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Japanese disaster starts to bite European auto industry

Major European carmakers could face a production halt in the coming weeks as earthquake-hit Japanese suppliers struggle to deliver components.

European automakers including Volkswagen and Peugeot Citroen have said they may have to stop production in the next few weeks as Japanese component suppliers struggle to restart factories.

Peugeot, Europe's second-biggest automaker, said that production of Peugeot and Citroen could fall by up to 60 percent because of a shortage of diesel engine parts from Hitachi.

Carlos Ghosn, CEO of Japanese carmaker Nissan, told the media that some 40 auto-parts makers in Japan remain hampered after the nation's massive earthquake on March 11 damaged factories and transport routes.

Opel, owned by US auto giant General Motors, last week became the first German carmaker to cut shifts as necessary electronics parts failed to arrive from Japan. The company, which also cancelled production in Spain, is still searching for alternative sources in the US.

Recession reminders

The shift cuts at Opel were followed up by reports from the German Federal Labor Agency that several car companies had made enquiries about reducing workers to part-time – an uncomfortable reminder of the emergency measures taken when Germany faced an industry-wide crisis following the international recession of 2008.

Lars Holmqvist, head of CLEPA, the European Association of Automotive Suppliers, predicted that the impact of the earthquake on Germany's supply would be devastating. "These aren't door-handles we're talking about," he told Deutsche Welle. "These are integrated systems. If you're missing one part you can't build the car."

Holmqvist says that Europe was not prepared for a complete production stoppage such as the one currently gripping Japanese industry. "Everyone expected there might be a problem of supply because of something like another volcano ash cloud, so there are storage systems and emergency supplies in place to deal with this," he says. "But no one predicted an earthquake that would knock out Japan's power for an extended period of time."

Facts or fear-mongering?

Several important suppliers of German car parts are located in Japan, providing both mechanical engine parts and electronic components. Finding other suppliers to fill the stop-gap is considered difficult because of the complexity of the vehicles being built.

But the German Chambers of Trade and Industry (DIHK) denied there was widespread alarm in the German car industry. "As far as we know, German companies are not having any problems as yet," a spokesman told Deutsche Welle. "Of course, some of the stores are

depleted, but at the moment there are no production stops and no widespread part-time work measures."

"We know about Opel," he added. "But from other companies like BMW and Daimler and so on, we're hearing that it's not leading to a production shortfall at the moment."

Slow ripples

Alexander Vorbau, spokesman for the German Association of Independent Automotive Aftermarket Distributors (GVA), said it is simply too soon to judge the effects of the Japanese disaster. "Japan is of course important for the car industry," he told Deutsche Welle. "But to what extent the Japanese component supply could fail and what effect that could have over here is very difficult to estimate at the moment. A lot depends on what happens in Japan from now on."

Because of the supplies in storage, it's estimated that it will take weeks for the shortfall to become apparent. "We've had this problem in Japan for two weeks now," Vorbau continued. "The faster the factories can start producing again, the better problems could be contained. But the longer it takes, the more likely there is to be a problem."

Holmqvist is convinced that the effect is already being felt. "Many, many factories in Japan are standing still, and it could take weeks or months for them to be working again," he said. "Even if they start again in two weeks time, we might see a 60 or 70 percent shortfall in capacity throughout Europe. If there were just a 30 percent shortfall, customers will start to notice."

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