



AUTO QUARTERLY

Summer 2004
www.jama.ca

NEWSLETTER OF THE JAPAN AUTOMOBILE MANUFACTURERS ASSOCIATION OF CANADA

Domestic sales soften as production & exports surge in the first half of 2004

Sales

While new vehicle sales in June made a modest recovery from the slump in May, total sales in Canada for the first half of 2004 dropped over 33,000 units, down 3.9% to 790,909 units compared to the same period last year. Most of the decline was due to a 6.5% dip in passenger car sales, as light truck sales were only 0.7% down over the six month period.

Combined Big Three sales were 2.9% lower in the first six months to 458,430 units, which being above the overall trend, increased their market share from 57.3% to 58.0%. Japanese automakers saw their combined sales fall 1.6% to 247,912 units for a market share of 31.3%, up from 30.6% last year. Korean automakers had the biggest sales decline in the first two quarters, down 18.9% to 40,892 units, which sent their market share down from 6.1% to 5.2%. European automakers' sales were also in a slump down 10.2% to 43,667 units for a 5.5% share.

Among Japanese affiliated companies, Mazda Canada is the growth leader with a sales gain of 23.6% for the first half of 2004, almost entirely due to the success of the Mazda3, which is the second best selling passenger car in Canada at 24,809 units after the Honda Civic with 28,569 units sold in 2004. Toyota Canada continues to be the volume leader among Japanese automakers with sales almost unchanged at 81,706 units. Suzuki Canada and Subaru Canada are both in positive territory, up 16.4% and 1.5% respectively, while Nissan Canada, Honda Canada and Mitsubishi Canada all recorded softer sales in 2004, down 3.4%, 12.9% and 25.6% respectively.

Production

While domestic sales in Canada were sluggish in the first half of 2004, light vehicle production in Canada has risen 2.7% due to stronger demand in the US, the key export market for the vast majority of Canadian made vehicles. Overall output increased more than 37,000 units to 1.4 million through the end of June. While Canadian plants built 2.4% fewer passenger cars, light truck production jumped 8.6% over the same period in 2003.

Output at three Japanese affiliated plants (Honda, Toyota and CAMI) grew significantly during the first two quarters of 2004 gaining 18.0% over 2003 to almost 401,000 units. While Honda's volume declined 2.1% to just under 200,000 units, production at TMMC and CAMI soared 36.4% and 96.0% respectively. The increase at Toyota stemmed from the plant reaching full capacity of the Lexus RX330, while CAMI almost doubled their output with the launch of the Equinox in February 2004. CAMI is currently only building vehicles for Chevrolet, as production of the Suzuki Vitara and Chevrolet Tracker was terminated at the same time as the Equinox launch.

Production among the 'Big Three' plants in Canada fell by 2.3% overall to 1,007,800 units combined. Individual results were mixed as output at General Motors rose 1.0%, while Ford declined 3.4% and DaimlerChrysler lost 7.1% as a result of the closure last year of the Pillette Road van plant in Windsor.

Exports & Imports

Finished vehicle exports from three Japanese affiliated plants in Canada increased sharply by 30.5% to almost 327,000 units, an increase of about 76,000 units. Honda's shipments increased 3.1%, while TMMC saw exported units climb 64.9%, and CAMI export

• See *Domestic Sales Soften...* continued on page 2

Top Ten Best-selling Cars in Canada

Rank	Vehicle	Jan-June 2004
1	Honda Civic	28,569
2	Mazda3	24,809
3	Toyota Corolla	23,648
4	Pontiac Sunfire	17,473
5	Toyota Echo	16,535
6	Ford Focus	15,979
7	Chevrolet Cavalier	15,651
8	Honda Accord	12,380
9	Chevrolet Impala	12,062
10	Pontiac Grand Am	11,534

IN THIS ISSUE

Sales sluggish, but production & exports grow in the first half	1
JAMA Canada News:	
• New President at Suzuki Canada: Masafumi Harano	3
• Suzuki Canada donates vehicles to Canadian colleges	3
• JAMA Canada advertisement in <i>The Hill Times</i> , Ottawa	3
• 2004 Annual Review now available online at www.jama.ca	3
Highlights from the 2004 Harbour Report	4
New Hino Motors Canadian Headquarters	5
JAMA News:	
• New Chairman elected at JAMA: Itaru Koeda, Nissan Motor	5
• New appointments: Yoshiyasu Nao, President & Vice Chairman, JAMA	6
We must not stop here – Commentary by W.C. Duncan	6

Light Vehicle Sales in Canada, by Company

Company	Jan-June 2004			Jan-June 2003			% Change		
	CARS	TRUCKS	TOTAL	CARS	TRUCKS	TOTAL	CARS	TRUCKS	TOTAL
HONDA	50,326	17,408	67,734	57,937	19,834	77,771	-13.1	-12.2	-12.9
N.A. Built	45,904	10,166	56,070	53,017	11,058	64,075	-13.4	-8.1	-12.5
Japan Built	4,422	7,242	11,664	4,920	8,776	13,696	-10.1	-17.5	-14.8
TOYOTA	63,510	22,238	85,748	62,961	22,266	85,227	0.9	-0.1	0.6
N.A. Built	43,594	13,538	57,132	36,667	10,742	47,409	18.9	26.0	20.5
Japan Built	19,916	8,700	28,616	26,294	11,524	37,818	-24.3	-24.5	-24.3
MAZDA	35,164	6,003	41,167	25,302	8,016	33,318	39.0	-25.1	23.6
N.A. Built	4,267	3,746	8,013	3,632	4,639	8,271	17.5	-19.2	-3.1
Japan Built	30,897	2,257	33,154	21,670	3,377	25,047	42.6	-33.2	32.4
NISSAN	22,253	11,567	33,820	25,227	9,803	35,030	-11.8	18.0	-3.5
N.A. Built	18,972	4,132	23,104	19,866	2,247	22,113	-4.5	83.9	4.5
Japan Built	3,281	7,435	10,716	5,361	7,556	12,917	-38.8	-1.6	-17.0
SUZUKI	4,121	1,618	5,739	2,897	2,034	4,931	42.3	-20.5	16.4
N.A. Built	0	539	539	0	450	450	0.0	19.8	19.8
Japan Built	4,121	1,079	5,200	2,897	1,584	4,481	42.3	-31.9	16.0
SUBARU	5,642	2,018	7,660	5,584	1,964	7,548	1.0	2.7	1.5
N.A. Built	3,009	79	3,088	2,379	103	2,482	26.5	0.0	24.4
Japan Built	2,633	1,939	4,572	3,205	1,861	5,066	-17.8	4.2	-9.8
MITSUBISHI	4,131	1,913	6,044	6,850	1,276	8,126	-39.7	49.9	-25.6
N.A. Built	1,002	487	1,489	2,966	0	2,966	-66.2	0.0	-49.8
Japan Built	3,129	1,426	4,555	3,884	1,276	5,160	-19.4	11.8	-11.7
TOTAL	185,147	62,765	247,912	186,758	65,193	251,951	-0.9	-3.7	-1.6
N.A. Built	116,748	32,687	149,435	118,527	29,239	147,766	-1.5	11.8	1.1
Japan Built	68,399	30,078	98,477	68,231	35,954	104,185	0.2	-16.3	-5.5

* car sales include Mexican built

Source: AIAMC, DesRosiers Automotive Consultants Inc.

Motor Vehicle Production in Canada

	Jan-June 2004	Jan-June 2003	% Change
HONDA (HCM)	199,860	204,189	-2.1
TOYOTA (TMMC)	147,826	108,370	36.4
CAMI	53,213	27,154	96.0
TOTAL	400,899	339,713	18.0

Source: JAMA Canada

Motor Vehicle Exports from Canada

	Jan-June 2004	Jan-June 2003	% Change
HONDA (HCM)	166,012	160,969	3.1
TOYOTA (TMMC)	111,248	67,461	64.9
CAMI	49,658	22,130	124.4
TOTAL	326,918	250,560	30.5

Source: JAMA Canada

Vehicle Imports (Shipments) to Canada

	Jan-June 2004	Jan-June 2003	% Change
JAPAN	87,053	107,693	-19.2
U.S./MEXICO	84,265	83,325	1.1
TOTAL	171,318	191,018	-10.3

Source: JAMA, JAMA Canada

• Continued from page 1... Domestic Sales Soften in 2004

shipments jumped 124.4% compared to 2003. As with other plants in Canada, the majority of production is destined for the US, while a small but significant number of vehicles are sent to other markets around the globe. In the first half of 2004, over 81% of total output from HCM, TMM and CAMI was exported to more than a dozen countries.

With the majority of Canadian production sold elsewhere, imports are necessary to provide Canadian consumers with a wide variety of vehicles to meet their transportation needs. While imports of finished vehicles from all countries have dropped 10.3% through the first half of 2004, shipments from within NAFTA (the US and Mexico) have grown 1.1%, but exports from Japan to Canada have declined 19.2% over the same six month period. Overall, with expanding capacity in North America over the past year or two, JAMA Canada members continue to increasingly rely on sourcing from plants within NAFTA.

JAMA Canada News

Masafumi (Mark) Harano appointed President, Suzuki Canada



Mr. Masafumi (Mark) Harano

Mr. Masafumi (Mark) Harano is the new President of Suzuki Canada, replacing Yoshinobu Abe who has returned to Japan with new responsibilities for the West Asian Markets.

Mark was born in Osaka, Japan. He graduated from Kobe City University of Foreign Studies in 1988. That same year he joined Suzuki Motor Corporation in Hamamatsu Japan.

His 16 year career at Suzuki has seen Mark responsible for Overseas Automobile Marketing for Southeast Asia and North America (7 years); Ass't. to the Vice President, Auto Marketing, American Suzuki Motor Corporation in Brea, California (6 years); and more recently Product Planning, Automotive, Suzuki Motor Corporation in Hamamatsu Japan.

Mark is very excited about his new life in Canada, as well as the business and personal rewards that lie ahead.

Suzuki Canada donates vehicles to Canadian colleges

For the past 25 years, Suzuki Canada has been donating vehicles to colleges across Canada. The donation program gives apprenticeship students the opportunity to acquire practical experience on recent Suzuki models.

In the past year, over 90 vehicles worth over \$200,000 have been given to various educational institutions such as the following:

- British Columbia Institute of Technology, Burnaby, B.C.,
- Fairview College, Calgary, AB
- Northern Alberta Institute of Technology, Edmonton, AB
- Red Deer College, Red Deer, AB
- Southern Alberta Institute of Technology, Calgary, AB
- Saskatchewan Institute of Applied Science & Technology, Regina, SK
- Red River College, Winnipeg, MB
- Centennial College, Scarborough, ON
- Centre de formation professionnelle de Neufchatel, Neufchatel, QC
- L'Ecole des metiers de l'equipement motorise de Montreal, Montreal, QC
- Centre de formation Competences 2000, St. Laurent, QC
- Aviron College, Quebec, QC
- New Brunswick Community College, Moncton, NB.

Vehicles donated are used for automotive, motorcycle and marine apprenticeships and pre-employment technician training courses. These vehicles enable students to acquire hands-on experience as well as to gain technical knowledge/expertise. Suzuki's generous donation allows the program to focus on practical training without the high cost of acquiring the vehicles for training purposes. What's more, graduates have highly marketable skills once they enter the workforce.

JAMA Canada advertisement in The Hill Times

The following advertisement appeared in the August 16 edition of The Hill Times, the Parliamentary newspaper in Ottawa. The ad appeared in a special 'Policy Briefing on the Auto Industry in Canada', which can be downloaded from The Hill Times website at www.thehilltimes.ca.

The importance of open borders in a global auto industry

In the 20th century, the Canadian auto industry was built on a foundation of liberalized trade: from the GATT in 1948, to the 1965 Auto Pact and the NAFTA in 1994. Today, in the midst of expanding competition, higher security and deeper economic integration, open and efficient borders are critical for sustaining the highly trade-dependent auto industry in Canada.

Since 1986, more than 6.4 million 'Japanese' vehicles have been made in Canada and 5 million of those have been exported. Moreover, since 1993 exports from Canada have exceeded imports from Japan, the US and Mexico by more than 1.5 million vehicles combined.

Why make so many vehicles in Canada? Simply because it's good business.

And as investment and production grows, benefits are expanding locally. In 2003, three Canadian auto manufacturers (Honda, Toyota & CAMI) built over 671,000 cars, minivans and sport utility vehicles, using parts from over 110 Canadian original equipment parts suppliers. What's more, 75% of production, about 510,500 vehicles, were destined for export to the US, Japan and more than a dozen other countries.

Currently 56,000 Canadians are employed in the manufacture, export and import of vehicles and parts, as well as in sales and service at over a thousand dealerships across Canada. In addition to employment, global competition also provides Canadian consumers with a wider selection of reliable, fuel efficient and affordable vehicles.

Our members are proud to be an integral part of the global auto industry in Canada.

JAPAN AUTOMOBILE MANUFACTURERS ASSOCIATION OF CANADA

131 Bloor Street West, Suite 460, Toronto, Ontario M5S 1S4
Tel: (416) 968-0150 Fax: (416) 968-7095 e-mail: jama@jama.ca
Visit our website at www.jama.ca

JAMA  Canada



2004 Annual Review Now Available Online

JAMA Canada is celebrating our 20th anniversary since establishment in September, 1984. JAMA Canada has just published our 2004 Annual Review, which is available on our website at www.jama.ca.

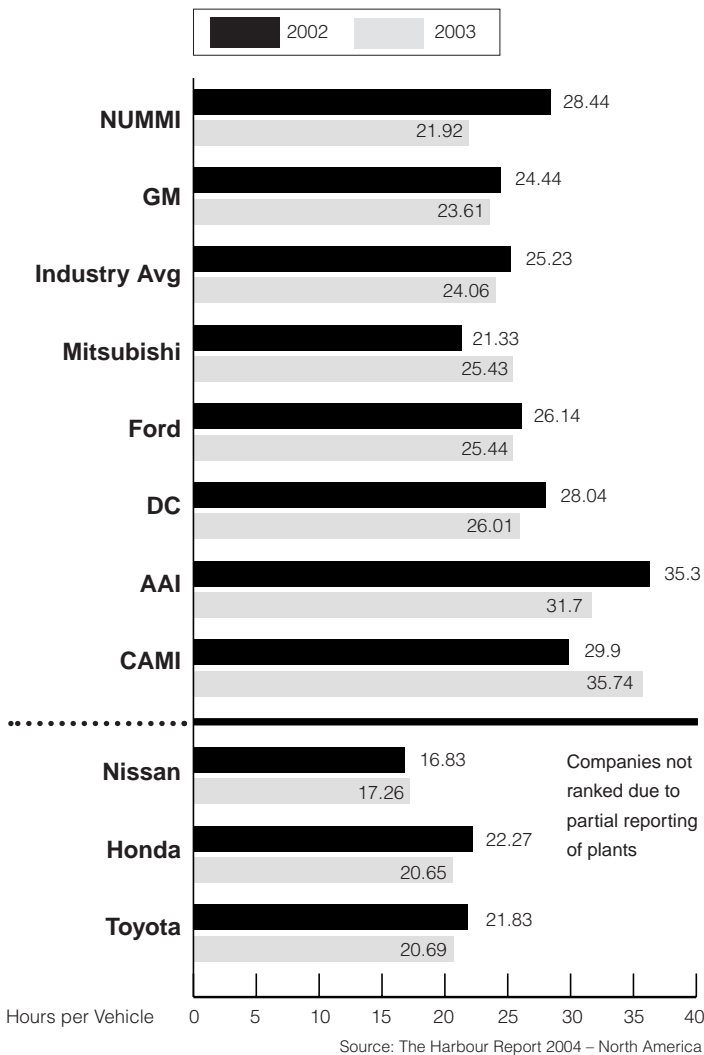
Highlights from the 2004 Harbour Report

The Harbour Report, which was first published in 1989, measures assembly, stamping and powertrain productivity performances – plant by plant, and company by company – for North American automotive manufacturers. The hours per unit measure calculates the labour content required to assemble a vehicle, while stamping operations are analysed for both labour and equipment productivity. Powertrain (engine and transmission) production is examined for productivity, as well as plant capacity and utilization.

While not all plants in all companies were part of this year’s survey, overall the results show that Japanese affiliated plants are among the most productive as shown in the bar graph.

The following are highlights of the results of selected Japanese related assembly plants in Canada and the US:

2003 Company Assembly Labour Productivity



AutoAlliance – The ramp-up of production of the all-new Mazda6 and an increase in line speed from 54 to 68 jobs per hour resulted in an annual volume increase of more than 26% between 2002 and 2003, and a production increase to more than 83,000 vehicles. The volume increase helped the plant record a solid 10.2% improvement in its hour per vehicle (HPV) measure and a 6% increase in its capacity utilization. The plant had a 13.5% increase in total hours and an 8.7% increase in the workforce as it readied for the 2004 launch of the new Ford Mustang, which will be built at AAI for the first time ever starting in September 2004. Though total hours rose because of the Mazda and Mustang activities, the plant had significant reductions in overtime for both its management and hourly workers.



CAMI – Plunging production volume continued to impact the plant’s performance. CAMI produced only about 51,000 vehicles in 2003, down more than 11,000 from 2002. The plant’s capacity utilization continued its decline to just 48% in 2003. The plant’s productivity also was impacted, as a 19.5% degradation in labor productivity left the plant with HPV of 35.74. CAMI took a number of steps to minimize the impact of the drop in volume, including a major layoff and 15 down weeks of production. However, the assembly operation also was impacted by activities surrounding the launch of the Equinox in early 2004, as well as the closing down of Tracker and Vitara production.



Honda – Honda’s assembly operations in East Liberty and Marysville, Ohio and Alliston, Ontario rebounded from degradations in labor productivity in 2002 as the plants combined to post a 7.3% gain in their HPV (the company’s overall performance is not ranked because Honda’s Alliston #1, Alabama and Mexico plants did not participate in this year’s report). Marysville had the biggest improvement among the Honda participants, with a 10.5% gain in productivity coming out of the 2002 launch of the Accord. East Liberty had a 6.1% improvement in labor productivity and Alliston #2 had a modest 1.7% improvement in productivity.



Nissan – Nissan’s Altima line at Smyrna, Tenn., again set the benchmark for labor productivity and established a new record for HPV with a measure of 15.33. Smyrna broke its own mark, which was established last year. Nissan was not included in the company rankings because its operations in Mexico and Canton, Miss., did not participate in the report measures. Though Smyrna had an overall 2.5% degradation in labor productivity, Smyrna’s two other production lines also made the top 10 list of assembly plants, and the company led the midsize car, small SUV and small pickup segments.



Toyota – Toyota plants that participated in The Harbour Report had an overall 5.2% gain in labor productivity. However, Toyota had only two of its assembly operations participate in The Harbour Report’s performance measures, in Cambridge, Ontario, and Georgetown, Ky. And at Cambridge, only the North plant participated as the South plant launched the new Lexus RX330 in September and was closed



• See Highlights of the 2004 Harbour Report... continued on page 5

• Continued from page 4... Highlights from the 2004 Harbour Report

for the conversion from January until August. Because all of the company's North American assembly operations did not participate, Toyota is not included in this year's company rankings. Cambridge North ran at 99% capacity utilization as both of its vehicles sold well in the marketplace and its labor productivity improved 13.9%, to 24.00 HPV. Georgetown's two assembly operations produced nearly 440,000 vehicles at 98% capacity utilization, and had a combined HPV of 20.70, which was a slight 0.8% improvement from 2002.

For further information about the Harbour Report, visit www.harbourinc.com

New Hino Motors Canadian Headquarters



Hino Motors Chairman, Tadaaki Jagawa (right) and Hino Motors Sales Canada President, Hiroyuki Omori prepare to cut the ribbon at the opening of their new Canadian headquarters in Mississauga, Ontario on July 19.

JAMA News

Itaru Koeda elected Chairman of JAMA, Inc.



Mr. Itaru Koeda

Itaru Koeda, Co-Chairman of Nissan's Board of Directors, was elected Chairman of the Japan Automobile Manufacturers Association (JAMA) on May 20, succeeding Honda Chairman Yoshihide Munekuni. Mr. Koeda will head JAMA for the next two years.

At his first news conference following his election, Koeda said, "As a member of the global economic community, we must meet our social responsibilities by making safer and more environmentally friendly vehicles

which our customers can drive with confidence... We must always consider what JAMA can do for our customers and for society in general."

During the first year of his tenure, Koeda is determined to work actively to develop policies in three primary areas. The first is to develop and promote safer and more environmentally friendly vehicles. The second is to support the globalization of the industry by encouraging further development of trade related rules and the harmonization of technical standards and certification procedures. The third is to enhance the overall vehicle ownership and driving experience for consumers around the world. This includes in particular the reduction of Japan's complex and burdensome array of automobile related taxes.

Koeda pointed out in his press conference that JAMA has for a long time been asking the government of Japan to simplify Japan's current tax system as it is "too complex and burdensome." He also pointed out that discussions are now taking place regarding an "environmental tax" on top of the already complex auto tax structure. The environmental tax discussions arise from the reported 2 percent increase in overall industrial carbon dioxide emissions in the past fiscal year. Koeda believes that the environmental tax is unnecessary for automobiles since the auto industry has gone beyond the carbon dioxide reduction targets set by the Japanese government. Furthermore, Koeda indicated that the auto industry would not stop there. "We must move forward with new ways to contribute to the reduction of carbon dioxide levels, not only in the automobile industry, but in all industries."

Koeda also told reporters that he "deeply regretted" the vehicle recall scandal that has shaken Japanese public confidence in recent weeks. He said, "If a deficiency is found in products provided to the market, it is the automaker's obligation to take appropriate measures to obey the law. I have strongly requested each JAMA member company to make continuous efforts towards developing and sustaining high quality products while always observing the law, and to never let this happen again."

Koeda emphasizes that the focus must remain on the customers: "Vehicles should be as useful in 10 to 20 years as they are now. So we must intensively think about what efforts we need to make to satisfy our global customers' current and future needs." Koeda, who joined Nissan in 1965, has held a number of management and leadership positions during his 39-year career with the company. Before becoming Nissan's Co-Chairman in June 2003, he served as Nissan's Executive Vice President and, in earlier years, as the General Manager of several corporate departments, including production control, purchasing, corporate planning and human resources. He also managed production plants in Japan and the United Kingdom.

(This article was reprinted from the July 2004 edition of 'Japan Auto Trends' published by JAMA.)



We Must Not Stop Here

Speaking at his first press conference as Chairman of JAMA on May 20, Itaru Koeda, Co-Chairman of Nissan, said, "Carbon dioxide reduction (fuel efficiency) in the automobile sector is improving more than we anticipated." He vowed further that the Japanese industry must "not stop here" in its efforts to provide highest quality, fuel-efficient, and environmentally friendly vehicles.

The statement comes at an opportune time for three reasons. First, fuel prices are beginning to rise in Japan as they have elsewhere. Second, Japan continues to pursue its commitment to reduce carbon dioxide emissions in the battle against global warming. Third, the surge of global economic growth, while obviously welcome, also brings with it the unintended consequence of more emissions and higher fuel prices.

While Americans have seen a 40 percent increase in gasoline prices over the past 6 months, the effective increase in gasoline prices in Japan has only been about 5 percent. The lower rate of increase in Japan is due principally to the deregulation of gasoline imports and the strengthening of the yen. Nevertheless, Japanese motorists feel a sharper monetary pinch at the pump than do American drivers. As of this writing, Japanese pay 110 yen per liter (US\$3.79 per gallon) compared with U.S. motorists who are now paying about US\$2.03 per gallon even after a 40 percent increase. Experts see the 110 yen as a point of consumer resistance in Japan.

Secondly, consistent with its commitment under the 1997 Kyoto Protocol to reduce greenhouse gases, the Japanese government resolved to increase average vehicle fuel economy for gasoline-powered passenger cars by 22.8 percent from 12.3km/ltr in 1995 to 15.1 km/ltr by 2010. The government's latest figures published in March 2003 show the industry average at 14.6 km/ltr.

Finally, the recent spike in oil prices is more than a short-term response to Middle East turmoil and supply shortages. It also reflects fundamental changes in world economic growth patterns. The IMF and many economists see world economic growth booming at 4.5-5 percent for the foreseeable future. The International Energy Agency sees oil demand reaching about 81 million barrels per day (mbd) this year, about 5 percent higher than just 2 years ago. Oil demand is expected to grow by about 1.9 percent per year to 121 mbd by 2025. All this translates into a need for new energy-efficient technologies to stay ahead of rising fuel prices and emissions levels.

The Future

Crude oil and gasoline prices will continue to fluctuate with supply, demand and world events both foreseen and unforeseen. However, the latest spike in gas prices makes it clear that along with the welcome benefits of global economic growth comes pressure on

energy resources and a greater impact of their use on the environment. Maintaining the balance between economic growth, personal mobility and resources is an enormous challenge. This challenge will be met in many ways by hybrid and fuel cell technology, advanced safety systems, and intelligent transportation systems, among others. Yet most exciting of all will be those technologies still to be discovered.

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

Yoshiyasu Nao appointed President of JAMA, Inc.



Mr. Yoshiyasu Nao

On July 1, Mr. Yoshiyasu Nao took up new responsibilities as President and Vice Chairman of JAMA in Tokyo. A graduate of the Faculty of Law at Tokyo University, Mr Nao has a long career in the Japanese government after joining MITI (the Ministry of International Trade and Industry) in 1974. In September 1981, Mr. Nao joined the Automobile Division at MITI as Deputy Director, a position he held until 1984. Mr Nao's overseas postings include the Japanese Embassy in Italy and two years at the JETRO office in Bangkok. He retired from METI (Ministry of Economy, Trade & Industry) in 2003 and joined the Shokochukin Bank as Managing Director in August 2003, prior to his appointment to JAMA.

Mr. Nao succeeds Mr. Takao Suzuki, who was recently appointed to head up a new small business organization in Tokyo by the Government of Japan.

Motor Vehicle Industry in Japan		
Passenger Cars, Trucks, Buses		TOTAL
PRODUCTION ¹	Jan-June 2004	5,306,948
	Jan-June 2003	5,134,903
	% change	3.4
EXPORTS ²	Jan-June 2004	2,390,701
	Jan-June 2003	2,299,610
	% change	4.0
SALES/ REGISTRATIONS ³	Jan-June 2004	3,042,441
	Jan-June 2003	3,023,840
	% change	0.6
IMPORT VEHICLE SALES ^{4*}	Jan-June 2004	138,985
	Jan-June 2003	137,655
	% change	1.0

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