

Japan Automakers Are Back A Year After Disaster

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TOKYO (AP) — Nissan is back, one year after an earthquake and tsunami in northeastern Japan ground auto production to a halt, left giant cracks at a key factory and killed five employees and 17 family members. It's a story of surprising recovery that's playing out at other Japanese automakers, but particularly at Nissan.

Chief Executive Carlos Ghosn called it "miraculous" on Friday ahead of the disaster's anniversary, crediting hard work at his company. The maker of the March subcompact and Infiniti luxury brands had a record sales year of 4.67 million vehicles in 2011. That was up 14 percent from the previous year.

By May, Nissan Motor Co.'s Iwaki plant in Fukushima Prefecture, devastated by the disaster that killed more than 19,000 people, was almost completely restored to full operations.

But it's not all plain sailing for Japan Inc. and its automakers. There are still big risks from perennial problems such as the strong yen, executives and analysts say. Globalization of production can help Japan's automakers minimize the yen challenge but comes with its own potential headaches as shown by last year's flooding in Thailand — a major production base for Japanese car makers.

Toyota Motor Corp. had initially expected to lose production of 2 million vehicles from the March 11 disaster, which damaged key suppliers in northeastern Japan, including Renesas Electronics Corp., a computer-chip maker.

But when all was done, Japan's No. 1 automaker ended up losing production of 370,000 vehicles — 220,000 of them in the first month after the disaster.

Production at Toyota, which makes the popular Camry sedan and Prius hybrid, was back to near-normal levels by September last year.

"The tremendous efforts of our workers on the ground led to a recovery so quick it was outside our imagination," Toyota President Akio Toyoda said last year.

The production woes knocked Toyota from top place in global vehicle sales to No. 4. General Motors Co. regained its crown as the world's No. 1 automaker, which it had relinquished to Toyota in 2008.

The disaster even worked to identify weaknesses in the industry's parts supply chain. The automakers are studying ways to spread out risks among suppliers. Toyota is targeting a plan to get production back to normal in two weeks if another disaster should strike.

Although the Japanese economy is ailing amid towering reconstruction costs and

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Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

the trillions of yen (billions of dollars) to tackle the crisis at the crippled Fukushima Dai-ichi nuclear plant, the auto industry is one bright spot.

Honda Motor Co. had the toughest problems, hit by the flooding in Thailand late last year, which also disrupted production on top of the disaster in northeastern Japan. Still, Honda's global production is now back at pre-disaster levels, except for Thailand.

The production disruptions reverberated globally.

In North America, Japanese manufacturers slowed their assembly lines or shut down production altogether when they couldn't get parts from Japan. Michael Robinet, the managing director of IHS Automotive Consulting, estimates lost regional production totaled 400,000 vehicles.

Production cuts hurt supplies of some of the most popular North American-made vehicles such as the Camry sedan. Sales of the vehicle plummeted 36 percent last May from the year before. Dealers were frantic to get vehicles such as the Prius hybrid. Last May, U.S. dealers only had about one-sixth of their usual supply of Prius cars, just as high gas prices were sparking demand for fuel-efficient cars.

When they couldn't find Japanese cars, buyers went elsewhere. South Korea's Hyundai Motor Co. and U.S. automaker Ford Motor Co. were among those who gained sales.

The U.S. market share of Japanese automakers fell from 38.5 percent to 30.1 percent between last February and June, according to auto information site Edmunds.com. They regained 38 percent share in February, although still below the 40 percent share they commanded three years ago, before Toyota's massive safety recalls.

Robinet of IHS said production losses for the Japanese ended in the third quarter of last year, and they made up for about 20 percent of lost volume in the fourth quarter. They made up for most of the rest in the first few months of this year through overtime and adding capacity.

Koji Endo, auto analyst at Advance Research Japan Co. in Tokyo, says Japanese automakers' sales are now shooting up in North America because soaring gas prices make Japanese offerings, which tend to be fuel-efficient, more attractive. The U.S. economy is recovering and buyers had been waiting for the Japanese models to arrive.

"Toyota and Honda sales growth is overwhelming, almost at double or marking 100 percent growth," Endo said. "They are selling like hotcakes."

But new problems may be ahead.

Ghosn thinks the strong yen is doing much more damage to Nissan's financial results than the disaster, or anything else. Toyota and Honda also say the strong

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yen hurts.

The yen's strength has relented in recent weeks with dollar rising above 80 yen from 76 yen levels but the Japanese currency is still much stronger than it was a year ago. For each yen the dollar slips, Nissan loses 20 billion yen (\$245 million) in annual operating profit.

Ghosn had only praise for his Iwaki workers.

"The Iwaki team set to work with a bravery and resilience that I found both moving and humbling," he said.

Source URL (retrieved on 01/28/2015 - 7:43am):

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