JAMA Canada Annual Review 2000

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Chairman's Report ▶

It is a great pleasure, as the Chairman of JAMA Canada, to be publishing our 2000 Annual Review of the Japanese affiliated auto industry in Canada. JAMA Canada was established in 1984 to promote greater understanding on economic and trade issues in the motor vehicle sector. We hope this report will contribute to this objective.

For JAMA Canada members as a group, 1999 surpassed all of the records set in 1998 in terms of vehicle production, export of finished vehicles and sales in Canada, creating our best collective performance to date. Units sales of all JAMA Canada members reached a new peak of 365,000 in 1999 surpassing the previous sales record of 330,000 in the previous year. What's more, production of vehicles at three assembly plants in Canada soared 52% to almost 600,000 units in 1999, which in turn drove exports of finished vehicles through the roof, up 54.3% to over 482,000 units.

The reason for this stellar performance lies in a combination of key factors which include strong consumer confidence, low unemployment, low interest rates, stable prices (with the notable exception of fuel prices), together with rising demand for certain kinds of new vehicles, particularly minivans and sport utility vehicles.

For example, in 1999, light truck sales among JAMA Canada members jumped 18.6%, while passenger cars rose only 8.0% compared to last year. What's more, almost all of the increase in light truck sales were models built in North America.

Robust North American markets were the main drivers of production in 1999 at three Japanese affiliated plants in Canada (Honda in Alliston, Toyota in Cambridge and CAMI in Ingersoll). And due to high levels of integration in North America, over 80% of total output was exported. Most exports went to the United States, while about 14,000 units were shipped to third countries, including 3,800 which were exported to Japan.

Looking at overall performance as a group, Japanese automakers produce well over one vehicle in Canada for every one sold here, and we export from Canada more vehicles than we import from Japan, the US and Mexico combined. When all current expansions are fully operational in 2003, total production capacity will reach 750,000 units annually, more than double our current level of sales in Canada.
There have been remarkable and dramatic changes since the mid-1980's when Japanese automakers began to establish manufacturing in Canada, and the continuing growth in vehicle and parts production in Canada is a clear and unequivocal vote of confidence in the future of the Canadian auto industry.

Highlights of 1999

Among the key events of last year, JAMA Canada participated in the 22nd Canada Japan Business Conference that was held in Vancouver, B.C. The association also continued the liaison and communication activities that were transferred from PAC in 1997. These activities included assisting the APMA (Automotive Parts Manufacturers Association of Canada) and Honda with arrangements that brought Mr. Hirotada Komatsu, Director of Purchasing, Honda Motor Co. Ltd., Japan to Hamilton, Ontario as a Keynote Speaker for the 1999 APMA Annual Conference.

With respect to trade policy issues in 1999, the WTO Dispute Settlement Panel that was established to investigate certain measures affecting the automotive industry in Canada, issued its interim report in October, 1999 and its final report in February, 2000. In response, JAMA Canada issued a statement that urged the Government of Canada to adopt trade policies that treat all automakers equally and to eliminate most-favoured nation (MFN) tariffs on finished vehicles for the benefit of both automakers and consumers in Canada. At the current time, Canada's MFN tariff applied to passenger vehicles, while modest by international comparison, is higher at 6.1% than either the US at 2.5% or Japan at 0%.

On behalf of the members of JAMA Canada, I hope this annual review will be useful in understanding the activities and views of the Japanese affiliated auto industry in Canada. We welcome any comments, suggestions or questions.

Yoshio Nakatani
Chairman

Review of the Industry – 1999 ◄ ►

As a group, JAMA Canada members have become an integral part of the Canadian auto industry that makes a significant and growing contribution to Canada:

- Through several billions of dollars in direct investment, joint ventures and industrial cooperation in vehicle and parts manufacturing.
- Through the current direct employment of over 18,000 Canadians at motor vehicle and auto parts manufacturing operations.
- Through the export of about 80% of vehicle production to the U.S. and other foreign countries, which adds to Canada's trade balance.
- Through our members' presence in the Canadian market for over thirty years which has helped to stimulate competition for the benefit of Canadian consumers.
- Through manufacturing investment, forging a hybrid of Canadian and Japanese business and industrial culture; and through a growing array of supplier relationships helping Canadian industry be globally competitive through the diffusion of both product and process technologies.
- Through an extensive distribution, sales and service network employing over 30,000 Canadians from Newfoundland to British Columbia.

Consumer Benefits

In pursuit of satisfying the ever-demanding consumer, Japanese automakers have stimulated competition and raised the quality of vehicles not only made in Japan, but increasingly vehicles designed and developed in North

America for the Canadian and U.S. markets. For all automakers, quality is a necessary ingredient just to be able to participate in an increasingly competitive global industry. But for JAMA Canada members, quality is a constantly moving target, driven by the demands of the consumer, lower costs and continuous improvement.

What's more, about 56%, or almost three of every five Japanese brand vehicles currently sold in Canada are built in North America. As such, the benefits to local communities and local suppliers in Canada continues to grow, particularly as capacity in Canada expands to 750,000 units by 2003. In addition, according to opinion polls and industry surveys over the years, Japanese vehicles still represent the leading edge in terms of reliability, performance and customer satisfaction.

Employment

The Japanese affiliated auto industry in Canada is multi-faceted and in the aggregate, employs about 50,000 Canadians in manufacturing both parts and vehicles, imports, exports, transportation, distribution, sales and service.

In the manufacturing sector, more than 8,300 Canadians work in three motor vehicle manufacturing plants, and about 10,000 jobs have been created in Canada through various parts and materials operations supplying the North American auto industry.

Expanding manufacturing investments at Honda of Canada Manufacturing and Toyota Motor Manufacturing Canada will add hundreds of additional jobs directly, plus significant indirect employment as a result of increasing local sourcing of supplies and services.

There are about 30,000 Canadians employed in about 1,000 dealerships according to the Canadian Association of Japanese Automobile Dealers (CAJAD). Finally, there are about 1,600 people employed in the national distribution and head offices of JAMA Canada members.

Several of our member companies maintain regional offices and warehouses in different regions of Canada including Western Canada, Ontario, Quebec and the Maritime region. Some member companies run operations in Canada related to vehicle engineering, design and testing. These R&D activities focus primarily on vehicle and component cold weather testing in Timmins, Ontario and in Halifax, Nova Scotia.

Investments in Manufacturing

There are three vehicle manufacturing plants and currently thirty-eight Japanese affiliated auto parts and related materials and machine tool operations in Canada. Total investment in vehicle manufacturing stands at $4.3 billion, with an additional $650 million planned by 2003.

Honda Canada announced in 1995 a $300 million minivan plant in Alliston, Ontario that opened in 1998 with a two-shift capacity of 120,000 units and an additional 1,200 associates. The new plant started production of the new, larger Odyssey minivan in the summer of 1998. The plant added a second shift in mid-1999 to reach projected capacity. Honda Canada also announced an additional 60,000 units of capacity will be added in 2000 with the start of production of the Acura MDX, a new luxury sport utility vehicle.

In 1997, Toyota opened their $600 million plant in Cambridge, Ontario which increased capacity by 120,000 units and an additional 1,200 team members. TMMC continues to make 4 door Corollas and 1.8L four cylinder engines for the Corolla and officially began assembly of the Camry Solara in September, 1998. TMMC will also produce about 6,000 convertible models of the Camry Solara annually starting in 2000, and will invest $650 million to produce the first Lexus vehicle outside of Japan in 2003, the Lexus RX300, a luxury sport utility vehicle. With this investment, TMMC will add 20,000 units of capacity and 300 new jobs.

CAMI Automotive, the 50/50 joint venture manufacturing plant established by Suzuki and General Motors of Canada in Ingersoll, started production of the new compact sport utility vehicle (SUV) in October 1998 the Suzuki Vitara and the Chevrolet Tracker. Since start-up in 1989, CAMI continues to build two different vehicles, a sub-compact passenger car, the Suzuki Swift and the Chevrolet Metro, along with the compact SUV. Total capacity is 200,000 units annually.

When these expansions are complete, over $5.0 billion will have been invested in Canadian vehicle manufacturing, with a potential production capacity of 750,000 units, and a workforce of 8,600 Canadians at Honda, Toyota and CAMI. Canada is the exclusive worldwide location for the production of both the Honda Odyssey and the Toyota Camry Solara.

In 1999, Japanese automakers manufactured about 3.2 million vehicles in North America. Canadian plants built almost 600,000 units or 18.6% of total Japanese affiliated production in North America.

About 80% of total vehicle output at the three Japanese affiliated operations in Canada was exported in 1999, primarily to the US. About 14,000 units were shipped to other countries including 3,800 minivans that were exported to Japan.

Comparing exports and imports of vehicles in 1999, for the sixth consecutive year Canada has been a net exporter of Japanese vehicles. Imports from Japan, the US and Mexico totalled 255,000 units, while 482,000 vehicles were exported, thereby contributing to Canada's trade balance.

Comparing production and sales in Canada, there were about 1.6 vehicles produced in Canada for each one sold by all JAMA Canada members combined. At the same time, all vehicles that were exported to the US met the NAFTA rule of origin requirements for North American content.

Production:

Combined output for the 1999 calendar year jumped 51.2% over 1998, adding over 200,000 units as a result of plant expansions, for a record 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 sport utility vehicle, 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.

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, respectively; as well as the SUV noted above, the Suzuki Vitara and the Chevrolet Tracker, respectively. About two-thirds of total production in 1999 was the SUV, while the compact passenger car accounted for the remaining one-third.

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. About 97% of vehicle exports are destined for the US, the remainder, about 14,000 units go to third countries, including 3,800 Odyssey minivans that were shipped to Japan.

Honda's exports of finished vehicles from Canada in 1999 soared 46.3% to over 211,000 units. TMMC's exports jumped 29.6% to about 168,000 units, also a record level. CAMI shipped over 102,000 units in 1999, an increase of 168.9% from the previous year.
The ratio of units exported to units produced rose from a year earlier. About 80.5% of all vehicles produced in 1999 were exported, compared to 76.3% in 1998. As mentioned previously, Canada has been a net exporter of Japanese brand vehicles every year since 1993, as exports exceeded imports. While over 482,000 vehicles were exported from Canada, about 255,000 units were imported in total from Japan, the U.S. and Mexico.

Imports (Shipments):

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.

Production

	1999	**1998**	**1997**	**1996**	**1995**	**1994**	**1993**	**1992**	**1991**
Honda (HCM)	274,908	179,751	165,181	144,482	106,133	108,308	100,996	104,123	99,150
Toyota (TMMC)	211,081	171,139	108,252	97,344	90,136	85,870	79,219	68,092	67,834
CAMI*	113,400	45,000	110,000	124,000	184,000	170,000	162,000	147,000	160,000
*estimated									
Total	**599,389**	**396,490**	**383,433**	**365,826**	**380,269**	**364,178**	**342,215**	**319,215**	**326,984**
% Change	*51.2%*	*3.4%*	*4.8%*	*-3.8%*	*4.4%*	*6.4%*	*7.2%*	*-2.4%*	*19.3%*

Source: JAMA Canada

Exports

	1999	**1998**	**1997**	**1996**	**1995**	**1994**	**1993**	**1992**	**1991**
Honda (HCM)	211,535	144,544	121,248	112,999	88,117	90,427	82,535	76,287	79,220
Toyota (TMMC)	168,463	130,021	73,855	67,153	67,151	65,935	70,889	52,373	47,970
CAMI*	102,200	38,000	97,000	117,000	165,000	153,000	150,000	121,000	113,000
*estimated									
Total	**482,198**	**312,565**	**292,103**	**297,152**	**320,268**	**309,362**	**303,424**	**249,660**	**240,190**
% Change	*54.3%*	*7.0%*	*-1.7%*	*-7.2%*	*3.5%*	*2.0%*	*21.5%*	*3.9%*	*9.0%*

Source: JAMA Canada

Imports from Japan

	1999	1998	1997	1996	1995	1994	1993	1992	1991
Cars	166,262	144,922	140,189	69,647	69,712	105,268	155,978	243,055	246,411
Trucks	917	833	846	644	3,410	9,371	18,776	32,461	41,217
Total	**167,179**	**145,755**	**141,035**	**70,291**	**73,122**	**114,639**	**174,754**	**275,516**	**287,628**
% Change	*14.7%*	*3.3%*	*100.6%*	*-3.9%*	*-36.2%*	*-34.4%*	*-36.6%*	*-4.2%*	*1.0%*

Source: JAMA Canada

Imports from U.S./Mexico (NAFTA)

	1999	1998	1997	1996	1995	1994	1993*	1992*	1991*
Cars	58,049	76,990	75,915	67,586	64,577	61,852	40,200	31,500	22,300
Trucks	29,974	23,826	18,892	10,697	11,929	10,051	-	-	-
Total	**88,023**	**100,816**	**94,807**	**78,283**	**76,506**	**71,903**	**40,200**	**31,500**	**22,300**
% Change	*-12.7%*	*6.3%*	*21.1%*	*2.3%*	*6.4%*	*78.9%*	*27.6%*	*41.3%*	*47.7%*

Source: JAMA Canada

*estimated

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 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. 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.

JAMA Canada Members' Sales in Canada

	1999	1998	1997	1996	1995	1994	1993	1992	1991
Passenger Cars	**266,054**	**246,335**	**226,023**	**182,745**	**173,503**	**193,633**	**204,237**	**245,021**	**260,968**
Japan Built	105,954	98,536	65,065	48,323	65,959	91,180	131,031	182,004	198,078
N.A. Built	160,100	147,799	160,958	134,422	107,544	102,453	73,206	63,017	62,890
Light Trucks	**98,619**	**83,123**	**71,033**	**35,485**	**30,534**	**40,743**	**47,518**	**54,038**	**62,731**
Japan Built	55,483	53,863	53,256	22,396	18,525	29,132	41,819	51,020	59,872
N.A. Built	43,136	29,260	17,777	13,089	12,009	11,611	5,699	3,018	2,859
Total Vehicles	**364,673**	**329,458**	**297,056**	**218,230**	**204,037**	**234,376**	**251,755**	**299,059**	**323,699**
Japan Built	161,437	152,399	118,321	70,719	84,484	120,312	172,850	233,024	257,950
N.A. Built	203,236	177,059	178,735	147,511	119,553	114,064	78,905	66,035	65,749

Source: AIAMC, JAMA Canada

Passenger Car Sales by Company

	1999	1998	% Change
Honda	104,426	98,586	5.9
Japan Built	14,399	26,568	-45.8
Canada/U.S. Built	90,027	72,018	25.0
Toyota	94,214	91,528	2.9
Japan Built	48,828	42,569	14.7
Canada/U.S. Built	45,386	48,959	-7.3

Mazda	31,955	22,650	41.1
Japan Built	27,312	16,744	63.1
Canada/U.S. Built	4,643	5,906	-21.4
Nissan	21,587	20,036	7.7
Japan Built	9,364	7,205	30.0
Canada/U.S. Built	8,093	9,019	-10.3
Mexico built	4,130	3,812	8.3
Suzuki	4,955	5,381	-7.9
Japan Built	3,411	3,259	4.7
Canada/U.S. Built	1,544	2,122	-27.2
Subaru	8,917	8,154	9.4
Japan Built	2,640	2,191	20,5
Canada/U.S. Built	6,277	5,963	5.3
Total Cars	**266,054**	**246,335**	**8.0**
Japan Built	105,954	98,536	7.5
North American Built	160,100	147,799	8.3

Source: AIAMC

Truck Sales by Company

	1999	1998	% Change
Honda	26,977	18,430	46.4
Japan Built	14,847	16,281	-8.8
Canada/U.S. Built	12,130	2,149	464.4
Toyota	35,650	36,847	-3.2
Japan Built	16,334	18,606	-12.2
Canada/U.S. Built	19,316	18,241	5.9
Mazda	9,324	5,847	59.5
Japan Built	4,614	2,125	117.1
Canada/U.S. Built	4,710	3,722	26.5
Nissan	16,313	14,348	13.7
Japan Built	11,634	10,637	9.4
Canada/U.S. Built	4,679	3,711	26.1
Suzuki	6,257	3,922	59.5
Japan Built	3,956	2,485	59.2
Canada/U.S. Built	2,301	1,437	60.1
Subaru	4,098	3,729	9.9
Japan Built	4,098	3,729	9.9
Hino	810	689	17.6
Japan Built	810	689	17.6
Total Trucks*	**99,429**	**83,812**	**18.6**
Japan Built	56,293	54,552	3.2
North American Built	43,136	29,260	47.4

Source: AIAMC

Overview of the Canadian Auto Industry – 1999

In 1999, the auto industry in Canada set a new record level of vehicle production in excess of 3 million units, including heavy duty vehicles, a dramatic 18.5% unit increase over 1998. At the same time, Canadian automobile sales reached their highest peak since 1988, and the second highest sales on record at 1.5 million units. The outlook for 2000 remains buoyant even though production and sales may have reached a plateau.

Production

Light vehicle output in Canada in 1999 rose 18% to 2.98 million units. Passenger car production grew by 10% to 1.63 million, while light truck output jumped 31% over 1998 to 1.36 million units. In 1998, labour disputes in the US curtailed production in Canada. The absence of such disruptions in 1999, particularly the strike free labour contract negotiations between the Canadian Auto Workers and the Big Three automakers in Canada, along with major expansions at Honda and Toyota were key factors in establishing this record output. Medium and heavy duty truck production gained 25% to 61,000 units in 1999. Total vehicle production in Canada accounted for 17.5% of total output in North America, while Mexico took 8.5% and the US the remaining 74.5%.

Shipments

Shipments of all automotive products totalled C$106.5 billion in 1999, up 22% from C$87.5 billion the year before, establishing yet another record for the industry. According to Statistics Canada, motor vehicle manufacturers' shipments reached a total of C$70.3 billion, a gain of 26.7% from C$55.5 billion in 1998; and auto parts and accessories manufacturers' shipments grew 13.5% to C$33.3 billion from the previous year.

Employment

Annual average employment in all segments of the auto industry in Canada during 1999 rose 1.3% to 543,197 from 536,470 in 1998 according to Statistics Canada survey data. Motor vehicle assembly employment dipped 1.4% to 52,887 (monthly average during 1999), while auto parts and accessories manufacturers rose 7.3% to 107,045 during the year. At the same time, employment at dealers and distributors edged upward 0.5% to 143,750 on average.

Sales

Light duty vehicle sales in Canada in 1999 rallied to the second highest level on record at over 1.5 million units, 7.5% ahead of 1998. About 84% of the total light vehicle market were vehicles built in North America, leaving 16% to vehicles built offshore. Passenger car sales rose 8.0% to almost 807,000 units, while light truck sales gained almost 7.0% to 694,800 units in total. Medium and heavy duty truck and bus sales totalled 41,518 units in 1999, up 8.6% over 1998. Passenger car sales represented 53.7% of the total light market, up slightly from the previous year.

Canadian Automotive Trade Statistics, 1999

Trade - all countries

Overall surplus up 68.8% in 1999 to $18.6 billion, due to record levels of light vehicle production in Canada and an 87% export to output ratio. Vehicle output climbed 18.5% to 2.99 million units from 2.52 million units in 1998. Assembled vehicle surplus up 34.4% to $40.8 billion, while deficit in auto parts rose 14.9% to $22.2 billion.

Trade – Japan

Trade deficit increased 19.1% to $4.96 billion in 1999. Finished vehicles exported from Canada grew by 136.9% to $160 million, largely due to the Honda Odyssey. Auto parts exports to Japan dropped 19.5% to $30 million. Vehicle imports to Canada were up 16.5% to $3.39 billion, and parts jumped 29.3% (mainly due to 156.3% gain in engines, most likely for CAMI) to $1.77 billion.

Trade – US

Overall surplus rose 47.8% to $29.8 billion. While the surplus in assembled vehicles increased 32.3% to $47.5 billion, this was offset by a rise in the trade deficit in auto parts, up 12.4% to $17.7 billion over 1998. Overall exports (parts & vehicles) jumped 21.8% to $92.5 billion, while total automotive imports gained 12.4% to $62.7 billion.

Trade – Others

With both European and Korean automakers making significant gains in the Canadian market in 1999, the trade deficit in both parts and vehicles increased 25.4% to $6.2 billion overall. Canadian exports to these countries rose 7.5% to $1.72 billion, while total imports rose 21.0% to $7.96 billion.

Industry Shipments

Motor vehicle and auto parts shipments reached new records in 1999 at $70.3 billion and $33.3 billion respectively.

The Auto Industry in Japan – 1999

Throughout 1999, Japan continued the struggle to recover from the worst economic downturn in its post-war period. Consumer confidence was shaken badly by a number of factors including the impact of the financial crisis as well as growing debt problems. While reform of the financial system is underway, industrial restructuring is also moving ahead in the automotive sector, seen recently in the new and deeper international equity and business alliances between Japanese and foreign-owned automakers.

For example: Renault has acquired a 36.8% equity stake in Nissan. General Motors will acquire 20% of Fuji Heavy Industries (Subaru). Nissan will sell its 4.2% interest in FHI/Subaru to General Motors. Ford has a controlling interest (33.4%) in Mazda. General Motors increased its equity in Isuzu to 49% and Suzuki to 10%. DaimlerChrysler has signed an agreement to buy 34% of Mitsubishi Motors. Toyota increased its equity in Hino to 33.4% and Daihatsu to 51.2%, and recently announced a deal to acquire 5% of Yamaha Motors. Honda has a cross supply agreement with General Motors in which Honda will supply GM with low emission engines and Isuzu, GM's affiliate, will supply diesel engines to Honda.

Among other things, strategic alliances including equity and other business tie-ups are a clear indication of the continuing restructuring and internationalization of the auto industry, as well as the increase in both global competition and international cooperation. Consolidation is also growing rapidly among auto parts suppliers on a global basis.

In Japan, the economic slump has been hard on the domestic automotive industry. 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 vehicle was the Suzuki Wagon R, a mini vehicle. Excluding mini vehicles, the best selling car was the Toyota Vitz. 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 totalled 252,181 units, basically unchanged from the previous year.

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% on the continuing strength of market demand in the US, and the shortfall of local production capacity in North America for certain popular models. By destination, unit volumes of vehicle shipments were higher to major markets in North America, the European Union, and recovering markets in Asia, but were lower compared to 1998 with respect to the Middle East, Africa, Central & South America and Oceania.

The Outlook for 2000

Overall, the outlook for the auto industry in Japan like the Japanese economy as a whole, is still cautiously optimistic based on the view that the bottom of the recession has been reached and a nascent recovery is on the horizon. Some positive signs include a continuing commitment by the Japanese Government to deregulation together with countermeasures to stimulate economic activity, a more robust stock market as well as a growing array of new foreign direct investments into Japan.

Among the new automotive industry investors are two Canadian auto parts makers. First, The Woodbridge Group has formed a joint venture company with Inoac, called IWFC (Inoac Woodbridge Foam Corporation) which will soon be opening its third plant in Japan near Hiroshima, to join its other plants in Nanno and Anjo. IWFC is also notable because it is using Woodbridge's Canadian-developed automotive molded polyurethane foam technology in their plants in Japan.

Secondly, ABC Group in October 1999 announced the official opening of their 25,000 square foot technical centre for R&D / manufacturing operations in Hamamatsu. ABC Group Japan will be the design and development centre for thermo-plastic components and systems for customers in Japan and other countries.

In the auto sector, industrial restructuring will continue to impact both production and sales as companies struggle to find the right balance between global competition and cooperation and at the same time, to maintain their focus on meeting the ever demanding needs of the consumer.

Mini vehicle sales in Japan have continued to show robust results in 1999, and automakers have been aggressive in introducing new eco-friendly models, such as direct injection engines and hybrid (gas/electric) vehicles. And the 1999 Tokyo Motor Show in October featured a future-oriented showcase of new automotive technology, particularly in the areas of safety, ITS (intelligent transportation systems), new fuel efficient technologies and innovative small vehicle design.

The forecast for motor vehicle demand in the Japanese market in 2000 optimistically projects some overall growth to just over 6 million units. In the face of many challenges in the years ahead, Japanese automakers will continue to focus on several key activities: reviving domestic demand, addressing environmental and safety issues, encouraging mutual understanding and co-operation on the international stage and finally, promoting the information revolution.

Motor Vehicle Production in Japan

Year	Cars	% Chg.	Trucks	% Chg.	Buses	% Chg.	Total	% Chg.
1999	8,100,169	0.6	1,746,912	-9.8	48,395	-15.0	9,895,476	-1.5
1998	8,055,763	-5.1	1,937,076	-20.0	56,953	-8.5	10,049,792	-8.4
1997	8,491,440	8.0	2,421,413	-0.3	62,234	17.1	10,975,087	6.1
1996	7,863,763	3.3	2,428,897	-4.3	53,126	12.4	10,345,786	1.5
1995	7,610,533	-2.5	2,537,737	-6.1	47,266	-3.8	10,195,536	-3.4
1994	7,802,037	-8.1	2,702,970	0.6	49,112	2.2	10,554,119	-6.0
1993	8,493,943	-9.4	2,685,528	-12.5	48,074	-7.6	11,227,545	-10.2
1992	9,378,694	-3.8	3,068,585	-11.0	52,005	17.0	12,499,284	-5.6
1991	9,753,069	-2.0	3,447,914	-1.4	44,449	10.6	13,245,432	-1.8
1990	9,947,972	9.9	3,498,639	-11.0	40,185	-4.5	13,486,796	3.5

Note: Percentage figures represent the change from the preceding year.

Source: Japan Automobile Manufacturers Association.

Motor Vehicle Exports

Year	Cars	% Chg.	Trucks	% Chg.	Buses	% Chg.	Total	% Chg.
1999	3,757,450	2.0	613,113	-22.9	38,380	-21.5	4,408,943	-2.6
1998	3,684,430	2.9	795,528	-13.5	48,917	-10.4	4,528,875	-0.5
1997	3,579,131	25.1	919,469	13.9	54,602	24.5	4,553,202	22.7
1996	2,860,080	-1.2	807,508	-5.0	43,866	-1.9	3,711,454	-2.1
1995	2,896,217	-13.8	849,827	-17.2	44,734	-39.2	3,790,778	-15.0
1994	3,360,668	-14.1	1,026,024	-0.7	73,600	-0.6	4,460,292	-11.1
1993	3,910,605	-11.3	1,033,147	-12.7	74,009	-1.4	5,017,761	-11.5
1992	4,408,864	-1.0	1,183,686	-5.1	75,096	39.4	5,667,646	-1.5
1991	4,452,233	-0.7	1,247,263	-4.7	53,883	34.8	5,753,379	-1.3
1990	4,482,130	1.8	1,309,121	-9.4	39,961	13.7	5,831,212	-0.9

Note: Percentage figures represent the change from the preceding year.
Source: Japan Automobile Manufacturers Association.

New Motor Vehicle Registrations

Year	Cars	% Chg.	Trucks	% Chg.	Buses	% Chg.	Total	% Chg.
1999	4,154,084	1.5	1,692,654	-4.5	14,478	2.4	5,861,216	-0.3
1998	4,093,148	-8.9	1,772,136	-20.1	14,141	-10.3	5,879,425	-12.6
1997	4,492,006	-3.8	2,217,257	-7.3	15,763	-8.5	6,725,026	-5.0
1996	4,668,728	5.1	2,391,790	-0.5	17,227	-0.4	7,077,745	3.1
1995	4,443,905	5.6	2,403,825	4.6	17,303	-3.0	6,865,033	5.2
1994	4,210,168	0.3	2,298,685	2.2	17,843	-6.2	6,526,696	0.9
1993	4,199,451	-5.7	2,248,803	-9.4	19,025	-11.8	6,467,279	-7.1
1992	4,454,012	-8.5	2,483,484	-5.7	21,577	-9.3	6,959,073	-7.5
1991	4,868,233	-4.6	2,632,730	-0.6	23,796	-4.5	7,524,759	-3.2
1990	5,102,659	15.9	2,649,909	6.3	24,925	-5.9	7,777,493	7.2

Note: 1. Figures include imported vehicles. 2. Percentage figures represent the change from the preceding year.
Sources: Japan Automobile Dealers Association, Japan Mini-Vehicles Association.

Exports by Destination

	1993	1994	1995	1996	1997	1998	1999
Asia	744,441	594,335	616,027	620,016	606,389	264,987	290,436
Middle East	379,652	275,480	206,446	284,881	346,154	455,159	308,114
Europe	1,280,988	1,053,095	918,831	948,712	1,254,879	1,370,931	1,329,206
(EU)	*1,086,353*	*910,463*	*792,058*	*801,858*	*1,025,688*	*1,132,535*	*1,155,082*
North America	1,792,212	1,757,918	1,301,218	1,169,073	1,412,055	1,459,338	1,723,598
(U.S.A.)	*1,617,386*	*1,643,221*	*1,228,096*	*1,098,504*	*1,271,095*	*1,313,583*	*1,556,419*
Central & South America	364,113	340,827	329,064	279,641	437,848	450,128	277,825
Africa	125,938	102,348	137,718	134,027	174,325	170,836	131,489
Oceania	318,423	327,584	274,828	265,478	310,776	347,194	337,288
Others	11,889	8,705	6,676	9,626	10,776	10,302	10,987
Total	**5,017,656**	**4,460,292**	**3,790,808**	**3,711,454**	**4,553,202**	**4,528,875**	**4,408,943**

Source: Japan Automobile Manufacturers Association

New Registrations of Imported Cars

	1993	1994	1995	1996	1997	1998	1999
Europe	138,703	182,335	236,307	268,700	256,485	210,888	213,534
*German cars	97,684	120,886	156,216	184,133	177,075	148,607	157,645
U.S.A.	54,493	91,643	122,872	122,559	83,344	53,462	56,551
*US (JAMA)	35,083	57,368	84,722	69,534	36,206	17,668	21,738
Others	1,894	2,183	3,086	2,133	1,666	1,498	1,351
Total	**195,090**	**276,161**	**362,265**	**393,392**	**341,495**	**265,848**	**271,436**
% Chg.	*7.5*	*41.6*	*31.2*	*8.6*	*-13.2*	*-22.2*	*2.1*

Note: Percentage figures represent the changes from the preceding year.
* Data included in European/U.S.A. figures.
Source: Japan Automobile Importers Association.