

Spring 2001

AUTO QUARTERLY

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Newsletter of the Japan Automobile Manufacturers Association of Canada

Canadian market softens, but 1Q results better than expected

Sales

JAMA Canada members' sales in the 1stQ totaled 80,947 units for a gain of 9.7% overall, which represents a 25.1% market share, up over 3 points from 2000. Passenger car sales increased 8.3% to 57,915 units, while light truck sales rose 13.5% to 23,032 units. Among members, Honda Canada is the leader in unit sales, up 11.4% to 29,446 units, while Mazda and Nissan are the sales growth leaders, up 29.1% and 20.6% respectively. Toyota Canada is almost unchanged with sales of 22,975 units in the first quarter, while Subaru and Suzuki sales have slipped 6.4% and 7.2% respectively. Passenger car market share is up to 34% from 29.7% last year, while light truck share is up over two points to 15.1%.

For the 1stQ of 2001, the total light vehicle market in Canada has dropped 4.8% to 322,437 units. GM, Ford and DaimlerChrysler combined were down 11.8% to 208,253 units. Passenger cars have fallen 16.6% to 83,369 units for the former Big 3, while light truck sales are down 8.3% to 124,844. Interestingly, in the 1stQ, 60% of Big 3 sales are light trucks, and 40% are cars. Their market share in passenger cars dipped below 50% for the first quarter of 2001.

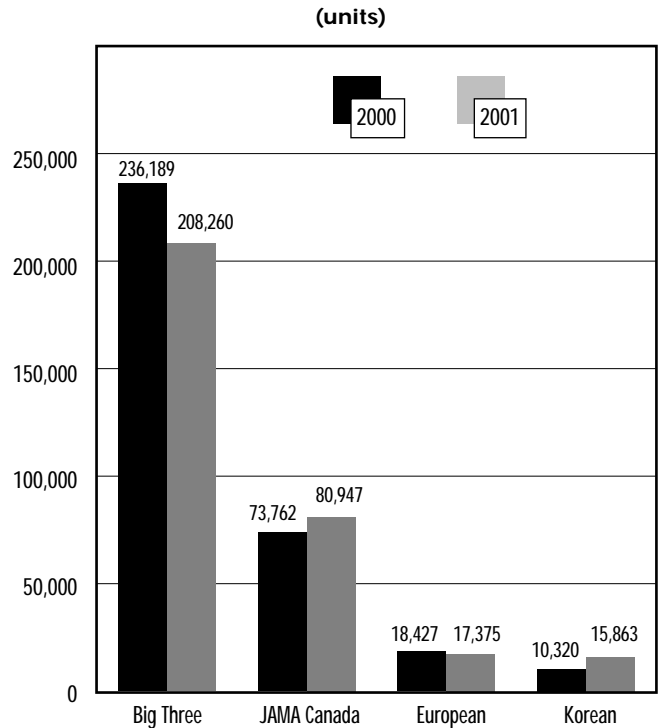
European automakers as a group slipped 5.7% lower in combined sales in the first quarter, while Korean automakers' sales surged 53.7% in the first three months of 2001, in spite of a dramatic decline for Daewoo.

Production & Exports

While Big 3 output in Canada fell 25.6% in the first quarter to a combined total of just under 500,000 units, production at Japanese affiliated plants (Honda, Toyota and CAMI) rose 4.0% to 171,350 units in the first three months of 2001. However, among the three Canadian operations, only Honda made gains over last year as output jumped 17.7% to 100,904 units, while Toyota and CAMI production declined 10.3% and 11.7% respectively.

In a similar vein, finished vehicle exports from all three plants increased 9.3% to 145,306 units in the first quarter, due

First Quarter Sales 2001



entirely to export production at Honda which rose 26.2%, while Toyota's exports dropped 8.0% and CAMI's fell 6.0% compared to the same period in 2000. The ratio of exports to total production climbed to 84.8% in the first quarter of 2001 from 80.7% last year. This suggests that export markets, particularly for some models, in the US remains buoyant.

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Light Vehicle Sales in Canada, by Company

Company	Jan-Mar 2001			Jan-Mar 2000			% Change		
	CARS	TRUCKS	TOTAL	CARS	TRUCKS	TOTAL	CARS	TRUCKS	TOTAL
HONDA	23,473	5,973	29,446	20,607	5,834	26,441	13.9	2.4	11.4
N.A. Built	22,300	3,538	25,838	19,141	3,048	22,189	16.5	16.1	16.4
Japan Built	1,173	2,435	3,608	1,466	2,786	4,252	-20.0	-12.6	-15.1
TOYOTA	15,770	7,205	22,975	17,629	5,433	23,062	-10.5	32.6	-0.4
N.A. Built	7,678	3,405	11,083	8,221	2,822	11,043	-6.6	20.7	0.4
Japan Built	8,092	3,800	11,892	9,408	2,611	12,019	-14.0	45.5	-1.1
MAZDA	7,633	4,882	12,515	6,814	2,879	9,693	12.0	69.6	29.1
N.A. Built	347	690	1,037	608	1,214	1,822	-42.9	-43.2	-43.1
Japan Built	7,286	4,192	11,478	6,206	1,665	7,871	17.4	151.8	45.8
NISSAN	7,836	2,873	10,709	4,925	3,955	8,880	59.1	-27.4	20.6
N.A. Built*	5,856	1,112	6,968	2,689	1,382	4,071	117.8	-19.5	71.2
Japan Built	1,980	1,761	3,741	2,236	2,573	4,809	-11.4	-31.6	-22.2
SUZUKI	1,080	1,166	2,246	1,284	1,137	2,421	-15.9	2.6	-7.2
N.A. Built	353	436	789	340	391	731	3.8	11.5	7.9
Japan Built	727	730	1,457	944	746	1,690	-23.0	-2.1	-13.8
SUBARU	2,123	933	3,056	2,210	1,055	3,265	-3.9	-11.6	-6.4
N.A. Built	1,525	0	1,525	1,713	0	1,713	-11.0	0.0	-11.0
Japan Built	598	933	1,531	497	1,055	1,552	20.3	-11.6	-1.4
TOTAL	57,915	23,032	80,947	53,469	20,293	73,762	8.3	13.5	9.7
N.A. Built	38,059	9,181	47,240	32,712	8,857	41,569	16.3	3.7	13.6
Japan Built	19,856	13,851	33,707	20,757	11,436	32,193	-4.3	21.1	4.7

* car sales include Mexican built

Source: AIAMC

Motor Vehicle Production in Canada

	Jan-Mar 2001	Jan-Mar 2000	% Change
HONDA (HCM)	100,904	85,730	17.7
TOYOTA (TMMC)	44,563	49,662	-10.3
CAMI*	25,883	29,304	-11.7
TOTAL	171,350	164,696	4.0

Source: JAMA Canada

Vehicle Imports (Shipments) to Canada

	Jan-Mar 2001	Jan-Mar 2000	% Change
JAPAN	46,766	45,814	2.1
U.S./MEXICO	28,082	24,640	14.0
TOTAL	74,848	70,454	6.2

Source: JAMA, JAMA Canada

Motor Vehicle Exports from Canada

	Jan-Mar 2001	Jan-Mar 2000	% Change
HONDA (HCM)	82,889	65,705	26.2
TOYOTA (TMMC)	37,795	41,071	-8.0
CAMI*	24,622	26,198	-6.0
TOTAL	145,306	132,974	9.3

Source: JAMA Canada

2001 Vehicle Awards for JAMA Canada Members

JAMA Canada members have been recipients of several recent awards for the AJAC (Automotive Journalists of Canada) 2001 Canadian Car of the Year, Editor's Choice Winners from Canadian Auto World, and 2001 CAA (Canadian Automobile Association) Pyramid Awards for 2001 Best Used Vehicle.



2001 Subaru Legacy Wagon

Canadian Auto World Editor's Choice Awards for 2001

- Family Sedan over \$25,000: Honda Accord
- Luxury Car: Acura 3.2TL
- Prestige Car: Lexus LS430
- Sport Coupe & Convertible: Acura 3.2CL Type S
- Station Wagon: Subaru Legacy / Outback
- Van/Minivan: Honda Odyssey
- Sport Utility Vehicle: Mazda Tribute

Editor's Choice Awards are open to all vehicles sold in Canada during the model year. Winners were determined by the editors of Canadian Auto World and presented at the Montreal Auto Show in January.



2001 Mazda Tribute, AJAC Truck of the Year

AJAC 2001 Car of the Year

- Best New Economy Car: Honda Civic DX Sedan
- Best New Green Vehicle: Honda Insight
- Best New Compact Sport Utility: Mazda Tribute
- Best New Intermediate Sport Utility: Subaru Outback H6 - 3.0 VDC
- Best New Luxury Sport Utility: Acura MDX
- Canadian Truck of the Year: Mazda Tribute

AJAC Awards are determined by AJAC automotive journalists as a result of a four-day test comparing new or substantially

new 2001 model year vehicles at Shannonville Motorsport Park in Belleville, Ontario. Some companies choose not to participate in the AJAC Awards. The Chrysler PT Cruiser was named Canadian Car of the Year.



1997 Toyota Corolla

CAA 2001 Pyramid Awards

- Overall Vehicle Ownership Satisfaction: **Toyota Corolla** (1993-1997 models). This is the fifth time Corolla has won this award.
- Minivan Ownership Satisfaction: **Toyota Sienna** (1997-2000 models)
- Pyramid Award for Environmental Initiatives: **Honda Canada**
Honda Canada was recognized for having introduced new gas/electric hybrid vehicle technology with the Honda Insight and for having introduced ultra low emission vehicles to the Canadian market that improve overall fuel efficiency.

The Pyramid Awards are based on an owner survey of more than 22,000 CAA members.

Canada's Most Fuel-Efficient Vehicles



Marcel Lambert (left), Suzuki Canada, receives 3 EnerGuide Awards from Natural Resources Minister Ralph Goodale.

Japanese brand vehicles walked away with awards in seven of eight categories for the most fuel-efficient vehicles in Canada in the 2001 model year. Suzuki Canada captured an unprecedented three EnerGuide Awards for the Swift, Esteem Wagon and Vitara convertible. The awards were handed out by the Federal Minister of Natural Resources, the Honourable Ralph Goodale, at the opening of the Toronto International Auto Show in mid-February. Winning vehicles were determined by testing that simulates 20,000 kilometers driven per year with 55% in the city and 45% on the highway. The winners were:

Models - Category	Fuel Consumption (Litres/100 km)	
	City	Highway
• Honda Insight: Two-seater	3.9	3.2
• Suzuki Swift: Subcompact	6.4	4.9
• Toyota Prius: Compact	4.5	4.6
• Mazda 626: Mid-size	9.4	6.8
• Suzuki Esteem Wagon: Station Wagon	8.3	6.0
• Nissan Frontier: Pick-up Truck	10.6	8.5
• Suzuki Vitara Convertible 4x4: Special Purpose	9.2	7.6

Auto21: a new R&D program for Canada

On March 12, the Federal Minister of Industry, Brian Tobin, announced funding for a major Research & Development program, called Auto21 that links university professors and experts from the industry to study issues ranging from safety to materials to vehicle design. Auto21 was one of four Networks of Centres of Excellence announced in March, and it will receive \$23.1 million over the next four years, of which \$12 million comes from the Federal Government and \$9.1 million from other sources including industry, universities, private research agencies and trade organizations. Auto21 will run for seven years with up to \$35 million in federal grants, and if approved, could obtain funding for an additional 7 years.

As explained by Minister Tobin, "The automotive industry is Canada's largest single business sector, producing over 13% of the manufacturing GNP and providing high quality employment to over half a million Canadians (representing 1 in 7 jobs in Canada). This \$200 billion per year giant is Canada's largest source of export earnings and is considered by many to be the engine of our economy. Canada is the sixth largest producer of cars and trucks in the world. Without advanced R&D, Canada's auto industry will not be able to compete with the

latest developments internationally, with the result that the hundreds of thousands of jobs will be less secure."

The AUT021 Network will undertake an extensive and integrated research program examining the following issues:

- vehicle safety for children and the elderly
- the health and safety of autoworkers
- the formulation of stronger public policies in the automotive sector
- new manufacturing processes and materials for future automobiles
- new fuels and power-trains
- the integration of advanced electronic systems to improve safety, comfort and convenience

Over 200 Canadian researchers from universities, companies, government laboratories and other organizations are participating. Their areas of expertise include engineering, nursing, economics, labour studies, occupational therapy, science, business and other disciplines. They will co-operate to tackle the challenges confronting the automotive industry involving the people who work in it; the communities where it is situated, as well as the interaction between the industry and Canadian society at-large.

The forces of globalization are compelling industry to develop and adopt new modes of cooperation and competition. Governments can play a supporting role in this process through programs like Auto21 which support partnerships among all key stakeholders and which recognize the critical role that innovation plays in sustaining international competitiveness.

Mitsubishi to Enter Canadian Market in 2003

Building on its growth in the US market since 1982, Mitsubishi Motor Sales of America, Inc. (MMSA), recently announced its plans to enter the Canadian market. "Canadians purchase approximately 1.5 million new vehicles a year, making this one of the world's top 10 automotive markets and a natural choice for Mitsubishi Motors' global expansion," said Pierre Gagnon, executive vice president and chief operating officer, Mitsubishi Motor Sales of America, Inc. "We are excited to offer Canadians our full line of vehicles and look forward to growing across this great country."

Mitsubishi Motors anticipates it will begin selling cars in Canada early in 2003, with a goal of opening 51 dealerships in the first year, growing to 150 dealerships within five years. At that level, the dealer network would result in the creation of approximately 6,400 new jobs.

The company projects sales in Canada of 38,000 new vehicles annually by the end of 2007, giving Mitsubishi an estimated two-percent share of the Canadian new vehicle market. Canada is the only major global automotive market in which Mitsubishi Motors does not currently sell vehicles.

"For any major auto company like Mitsubishi Motors, the Canadian market is an important place to do business. Canada has a world-class retail dealer environment and a growing population of savvy consumers," added Gagnon.

Randy Sears is being appointed senior vice president and general manager of Canadian operations. Currently, Sears is MMSA's regional director for the North Central region. Sears' career includes 20 years with General Motors of Canada Ltd. and two years as general manager for Saturn, Saab, Isuzu of Victoria Ltd., located in Victoria, British Columbia.

"We will offer Canadian consumers value through competitive pricing, as well as quality, reliability and style. We're confident the Mitsubishi Motors brand will connect with Canadian consumers just as it has with consumers in the United States," said Sears.

Pierre Gagnon and MMSA Senior Vice President and General Manager Greg O'Neill, will lead the company's senior management team. Gagnon and O'Neill are both native Canadians and veterans of the Canadian automobile industry.

Mitsubishi Motor Sales of America, Inc. was established in 1982 by Mitsubishi Motors Corporation, Tokyo, and markets a full line of vehicles, including coupes, convertibles, sedans and sport utility vehicles through a network of more than 550 dealers in the U.S.

Mitsubishi Motor Manufacturing of America, Inc. (MMMA), in Normal, Ill., currently assembles both Chrysler and Mitsubishi brand vehicles. The Mitsubishi brand vehicles include the Eclipse sports coupe, Eclipse Spyder convertible and Galant mid-size sedan, which together account for approximately half of MMSA's passenger car sales in the U.S. Established in 1985, MMMA employs approximately 3,300 people.

Canadian Government 10 Year Action Plan for Cleaner Vehicles, Engines & Fuels

On February 19, 2001, Environment Minister David Anderson made public the details of a 10 year Plan of Action for cleaner vehicles, engines and fuels, an integral part of the Government of Canada's Clean Air Strategy. The Plan of Action includes measures and actions on clean air that are intended to produce health and environmental benefits for Canadians. The measures, which will be supported by regulations, guidelines and studies over the coming years, were developed through consultations that began last spring with provincial and territorial governments, environmental and health organizations and automobile and fuel sector representatives.

Emissions Initiatives: Cars, Trucks, Off-Road Vehicles and Engines

Emissions from vehicles and engines depend upon vehicle/engine technology and the properties of the fuels. In some cases, vehicle emission control systems cannot operate properly without the right fuels. Therefore, fuel standards and vehicle/engine emission standards must be considered as an integrated system.

The Plan of Action sets out a plan to develop new Canadian emission standards for vehicles and engines, aligned with those of the United States Environmental Protection Agency. Regulations under the Canadian Environmental Protection Act (CEPA, 1999) and emissions control programs will be developed to reduce emissions from:

- cars, vans, pick-up trucks and sports utility vehicles to be phased-in beginning with the 2004 model year;
- large trucks and buses to be phased-in beginning with the 2004 model year;
- off-road diesel vehicles and engines such as those used in the agricultural sector and by the construction industry;
- gasoline utility engines such as those used in snowblowers, lawn mowers, chain saws; and
- outboard marine engines and personal watercraft.

The Plan of Action also provides details on the following measures:

- the development of a Memorandum of Understanding with automobile manufacturers to introduce low-emission vehicles in Canada for model years 2001-2003, similar to the Voluntary National Low-Emission Vehicle (NLEV) Program in the U.S. This will ensure that Canadians benefit from the latest vehicle emission control technologies; and
- the development of a Code of Practice for Heavy Duty Vehicle Inspection and Maintenance programs for use by provinces in monitoring emissions from large trucks and buses.

In developing future emission regulations for on-road vehicles and engines under CEPA 1999, Environment Canada plans to ensure that the environmental performance of new vehicle fleets in Canada will be comparable to applicable US program

objectives. The details of future regulations, including possible corporate fleet-averaging standards or alternate mechanisms that achieve comparable results, will be developed in consultation with stakeholders during the regulatory development process.

Clean Fuel Initiatives: Diesel, Gasoline and Fuel Oils

The Plan of Action contains several measures aimed at improving the quality of diesel fuel by:

- reducing the level of sulphur by 2006 in on-road diesel fuel used by trucks and buses, by aligning Canadian requirements with those in the United States; establishing a new limit for sulphur in off-road diesel fuel used in construction and agricultural equipment; and establishing a comprehensive database on diesel fuel quality in order to monitor fuel quality.

The Plan also details several measures for cleaner gasoline:

- Environment Canada will conduct further analysis on the composition of gasoline to determine if additional controls on gasoline quality have the potential to reduce emissions of toxic substances from vehicles; and
- a Canada Gazette notice will be published requesting information on the use and release into the environment of the gasoline additive MTBE.

Environment Canada also proposes to develop measures to reduce the level of sulphur in light fuel oils used for heating homes and for heavy fuel oils used by industrial facilities.

Environment Canada will investigate complementary measures to regulations, such as economic instruments, to promote the early introduction of cleaner fuels into Canada.

New President at Nissan Canada



Carlos Ghosn, president of Nissan Motor Co., Ltd., has announced the appointment of Mr. Mamoru Yoshida as president of Nissan Canada Inc., effective April 2, 2001.

Mr. Yoshida, age 43, succeeds Kiyoharu Owada who, after seven years of service in Canada, has been reassigned to Nissan Motor Co., Ltd. Since 1997, Mr. Yoshida has been based in Tokyo where he has worked mainly in the overseas business planning and sales marketing areas. He has been heavily involved in the Nissan Revival Plan (NRP) since its inception in 1999, a plan designed to increase profitability and reduce costs worldwide. Over a year ago, he was assigned to lead a team responsible for automotive associated business development worldwide.

Mr. Yoshida graduated from Sophia University, Tokyo, in 1981 where he studied in the Faculty of Foreign Language - English Language department. He began his career with Nissan in April 1981 working in Manufacturing Training at the Yoshiwara plant. Throughout his career, he has spent time in Holland where he worked in the Business Planning and Sales Operations divisions. From Holland, he travelled to Great Britain and assumed the role of Senior Advisor to both the Sales & Marketing Directors.



Double Bubble?

Japan's bubble economy collapsed in 1990, causing a steep decline in Japanese auto production and sales. After a decade of economic turmoil and restructuring, we are now seeing a glimmer of cautious optimism. Last year, Japan's car and truck sales grew at about 2 percent.

Industry forecasts predict another 2.2 percent growth this year. January sales edged up a slight 1 percent.

However, no sooner do we see some optimism in Japan, than the Nasdaq stock market bubble collapses in the U.S., and with it an unprecedented 10 years of economic prosperity. Pundits no longer celebrate a new U.S. economy immune from historical cyclical patterns, but rather speculate on whether the U.S. is teetering on the verge of recession. The auto market in the U.S. is clearly vulnerable and so too are Japanese brand sales in the U.S. Does this mean the Japanese companies must now face the collapse of a double bubble?

There was a time when Japan's economy would boom along despite recession in the U.S., the most notable example being the deep U.S. recession of the early 1980s. During that 3-year period the Japanese auto market expanded by about 6 percent while the U.S. market contracted by 25 percent. Economic growth in Japan, along with increasing demand for small cars in the U.S., helped to insulate the Japanese companies from the worst of the U.S. recession. And in a somewhat different way, the reverse was also true in the 1990s. During the 1990s, Japan's auto market contracted by 25 percent while the U.S. market expanded by 21 percent.

However, economies, markets and auto companies are much more interdependent now than they were 20 years ago or even 10 years ago. In the early 1980s, Japanese brand auto sales in the U.S. were exclusively imported. Today more than 60 percent of Japanese nameplate vehicles sold in the U.S. are produced in the U.S. Japanese auto companies employ nearly 50,000 Americans in manufacturing, research, design and marketing. They purchase more than \$30 billion of U.S. auto parts. These companies have now become part of the fabric of America and intimately tied to the fortunes of the U.S. economy.

Something else is different, too. Now many of the Japanese auto companies have significant foreign ownership and management participation. Imports have about 6 percent of Japan's car market. However, calculating on the basis of ownership, foreign interests have close to an 18 percent share of Japan's car

market. The fortunes of GM, Ford, DaimlerChrysler and Renault are now tied to Japan's market as Japanese companies are tied to the U.S. No longer do these companies rise or fall in separate markets independent of each other.

Future !?

Does a double bubble mean "toil and trouble" as promised by the fiendish witches in Shakespeare's Macbeth? Or will the waters settle and prosperity soon return either to the Japanese market, the US market or both? The answer to the question will unfold over the next several months. However, what is clear to me is that in the meantime the new global relationships in the auto industry will be tested for a while by slower economic growth at best and recession at worst. The Japanese auto and the U.S. auto industry this time will be in the same sea and in many cases in the same boat pulling the same oars. These companies are more likely to rise and fall together!

Canadian Auto Parts Mission to the 35th Tokyo Motor Show

Once again the Canadian Government will be organizing a mission of Canadian auto parts manufacturers at the time of the 35th Tokyo Motor Show, October 26 - November 7, 2001. Several companies will also join the Canada Booth at the TMS including Ford Canada, ABC Group, Dofasco Steel, JIT Automation, Kautex Textron, Narmco, Ventra Group, Woodbridge Group, and Wescast.

To kick off the mission, the Canadian and Ontario Governments will jointly host a Reception at the Canadian Embassy in Tokyo on Monday, October 22.

Further information on the 35th Tokyo Motor Show is available on the internet at 'www.motorshow.or.jp/eng'.

Motor Vehicle Industry in Japan		
Passenger Cars, Trucks, Buses		TOTAL
PRODUCTION ¹	Jan-Mar 01	2,603,332
	Jan-Mar 00	2,700,254
	% change	-3.6
EXPORTS ²	Jan-Mar 01	1,017,033
	Jan-Mar 00	1,095,326
	% change	-7.1
SALES/ REGISTRATIONS ³	Jan-Mar 01	1,745,154
	Jan-Mar 00	1,734,758
	% change	0.6
IMPORT VEHICLE SALES ⁴	Jan-Mar 01	73,142
	Jan-Mar 00	71,595
	% change	2.2

* (including models built by Japanese automakers overseas)

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

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