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STAFF BLOGS

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Shifting gears

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## Uncertainty plagues local suppliers in aftermath of Japan quake

Southeast Michigan auto suppliers' Japan operations mostly escaped the devastation of Friday's massive earthquake, but information remains scarce in the aftermath.

With Japanese automakers shutdown following the 8.9-magnitude earthquake and subsequent tsunami — 12 of **Toyota Motor Corp.**'s plant will remain closed through Tuesday — resulting in a loss of production of more than 40,000 automobiles, the slowdown is surely to hit the supply base, but no one's sure of when.

"Information is premium right now and we're not getting a lot of it," said Mike Wall, senior manager of strategic analysis for Northville-based **IHS Automotive Inc.** "We've heard that automakers haven't even reached their suppliers, so the affect to the supply chain remains unknown."

Novi-based **Cooper-Standard Automotive Inc.**, Livonia-based **TRW Automotive Inc.**, Auburn Hills-based **TK Holdings Inc.**, the North American subsidiary of Tokyo-based **Takata Corp.**, Van Buren Township-based **Visteon Corp.** and Auburn Hills-based **BorgWarner Inc.** all reported to *Crain's* that their operations were unaffected by the quake and tsunami.

However, the long-term affect of the production stoppage remains unknown as electricity shortages caused by damage to the country's nuclear-power plants in northern Japan and are limiting the return of manufacturing production.

"Our employees continue to investigate this dynamic situation," Erika Nielsen, BorgWarner's director of marketing and public relations said in an e-mail to *Crain's*. "As of yet, there is no significant long-term impact to our production."

A shortage of semiconductors is the biggest fear for U.S. companies, Wall said. Semiconductors are used in the microchips that control several key electronic components of a vehicle.

Japanese companies including **Sony Corp., Toshiba, Panasonic** and **Elpida Memory Inc.** supply 20 percent of the world's technology products, including 19 percent of semiconductors, according to **CLSA Asia-Pacific Markets** estimates.

"Automakers and suppliers have to be keying in on this issue by looking for new sources for semiconductors," Wall said. "It's going to be very competitive because it's not just Ford or GM competing with Toyota for them, but Ford, GM and Toyota competing with Apple or GE and other consumers electronics."

South Korean electronics company Samsung and Taiwanese smart-phone maker HTC Corp. are seeking other sources to avoid parts shortages, *Bloomberg* reported.

Automakers and suppliers are likely searching for alternatives as well, Wall said.

But analysts predict capacity hiccups across the supply chain will occur in a few weeks as backlogged products begin to run out.

**"The extent to which those shutdowns will ripple forward and affect U.S. production remains unknown at this point, but it is likely to happen," Fred Hubacker, executive director of Birmingham-based crisis management firm Conway MacKenzie Inc., said in an e-mailed statement. "The next month or so will be crucial in determining the long-term effects of this disaster on the global automotive market."**