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As Japan's power grid weakens, local suppliers assemble contingency plans

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TOKYO ELECTRIC POWER CO./Bloomberg Steam rises from a reactor at Tokyo Electric Power Co.'s Fukushima Dai-Ichi nuclear power plant. Shutdowns of nuclear reactors and thermal generators have eliminated 10 percent of Japan's electrical power generation.

Details of devastation continue to trickle out of Japan after last week's earthquake and tsunami. The country's limited transportation and now — thrust into a nuclear disaster — failing power grid have North American automotive suppliers assessing the reality of parts shortages from Japanese suppliers.

The earthquake shuttered 11 nuclear power reactors and 21 thermal generators, eliminating nearly 10 percent of Japan's electrical power generation, **Time.com** reported today.

Troy-based **Delphi Corp.**, 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 mostly undamaged by the quake and tsunami.

However, significant numbers of Tier 2 and Tier 3 suppliers were damaged in the disaster or remain without power and water a week later, leaving Southeast Michigan's Tier 1s drafting contingency plans to source product elsewhere — and, possibly, from other suppliers.

Delphi has identified 20 of its 200 Japanese suppliers as being within 100 miles of the epicenter of the 8.9-magnitude earthquake, which rocked the island nation last Friday.

"With the continued shortage of power and water in the area, we anticipate delays and/or that potential disruptions may occur and could impact much of the automotive supply chain," Lindsey Williams, Delphi's director of corporate communications, wrote in an e-mailed statement to *Crain's*. "To minimize impact to our customers, we are implementing contingency plans where possible as part of our ongoing process to manage potential supply limitations."

Several suppliers to Plymouth-based **Aisin World Corp. of America** were damaged, and Aisin and those suppliers are investigating whether they should source parts from other suppliers, said Chuck Sanders, the company's assistant vice president. Aisin World is a subsidiary of Kariya, Japan-based **Aisin Seiki Co. Ltd.**

"At what point we'd affect someone in North America is unclear at this point," Sanders said. "Sourcing from somewhere else is not something you want to do, but we're investigating it."

Aisin supplies transmissions to **General Motors Co.'s** Shreveport, La., truck plant, which GM shut down Thursday because of a parts shortage. Aisin's transmissions were not part of the shortages, Sanders said.

Many of **Honda Motor Co.'s** and **Toyota Motor Corp.'s** Japanese plants remain closed.

Johnson Controls Inc.'s automotive interiors business unit, headquartered in Plymouth, issued a statement this afternoon that it had suspended operations at its five plants in Japan because of the disaster.

The plants supply Nissan's Japanese operations, and the shutdowns will not affect North American operations, the company said in a release.

The Japanese earthquake, however, is likely to delay the U.S. rollout of the Nissan Leaf. The electric car was supposed to be available in cities around the U.S. in the next few months. A shipment of 600 Leafs already had left for the U.S. before the earthquake.

More than 2,300 vehicles were destroyed in a giant bonfire created by ruptured fuel tanks at a dock Nissan used to export cars, *Time.com* reported.

But most suppliers have enough product backlog to float production for a few weeks, analysts predict.

By April, more supply chain challenges will begin to surface, said Fred Hubaker, executive director of the Birmingham-based crisis management firm Conway MacKenzie Inc.

"Some component, whether it's a steel product or semiconductor, is going to cause a problem," he said. "It's almost inevitable."

A shortage of semiconductors remains a big fear within the industry, said Mike Wall, senior manager of strategic analysis for Northville-based **IHS Automotive Inc.** 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 estimates from **CLSA Asia-Pacific Markets.**

"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 consumer electronics."