

# America's Auto Industry:

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second quarter. On the brink of bankruptcy last year, Chrysler lost \$536 million in last year's second quarter. This year, however, Chrysler earned a pre-tax profit of \$21 million. Although Chrysler's return to profitability this quarter is a noteworthy achievement, Chairman of the Board Lee Iacocca acknowledges that "Chrysler still has a long way to go; that the profit was very modest; that interest rates are still too high; that the annual rate of new car sales is extremely low; and that one quarter's profit does not offset the past year's losses."

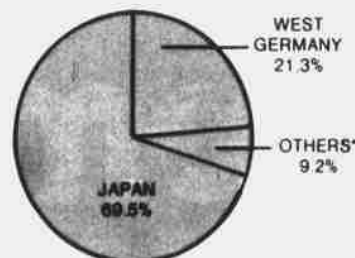
But probably due to K car sales Chrysler reports that it is the only domestic auto company to improve its U.S. retail auto sales during the first 6 months of 1981. During this period their domestic auto market share moved up to 10% from 8.8% during the first 6 months of 1980.

## Impact of the Imports

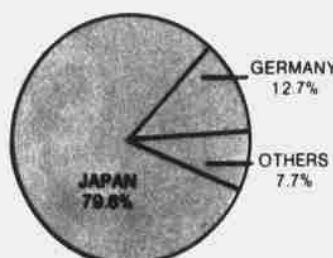
The end of 1980 saw the imports grabbing a larger share of the U.S. auto market. Japan registered a significant gain with 79.6% of the import market—up from 69.5% in 1979 (see chart). Germany's share decreased from 21.3% in 1979 to 12.7% in 1980.

Japan was able to gain ground last year in the American marketplace due to the sales plunge experienced by all domestic automakers although their volume of cars imported to the U.S. did not increase too greatly. However, last year more than four of five import new car sales were from Japan. Toyota leads the import pack with Datsun a close second.

But a leveling off period may be



1979 - 2,328,515 UNITS



IMPORT NEW CAR SALES BY COUNTRY OF ORIGIN, 1980

The two pie charts show the 10.1% increase that Japan gained in the American marketplace over 1979.

forthcoming. In an article by Tony Gray in the June 22, 1981 issue of Advertising Age he states that, "... Japanese volume of new car sales in this country appears certain to recede in 1981. U.S. pressure on the Japanese government and auto industry for "voluntary" restraint has escalated and the advent of General Motor's new J-car subcompacts and Ford's new Escort/Lynx two-seater coupes this spring has added to domestic competitive offerings."

However, the article goes on to point out that the imports are attempting to meet this new competition by increasing their product options to potential American autobuyers. Toyota now lists

to keep prices of new domestic autos down.

## Industry Employment Situation

By the end of 1980 the combined workforce of blue and white collar workers was the lowest since the mid-sixties. Employment in the auto industry was down about 25% from 1978—a record year. Last year's workforce reduction was down roughly 221,000 from 1979.



The 1982 Ford Escort is expected to be a strong seller again this year. The Escort proved to be very popular in 1981.

27 models—as many as Chevrolet "in the period preceding introduction of the new Chevrolet Cavalier J-cars this May."

Another switch for Japan has been to offer more power under the hood. Japan has introduced turbocharged and diesel models in 1981. But a factor that could possibly offset these efforts to some extent, is the progressive price increases of the Japanese imports. Meanwhile, American automakers following Chrysler's lead are attempting

However, as 1981 has progressed unemployment levels have fluctuated. The U.S. Department of Labor, Bureau of Statistics reports that in January 1981 18.2% of the total auto industry workforce was on layoff. Of that total 31.7% of the industry's Black auto-workers were unemployed. But as of August, 1981 12.6% of the auto workforce was unemployed and 19.3% of the Black workforce was still on layoff. Based on these data, it appears that a recovery may be in the making, but it is still too early to determine how significant or long-lasting the recovery will be.

## Management and Workforce Redefine Relationships

With the rapid advancement of the Japanese in the American auto marketplace domestic companies have begun to study the successful techniques of the Japanese as they have scrutinized ours. America has always had the resources to be technologically superior.

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