

Auto Industry Nervous Post-Tsunami As Parts Shortages Mount

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TOKYO (AP) – The auto industry disruptions triggered by Japan's earthquake and tsunami will worsen in the coming weeks.

Car buyers will have difficulty finding the model they want in certain colors, thousands of auto plant workers will likely be told to stay home, and companies such as Toyota, Honda and others will lose billions of dollars in revenue.

More than two weeks since the natural disaster, inventories of crucial car supplies – from computer chips to paint pigments – are dwindling fast as Japanese factories that make them struggle to restart.

Because parts and supplies are shipped by slow-moving boats, the real dropoff has yet to be felt by factories in the U.S., Europe and Asia. That will come by the middle of April.

"This is the biggest impact ever in the history of the automobile industry," said Koji Endo, managing director at Advanced Research Japan in Tokyo.

Much of Japan's auto industry – the second largest sup-

plier of cars in the world – remains idle. Few plants were seriously damaged by the quake, but with supplies of water and electricity fleeing, no one can say when factories will crank up. Some auto analysts said it could be as late as this summer.

There are signs, though, that things might not be as bad as analysts are predicting. Nissan Motor Co., which has seen production stop in several areas, said last week that it expects factories to be back in operation in weeks rather than months.

The company has studied all of its parts suppliers and companies that supply parts to them and has determined that the situation isn't as dire as some predictions, spokesman Brian Brockman said.

"It remains a fairly dynamic issue," he said. "We think we'll be back up in full production in a matter of weeks."

Yet, at least in the short term, problems remain. Hitachi Automotive Systems, which makes parts such as airflow sensors and drive control systems, is waiting for its suppliers to restart while dealing with its own problems. Its plants are without water and gas, and have rolling electricity blackouts.

Tsunami Effects Called 'Biggest Impact Ever in History of Automobile Industry'

Workers are repairing crumpled ceilings, fallen walls and cleaning up shattered glass. A spokesman said he doesn't know when its plants will reopen.

The uncertainty has suppliers, automakers and dealers scrambling. And it exposes the vulnerability of the world's most complex supply chain, where 3,000 parts go into a single car or truck. Each one of those parts is made up of hundreds of other pieces supplied by multiple companies. All it takes is for one part to go missing or arrive late, and a vehicle can't be built.

When General Motors briefly shut a pickup plant in Shreveport, La., due to a lack of parts, it caused the partial closing of a New York factory that supplies engines for those trucks. Sweden's Volvo has warned that its production could be disrupted because it is down to a week's worth of some parts.

Car buyers will soon see higher prices and fewer choices. Some car colors will be

harder to get because a paint pigment factory in Japan was damaged and shut production.

As a result, Ford is telling dealers to stop ordering "tuxedo black" models of its F-150 pickup and Expedition and Navigator SUVs. It's also shifting away from some reds. The moves are precautionary, Ford said. Chrysler has stopped taking orders for vehicles in 10 paint colors.

The plant that makes the pigment, run by Merck KGaA, won't resume production for four to eight weeks, and that depends a lot on progress in cleaning up the nearby damaged nuclear power plant, a company spokeswoman said.

The factory is in Onahama in northeast Japan, about 30 miles from the damaged Fukushima Dai-ichi power plant, which is leaking radiation.

"For both the timing of the repair start and for its timely completion, we are dependent upon the availability of infrastructure and utilities as

well as upon developments at the Fukushima power plant," Merck KGaA spokeswoman Phyllis Carter said last week.

The company makes pigments around the world, but the Onahama plant is the only one that produces the type used in many automotive paints, she said.

The lack of colors worries some dealers, especially when popular ones like black could be in short supply.

"It's hard enough to sell a \$60,000 Navigator in this economy," said Fortunes O'Neal, general manager at Park Cities Ford in Dallas. "We don't want to have to tell customers, 'You've got to pick another color.'"

Customers also face rising prices for models like Toyota's Prius, which is made only in Japan. Fears of falling supply have some dealers driving a hard bargain with customers who want the fuel-efficient hybrid as gasoline prices rise. Recent discounts of 5 to 10 percent on that car are disappearing.

Japanese carmakers, who have shut most of their domestic plants, are warning that some of their overseas factories will stop running, too, in an effort to conserve supplies.

Toyota and Honda expect shutdowns at North American plants. Honda said production could be interrupted af-

ter April 1. Most of its parts are made in the region, but a few critical ones still come from Japan.

Goldman Sachs estimates the shutdowns are costing Japanese automakers \$200 million a day, which adds up to \$2.8 billion for just the past two weeks. Each week of continued shutdowns costs \$1.4 billion.

By comparison, Toyota made \$2.3 billion in all of 2010, and its sudden acceleration recalls cost \$2 billion. The cost of damage from Japan's natural disaster could dwarf that recall, which was considered Toyota's biggest crisis ever.

Much depends on how many spare components automakers have in stock – which is probably few. Japan's automakers spearheaded lean manufacturing, under which parts are delivered to plants the same day they are used. Automakers are still receiving parts that were put on ships weeks ago, but those supplies will dwindle.

After the earthquake hit, car companies began the long process of figuring out which parts are in danger of running out. That means figuring out where every piece in every part comes from.

"Everyone is putting on the brakes a little bit and taking a look to see where they are affected," said Paul Newton, an analyst with IHS Automotive.

Companies will shut down plants as soon as some parts start running out, which could start happening in the next four to six weeks and perhaps sooner, he said.

TRW Unveils Front Axle Electric Park Brake System

LIVONIA – TRW Automotive Holdings Corp. last week unveiled its Electric Park Brake (EPB) system for front axles – a development that makes the technology more affordable for a wider range of vehicle segments.

TRW's EPB offers a number of safety benefits in addition to space optimization in the vehicle's passenger compartment, thanks to the elimination of the handbrake lever or pedal.

Josef Pickenhahn, vice president, Braking Engineering at TRW, commented: "Until recently, vehicle manufacturers have been reluctant to routinely fit disc brakes to the rear axles of small cars – normally a pre-requisite for EPB – because they are relatively expensive and lower-cost drum brakes can comfortably meet performance specifications."

"TRW's front axle EPB of-

fers an affordable solution, requiring only small modifications to the front axle calipers and integrating the necessary electronic components and software into an existing ESC control unit."

Similar to conventional rear EPB applications, the front axle system offers simple vehicle assembly within the wheel environment and enhances emergency braking performance through integration with ABS/ESC in the event of hydraulic failure.

"In addition, a wide range of comfort and safety features can be included. For example: hill and drive-away assist; ECD (electronically controlled deceleration); rollaway detection; and premium standstill management to support 'stop and go' and 'auto hold' functionality."

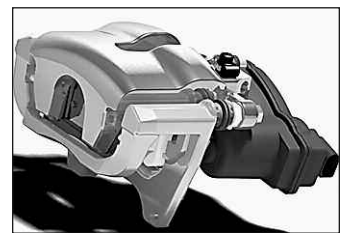
Pickenhahn continued: "Our front axle EPB has the

potential to further reduce the cost and weight of the rear drum brake systems, which no longer require shoe actuators, linkages, fixing devices, cables, or the handbrake lever itself.

"It's a further example of how we're taking existing products and improving their affordability and fuel savings potential in line with market requirements to deliver the safety and efficiency that all drivers deserve."

TRW's front EPB is planned for launch in 2013. There is no immediate word on which OEM products the brake technology will appear on just yet.

With 2010 sales of \$14.4 billion, TRW Automotive ranks among the world's leading automotive suppliers. Headquartered in Livonia, the large auto supplier, through its subsidiaries, operates in 26 countries and employs over 60,000



TRW is extending the range and affordability of its Electric Park Brake technology to include front axle applications for smaller vehicles.

people worldwide.

Meanwhile, TRW Automotive products include integrated vehicle control and driver assist systems, braking systems, steering systems, suspension systems, occupant safety systems (seat belts and airbags), electronics, engine components, fastening systems and aftermarket replacement parts and services.

Europeans Differ from U.S. in Favorite Car Colors

COLOGNE, Germany – It's perhaps no surprise that France and Italy are fond of cream-coloured cars given their famous café cultures. But why do buyers in the Czech Republic favour blue far more than any other nation? And the Irish may be traditionally associated with green, but they much prefer driving silver.

These are but a few of the findings of a study by Ford that looked at car colour preferences by nation across Europe. Understanding preferences across the multicultural continent helps Ford stay in step with customers and stock the right vehicles in dealer showrooms.

"There is something very personal to buyers about the colour of their cars, and when you look a little deeper you see that the culture, fashion and tastes in the markets across Europe have a major impact of the colours that customers choose," says Julie Francis, who is on the colour and material design team for Ford of Europe.

Colour trends – like fashion – change year to year. For example, a small but growing number of buyers are choosing brown, copper and other earth tones. "It took people a little while to warm up to the brown hues; they had previously been perceived as 'old fashioned' – think 70s, 80s," says Francis. "But the brown tones are making a comeback in fashion, interior furniture, and now automotive, and have been revived with exciting interior to exterior combinations."

White remains the runaway hit in Turkey (49 percent of vehicles sold), overwhelmingly the number one choice of Ford vehicle colour. Turkey, with its often sweltering climate, also picked the lowest percentage of black vehicles. Denmark, by contrast, chose black as their top finish and were least likely to opt for white.

But geographical borders and climate do not always determine the colour tastes of car buyers. Norway and Portugal, for example, share the same six favourite colours.

Only one country has a number one colour other than black, white or silver – the Czech Republic.

One quarter of Czech buyers choose blue Fords in 2010. Czech buyers also choose the highest percentage of red among all nations – mirroring the dominant red and blue colours in the Czech flag.

But patriotism only goes so far. The Netherlands didn't even figure when it came to orange vehicles, while the Irish were the third least likely country to buy green.

So how does Ford use this data to make sure it offers the right colours in the right countries?

"For major markets, Germany, for example, we know that blacks and darker colours are always popular so we factor that in to our planning," says Vince Shaw, mar-

keting and product strategy manager for Ford of Europe.

"Clearly we want our vehicles to be attractive to our customers and colour is a big part of that. In fact, one of the success stories has been Hot Magenta and Squeeze – bright red and green – offered on the Fiesta. They have both sold extremely well, so it's clear that our customers are keen to have something more individual. We've learnt from that and in the future will offer more unique colours not found on the usual palette."

There is also evidence that vehicle colour trends are just as prevalent as trends in other fashion markets.

"Red used to be by far and away the most popular colour, but then that was supplanted," explains Shaw.

"It looks like white is in the ascendancy now. Dark greys, blacks and blues are always popular, as they are in men or women's clothing, but just like any other fashion the different car colours come in and out of fashion."

Ford of Canada Sees Sales Increase

OAKVILLE, Ont. – Ford Motor Company of Canada, Limited saw sales increase 16 per cent compared to last March, and claims top spot for the first quarter with year-to-date sales up 9 per cent. Strong demand for fuel efficient vehicles drove Ford car sales up 31 percent in March with Fiesta delivering its best month since launch.

"Our first quarter results prove that the Ford plan is working. We gained market share the old fashion way by listening to customers and delivering great products they want and value," said David Mondragon, president and CEO, Ford of Canada.

"We knew that as fuel prices rose, consumers would shift their spending to smaller, more fuel-efficient vehicles and with 11 vehicles deliver-

ing best in class fuel economy, Ford is well-positioned to meet the demands of Canadian consumers by delivering leading quality, fuel efficiency, safety and advanced communications tools like SYNC."

Not only are consumers rewarding Ford for a strong product lineup, third parties have also recognized the quality of the vehicles. Just recently, Lincoln received the highest score for long-term durability among all vehicle brands in the annual J.D. Power and Associates' 2011 Vehicle Dependability Study (VDS).

Sales across the Lincoln portfolio increased 38 per cent compared to the same period last year.

March 31st also marked the end of Ford's Recycle Your Ride program where eligible

Dearborn Population Up As Neighbor Cities Lose

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and their growing families have played a role in helping the city hold its demographic ground.

Dearborn recorded an ever-so-slight population increase, climbing from 97,775 to 98,153 people, or 0.5 percent. The other 17 cities that border Detroit lost people, and the city itself saw its population drop by a staggering 25 percent. Michigan was the only state to lose population between 2000 and 2010.

"It's stability, and in this time that's the key thing," said Dearborn Mayor Jack O'Reilly.

O'Reilly said at least 30 percent of the city was of Middle Eastern heritage in 2000, and that's likely "a good bit higher" a decade later. Their large families are a big factor in the growth: In that time, the school district has increased enrollment from 17,000 to 18,500, while figures show the number of households decreased by 6.6 percent.

"The percentage of people from the Middle East in the school district is much higher than the general population," O'Reilly said. "More people who happen to be of Middle Eastern descent are school age."

According to research by the Detroit Arab American Study Team, composed of University of Michigan researchers and others, more than 60 percent of students in Dearborn's public schools are Arab-American.

Sally Howell, a study team member and University of Michigan-Dearborn history professor, said while 2010 statistics for people of Arab descent are not available yet, it's clear that at least some of the city's population growth can be attributed to them. As of 2007, the Detroit area's Arab and Chaldean populations hovered around 157,000, according to the Census' American Community Survey.

"Throughout the past decade we have seen Arab, Chaldean and Muslim numbers for the metro area rise significantly," she said, adding the community survey estimated the Arab and Chaldean populations could rise by as much as 70,000 by 2010.

"That's a significant number for a decade in which immigration was roughly frozen for a year and the number of visa over-stayers has been significantly reduced," she

said.

Dearborn is instantly recognizable as a Middle Eastern hub, with its national Arab-American museum and many Arabic-signed businesses and mosques. One Islamic house of worship in the city – strategically built near a sprawling, historic Ford plant – is more than 70 years old.

That sustained history helps explain why people from the Arab world continue to come to Dearborn, even as many other ethnic enclaves in the city and elsewhere have moved on or died out, O'Reilly said. While some Arabs migrate as all ethnicities do, a critical mass remains to welcome newcomers.

"Part of it is Arab-Americans are family-oriented," said Warren David, founder and publisher of ArabDetroit.com, owner of a Dearborn-based public relations and marketing firm and third-generation Arab-American. "There's a sense of culture and family – that's so important in the Arab model . . . They want to live near relatives, they want to interact."

Still, Dearborn's distinction as a center of Middle Eastern faith and culture doesn't come without strife.

O'Reilly defended his city last year after Nevada U.S. Senate candidate Sharron Angle told supporters that the country needs to address a "militant terrorist situation" that has allowed Islamic religious law to take hold in Dearborn. Hackles were raised again in the city this month when U.S. Rep. Peter King held a Capitol Hill hearing on concerns of radicalization among U.S. Muslims.

"No one here has lived under any law but our good old U.S. Constitution and state constitution," O'Reilly said. "People from the Middle East are part of this community. There's never a second thought – they're involved in everything we do."

State demographer Ken Darga said Dearborn's numbers offer some encouragement for the community in an area that has been hammered by a long, painful economic slump.

"It's a bit of positive news in an area where there isn't very much positive news," he said.

Dearborn continues to be seen as a desirable community to live in, in part because of the perceived long-term stability of corporate employers in the area as well as stability in city hall government.