

Automakers May Have Dodged Resin Shortage Threat

Tom Krisher, AP Auto Writer

DEARBORN, Mich. (AP) — The auto industry may have steered its way around another crisis, avoiding a second major disruption of its supply chain in a year.

Just last week, automakers and parts companies feared that factories could be forced to close due to a shortage of a key plastic resin. Supplies are low because a March explosion and fire knocked out a German factory that makes much of the world's PA-12, a unique resin used to manufacture fuel lines and other parts. The plant could be out until winter.

But on Friday, Ford gave the strongest indication yet that problems may be avoided. The automaker's chief financial officer said he doesn't expect any Ford factories to be stalled because of the shortage. That is largely because the company has substitutes for PA-12.

"We think we've gotten past that graveyard," CFO Bob Shanks told reporters after Ford's first-quarter earnings announcement. "We think we're going to get through this without any issues."

Ever since the German plant was damaged in the blast, automakers and suppliers have been rushing to find substitutes for PA-12. The plant, owned by Evonik Industries, made at least a quarter of the world's PA-12, and up to 70 percent of CDT, a key ingredient used by other companies to make the resin.

All four of the world's major PA-12 suppliers have told customers they won't be able to keep supplying them with the resin. PA-12 is unique because it doesn't absorb much water, so it can carry gasoline and other fuels without deteriorating like other plastics. PA-12 is used in fuel and brake lines as well pipelines, and household and sporting goods.

Initially, parts-making companies told automakers to expect production stoppages because they couldn't make enough parts that need PA-12. Automakers worried the shortage could cause parts factories to close, cutting off supplies just like in 2011, when an earthquake struck Japan. Companies ran short of paint pigments and electronic parts back then. As a result, Honda and Toyota were forced to cut production and their dealers ran short of cars and trucks.

But Shanks said that Ford has worked with parts suppliers to develop alternative materials that can carry fuel and other liquids without problems. Some of the plastics were in the works before the plant explosion, while others are still being tested. Parts made with the replacement resins will be checked thoroughly, and car buyers shouldn't notice any differences, Shanks said. "For the consumer, they're not

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going to have any issue in terms of safety or durability," he said.

Other automakers and large parts companies probably have similar substitutes, so it looks like the industry won't be severely harmed by the shortage, said Steven Wybo, a managing director and automotive expert at Conway MacKenzie, a consulting firm that handles industry restructurings.

If Ford has alternative supplies, other automakers "are either out in front or right behind them," Wybo said.

Other major automakers said Friday that they're still evaluating the shortage and have not seen any production cuts yet.

Last week, Chrysler CEO Sergio Marchionne told CNBC in Beijing that there is a better than 50 percent chance the company will find alternatives. General Motors CEO Dan Akerson said the company had enough inventory of PA-12 parts to get through May, and a spokeswoman said Friday that GM continues to work with suppliers on substitutes.

Honda, Toyota and Nissan also said they haven't had any factory disruptions. Honda says it also has alternatives and Nissan said it also is working on them. Several parts makers also said this week they were confident there wouldn't be any production problems from the shortage.

Fears of parts shortages and auto assembly plant shutdowns were so high that about 200 industry officials attended a meeting last week to talk about testing alternative plastics.

The industry still has to go all-out to find substitutes and it still must prepare for factory closures, said J. Scot Sharland, executive director of the Automotive Industry Action Group, a trade association that organized the meeting.

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