

The aspects of the development of the automotive industry in connection with the World Financial Crisis

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There are some aspects of the Automotive Industry Development:

1. Political. Laws and government regulations have affected this industry since the 1960's. In 1966 it was called the National Traffic and Motor Vehicle Safety Act. This act forced manufacturers to improve the safety for passengers, the driver visibility, and the braking of the car. In 1965 the first act set standards for automobile pollution. Then in the 1970's, the Congress passed the Clean Air Act that demanded a 90% decrease in automobile emission within the next six years, which is permanently revised every 4 years. Since that time different countries have put these documents on the basis of their own laws and government regulations.

2. Economic. The automobile industry has a huge impact on the U.S. economy. The University of Michigan and the Center for Automotive Research stated that this industry is the major user of computer chips, textiles, aluminum, copper, steel, iron, lead, plastics, vinyl, and rubber. The study also showed that for every autoworker there were seven other jobs created in other industries. In 2005, the total sales of automobiles were 3.7% of the nation's gross domestic product. This percentage works out to be \$375 billion dollars in sales.

3. Technology. The internet has affected just about every industry in the world and has also had a huge impact on the automobile industry. A study was conducted by J.D. Power and Associates in 2006 and involved more than 27,000 new vehicle buyers. The study showed that 60% of the buyers referred to the internet before making their purchases and out of that 60%, 88% went to the auto websites before taking a test drive.

Concerns for the economy and global warming have caused the automobile industry to develop alternate fuel vehicles. At the

beginning, automakers did not want to look into the development because of the high cost and the many risks involved. Because of new legislation, they had no choice but to come up with the technology to make the fuel-efficient cars. The automakers decided that electric cars would be the best way to meet the legislation demands. "Early models were unpopular because of slow cruising speeds and lack of performance, but by the end of the century, electric car production began to be practical"[1]. At the end of the 1990's manufacturers were coming up with the technology to produce internal combustion engine with an electric motor. Toyota and Honda were both selling the hybrid vehicles at retail value in 2002.

4. Global. General Motors, Ford Motor Company, Daimler Chrysler, BMW, Volkswagen, Volvo, Toyota, Mazda, and Nissan Motor Company came together to create a new trade association named the Alliance of Automobile Manufacturers. The organization was to replace the American Automobile Manufacturers Association that only consisted of American manufacturers, the goals of the association “were to work together on public policy matters of common interest to provide credible industry information and data, and seek consistent global regulatory standards”. The manufacturers also started merging in the late 1990's. American companies started buying foreign manufacturers, creating some of the largest foreign takeovers. In 1998 Daimler-Benz A.G. merged with Chrysler Cooperation to form Daimler Chrysler A.G. Some other big mergers were Ford with Volvo, and General Motors and Saab.

5. Financial aspects. The most important area of comparison is profitability. Toyota holds a whopping fourteen percent, while the big three barely have any margin. Companies have different business models and search out different parts of the market (even though they compete in areas). They have different regulations to face and varied access to capital.

6. A collapse of sales in car industry in connection with the World Financial Crisis. To world car industry it became absolutely bad, and does not cause surprise of the requests of motor-car manufacturers to get financial help. Sales are promptly

falling worldwide. The consumer has probably decided to go on foot, or to wait through the crisis.

- Sales in the USA have got derailed. The February data on sales of new motor vehicles have appeared failure. Going deep recession continues to press on demand which has decreased to the level of 27-year-old prescription. Last years in the USA were sold 16 million cars a year, in 2008 - only 13.2 million new cars [2].

- Japanese Toyota Corp., the largest automobile company of the world, has reduced manufacture in January to 43 % (i.e. 413.29 thousand cars). Affairs at Japanese Toyota are so bad that it had to address to the Japanese bank of the international cooperation with the request for allocation of the emergency credit with 32 billion, writes The Times.

- Europe together with all

Sweden has suggested reducing to third manufacture of cars in Europe — from 18 to 12 million cars a year that it is to a level of demand today. Manufacture of cars in Great Britain in January has failed almost on 60 % as demand for new vehicles is reduced in the conditions of going deep recession, informed ‘The Times’ referring to the data of the British Society of manufacturers and sellers of cars [2]. Sales of new cars in France in February have decreased on 13.1% despite the direct stimulation of demand which the government of this country has started to undertake in December of the last year.

7. The automobile boom in Moldova. In spite of the World Financial Crisis the situation in the Moldovan market may be characterized as an automobile boom. The Moldovans do not feel the consequences of the Crisis so far and continue to buy small volume cars. Thus, international car manufacturers have to pay more attention to Moldovan market as a really promising one.

Bibliography:

1. Oxford Illustrated Encyclopedia, Ox. University Press, 2005, p.151.
2. The Times, a daily national newspaper, 12.09.08.
3. <http://www.academicmind.com/unpublishedpapers/business/management> 05.03.09.