | 161,437 | 98,536 | 53,863 | 152,399 | 7.5 | 3.0 | 5.9 |

Source: AIAMC

Vehicles built in North America accounted for 56% of all vehicle sales by JAMA Canada members, a total of about 203,000 units, up 14.8% from last year. Sales of Japan-built models rose more moderately 5.9% to about 161,000 units in total.

Market share for JAMA Canada members' light vehicle sales stood at 24.3% in 1999, up slightly from 23.7% in 1998. Passenger car share edged down one third of a point to 33.0%, while light trucks took 14.2%, up from 12.8% in 1998.

| Motor Vehicle Exports from Canada | | | |
|-----------------------------------|----------------|----------------|-------------|
| | Jan-Dec 1999 | Jan-Dec 1998 | % Change |
| HONDA (HCM) | 211,535 | 144,544 | 46.3 |
| TOYOTA (TMMC) | 168,463 | 130,021 | 29.6 |
| CAMI* | 102,200 | 38,000 | 168.9 |
| TOTAL | 482,198 | 312,565 | 54.3 |

* estimated

Source: JAMA Canada

Member Profile: Hino Diesel Trucks (Canada) Ltd.

Among JAMA Canada members, Hino Diesel Trucks (Canada) Ltd. (HDTC) is rather unique as it is the only company distributing, selling and servicing medium / heavy duty trucks. Hino is also distinguished by the fact that all of its sales in Canada are "cab-over" diesel trucks, which offer some advantages over traditional trucks.

With cab-over trucks, the cabin is on top of the engine, rather than behind it, which allows for a bigger cargo capacity than with a traditional style truck. In addition, cab-over features a shorter turning radius, an advantage for deliveries in urban settings. HDTC recently introduced a new line of engines with a 4 valve overhead cam and turbo-inter-cooler that boosts power while improving fuel consumption.

HDTC started business in Canada in 1974, about 10 years before Hino's US operations were established. Sales in Canada have grown steadily over the past 25 years, and HDTC set a new sales record in 1999 with a total of 810 units, up 17.6% over the previous record in 1998 when 689 units were sold and more than double the sales volume in 1995. HDTC President Ken Sekine is forecasting continuing sales growth in 2000 based on the strength of their products and service, as well as a positive outlook for economic growth in Canada.

By comparison, Hino truck sales in the US totaled about 1,600 units in 1999. Apart from their earlier start in Canada, several factors have contributed to HDTC's success including a largely exclusive Hino dealer network in Canada for Class 5, 6 & 7 medium duty trucks, no competition among other Japanese truck makers in Canada (although GM sells some Isuzu trucks through GMC truck dealers), and last but not least, excellent Canadian staff. About 50% of annual sales are in Ontario, 30% in Quebec and Eastern Canada, and 20% in the West. In Quebec, Hino has a 20% market penetration, which suggests an affinity for cab-over diesels that is typical in Europe and Japan.

HDTC head office is located in Mississauga, Ontario and there are regional offices in Burnaby, B.C. and Montreal, Quebec. Altogether, Hino Canada has 20 employees, including two on assignment from Japan.

HDTC is a wholly owned subsidiary of Hino Motors, Ltd. of Tokyo, Japan. Hino is the largest medium and heavy duty diesel truck manufacturer in Japan, which produced about 39,500 medium/heavy duty trucks and buses in 1999. Hino Motors is part of the Toyota group. Recently, Toyota announced that their equity ownership in Hino had increased to 33.4%, and it is expected to rise to 50% in the near future.

Among recent notable achievements, Hino Motors has developed the world's first low-emission system to combine the use of diesel and electric energy called the HIMR (Hybrid Inverter-controlled Motor and Retarder system). Hino buses with HIMR are now in use in Japan. Also, the Hino FT 4x4 won the Granada-Dakar '99, considered the world's most gruelling race. The same model has also placed first in the Camion Class 1 category every year since the category was established in 1996 in the Paris-Dakar rally.

Further information on Hino is available on the web at www.hinocanada.com.



At HDTC Corporate Offices: front, left to right: Ken Sekine, President, HDTC; Hiroshi Yuasa, President, Hino Motors, Ltd.; Eiji Ishizu, President, Hino Diesel Trucks (USA) Inc.

2000 AJAC/CAA/Carguide Magazine Award Winners

In December 1999, AJAC (the Automotive Journalists Association of Canada) announced the winners of the 2000 AJAC Awards for the best new vehicles in Canada. Over four days last fall, all participating vehicles are put through stringent testing on and off the track by members of AJAC. Based on the results of these tests, the winners were announced just before Christmas. JAMA Canada members were well represented among the winners in various categories determined by AJAC; however, not all JAMA Canada members are involved as there is no heavy duty truck category, and one member chooses not to participate.

- AJAC Best New Family Car (> \$25000) - Nissan Maxima GXE
- AJAC Best New Luxury Car - Infiniti I30
- AJAC Best New Sports Coupe - Honda Civic SiR
- AJAC Best New Sports Sedan - Nissan Maxima SE
- AJAC Best New Sports Utility - Nissan Xterra
- AJAC 2000 Canadian Truck of the Year - Nissan Xterra



AJAC Best New Family Car (> \$25000) - Nissan Maxima GXE



AJAC Best New Sports Coupe - Honda Civic SiR



Carguide Best Buy: Family Car - Toyota Camry
CAA 2000 Pyramid Award - Used Car Performance

Separately, JAMA Canada members have been recognized through other recently announced awards. The CAA (Canadian Automobile Association) announced in December that the Toyota Camry won the 2000 CAA Pyramid Award for Used Car Performance. This was fourth year in a row that the Pyramid has been won by the Toyota Camry.

In November, 1999 Carguide magazine also announced their annual best buy awards in various categories, chosen by Carguide writers and staff. Among the winners were the following:

- Best Buy: Economy Car - Honda Civic (3 door)
- Best Buy: Family Car - Toyota Camry
- Best Buy: Mini Sports Utility - Suzuki Grand Vitara
- Best Buy: Minivan - Honda Odyssey
- Best Buy: Performance Car - Acura 3.2TL



AJAC Best New Luxury Car - Infiniti I30



AJAC Best New Sports Utility - Nissan Xterra
and AJAC 2000 Canadian Truck of the Year



Carguide Best Buy: Mini Sports Utility - Suzuki Grand Vitara

Statement on the WTO Final Panel Report

On February 11, the Final Report of the WTO dispute settlement panel concerning certain aspects of Canada's automotive trade policy was released in Geneva. The following is JAMA Canada's statement on that report:

"While an appeal by the Canadian Government will delay adoption of the final report, it appears that the WTO dispute settlement panel has found that changes are necessary to bring Canadian automotive tariff policies into line with international trade rules.

In practical terms, JAMA Canada continues to urge the Government of Canada to adopt trade policies that are open, transparent and non-discriminatory, with measures that ensure equal treatment for all automakers in Canada. More specifically, Most Favoured Nation (MFN) tariffs applied to finished vehicles should be eliminated as soon as possible. Tariffs are no longer necessary to protect the auto industry in Canada, and only add non-manufacturing costs that are a burden for both automakers and consumers.

Since the FTA in 1989, auto tariff policy in Canada created a fragmented two-tiered industry that treated some automakers more favourably than others. Among other things, this current policy undermines Canada's ability to attract future automotive investment.

JAMA Canada would have preferred that this issue had been resolved domestically at the time of the Federal

Government's Automotive Competitiveness Review in 1998. However, with this WTO report the Canadian Government has another opportunity to address the discriminatory aspects of the current policy. Moreover, the recent collapse of the WTO talks in Seattle, aimed at setting the agenda for the start of the next round of multilateral trade negotiations, makes resolution of this matter more urgent. In the event that the so-called 'Millennium Round' gets underway later this year, we urge the Government of Canada to eliminate tariffs on all automotive products, to reflect the 0% tariff on vehicles and parts in Japan.

Today the auto industry in Canada is generally healthy, competitive and profitable. At the same time, it is also highly dependent on trade and foreign investment. What's more, around the world, the auto industry is constantly being challenged by consumers, by technology and by governments to provide reliable, affordable products that are designed for both safety and preservation of the environment. It is no surprise that policy changes are also needed in Canada to reflect higher levels of international competition and cooperation, as well as to reaffirm a strong commitment to the rules-based trade system entering the 21st century."

The full report is available at: www.wto.org/wto/ddf/ep/public.html. Click on Search for Document WT/DS139/R.

6th ITS World Congress held in Toronto

It seems that the faster life becomes and the busier we get, the more congested traffic becomes and the slower we go. This not only impacts people trying to get from place to place, but also just-in-time delivery of parts for manufacturing industries. Average speeds on major highways during 'rush' hours have been declining for many years. What's more, traffic congestion is a problem of every urban centre around the world. The good news is that help is on the way. Intelligent Transportation Systems (ITS) organizations have been established in many countries with the support of both governments and the private sector to look for solutions to alleviate congestion, reduce accidents and lower the burden on the environment, as well as identify international standards for deployment of ITS technologies and services.

For one week last November, almost 5,000 delegates from around the world, including 1000 from Japan, gathered in Toronto for the 6th ITS (Intelligent Transportation System) World Congress, under the theme "ITS - Smarter, Smoother, Safer, Sooner".

Over 500 technical papers were presented during the 5 day event, including 162 from Japan. Among the industry and government representatives were Canadian Minister of Transport, David Collenette, US Minister of Transport Rodney Slater and Japanese Vice Minister of Construction, Fumio Kishida, as well as VERTIS (Vehicle, Road & Traffic

Intelligence Society) President, Shoichiro Toyoda. VERTIS is an industry - academic ITS promotion organization with representation from various countries in the Asia Pacific region including Japan, Korea, Malaysia, China, Taiwan, Australia, India, Thailand.

Along with the formal and technical presentations, there was also an ITS exhibition with 152 organizations, including 21 Japanese companies, primarily automotive and electronics manufacturers. Japanese automakers, including Honda, Nissan and Toyota at the exhibition demonstrated their latest ITS related research, products and systems for user-friendly transportation technologies.

ITS in Japan is being developed as a national project by five government bodies, industry and academics in nine areas including: advances in navigation systems, electronic toll collection systems, assistance for safe driving, optimization of traffic management, increasing efficiency in road management, support for public transport, increasing efficiency in commercial vehicle operations, support for pedestrians, and support for emergency vehicle operations.

Further information on ITS in Japan can be found at the following websites:

- Vehicle, Road & Traffic Intelligence Society: www.vertis.or.jp
- Advanced Cruise-Assist Highway System Research Centre: www.ahsra.or.jp

A New Auto Market Emerges from Recession

Commentary by William C. Duncan, Director General,
JAMA Washington (www.japanauto.com)

Ten years ago Japan's economic boom slumped, leaving the country in recession and its auto markets in decline. The decade limped to an end in December last year with another poor showing for both vehicle sales and production. Overall sales ended last year 25 percent below their 1990 peak. Production, due both to recession and production shifts overseas, was down 27 percent. These statistics were both at 10-year lows. It is time for a turnaround.

Japan's auto executives are optimistic that the year 2000 will be a year of recovery. Overall, JAMA expects a 2 percent increase in vehicle sales this year, with some makers predicting their individual company sales jumping 8 percent or more. This optimism is initially supported by a 2.9 percent increase in January 2000 vehicle sales.

The real story here, however, is not so much the 2 percent increase predicted for this year, but rather the changing face of the industry as the recovery begins. Japan Auto Trends brought these changes to you as they unfolded.

Here is a review of just a few of these changes:

- Structural changes have taken place at both ends of the car market. The mini segment, which made up 16 percent of overall car sales in 1990, made up 30 percent last year. The large car segment that made up 9 percent of the sales at the beginning of the decade ended the decade with 17 percent. All this was at the expense of the middle-size car segments.

- Imports increased during the decade reaching nearly 10 percent of the overall market before falling back in the grip of recession. However, the real story for importers has been their success in selling large cars. Imports ended the decade with 31 percent of this high-profit segment.

- The Japanese industry is now international. Ford participates in the management of Mazda; Renault participates in the management of Nissan. GM has developed capital ties with Isuzu, Fuji, and Suzuki, and technical exchanges with Toyota, Honda, and others.

- New technology is meeting environmental challenges. Particularly noteworthy has been the application of hybrid technology to reduce gasoline consumption and air pollutants. Examples include the Toyota Prius (1.5 liter/4 cylinder gas engine plus electric motor), the Honda Insight (1.0 liter/3 cylinder gas engine plus electric motor), among others.

- Mega malls and the Internet are changing traditional selling methods. No longer are cars sold almost exclusively by door-to-door salespersons.

- Manufacturers are meeting consumer needs in innovative ways. Examples include navigational devices and vehicles for the disabled.

Ten years is a long time to be down, but with leading indicators in Japan on the rise, the year 2000 may be the beginning of a true recovery. Regardless of timing, however, the auto market that emerges from recession in this decade will be significantly different in character and structure from the last decade. It will reflect new technologies, distribution mechanisms, consumer requirements and environmental challenges. It will be increasingly multinational. And it will be even more competitive.

Motor Vehicle Industry in Japan

Motor vehicle production fell below 10 million units for the first time since 1979 as output of cars, trucks and buses declined 1.5% to 9.9 million units in 1999. While passenger car production finished up 0.6% to 8.1 million units, trucks and buses were both lower than 1998. Truck output was down 9.8% to 1.7 million and buses retreated 15.0% to just over 48,000 units.

Motor vehicle exports to all countries dropped 2.6% to 4.4 million units in 1999, although shipments to North America were up 18.1% in unit volume on the continuing strength of market demand in the US and Canada and the shortfall of local production capacity in North America for certain popular models.

Domestic sales of new vehicles in Japan during 1999 dipped 0.3% to 5.86 million units from 5.88 million in 1998. Passenger cars rose 1.5% to almost 4.2 million units with mini-vehicles still selling well. For the second year in a row, the best selling car was the Suzuki Wagon R. Truck sales fell 4.5% to just under 1.7 million units, and buses improved 2.4% to almost 14,500 units. Import vehicle sales edged up 0.9% in 1999 to 278,225 units. Passenger cars built overseas accounted for all of the increase, with a total tally of over

271,000 units, up 2.1%. Sales of imports built by non-Japanese automakers totaled 252,181 units, basically unchanged from the previous year.

For further information 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 '99 | 9,895,476 |
| | Jan-Dec '98 | 10,049,792 |
| | % change | -1.5 |
| EXPORTS ² | Jan-Dec '99 | 4,408,943 |
| | Jan-Dec '98 | 4,528,875 |
| | % change | -2.6 |
| SALES/ REGISTRATIONS ³ | Jan-Dec '99 | 5,861,216 |
| | Jan-Dec '98 | 5,879,425 |
| | % change | -0.3 |
| IMPORT VEHICLE SALES ^{4*} | Jan-Dec '99 | 278,225 |
| | Jan-Dec '98 | 275,869 |
| | % change | 0.9 |

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

For further information, questions or comments contact:

JAMA Canada, Suite 460, 151 Bloor Street West, Toronto, Ontario M5S 1S4

Tel: (416) 968-0150

Fax: (416) 968-7095

E mail: jama@jama.ca

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