



# AUTO QUARTERLY

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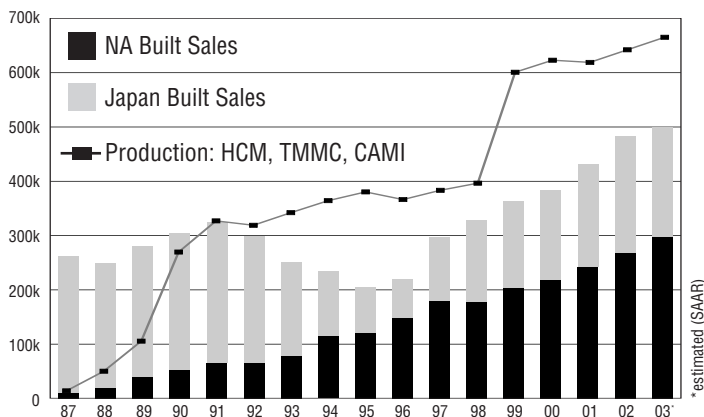
NEWSLETTER OF THE JAPAN AUTOMOBILE MANUFACTURERS ASSOCIATION OF CANADA

## 3rd quarter Canadian vehicle sales slide as demand continues to soften

New vehicle sales in Canada were caught in the summer doldrums in the third quarter, continuing the softening trend from the first half of 2003. For the year to date, through the end of September, total light vehicle sales for all automakers fell 4.1% to 1.25 million units. The 'Big Three' in Canada dropped 9.0% to 712,381 units, representing a 57% market share. Japanese automakers managed to increase sales by 4.6% through the same period for a total tally of 386,863 units for a 31% market share. Korean automakers gained 3.9% to 78,519 units, while European based companies dipped 3.0% to 72,155 units.

Among Japanese automakers overall, passenger car sales rose 2.5%, while light trucks jumped 10.8%. At the same time, sales of vehicles built in North America, including cars, minivans, sport utilities and trucks gained 9.7%, while models imported from Japan fell 1.9% over the nine-month period. However, individual results were somewhat mixed. Toyota, Nissan and Mitsubishi were all in positive territory (up 11.3%, 10.0% and 5596.1% respectively), while Honda, Mazda, Subaru and Suzuki were all lower compared to the same period last year. See the accompanying sales data table for details.

### Production & Sales in Canada (1987-2003\*)



### Production

Light vehicle production in Canada has fallen 3.4% to 1.92 million units in 2003 due to a number of factors, including the closure of two plants (the Chrysler van plant in Windsor earlier this year, and the GM plant in Ste. Therese, Quebec in 2002), and weaker market demand in North America, particularly in the US, the export destination for over 80% of all Canadian made vehicles. Output by the Big Three declined 4.9% through the first three quarters of 2003,

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(l to r): Norm Okochi, Senior VP, TMMC; Ken Tomikawa, President, Toyota Canada; and Ray Tanguay, President, TMMC celebrate the production launch of the Lexus RX 330 at the TMMC plant in Cambridge, Ontario on September 26.

## TMMC starts production of the Lexus RX 330 in Cambridge

On September 26, Toyota Motor Manufacturing Canada Inc. (TMMC) became the first automobile plant outside of Japan to manufacture the luxury brand of Lexus vehicles.

The first Canadian-built Lexus RX 330, the luxury sport utility vehicle (SUV) now in its second generation, rolled off a dedicated Lexus line at the plant in view of TMMC team members, as well as Toyota executives from around the globe, and government dignitaries.

"This is a great day for all of us here in Cambridge," said a jubilant TMMC President Ray Tanguay. "We have been working for more than three years to realize this dream." Toyota invested C\$650 million in upgrades and new construction for Lexus production. Lexus has a separate manufacturing area at the plant, which includes a new state-of-the-art paint shop using waterborne cartridge paint technology, and

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## Light Vehicle Sales in Canada, by Company

Company	Jan-Sept 2003			Jan-Sept 2002			% Change		
	CARS	TRUCKS	TOTAL	CARS	TRUCKS	TOTAL	CARS	TRUCKS	TOTAL
<b>HONDA</b>	89,745	30,833	120,578	93,446	33,121	126,567	-4.0	-6.9	-4.7
<b>N.A. Built</b>	81,618	17,945	99,563	86,442	16,763	103,205	-5.6	7.1	-3.5
<b>Japan Built</b>	8,127	12,888	21,015	7,004	16,358	23,362	16.0	-21.2	-10.0
<b>TOYOTA</b>	95,389	34,543	129,932	89,297	27,456	116,753	6.8	25.8	11.3
<b>N.A. Built</b>	54,730	17,045	71,775	44,243	11,444	55,687	23.7	48.9	28.9
<b>Japan Built</b>	40,659	17,498	58,157	45,054	16,012	61,066	-9.8	9.3	-4.8
<b>MAZDA</b>	39,424	12,765	52,189	42,867	14,213	57,080	-8.0	-10.2	-8.6
<b>N.A. Built</b>	5,336	6,753	12,089	1,432	7,712	9,144	272.6	-12.4	32.2
<b>Japan Built</b>	34,088	6,012	40,100	41,435	6,501	47,936	-17.7	-7.5	-16.3
<b>NISSAN</b>	38,089	15,066	53,155	37,168	11,139	48,307	2.5	35.3	10.0
<b>N.A. Built</b>	30,835	4,014	34,849	28,011	4,330	32,341	10.1	-7.3	7.8
<b>Japan Built</b>	7,254	11,052	18,306	9,157	6,809	15,966	-20.8	62.3	14.7
<b>SUZUKI</b>	3,972	3,657	7,629	4,419	3,790	8,209	-10.1	-3.5	-7.1
<b>N.A. Built</b>	0	846	846	0	1,142	1,142	0.0	-25.9	-25.9
<b>Japan Built</b>	3,972	2,811	6,783	4,419	2,648	7,067	-10.1	6.2	-4.0
<b>SUBARU</b>	8,308	3,492	11,800	9,850	2,961	12,811	-15.7	17.9	-7.9
<b>N.A. Built</b>	3,733	205	3,938	5,175	1	5,176	-27.9	20400.0	-23.9
<b>Japan Built</b>	4,575	3,287	7,862	4,675	2,960	7,635	-2.1	11.0	3.0
<b>MINI</b>	9,202	2,361	11,563	180	23	203	5012.2	10165.2	5596.1
<b>N.A. Built</b>	3,686	0	3,686	75	0	75	4814.7	0.0	4814.7
<b>Japan Built</b>	5,516	2,361	7,877	105	23	128	5153.3	10165.2	6053.9
<b>TOTAL</b>	284,129	102,717	386,846	277,227	92,703	369,930	2.5	10.8	4.6
<b>N.A. Built</b>	179,938	46,808	226,746	165,378	41,392	206,770	8.8	13.1	9.7
<b>Japan Built</b>	104,191	55,909	160,100	111,849	51,311	163,160	-6.8	9.0	-1.9

\* car sales include Mexican built

Source: AIAMC, DesRosiers Automotive Consultants Inc.

### Motor Vehicle Production in Canada

	Jan-Sept 2003	Jan-Sept 2002	% Change
<b>HONDA (HCM)</b>	295,795	277,593	6.6
<b>TOYOTA (TMMC)</b>	164,194	166,437	-1.3
<b>CAMI</b>	37,198	46,404	-19.8
<b>TOTAL</b>	<b>497,187</b>	<b>490,434</b>	<b>1.4</b>

Source: JAMA Canada

### Motor Vehicle Exports from Canada

	Jan-Sept 2003	Jan-Sept 2002	% Change
<b>HONDA (HCM)</b>	239,988	208,209	15.3
<b>TOYOTA (TMMC)</b>	107,366	122,611	-12.4
<b>CAMI</b>	31,126	39,376	-21.0
<b>TOTAL</b>	<b>378,480</b>	<b>370,196</b>	<b>2.2</b>

Source: JAMA Canada

### Vehicle Imports (Shipments) to Canada

	Jan-Sept 2003	Jan-Sept 2002	% Change
<b>JAPAN</b>	149,565	176,240	-15.1
<b>U.S./MEXICO</b>	115,287	90,646	27.2
<b>TOTAL</b>	<b>264,852</b>	<b>266,886</b>	<b>-0.8</b>

Source: JAMA, JAMA Canada

• Continued from page 1...3rd Quarter Vehicle Sales

although General Motors increased unit production by 3.7% almost entirely due to strong demand for the Chevrolet Impala and the Pontiac Grand Prix south of the border.

Production at three Japanese affiliated plants was also mixed, as output at Honda (HCM) in Alliston grew 6.6%, while Toyota (TMMC) in Cambridge slipped 1.3% and CAMI lost 19.8% compared to 2002.

Toward the end of September, TMMC began production of the Lexus RX 330, the first Lexus model to be built outside of Japan. When the RX 330 line is fully operational, total output of the RX 330 is expected to exceed 60,000 units in 2004.

### Exports & Imports

Combined vehicle exports from the three Japanese affiliated plants at the end of the third quarter were up 2.2% over last year to 378,480 units. However, the results were mixed, consistent with total production figures. HCM exports jumped 15.3%, while shipments from TMMC and CAMI were down 12.4% and 21.0% respectively. The overall ratio of exports to total output stands at 76.1% for the period.

The number of vehicles imported from Japan, the US and Mexico for sale in Canada was marginally lower in the first three quarters of 2003, falling 0.8% to 264,852 units overall. Shipments from Japan to Canada dropped 15.1% to 149,565 units, while shipments from plants in the US and Mexico (NAFTA) rose 27.2%, a clear sign that with increasing capacity in North America, local sourcing is rising to meet market demand.

• Continued from page 1... TMMC starts production

a new state-of-the-art welding shop. "The Lexus Project has been an immense undertaking and a humbling honour," said Tanguay.

The RX 330 is also manufactured at Toyota's Kyushu plant in Japan. Since 2000, Canadian and Japanese Lexus team members have traveled back and forth between the two plants to prepare for manufacturing at the levels of luxury and quality Lexus customers expect. "We found that a strong skillset is very important, but the key difference is the mindset," added Tanguay. "A Lexus frame of mind seeks perfection in every process, on every manufacturing line, and in every vehicle. Manufacturing Lexus demands a deep understanding of what customers want, expect and deserve in a luxury vehicle. We call it the relentless pursuit of perfection."

Hiroshi Kawakami, a Managing Officer of Toyota Motor Corporation, expressed Toyota's confidence in its Canadian facility and its strong tradition of quality. "Our company's philosophy is to manufacture vehicles where they are sold," said Mr. Kawakami. "Since TMMC is one of the jewels in our crown overseas, beginning Lexus production here is certainly in keeping with that philosophy."

"Since 1988, customers have enjoyed the high quality vehicles manufactured here at TMMC," said Toyota Canada President Kenji Tomikawa, who is in charge of sales and marketing of all Toyota and Lexus vehicles in Canada. "I know the Lexus luxury brand, now manufactured by Canadians, will be equally well-received. The RX 300 quickly became our best-selling Lexus when introduced five years ago, revolutionizing the way we perceive luxury vehicles."

Toyota Motor Manufacturing Canada Inc. has been manufacturing vehicles at its Cambridge, Ontario plant since November 30, 1988. Investment has totaled C\$3 billion since the company began. In addition to the C\$650 million Lexus investment, 700 additional Canadians were hired to work at TMMC, where employment has now grown to total more than 3,900 people. Capacity has grown from 50,000 units annually in 1988 to 250,000 today.

TMMC has received seven J.D. Power and Associates plant quality awards, including four gold. Additionally, automotive journalists three times voted the TMMC-built Corolla as "Best Vehicle Built in Canada."

## Supplier News

### Three New Auto Parts Plants Open in Ontario

Recently, three new Japanese affiliated auto parts plants began manufacturing operations in Ontario, all of whom are suppliers for the new Lexus RX 330 sport utility vehicle being built by TMMC in Cambridge.

**FIO Automotive Canada** is a subsidiary of Futaba Industrial Co. Ltd. that will make automotive frame parts in their new plant in Stratford, Ontario, currently with 70 employees.

**Aisin Canada** has established its first Canadian plant in Woodstock that is now making auto body parts including belt moldings and windshield trim. There are about 40 team members currently, which is expected to double by 2005.

**Trim Masters Inc.** is a joint venture company between Johnson Controls, Araco Corporation and Toyota Motor Corporation that has

begun producing seating systems and door panels for TMMC. The plant is in Elmira, Ontario and currently employs about 150 team members.

## Report on the 37th Tokyo Motor Show, 2003



Exhibitors in the Canada Booth included ABC Group, Dofasco, Ford of Canada, Fuel Cells Canada, JIT Automation, Magna International, Westcast Industries and the Woodbridge Group.

A 'new style' Tokyo Motor Show, organized with the theme "The Challenge: Driving toward a Better Future" by JAMA, attracted more than 1.4 million visitors, about 10% more than the last passenger cars and motorcycles show in 2001.

This year's show was the first "passenger cars and motorcycles" show that the Japan Automobile Manufacturers Association (JAMA; Chairman: Yoshihide Munekuni) has been involved from the initial planning stages since the merger in May 2002 between JAMA and former organizer Japan Motor Industrial Federation (JMIF).

According to JAMA, the show attracted a particularly large number of first-time visitors. This marks a reversal in the declining attendance that has been seen for the past 12 years. Press attendance was also up at a total of 12,300 members of the domestic and foreign press corps (compared to 12,000 for the last show).

The show enjoyed the participation of 263 companies, 4 governments and 1 organization from 14 countries. A total of 613 vehicles from 63 domestic and foreign manufacturers were on display (total passenger car, motorcycle and Carrozzeria exhibits). Of this number, 84 were world premieres (41 passenger cars, 33 motorcycles and 10 Carrozzeria), and 108 were Japan premiers (71 passenger cars, 29 motorcycles and 8 Carrozzeria). In the parts division, there were exhibits from 200 companies, 4 governments and 1 organization, including 49 world premieres and 26 Japan premieres.

Exhibitions tended to emphasize environment, safety and information technology, presenting a wide lineup with a good balance between high-impact concept cars and market models. Booths achieved generally high levels of presentation as well.

• See Tokyo Motor Show, 2003... continued on page 4



• Continued from page 3... Tokyo Motor Show, 2003



Among the foreign governments, the Canadian exhibit launched a new brand image for the auto sector - "Cars on the Brain". Canada is the longest standing foreign government exhibitor at the Tokyo Motor Show since their first participation in the early 1970's. Among the companies at the Canada Booth were ABC Group, Dofasco, Ford of Canada, Fuel Cells Canada, JIT Automation, Magna International (Decoma, Intier), Wescast

Industries and the Woodbridge Group.

• See Tokyo Motor Show, 2003... continued on page 5



Daihatsu UFE-II (ultra fuel economy): a 4 seat hybrid mini-vehicle (concept)



The next generation Honda Odyssey for the Japanese domestic market.

To see other highlights from the 2003 Tokyo Motor Show, visit [www.jama.ca](http://www.jama.ca)



Mazda Kusabi, compact sporty vehicle (concept)



Mitsubishi FCV - Fuel Cell Vehicle (concept)



Nissan Effis - fuel cell powered commuter car (concept)



Subaru B9 Scrambler - two seat hybrid electric vehicle (concept)

• Continued from page 4...Tokyo Motor Show, 2003



Suzuki S-Ride - an active commuter concept vehicle with motorcycle-like driving (2 seats in tandem)



Toyota PM - 'Personal Mobility' one seat concept vehicle using advanced telematics and drive-by-wire technology

## A New-style motor show

Using the theme of "The Challenge: Driving toward a Better Future", the organizers tried to provide a more attractive show for exhibitors and visitors alike with special events that emphasized "audience participation" and "interactive communication." This amounted to the Tokyo Motor Show's first "model change" in its 50-year history that dates back to the "1st All Japan Motor Show" of 1954. This year also saw the introduction of a full-fledged sponsorship program for the first time ever, with sponsors coming from a wide range of industries.

The Tokyo Motor Show this year included a wide variety of "audience participation" events. Clean Energy Vehicle Test Rides drove visitors around Makuhari Seaside Park in state-of-the-art fuel cell vehicles and other environment-friendly cars. The Carrozzeria Exhibit in the Event Hall brought 13 original and "tuning" design studios from Japan and around world to the show for the first time.

In light of the excellent reception for the new "audience-participation" style motor show, JAMA intends to continue with this format in future years.

The 38th Tokyo Motor Show – Commercial & Barrier-free Vehicles will be held from November 2 - November 7, 2004 at the Makuhari Messe in Chiba Prefecture.

## Magna Increases Presence in Japan with New Customer Support Center

At the 2003 Tokyo Motor Show in October, Magna International announced the establishment of a new Customer Support Center in Tokyo to provide Japan-based OEMs with regional engineering and program management expertise, as well as easier access to the full resources of the Magna family of companies. The center offers expanded engineering and program management, including the addition of key personnel and CAD/CAM capabilities.

Belinda Stronach, Magna's President and Chief Executive Officer stated: "It's rewarding to see our global strategy of aligning with the needs of our customers paying off. We've realized significant achievements in North America and Europe over the years, and have been laying the foundation for success in Japan and Asia as well. Today we're pleased to be a well-positioned competitor in this market, close to our customers and leaning forward to innovate and anticipate future developments."

The Customer Support Center, located in the Kanda district of Tokyo, employs 30 to 40 engineers, program managers and sales representatives. Its opening coincides with several other Magna developments in Japan and Asia, which include facility and personnel expansions, an important new-vehicle launch, new business awards and strategic partnerships.

In addition to the Customer Support Center in Tokyo, Magna will establish satellite locations in order to better support its customer base. Based on awarded business, the first satellite office is planned for Nagoya, in support of Toyota programs. Onsite engineering and program-management support is also currently in place with Honda in Tochigi.

Starting in October 2003, Toyota will export the new Avensis from its assembly point in the UK to Japan. Intier Automotive, Magna's interiors company, manufactures the door panels for the vehicle.

Magna has recently secured several pieces of new business in Japan: an instrument panel with a major Japanese automaker for supply in Europe; breakthrough contracts based on ACTS (Advanced Car Technology Systems) engineering and testing capabilities — complete vehicle homologation and the development of pedestrian protection systems for several Japanese OEMs; contracts to supply key engineering software via Magna Steyr operations to support Japanese OEM engineering, design and product development; contracts for the supply of various exterior decorative parts in North America and Europe; contracts for the supply of various powertrain and engine parts and components; contracts for the supply of mirrors with sophisticated electronics features; contracts to supply door systems (including window regulators, door modules and latching systems) for the North American operations of Japanese OEMs; as well as contracts for stampings and related components.



## Do Exchange Rates Matter?

A controversy has arisen over the value of the dollar. The Bank of Japan has been buying dollars to discourage currency speculation that could rapidly strengthen the yen. Detroit manufacturers object, arguing that this action weakens

the yen making it more expensive for them to sell vehicles in Japan and cheaper for Japanese companies to sell in the U.S. Spokesmen for Ford, GM and Chrysler estimate that the yen is undervalued by 20 percent and argue that this equates to a 20 percent price disadvantage for their products. This assessment appears excessive when the following is considered:

- Private foreign trade and investment flows have far more to do with currency value than government intervention. The size of the yen/dollar market amounts to about \$230 billion per day. Over six months, this would amount to about \$40 trillion. During the first six months of this year, the Japanese government purchased \$75 billion or only two-tenths of a percent of total transactions.

- During the past decade, the dollar has fluctuated between 90 yen per dollar and as high as 140 yen per dollar. The yen rate for the past two years has been about 123 yen per dollar. The current yen rate at about 112 yen per dollar as of press time is close to the average yen/dollar rate over the past decade – 114 yen per dollar.

- However, even if Japan's purchase of dollars did have more than a temporary effect, would this make much difference in the competitive relationship between automobile companies in a global auto market? As an example, 60 percent of the vehicles sold by Japanese companies in the U.S. are built in the U.S., with high rates of local content that in some cases exceed 90 percent. Sales of these vehicles would not be significantly affected by the yen exchange rate.

- The exchange rate effect on competitiveness is complicated by the fact that Detroit car companies are also global. They import auto parts and vehicles from a number of countries, including Canada, Mexico and Japan, among others. They have significant equity interests in several Japanese automobile companies. They also produce jointly in Japan and in the U.S.

What is lost in this currency controversy, however, is that market shares are not won or lost on price, but on value for the money. Consumers decide to purchase automobiles based on a complex consideration of vehicle performance, price, safety, fuel economy, quality, and dealer service, just to name a few factors. Here, competition among auto manufacturers depends on management efficiency, the development of new technology and the ability to apply it.

### The Future

The fluctuating dollar obviously affects prices and profits in a variety of ways. Nevertheless, the complexities of a global auto industry raise significant questions regarding the extent to which exchange rates affect overall competitiveness. Meanwhile, consumer standards are rising and government regulations are becoming more

stringent. These are the challenges. The advantages or disadvantages from fluctuating exchange rates will be rendered relatively insignificant compared to what happens at the drawing table, in the laboratories and on the factory floor.

## At the Canadian launch of the 2004 Toyota Prius



Steven Page of the Barenaked Ladies accepts the keys to the first 2004 Prius from Toyota Canada President, Ken Tomikawa at the recent launch at the historic Gooderham & Worts Distillery in Toronto.

## Wescast Industries Opens Office in Japan

Wescast Industries Inc. announced that it has opened a sales and design office in Tokyo to support automotive customers based in the Asia Pacific region including Japan, China and Korea.

The opening of this new office coincides with the establishment of Wescast's newly formed company, Wescast Japan K.K. Wescast Industries Inc. is headquartered in Brantford Ontario and is the world's largest supplier of exhaust manifolds for passenger cars and light trucks.

Motor Vehicle Industry in Japan		
Passenger Cars, Trucks, Buses		TOTAL
PRODUCTION <sup>1</sup>	Jan-Sept 2003	7,671,175
	Jan-Sept 2002	7,624,489
	% change	0.6
EXPORTS <sup>2</sup>	Jan-Sept 2003	3,476,170
	Jan-Sept 2002	3,455,067
	% change	0.6
SALES/ REGISTRATIONS <sup>3</sup>	Jan-Sept 2003	4,474,497
	Jan-Sept 2002	4,438,042
	% change	0.8
IMPORT VEHICLE SALES <sup>4*</sup>	Jan-Sept 2003	204,046
	Jan-Sept 2002	208,812
	% change	-2.3

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