

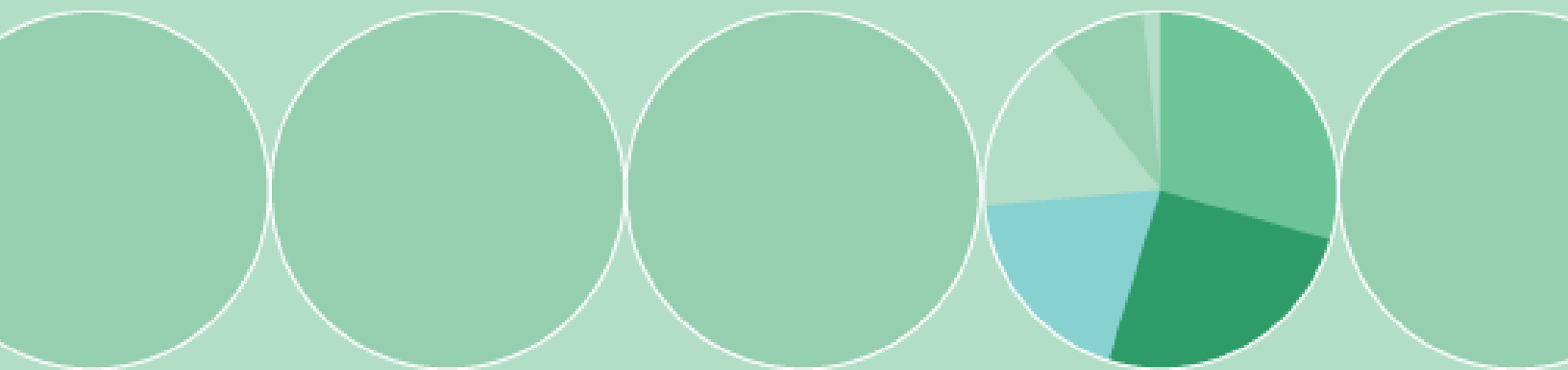


WHERE KNOWLEDGE IS POWER

IBISWorld Industry Report

February 14 2008

Light Truck and Utility Vehicle Manufacturing in the US: **33611b**



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Industry Definition

This industry comprises establishments primarily engaged in (1) manufacturing complete light trucks and utility vehicles (i.e., body and chassis) or (2) manufacturing light truck and utility vehicle chassis only. Vehicles made include light duty vans, pick-up trucks, minivans, and sport utility vehicles.

ACTIVITIES (PRODUCTS AND SERVICES)

The primary activities of this industry are:

- Assembly plants, light trucks on chassis of own manufacture
- Assembly plants, mini-vans on chassis of own manufacture
- Assembly plants, sport utility vehicles on chassis of own manufacture
- Cab and chassis, light trucks and vans, manufacturing
- Chassis, light truck and utility, manufacturing
- Light utility trucks assembling on chassis of own manufacture
- Minivans assembling on chassis of own manufacture
- Motor homes, self-contained, mounted on light duty truck chassis of own manufacture
- Pick-up trucks, light duty, assembling on chassis of own manufacture
- Sport utility vehicles assembling on chassis of own manufacture
- Trucks, light duty, assembling on chassis of own manufacture
- Vans, commercial and passenger light duty, assembling on chassis of own manufacture

The major products and services in this industry are:

- Utilities
- Pickups
- Vans
- Medium Duty

SIMILAR INDUSTRIES

Industry:  33611a - Automobile Manufacturing in the US

Description:

Industry:  33621a - Motor Vehicle Body Manufacturing in the US


Description: Establishments primarily engaged in manufacturing truck and bus bodies and assembling vehicles on a purchased chassis are classified in Industry 33621a, Motor Vehicle Body Manufacturing

Industry:  33621b - Truck, Trailer and Motor Homes Manufacturing in the US


Description:


DEMAND & SUPPLY INDUSTRIES

 32551 - Paint and Coating Manufacturing in the US

 33111 - Iron and Steel Mills and Ferroalloy Manufacturing in the US

 33591 - Battery Manufacturing in the US

 33631 - Motor Vehicle Gasoline Engine and Engine Parts Manufacturing in the US

 33632 - Motor Vehicle Electrical and Electronic Equipment Manufacturing in the US

- ☰ 33633 - Motor Vehicle Steering and Suspension Components (except Spring) Manufacturing in the US
- ☰ 33634 - Motor Vehicle Brake System Manufacturing in the US
- ☰ 33635 - Motor Vehicle Transmission and Power Train Parts Manufacturing in the US
- ☰ 33636 - Motor Vehicle Seating and Interior Trim Manufacturing in the US
- ☰ 33637 - Motor Vehicle Metal Stamping in the US
- ☰ 33639 - Other Motor Vehicle Parts Manufacturing in the US
- ☰ 42111 - Automobile and Other Motor Vehicle Wholesalers in the US
- ☰ 44111 - New Car Dealers in the US
- ☰ 53211 - Passenger Car Rental and Leasing in the US

Key Statistics

CONSTANT PRICES

	2002	2003	2004	2005	2006	
Industry Revenue	*146,178.0	*177,100.0	*163,812.0	*151,965.0	*144,986.0	\$Mill
Industry Gross Product	*43,529.0	*59,168.0	*46,607.0	*40,288.0	*38,475.0	\$Mill
Number of Establishments	*94	*98	*96	*94	*92	Units
Number of Enterprises	*66	*72	*70	*69	*68	Units
Employment	*106,295	*108,667	*112,607	*99,568	*98,125	Units
Exports	*13,777.0	*14,527.0	*15,542.0	*18,814.0	*20,758.0	\$Mill
Imports	*56,871.0	*55,882.0	*58,257.0	*57,274.0	*59,532.0	\$Mill
Total Wages	*8,259.0	*8,724.0	*8,785.0	*7,650.0	*7,497.0	\$Mill
Domestic Demand	*189,272.0	*218,455.0	*206,527.0	*190,425.0	*183,760.0	\$Mill
Light Truck Prod	7,000,354	7,318,858	7,372,775	7,202,978	6,431,463	Units

CURRENT PRICES

	2002	2003	2004	2005	2006	
Industry Revenue	*131,244.3	*162,239.7	*154,472.4	*147,636.9	*144,986.0	\$Mill
Industry Gross Product	*39,082.0	*54,203.3	*43,949.8	*39,140.6	*38,475.0	\$Mill
Number of Establishments	*94	*98	*96	*94	*92	Units
Number of Enterprises	*66	*72	*70	*69	*68	Units
Employment	*106,295	*108,667	*112,607	*99,568	*98,125	Units
Exports	*12,369.5	*13,308.1	*14,655.9	*18,278.2	*20,758.0	\$Mill
Imports	*51,061.0	*51,193.0	*54,935.5	*55,642.8	*59,532.0	\$Mill
Total Wages	*7,415.2	*7,992.0	*8,284.1	*7,432.1	*7,497.0	\$Mill
Domestic Demand	*169,935.7	*200,124.6	*194,752.1	*185,001.5	*183,760.0	\$Mill
Light Truck Prod	7,000,354	7,318,858	7,372,775	7,202,978	6,431,463	Units

REAL GROWTH

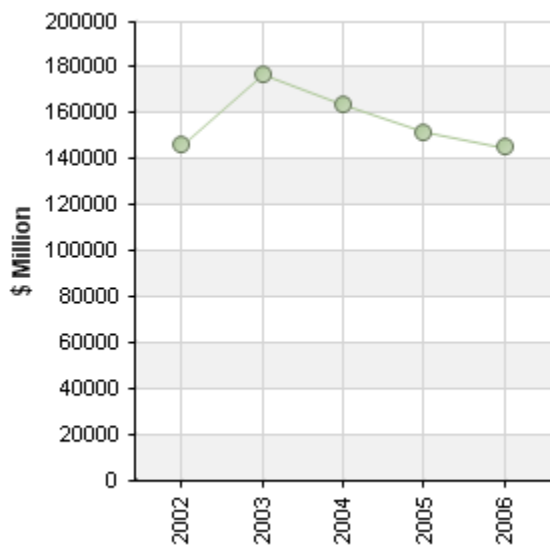
	2002	2003	2004	2005	2006	
Industry Revenue	*6.9	*21.2	*-7.5	*-7.2	*-4.6	%
Industry Gross Product	*42.5	*35.9	*-21.2	*-13.6	*-4.5	%
Number of Establishments	*-3.1	*4.3	*-2.0	*-2.1	*-2.1	%
Number of Enterprises	*-5.7	*9.1	*-2.8	*-1.4	*-1.4	%
Employment	*7.8	*2.2	*3.6	*-11.6	*-1.4	%
Exports	*13.3	*5.4	*7.0	*21.1	*10.3	%
Imports	*5.1	*-1.7	*4.3	*-1.7	*3.9	%
Total Wages	*17.1	*5.6	*0.7	*-12.9	*-2.0	%
Domestic Demand	NC	*15.4	*-5.5	*-7.8	*-3.5	%

RATIO TABLE

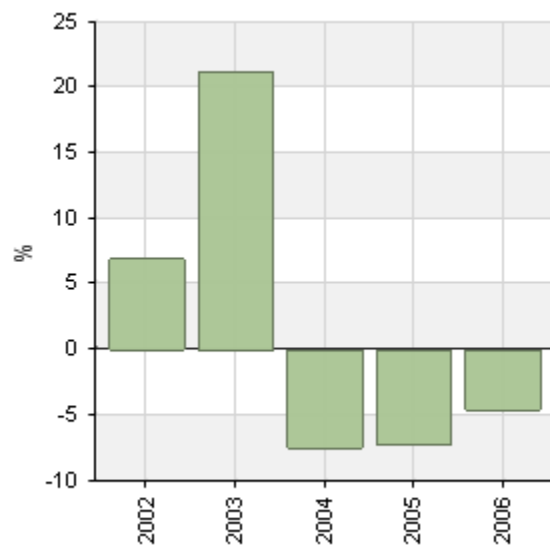
	2002	2003	2004	2005	2006	
Imports share of domestic demand	*30.05	*25.58	*28.21	*30.08	*32.40	%
Exports Share of Revenue	*9.42	*8.20	*9.49	*12.38	*14.32	%
Average Revenue per Employee	*1.38	*1.63	*1.45	*1.53	*1.48	\$Mill
Wages and Salaries Share of Revenue	*5.65	*4.93	*5.36	*5.03	*5.17	%

GRAPHS

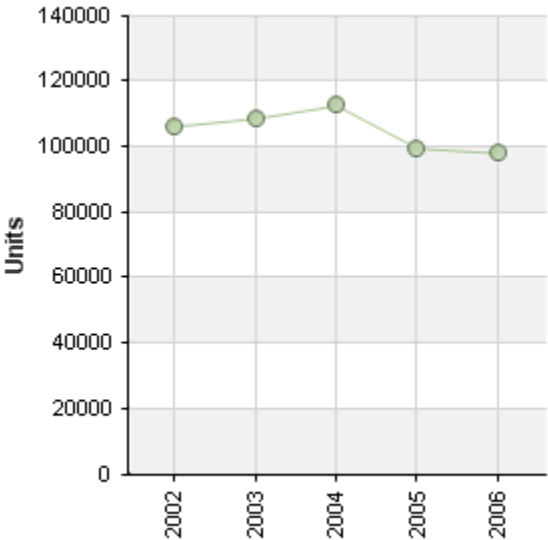
Revenue



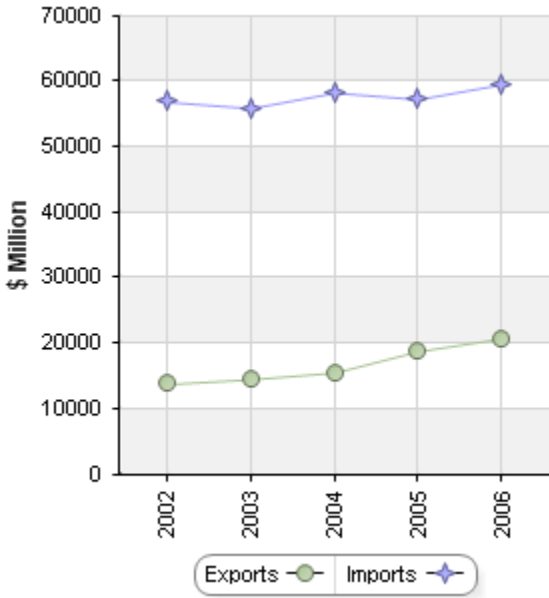
Revenue Growth Rate



Employment



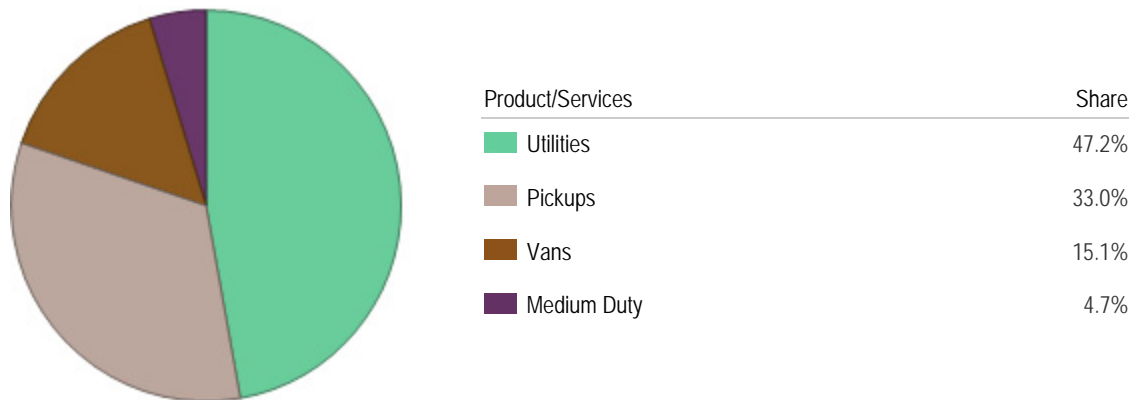
Imports and Exports



Note: Unless specified, an asterisk (*) associated with a number in a table indicates an IBISWorld estimate and references to dollars are to US dollars.

Segmentation

PRODUCTS AND SERVICE SEGMENTATION



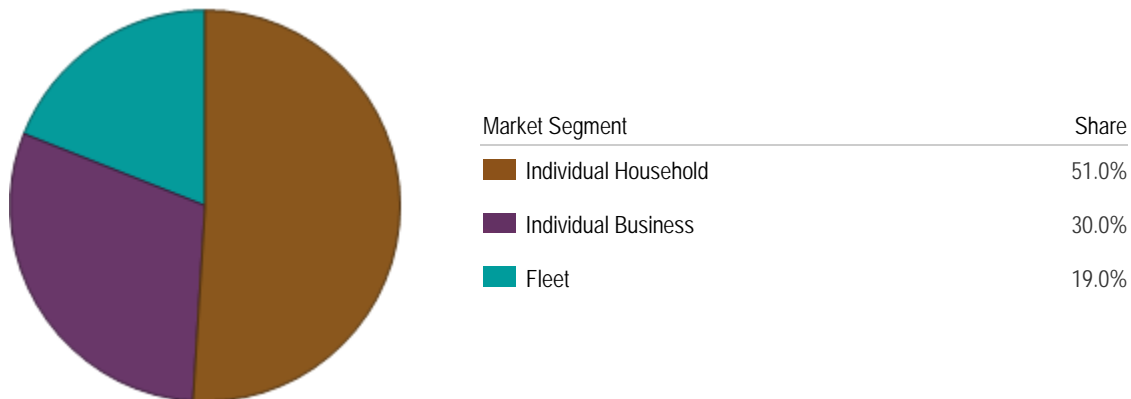
- A pickup truck is a light motor vehicle with an open-top rear cargo area. There are a few versions of pickups manufactured and sold in the US and these include compact pickups, full-size pickups and mid-size pickups.
- The compact pickup is built like a mini version of a two-axle heavy truck, with a frame providing structure, a conventional cab, a leaf spring suspension on the rear wheels and a small I4 or V6 engine, generally using gasoline. Compact trucks sold in the US market in 2006 included: Chevrolet Colorado; Ford Ranger; and Toyota Tacoma.
- Full sized pickups in US are sold in three size ranges - half-ton, three-quarter-ton and one-ton. Full size trucks are often used in the US for general passenger use, usually those with half-ton ratings. For a number of years, the Big Three US automakers dominated the full-size pickup market, however competition increased when Toyota's Tundra and Nissan's Titan entered the market.
- Mid-size models sold in 2006 included Chevrolet Colorado/GMC Canyon, Ford Ranger, Dodge Dakota, Nissan Frontier, Toyota Tacoma and Mazda B Series.
- A sport utility vehicle (SUV) is a type of passenger vehicle which combines the load-hauling and versatility of a pickup truck with the passenger-carrying space of a van or station wagon. Most SUVs are designed with a roughly square cross-section, an engine compartment, a combined passenger and cargo compartment, and no dedicated trunk.
- The sport utility truck manufacturing segment grew faster than the car segment over the period 2002 to 2004 as the models became larger and more luxurious, designed for personal transportation. However, sustained increases in fuel costs over 2005, 2006 and the most of 2007 led consumers to exit the SUV market in favor for more fuel efficient vehicles such as cars.
- Gasoline prices on average in the US rose sharply in 2005 and beyond. Average prices in 2005, 2006 and 2007 were \$2.24 per gallon, \$2.53 per gallon and \$2.82 per gallon respectively, with the first five weeks of 2008 showing an average of \$3.01 per gallon.

Average Gasoline Prices (Regular)

Year	Dollars Per gallon	Percent Growth
2003	1.52	N/C
2004	1.81	19.1%
2005	2.24	23.8%
2006	2.53	12.9%
2007	2.82	11.5%

Source: Energy Information Administration

MAJOR MARKET SEGMENTS



- The individual household segment is the largest and had been growing strongly until 2005 as sport utility vehicles became very popular among households, especially women, who are drawn to their higher ride height, and perceived safety. Additionally, most full-size SUVs have far greater towing capacities than conventional cars, allowing owners to tow recreational vehicles, trailers and boats with relative ease, adding to the utilitarian image.
- The household market, which is discretionary in nature responds positively to overall price reduction through cash rebates and other incentives. Even though oil prices remained in a state of flux in 2004 and in the first-half of 2005, US consumers had taken higher petrol price in stride and were under the perception that the generous incentives, more than made up for the difference. However, the continued rise in fuel prices during 2005, 2006 and 2007, led to greater attractiveness of fuel efficient vehicles, which led to demand for SUVs to plummet.
- The fleet market is dominated by rental companies and manufacturers have arrangements for buy-back at pre-arranged prices.
- Individual business market had been driven by tax incentives such as the 'SUV subsidy' (Section 179 depreciation allowance), which allows small-business owners to deduct up to \$25,000 of the cost of a vehicle with gross vehicle rating of over 6000 pounds from their income tax calculation (compared with \$10,610 for a passenger car).

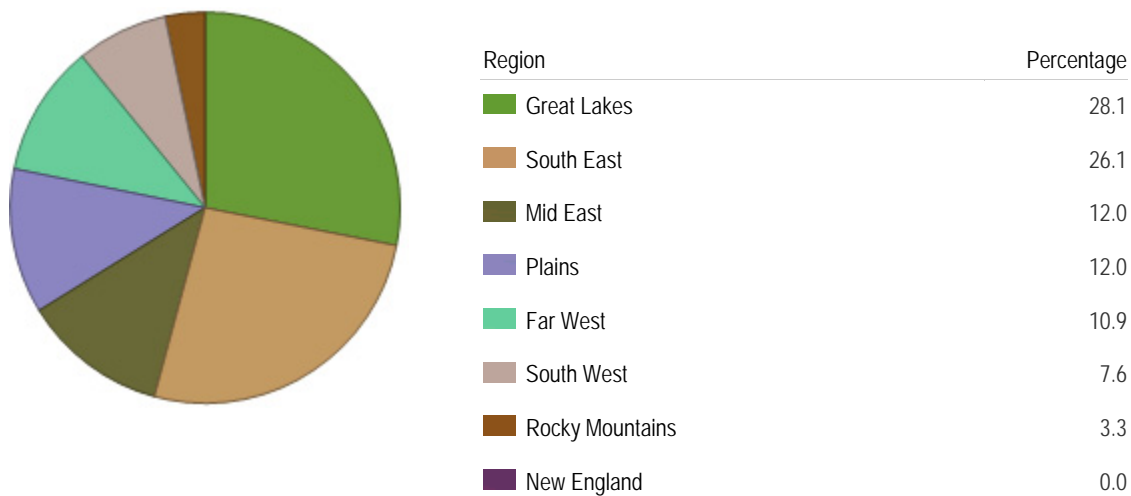
INDUSTRY CONCENTRATION

This industry is highly concentrated

- The largest four carmakers: General Motors, Ford, Chrysler and Toyota tend to dominate the industry. In 2007, the four companies accounted for an estimated 73.5% of industry revenue.
- The concentration level is expected to increase over the period 2007 to 2008 as the market weakens and a number of models and makes are withdrawn from the market.
- On a segment basis, concentration is higher in the pickup sector with the domestic manufacturers dominating as there is little competition from overseas products.

GEOGRAPHIC SPREAD

Year: 2008
 Spread of Establishments



- The majority of the establishments are located in the Great Lakes area with General Motors at Detroit and Ford located at Dearborn, Michigan. The state of Michigan itself employs over 19,000 people. Other states employing more than 10,000 people include Kentucky (which has Toyota plants), Missouri, and Ohio.
- Ford's plans to restructure, in a bid to increase its profitability after a dismal performance, are expected to witness closure of a number of plants throughout the United States in 2007 and 2008. The closure of these plants will lead to diminishing concentration of establishments in the Great Lakes region.
- General Motors closed its Linden, New Jersey assembly plant in early 2005 to end production of the Chevrolet Blazer and GMC Jimmy.
- All the majors are expected to rationalize their production facilities in the US in the next two years and this may lead to some small changes in the geographic spread.

Market Characteristics

MARKET SIZE

- The light truck manufacturing industry consists of a relatively small number of enterprises and establishments, but is a significant employer. In 2007, there were an estimated 66 enterprises operating from 90 establishments and employing 94,691 people. The number of establishments are expected to decline in 2008 as the major players rationalize production facilities owing to declining demand.
- Wages paid in 2008 is expected to reach \$6.84 billion, a decline of 5.0% over 2007. Wages contracted on an annualized rate of 4.8% over the current period, reflecting the decline in employment by 3.5% per year.
- In 2008, IBISWorld expects real industry revenue to reach \$139.76 billion, down by 2.4% over 2007 and value added to reach \$36.4 billion. Domestic demand is expected to reach \$177.20 billion in 2008, which is expected to decline by 1.4% over 2007. Over the current period revenue is expected to contract by an annualized rate of 4.6% and value added by 9.3%, while the US economy is expected to expand by 2.7% per year.
- For 2006 total light truck production volumes declined by 11.0% over 2005, as consumers moved away from less fuel efficient vehicles towards cars. This trend reversed in 2007, when production increased by 1.8% over 2006. However the market for light trucks in the US remained weak, with sales declining by 2.4% and market share of imported light trucks increasing from 15.4% in 2006 to 16.4% in 2007.
- IBISWorld expects industry performance to recover slightly in 2009 with revenue increasing by 1.4% over 2008 and value added by 4.0%.

LINKAGES

Demand Linkages

☰ 42111 - Automobile and Other Motor Vehicle Wholesalers in the US

The industry distributes light duty trucks and utility vehicles to franchised and independent dealerships.

☰ 44111 - New Car Dealers in the US

Major retailer of Light Trucks and Utility Vehicles in the US.

☰ 53211 - Passenger Car Rental and Leasing in the US

Car rental and leasing companies are significant purchasers of new light trucks and utility vehicles.

Supply Linkages

☰ 33631 - Motor Vehicle Gasoline Engine and Engine Parts Manufacturing in the US

Gasoline is a complement product to the operation of light trucks and utility vehicles.

☰ 33633 - Motor Vehicle Steering and Suspension Components (except Spring) Manufacturing in the US

Major supplier of steering modules and suspension components to the industry.

☰ 33635 - Motor Vehicle Transmission and Power Train Parts Manufacturing in the US

Major supplier of transmission and power train equipment to industry.

☰ 33636 - Motor Vehicle Seating and Interior Trim Manufacturing in the US

Major supplier of seating modules and interior trim products to the industry.

- ☰ 33637 - Motor Vehicle Metal Stamping in the US
Major suppliers of stamped products to the industry.
- ☰ 33639 - Other Motor Vehicle Parts Manufacturing in the US
Major supplier of various motor vehicle products to the industry.
- ☰ 33632 - Motor Vehicle Electrical and Electronic Equipment Manufacturing in the US
Major supplier of electrical and electronic equipment to the industry.
- ☰ 32551 - Paint and Coating Manufacturing in the US
Major suppliers of raw materials to the industry.
- ☰ 33111 - Iron and Steel Mills and Ferroalloy Manufacturing in the US
Major supplier of raw materials to the industry to produce stamped products.
- ☰ 33591 - Battery Manufacturing in the US
Supplier of motor vehicle batteries to industry.
- ☰ 33634 - Motor Vehicle Brake System Manufacturing in the US
Major supplier of brake systems to the industry.

DEMAND DETERMINANTS

- Determinants of demand include vehicle prices (which are determined largely by wage, material and equipment costs, manufacturers' incentives and exchange rates), incomes which determine affordability, interest rates, scrapping rates, product quality and product innovation.
- The level of import penetration is also a determinant of demand for domestically manufactured vehicles.
- Movements in fuel prices generally influence the demand for vehicles by type. During period of high fuel prices, more fuel efficient vehicles are in demand. For instance, throughout 2006, Japanese car makers offering more fuel efficient vehicles tended to take market share from manufacturers of large vehicles such as General Motors, Chrysler and Ford. Demand for hybrid vehicles in particular increased significantly.
- Increasing fuel costs in 2006 and 2007, dampened demand for light trucks in the US, other than hybrid models.

DOMESTIC AND INTERNATIONAL MARKETS

Domestic and International Markets Exports

Exports in this industry are medium

Exports in this industry are steady

Domestic and International Markets Imports

Imports in this industry are medium

Imports in this industry are steady

Domestic and International Markets Analysis

- In 2007 total imports amounted to \$57.75 billion and occupied 32.1% of domestic demand. For the same period, exports amounted to \$21.28 billion and accounted for 14.9% of industry revenue. Major trading partners for exports were Canada and Germany, while imports were mainly sourced from Japan, Canada and Germany.
- In 2007, domestic demand was estimated to be \$179.72 billion, a decline of 2.2% over 2006 and led to light truck sales in the US to decline by 2.4%.
- In 2008, domestic demand is expected to further decline by 1.4% to \$177.20 billion.
- Over the current period, export rose by an annualized rate of 5.7%, imports grew by 0.3% and domestic demand contracted by 4.1% per year.

BASIS OF COMPETITION

Competition in this industry is high

Competition in this industry is steady

- The most significant competitive basis is price, quality and product innovation such as the introduction of Sport Utility Vehicles (SUVs) and cross-over models.
- With overall improved quality among most manufacturers, buyers feel more free to use price to differentiate similar products. Consumers are increasingly better informed about a vehicle's actual cost and less likely to accept large annual price increases. In an era of low inflation, customers familiar with dealer cost information from consumer publications and the Internet have become more astute when negotiating the purchase of a vehicle.
- In calendar 2004, competition based on rebates intensified with US manufacturers providing cash rebates to shift 2004 models as inventory built-up. These rebates have become a key feature of the market as consumers trade-off healthy rebates with the additional cost of rising gasoline prices in the middle part of 2004. This has been true as gasoline price hikes tend to inhibit demand for the large truck, minivan, and large SUV segments.
- In November 2004, General Motors offered those who buy 2005-model vehicles using loans from its financing arm, the same interest rate on their next vehicle. To get the same interest rates on a subsequent vehicle, a buyer would have to buy it before the first loan expires.
- Incentives announced in March 2005 included additional rebates of \$1000 on models sitting unsold on dealer lots for more than four months.
- Facing strong competition from imports, General Motors led the introduction of employee discount scheme to all consumers in June 2005. By selling all light trucks at 5% below the list price to the dealer, GM managed a 41% sales increase for the month of June, 2005 compared with June, 2004.
- In June 2007, GM offered qualified buyers 0% financing for three years, with an additional \$1,000 cash on select vehicles such as certain Chevrolet, Buick, Pontiac and GMC vehicles.

- The average automotive manufacturer incentive in the US per vehicle sold in February 2006 was \$2,285, down \$140, or 6%, from January 2006, and down \$84, or 4%, from February 2005. Chrysler, Ford and General Motors spent an aggregate of \$3.07 billion, or 72% of the total; Japanese manufacturers spent \$502 million, or 17%; European manufacturers spent \$210 million, or 7%; and Korean manufacturers spent \$106 million, or 4.0%. Among vehicle segments, large SUVs continued to have the highest average incentives followed by large trucks. These incentives were deemed necessary to stimulate demand for these less fuel efficient but more profitable vehicles.

LIFE CYCLE

Life Cycle Stage

The life cycle stage is mature

Life Cycle Reasons

- No new group of buyers entering the market
- Sales are being dictated by domestic and world economic cycles
- IGP growth slower than US economy
- Some technology changes

Life Cycle Analysis

- Unlike previous periods, currently there is no untapped portion of the population that is about to enter the market. The baby-boomers and women have led the surge in the past. However, as these buyers are already in the buying pool, growth in the baby-boomers market will not significantly affect the total number of new light truck sales, although it is likely to affect the types of vehicles purchased.
- There has been some new technology introduced, but technology is accessible by most major players.
- Industry value added declined by an annualized 3.1% over the current period, while US GDP increased by 2.8% per year.

Industry Conditions

BARRIERS TO ENTRY

Barriers to entry in this industry are high
These barriers are steady

- The high cost of developing high volume production facilities can be a deterrent.
- The ability to fund research and development of environmentally-friendly vehicles is fast becoming mandatory.
- The ability to access technology of major global operators is necessary so as to participate globally.
- New entrants face the cost of developing high volume production facilities, in order to benefit from economies of scale.
- The need to comply with stringent environmental regulations in the future requires substantial investment in research and development.
- New/potential industry participants must be able to gain access to the technology of major global operators, as the present incumbents include some of the largest carmakers in the world that have considerable claims to new technology.

TAXATION

Goods	Tax Rate	Tax Type
Industry Specific Tax Relief	1 - 10%	Other

- A tax loophole is making large SUVs, pickups and minivans popular amongst small businesses. Current US tax law allows any vehicle that weighs 6,000 pounds or more to qualify as business equipment, permitting greater depreciation in the first year of a purchase, typically a deduction of more than \$30,000 instead of less than \$12,000 for a car. Critics of this loophole are pushing for legislation to close the loophole, while the vehicle makers, arguing that business equipment purchases can stimulate a flagging economy, plan a counter proposal that would make all vehicles eligible for the same kind of tax break as SUVs.

INDUSTRY ASSISTANCE

The level of Industry Assistance is low
The trend of Industry Assistance is steady

Key Tariffs

Goods	Low Rate	High Rate
Import Tariffs	2.5%	10.0%

- To lower costs and meet projected demand from emerging markets, and to avoid existing trade and investment restrictions, vehicle manufacturers have increased production in developing countries, including Mexico, Brazil and Eastern Europe. Mexico is an attractive production locale for automakers because of its low labor costs and proximity to the US border. Furthermore, the North American Free Trade Agreement (NAFTA) has eliminated most tariffs on trade between Mexico and the United States.
- The Department of Energy in 2004 provided \$350 million in assistance to stimulate science and research projects into hydrogen and fuel cells, which could cut the US dependence on oil and offer a cleaner energy source. All major automakers participated in the initiative to test hydrogen-powered fuel cells in motor vehicles.
- In July 2005, Ford, General Motors and DaimlerChrysler Corporation, as members of the US Council for Automotive Research (USCAR), signed cooperative research agreements with the US Department of Energy (DOE) to support continued research and development in the areas of lightweight material and advanced battery technologies for vehicles. The agreements, which include DOE funding and industry cost share, represent a total investment potential of \$195 million. Nearly all the DOE funding was passed via subcontracts to suppliers and research institutions through the US Advanced Battery Consortium (USABC) and US Automotive Materials Partnership (USAMP), both consortia of the USCAR. Most of the output would be applied to 2008 and 2009 models.

REGULATION AND DEREGULATION

The level of Regulation is medium

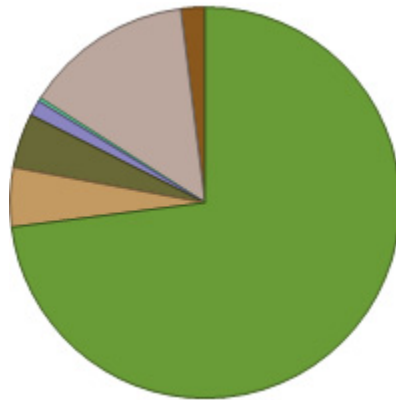
The trend of Regulation is increasing

- Automakers are required to comply with government regulations regarding safety, fuel consumption and pollution control.
- Federal law requires that a manufacturer recall a vehicle if it finds a defect that "poses an unreasonable risk to safety". The Government compiles complaints from consumers and will prod a manufacturer to recall a vehicle if warranted. The federal agency that enforces vehicle safety regulations is the National Highway Traffic Safety Administration (NHTSA).
- In 2004, NHTSA focus had been on roll-over propensity and in August 2004, for the first time issued rankings in single-vehicle crashes, assigning a percentage risk for different 2004 models. Many popular sport utilities, pickups and minivans, because of their high centre of gravity, are more prone to roll than cars.
- The Clean Air Act amendments of 1990 (CAAA) mandated that automakers reduce emissions from their manufacturing plants and contained several new vehicle regulations. First phased in with 1994 models, CAAA tailpipe standards required that nitrogen oxide and hydrocarbon emissions be cut 60% and 40%, respectively, by 1996. Additionally, automobiles sold in the United States must be equipped with fuel recovery canisters to prevent gasoline fumes from being released when the tank is filled.
- Beginning with 1998 models, centrally fueled fleets of more than 10 vehicles were required to cut hydrocarbon and toxic chemical emissions by 75%, which would lead to the use of alternative fuels. All domestic and most foreign automakers are investing in research on how to use alternative fuels. They also are marketing limited numbers of modified vehicles that can run on either gasoline or alternative fuels such as ethanol, methanol, propane, and natural gas or electricity derived from batteries or solar power.

- In early April 2003, federal regulators approved the first increase in US fuel economy regulations in nine years, requiring vehicle makers to increase the average fuel efficiency of light trucks by 1.5 miles per gallon by 2007. The new regulation requires light truck fleets to average 21.0 miles per gallon (mpg) in the 2005 model year, 21.6 mpg in 2006 and 22.2 mpg in 2007.
- In August 2004, California released its plan to reduce greenhouse gas emissions from cars and trucks by about 30% by requiring costly technology to control air pollution in new cars. The California Air Resources Board indicated that the initial phase from 2009 through 2012, the plan calls for regulation requiring technology to reduce emissions by about 25% for cars and light trucks, and by about 18% for larger trucks and sport-utility vehicles. When it is fully implemented after 2016, the recommended regulation would reduce emissions by up to 34% for cars and light trucks and by 25% for larger vehicles. California accounts for nearly 13% of the US auto market.
- In late March 2006, the Transportation Department outlined the new Corporate Average Fuel Economy (CAFE) to include light trucks. The Department confirmed that by 2011, light trucks, such as minivans, must get 24.1 miles per gallon, 1.9 mpg more than their 2007 target. For the first time, the biggest SUVs, like the Hummer H2, will be subject to fuel efficiency requirements. However, the largest pick-ups are exempt from the standards because they are considered work trucks and not used for everyday driving. Meeting these new standards will cost the industry an estimated \$6.7 billion and raise the average cost of a light truck by about \$200. The additional cost to the price of a light truck could be recouped over a couple of years through fuel savings.
- American Honda Motor Co. engaged in a voluntary program to provide safety information to consumers by placing US government crash test ratings in the window stickers of all 2006 model year Honda and Acura cars and light-duty trucks. All vehicle window stickers display the star ratings awarded under the National Highway Transportation Safety Administration's (NHTSA), New Car Assessment Program (NCAP) for frontal, side and rollover crash safety test ratings.
- The US Supreme Court has ruled in a landmark case in April 2007 that the Environmental Protection Agency has the authority to regulate vehicle emissions that are contributing to global warming. Some 25% of greenhouse gases generated in the US were attributable to car and truck exhausts.

COST STRUCTURE

Year: 2008



Item	Cost %
Purchases	73.0*
Wages	4.9*
Depreciation	4.5*
Rent	1.3*
Utilities	0.3*
Other	14.0*
Profit	2.0*

- Purchases as a percentage of revenue (73%) is the largest cost item of the industry. Any gains from cost reduction has to be from purchases by streamlining the procurement processes and identifying new supply chains. Goods purchased include metals such as steel and parts from Tier 2 and Tier 3 component suppliers. Steel prices continued to increase in 2006 but are expected to ease during 2008. In December 2006, the US International Trade Commission (ITC), revoked anti-dumping and countervailing duty orders on corrosion resistant steel from Australia, Canada, France and Japan, but it left orders in place on imports from Germany and Korea until the next review in 2011. Automakers and suppliers had successfully lobbied for the revocation, arguing that measures once put in place to help a struggling steel industry were no longer necessary now that the steel industry had restructured and was profitable.
- Wages as a proportion of industry revenue is expected to decline in 2008 following an increase in productivity. However, the Big Three (GM, Ford and Chrysler) continued to carry deferred liabilities associated with healthcare and retirement benefits of its employees. Over the forecast period, value added per employee is expected to increase at an annualized rate of 7.6%.
- Profits vary amongst the major players, with the Big Three registering losses as demand for large trucks declined following sustained increases in fuel prices. The Asian manufacturers such as Toyota, Nissan and Honda managed to increase their market share following the introduction of smaller more fuel efficient SUVs.
- The Other segment includes administrative expenses, transport expenses and R&D expenses.

CAPITAL AND LABOR INTENSITY

The level of Capital Intensity is high

- It requires a significant level of capital investment to operate in this industry.
- The manufacturing process is highly automated and mechanized.
- Labor intensive components are outsourced and are purchased in modules.
- Assembly requires some labor input.

- The industry is capital intensive with wages accounting for a low proportion of revenue (4.9%). Expenditure on wages accounts for a larger proportion of revenue than does capital, with a typical firm in the industry using approximately 1.1 units of labor for each unit of capital.
- Large scale production requires significant capital for automated processes to be installed. Economies of scale prevail for successful entry into the market.
- Components are purchased in modular form and are assembled in automated production lines. However, final assembly requires some labor input.
- Results from the 2005 Economic Census as reported by the U.S. Bureau of Census in November 2006, indicate a medium level of capital intensity with the wages and salaries to capital expenditure ratio in 2005 equating to 4.8.

TECHNOLOGY AND SYSTEMS

The level of Technology Change is medium

- The use of the Internet and supercomputers has allowed automobile designers to create engines, interiors, and even an entire vehicle in a relatively short period of time. Many automakers have expressed interest in shortening the time to market to two years or less. This includes designing, testing and producing a vehicle. This allows the production of state-of-the-art designs and prevents the situation in which designs are dated by the time they reach the market.
- The Internet allows engineering teams in different parts of the world to work and view three-dimensional designs simultaneously over computer networks. It also allows for 24-hour development as tasks are delegated from shift to shift across different continents, countries, and time zones.
- The use of computer-aided design ultimately should lead to more uniform product cycles because key design questions can be answered in days rather than months. Similarly, a part can be modeled and prototyped in hours rather in days. These technological innovations save time and also reduce development costs.
- According to a report by BearingPoint in conjunction with Automotive News and the Original Suppliers Association (OESA), future warranty costs could be reduced significantly with improved collaboration among vehicle manufacturers, tier one suppliers and their suppliers.
- General Motors has developed 'Displacement on Demand' technology that will help fuel consumption levels in sport utility vehicles. GM has started to fit DOD technology to three of its V8 SUV models in 2004 and extend the technology on most new SUVs and pick up trucks by 2008. The DOD technology will automatically shut off half of a V8 engines cylinders, effectively turning the engines into a more effective four-cylinder engine. This process is carried out automatically when a vehicle travels at a constant speed or when it is carrying a relatively light load.
- In January 2006, Ford unveiled the Escape Hybrid E85, which is the world's first hybrid vehicle capable of operating on blends of fuel containing as much as 85% ethanol, a renewable fuel that can be produced from American-grown corn or sugar beets. However, it should be noted that Ford currently buys all of the hybrid transaxles it needs from Aisin, a member of Toyota's supplier group. Toyota is currently regarded as the industry leader in hybrids though Ford has made it clear it wants to develop its own expertise.
- Ford has invested heavily into plug-in hybrid electric vehicles (PHEVs).

INDUSTRY VOLATILITY

The level of volatility is high

- Affordability is linked to wages, product prices and employment levels. Affordability increased in the later stages of the current period as employment levels increased.
- The level of incentives offered by manufacturers to consumers impacts on price of vehicles.

- The number of new models introduced in a given period in time leads to propensity for consumers to upgrade purchases.
- High fuel prices led to demand for light trucks to decline over the period 2004 to 2007 after peaking in 2003.

GLOBALIZATION

The level of Globalization is high

The trend of Globalization is steady

- The big three manufacturers: General Motors, Ford and Chrysler have interests in a number of car manufacturers worldwide. For instance, in 1999, Ford which effectively controls Mazda, acquired Volvo's car operations. GM has interests in Fiat, Saab, Isuzu and retained a small stake in Suzuki, after selling most of its 21% stake in March 2006.
- GM has invested heavily in China over the last three years to more than double production capacity in a bid to reign in the market leader - Volkswagen. Vehicle sales in China reached more than 5.8 million units by the end of 2006. Not surprisingly, GM has moved its Asia-Pacific headquarters from Singapore to Shanghai in January 2005 and spent \$250 million with a local partner to expand a design center in China. In 2006, GM saw the majority of its sales and production generated outside the United States for the first time and IBISWorld believes that the trend should persist over the next decade.

Key Factors

KEY SENSITIVITIES

The key sensitivities affecting the performance of the Light Truck and Utility Vehicle Manufacturing industry include:

Consumer Sentiment Index

Description: The level of consumer confidence.

Increases in the consumer sentiment index would increase the propensity for consumers to purchase new motor vehicles.

Domestic Price - Gasoline (Retail)

Description: The domestic retail price of gasoline - historical and forecast data and analysis

Any significant increase in gasoline prices would lead to postponement of new motor vehicle purchases, in particular large cars and light trucks.

Domestic Price - Metals - Steel

Description: The price of inputs such as steel - forecast and historic data and analysis

Any increases in steel prices would lead to increases in prices of automobiles and light trucks and therefore dampen demand. Steel is a key input in the manufacture of motor vehicles.

Exchange Rates - Trade Weighted Index

Description: US Trade Weighted Index shows the value of the US dollar against major currencies; Base Year 1973 - historical and forecast data and analysis

Exchange rates play a significant part in remaining competitive as the market has Korean automakers at the low end, the Japanese in the middle range and the Europeans at the high end.

Interest Rates - Bonds - 3 Month Bond Rate

Description: Interest rate movements affect investment mix.

Increases in interest rates decreases the affordability of motor vehicles.

KEY SUCCESS FACTORS

The key success factors in the Light Truck and Utility Vehicle Manufacturing industry are:

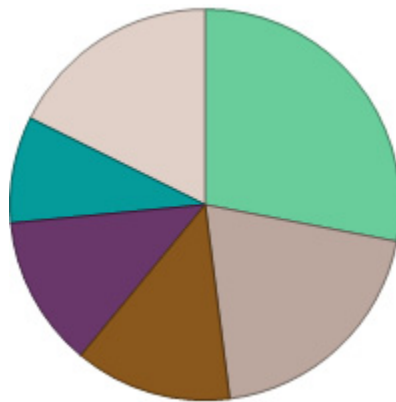
- **Effective cost controls**
Close relationship with suppliers and good distribution channels, provides control of supply and demand channels.
- **Flexibility in determining expenditure**
Controlling employee related costs such as health and pension costs would lead to a cost based competitive advantage.

- Establishment of export markets
Development of export markets so as to increase production volumes and associated economies of scale.
- Use of most efficient work practices
Good industrial relations through motivated workforce would produce collaborative results between management and labor.
- Access to the latest available and most efficient technology and techniques
The degree of investment in technological improvements and product development. In particular, investment in web-enabled design techniques.
- Optimum capacity utilization
The level of plant utilization determines unit costs and near full utilization would lead to lower unit costs.
- Must comply with government regulations
Understanding implications from Government policies and regulations, especially those that concern the environment.

Key Competitors

MAJOR PLAYERS

Market Share



Major Player	Market Share Range
General Motors Corporation	28.00% (2007)
Ford Motor Company	20.00% (2007)
Toyota Motor Corporation ADS	13.00% (2007)
Chrysler Holding Llc	12.50% (2007)
Honda Motor Company, Limited	8.80% (2007)
Other	17.70% (2007)

PLAYER PERFORMANCE

General Motors Corporation

Market Share: 28.00%

General Motors Corporation (GMC) is the world's largest maker of cars and trucks. Its North American brands include Buick, Cadillac, Chevrolet, GMC, Oldsmobile, Pontiac and Saturn. The company also markets vehicles worldwide under the Holden, Opel, Saab and Vauxhall nameplates. GM has divested some non-core activities so as to concentrate on manufacturing vehicles.

GM has consolidated its North American car and truck operations to cut costs and has phased out its weak selling Oldsmobile nameplate. Severe financial losses in 2005, prompted General Motors to embark on a wide-reaching cost reduction program in its North American operations. The losses in 2005 was due to:

- Unfavorable product mix, which adversely affected net income by approximately \$2.2 billion due primarily to reduced demand for large utility vehicles, which were reaching the end of their product life cycle, as well as declines in sales of higher margin large cars;
- Production volume decreases of 7% attributable to market share decline accounted for a decrease of net income of \$2.1 billion;
- Unfavorable material costs of \$700 million;
- Increased health-care expenses;
- Advertising and sales promotion cost increases to further increase product awareness; and
- Restructuring charge of \$1.7 billion.

General Motors market share of the light truck market in the US fell from 30.0% in 2003 to 29.0% in 2004 and a further half a percentage point to 28.5% in 2005. Strong competition from Toyota and Nissan contributed to the decline.

In 2001, sales revenue derived from its United States operations was \$132.0 billion, down 3.2% from 2000. Net income for all operations in 2001 was \$601 million, significantly lower than that posted in 2000, owing to significant price pressures and provision of incentives to bolster market share. In North America, GM stepped up efforts to cut its structural costs by not replacing workers who retired and drove for greater productivity among those who remained. GM also cut material costs in 2002 through a combination of price cuts from suppliers and engineering and design changes, some at the suggestion of parts makers.

In September 2002, GM announced zero percent finance offers on terms up to 60 months for qualified buyers on the purchase of all new 2002 GM models including Buick, Cadillac, Chevrolet, GMC, Hummer, Oldsmobile, Pontiac, Saab and Saturn.

General Motors confirmed that its Orion Township, Michigan assembly plant will build the next generation Pontiac Grand Am line. GM spent approximately \$300 million to renovate the plant to build the new cars and production began in the second-half of 2004.

Consolidated revenue for the full year ended December 2002 amounted to \$186,763 million and net income after tax amounted to \$1,736 million. This was made possible as the automotive market rebounded after near recession conditions in 2001.

To bolster its declining market share, General Motors spent \$2 billion overhauling its small car offerings. GM used models from its Daewoo Motor (GMDAT) operation to bolster its small car offering, with GMDAT cars being sold under the Chevrolet and Suzuki brands.

General Motors reported 2003 consolidated net income of \$3.8 billion, compared with \$1.7 billion in 2002. Revenue rose 4.6% to \$185.5 billion from \$177.3 billion in 2002. For 2003, GM North America (GMNA) earned \$1.2 billion down from \$3.1 billion in 2002. The lower earnings were due to lower production volumes and higher pension and health-care costs that were partially offset by reduction in overall costs.

During fiscal 2004, consolidated revenue amounted to \$193.517 billion and net income in the same period amounted to \$2805 million. Revenue increases were due to generous incentives provided on all models. GM's lower profit performance in 2004 was due to higher costs related to health benefits and rising interest expense on its debt. GM also failed to protect its US market share in the light truck segment in 2004, even though the market grew by 4.4%.

In total, GM spends \$2500 more than Toyota to build each truck in the US. Around half of the difference comes from inefficient factories and the remainder from the fact that GM has about 2.5 retirees getting pensions and health benefits for every active worker. Health-care costs are to increase to \$5.6 billion in 2005. According to industry sources, the retiree portion of GM's cost disadvantage against rivals will peak by the end of 2007 and disappear in 2015.

Meanwhile, intense competition from its rivals will see GM's US market share to fall well below 25% in 2009 if no productivity related strategies are implemented in its manufacturing plants in the US. In early 2005, GM lost market share to Toyota and Nissan as they expanded SUV and truck offerings. However, GM's employee discount incentive scheme in June 2005, arrested this trend when sales of GM vehicles in the US increased by 41% in the month of June, 2005.

Consolidated revenue for 2005 amounted to \$192.6 billion and posted a loss of \$10.567 billion. A significant loss by General Motors North America, primarily due to lower production volume, weaker product mix as consumers shifted away

from large SUVs to more fuel efficient cross-over vehicles, material cost pressures, and higher healthcare costs are factors contributing to the overall net loss for 2005.

General Motors has developed strategies to regain profitability, which include closing four assembly plants and five other plants, with a loss of 30,000 jobs by 2008. The move will reduce GMNA assembly capacity by about one million units by the end of 2008, in addition to the previously implemented reduction of one million units between 2002 and 2005.

In late March 2006, General Motors together with its bankrupt supplier Delphi, offered retirement and severance packages to all of its 130,000 blue collar workers as it tries to avert financial collapse. The offers amount up to \$140,000 for each worker and thousands of workers are expected to accept the deal struck with the United Auto Workers (UAW) union. The jobs would be replaced with new ones that pay a fraction of current wages as General Motors adjust to a global economy. The offers were taken up by a majority of workers.

Meanwhile, General Motors has agreed to sell its 7.9% stake in Isuzu to Mitsubishi Corp., ITOCHU Corp., and Mizuho Corporate Bank for \$300 million, after selling 17.4% stake back to Suzuki in early March 2006 for \$1.98 billion and all of its stake in Fuji Heavy Industries in 2005.

General Motors has also agreed to sell 51% controlling interest in finance arm General Motors Acceptance Corp. (GMAC) to a consortium of investors led by Cerberus Capital Management, Lp, a private investment firm, and including Citigroup and Aozora Bank. General Motors expects to receive approximately \$14 billion in cash from this transaction over three years with an estimated \$10 billion from the time the deal was closed in the fourth quarter of 2006.

GM's performance in China has been strong, even while growth has slowed relative to previous few years, China remains the world's fastest growing automotive market with 13% growth in 2005 over 2004.

In November 2006, GM announced that it intends to produce a Saturn Vue Green Line plug-in hybrid that has the potential to achieve double the fuel efficiency of any current SUV. The proposed SUV, featuring the modified 2-mode hybrid system with plug-in capabilities, is part of GM's effort to offer the market a broad choice of hybrid systems at various levels of affordability. The first front-wheel-drive application of the 2-mode hybrid system (without plug-in technology) in the Vue Green Line will debut in 2008.

GM's restructuring efforts seem to have paid-off with the company reducing its losses in 2006 to \$1,978 million from revenue of \$207,349 million. GM's improved results was due to selling lots of vehicles at high transaction prices and reducing costs. GM sold 9.1 million vehicles worldwide in 2006. For the second consecutive year, unit sales outside of the US surpassed domestic sales with almost 5 million units, or 55% of global volume.

Further restructuring gains were evident during the first-half of 2007, when GM posted net income of \$953 million from revenues of \$89.8 billion. In its automotive operations, global market share was down slightly at 13.3%, compared to 13.7% a year ago, driven by a softer US market and a reduction in fleet sales. Market share outside North America increased only fractionally from 9.2% to 9.4%.

Consolidated Financial Performance

Year	Million Dollars Revenue	Percent Growth	Million Dollars Income	Units Employment	Percent Growth
2001	177260	N/C	601	365000	N/C
2002	186763	5.4%	1736	350000	-4.1%
2003	185524	-0.7%	3822	326000	-6.9%

2004	193517	4.3%	2805	324000	-0.6%
2005	192604	-0.5%	-10567	335000	3.4%
2006	207349	7.7%	-1978	280000	-16.4%

Source: hoovers.com

Ford Motor Company

Market Share: 20.00%

Based in Dearborn, Michigan, Ford is the third largest manufacturer of motor vehicles in the world. Its nameplates include Ford, Land Rover, Jaguar, Lincoln, and Mercury vehicles. Ford owns a controlling (33%) interest in Mazda. Ford's Volvo passenger vehicle business and Land Rover Sports Utility Vehicle operations give the company a larger European presence.

Models on offer in the light truck market in US include: Ford Escape, Explorer, Freestyle, Escape Hybrid, and Expedition; Lincoln Navigator; Mercury Mariner, Mountaineer and Mariner Hybrid; Mazda Tribute and CX-7; Volvo XC90; and Land Rover LR3, Range Rover and Range Rover Sport.

The year 2001 was dismal for the Ford Motor Company when total revenue fell by 4.5% to be \$162.4 billion, and more significantly when the company posted an adjusted loss of \$782 million. The main factors contributing to the loss were the decline in market shares in traditional markets such as the American light trucks segment to General Motors and Toyota, bullish acquisitions, distraction from core activities and the Firestone tire episode, which led to a number of fatal accidents of Ford utility vehicles that were fitted with defective Firestone tires.

In September 2002, Ford closed its Oslo-based Think electric vehicle division due to poor customer demand and lack of government support for the environmentally friendly cars. Ford which bought Norway-based Think in 1999 for \$23 million and invested \$100 million in electric vehicle battery technology, focus on developing fuel cell and hybrid gasoline-electric vehicles to meet environmental regulations for cars and trucks. To this extent, Ford reached agreement with Toyota, in March 2004, to use the latter's hybrid fuel system under a licensing agreement.

In a bid for a distinctive sales incentive, Ford Motor announced in September 2002 that buyers of 2002 Ford-brand models may put off payments until January 2003. Although this incentive comes common with other retailers, it is rare among automobile manufacturers. Ford's offer was another mark in the industry's incentive war where consumers were already getting no-interest loans as long as five years or thousands of dollars in cash rebates on certain models.

Consolidated revenue for 2002 was \$163.420 million and it posted net loss of \$980 million in the same period. North American operations narrowed their loss from \$849 million a year earlier to \$50 million in the third quarter. This was due to a rebound in sales of the Explorer, a 62% decline in safety recalls compared with 2001 and a 5% reduction in warranty repair costs per vehicle.

For the full 2003 year, Ford's Automotive revenue was \$138.4 billion, up 3% from \$134.3 billion in 2002. For 2003, Ford's worldwide automotive sector earned a pre-tax profit of \$104 million in 2003, a \$357 million improvement from a loss of \$253 million a year ago.

North American operations posted a full-year 2003 pre-tax profit of \$1.8 billion, compared with \$2.5 billion in 2002. The decline was primarily due to the absence of an increase in dealer stocks in 2002, unfavorable net pricing, lower market

shares and unfavorable exchange rates, partially offset by cost savings. Full-year revenue totaled \$83.6 billion, down from \$87.1 billion in 2002.

In June 2004, Ford announced the introduction of the first petrol-electric hybrid sport utility vehicle in the market - Escape (Maverick) Hybrid. However, the hybrid vehicle cost at least \$3300 more than a standard Escape SUV. Ford's move to introduce the hybrid was based on the belief that the petrol price surge has generated interest among US consumers in fuel-efficient hybrid engines, although roomy SUVs remain more popular than smaller cars. The other hybrid vehicle it manufactures is the Mercury Mariner. The success of its hybrid vehicles prompted Ford into building more hybrid versions of existing vehicles. Ford plans a multi-pronged fuel-efficiency strategy that will also rely on other technologies including vehicles capable of burning plant-derived ethanol.

During fiscal 2004, consolidated revenue amounted to \$171.652 billion and net income for the same period amounted to \$3487 million. Ford's increase in net profit in 2004 was mainly due to strong performances by Ford credit and Hertz. Ford is facing significant costs for health care for its employees (these obligations raised costs by \$1000 per vehicle in 2004) and its share of the US market fell from 19.2% in 2003 to 18.0% in 2004.

Total revenue for 2005 amounted to \$177,089 million and net income amounted to \$1440 million. North American automotive operations reported a pre-tax loss of \$1.6 billion, a decline of \$3 billion from 2004. Lower dealer inventories, unfavorable vehicle mix, lower net pricing and higher warranty and material costs contributed to the deterioration.

In response to this dismal performance, Ford has developed a comprehensive plan to restore profitability to its automotive business in North America no later than 2009. The plan includes axing 45,000 jobs and product investments in new vehicles in new segments to reach more customers - including more crossovers - while maintaining truck leadership. Fourteen manufacturing facilities are to be closed with capacity reduced by 1.2 million units or by 26% in 2008, resulting in significant cost savings. Ford only used 79% of US production capacity in 2005 down from 86% in 2004.

Ford cut its vehicle production in the fourth quarter of 2006 by 20%. A large proportion of this reduction in production impacted on its once popular F-Series pickup truck.

Similar to other major manufacturers, Ford is attempting to set-up a flexible power train in its new hybrid vehicles with plug-in capabilities. One such vehicle is the Edge crossover.

Ford posted its biggest loss of its 103 years history in 2006, when it posted a loss of \$12,613 million from revenue of \$160,123 million. Even excluding special items, Ford's full-year after-tax loss from continuing operations was \$2.8 billion. Special items primarily reflected costs associated with restructuring efforts and fixed asset impairments. In 2006, more than 38,000 of Ford's hourly employees accepted buy-out offers and efforts continued to axe the equivalent of 14,000 white-collar posts.

In March 2007, Ford sold Aston Martin to an investment group for \$925 million, but retained a stake valued at about \$77 million.

In 2007, Ford reported a full-year net loss of \$2.7 billion, a significant improvement compared with the 2006 net loss of \$12.6 billion. Revenue, excluding special items, rose to \$173.9 billion from \$160.1 billion in 2006. The increase was due primarily to changes in exchange rates, higher net pricing and improved product mix.

Consolidated Financial Performance

Year	Million Dollars Revenue	Percent Growth	Million Dollars Income	Units Employees	Percent Growth
2001	162412	N/C	-5453	354431	N/C
2002	163420	0.6%	-980	350321	-1.2%
2003	164196	0.5%	495	327531	-6.5%
2004	171652	4.5%	3487	324864	-0.8%
2005	177089	3.2%	1440	300000	-7.7%
2006	160123	-9.6%	-12613	N/A	N/C
2007	173900	8.6%	-2700		N/C

Source: hoovers.com

Toyota Motor Corporation ADS

Market Share: 13.00%

Toyota, which is the second largest motor vehicle manufacturer in the world, began production in the US in 1984 through NUMMI, its joint venture with General Motors at Fremont. Toyota has consolidated its North American production units into Cincinnati-based Toyota Motor Manufacturing North America.

Toyota offers the US market the following light trucks: Tecoma, Tundra, Highlander (including a hybrid version), Sienna, Sequoia, RAV4, Land cruiser, FJ Cruiser and 4 Runner.

The demand for SUVs and pick-ups led to the introduction of Tundra. Toyota has also increased production in emerging markets such as India and China.

North American sales amounted to \$43.9 billion and constituted of 29% of total sales in 2001.

Globally, Toyota's net profit rose 16% to a record \$3.81 billion for the year ended March 31 2001 as sales rose by 4.2%. Toyota's world-wide vehicle sales rose 6.6% to 5.5 million units for the year. In the US, Toyota's revenue rose 6.4% due in part to strong sales of sport-utility vehicles such as the Sequoia and Highlander.

For the full year ending March 2002, total revenue from North American activity amounted to \$41,642 million. However, revenue attributable to this industry was estimated to have been \$25,365 million.

Toyota worldwide reported an operating profit of \$6.25 billion for the fiscal year ending March 2003. This represented an increase of 49.6% compared with previous year. Factors that had contributed to Toyota's strong performance include cost reduction, improved sales in the US and a resurgent Euro.

In March 2003, Toyota had five final vehicle assembly plants operating in North America, one each in Kentucky, Indiana and California, along with one plant each in Canada and Mexico. A sixth plant began production of full-size pick-up trucks in San Antonio in 2006. By the end of 2006, Toyota finished building capacity to produce 1.66 million vehicles in North America. This implied that Toyota would be able to sell as many as 2.5 million vehicles while achieving its self-imposed 65% local content ratio. It is assumed that 35% of Toyota's North American sales would be imported from Japan. However, Toyota sold 2.06 million vehicles in North America in 2003. This implied that Toyota would have to further increase production capacity in North America, which it did in 2006 and first-half of 2007.

For the fiscal year ending March 2004, consolidated revenue amounted to \$163.637 billion and net income amounted to \$10.995 billion. Expansion in production and efficiency gains at its plants countered the impact of the Yen's 7.3% gain against the US dollar in 2004.

For 2005 total revenue amounted to \$172.749 billion up from \$163.637 billion in 2004. Net income declined slightly to \$10.907 billion in 2005 from \$10.995 billion in 2004, owing to higher material costs and competitive pressures. Attributable revenue for this industry in was estimated to be \$18,946 million.

Toyota has been able to increase its market share in the US by offering fuel-efficient vehicles in an environment of high fuel costs. Global sales of Toyota's hybrid vehicles have increased to over 500,000 units by the end of October 2005. Furthermore new models have also added to the attraction of Toyota light duty vehicles in the US.

Toyota in 2005 was involved in the largest recall of vehicles in 2005, when it recalled 2.4 million units. The early recall portrayed Toyota as a responsible manufacturer in North America.

Toyota became Fuji Heavy's largest shareholder in October 2005, after GM sold its stake in the company. Toyota now owns 8.7% of Fuji Heavy Industries.

Toyota generated \$179,083 million in revenue in 2006 and posted net income of \$11,681 million as sales volumes increased in all its markets.

As part of Toyota's overall disaster relief effort, Toyota Financial Services (TFS) announced in late October 2007, that it is offering a number of payment relief options for its customers directly impacted by the wildfires that ravaged many parts of Southern California.

Consolidated results for 2007 showed significant improvement in its financial performance. Strong demand for its products around the globe led to total revenue increasing by 13.3% to \$202,864 million and income increasing by 19.2% to \$13,927 million.

Consolidated Financial Performance

Year	Million Dollars Revenue	Percent Growth	Million Dollars Income	Percent Growth
2002	107443	N/C	4177	N/C
2003	128965	20.0%	6247	49.6%
2004	163637	26.9%	10995	76.0%
2005	172749	5.6%	10907	-0.8%
2006	179083	3.7%	11681	7.1%
2007	202864	13.3%	13927	19.2%

Source: hoovers.com

Chrysler Holding Llc

Market Share: 12.50%

Daimler-Benz's \$37 billion acquisition of Chrysler in 1998 formed DaimlerChrysler, the world's fourth largest carmaker. Before the merger, Chrysler's nameplates included Chrysler, Dodge, Eagle, Jeep and Plymouth (phased out in 2001)

while Daimler-Benz was best known for its luxury cars and heavy trucks. It was hoped that the merger would expand Chrysler's international market while helping Daimler-Benz's expand its product line.

However, in 2007, DaimlerChrysler sold 80.1% of its Chrysler Group operations to investment group Cerberus Capital Management renamed itself Daimler AG.

Chrysler LLC, headquartered in Auburn Hills, Michigan, is a wholly owned subsidiary of Chrysler Holdings LLC, which in turn is owned 80.1% by Cerberus Capital Management LP and 19.9% by Daimler AG. Chrysler LLC consists of Chrysler Motors Company LLC and its subsidiaries - Chrysler Canada Inc. and Chrysler de Mexico S.A. de C.V. as well as other international automotive affiliates. These companies design, engineer, manufacture, assemble and sell cars and trucks under the brand names Chrysler, Jeep, Dodge and GEM. Chrysler also provides its customers with parts and accessories marketed under the Mopar brand name and offers financial services through its subsidiary Chrysler Financial.

In July 2002, Chrysler, announced an aggressive strategy for growth based on tackling Japanese competition in the US and abroad, in a bid to boost global sales by 30% in a decade. The plan, which involved a greater focus on high-volume passenger cars, is a shift in emphasis towards lower margin passenger cars at its North American unit to make the strategy work. The strategy kicked-off during the fourth quarter of 2002 with the launch of 11 new products. However, Chrysler did not match its rivals in their use of financing incentives to sell vehicles. Instead, Chrysler adopted flexible manufacturing systems to ensure better matching of supply and demand.

Estimated revenue for year ended December 2003 was \$65.5 billion, up from \$60.4 billion in 2002. Revenue increases were due to an improvement in the Chrysler range volume sales.

It was reported in February 2004, that Chrysler decided to offer rebates of up to \$4500 on 2004 long wheelbase minivans and rebates of up to \$3500 on short wheelbase minivans. Chrysler led the minivan segment despite gains by Japanese rivals, selling 370,000 minivans in the US in 2003, down approximately 8% from 2002.

Estimated revenue for fiscal 2004 was \$73.9 billion, up from \$65.5 billion in 2003. The increase in revenue was made possible by increasing sales of new models such as the Dodge Magnum.

Chrysler Group's Warren Truck Assembly Plant in Warren, Michigan began operating three shifts to keep up with demand for recently redesigned Dodge Ram and Dakota pickup trucks. The third shift was added in early 2004 and created 900 jobs. The plant's capacity was increased and also improved its flexibility to accommodate the fully redesigned 2005 Dakota, meet changing customer demand and add future product.

Chrysler gained market share in the US in 2004 for the first time in five years with new products. However, Chrysler was still hindered by the high costs of lawsuits and health-care costs for employees, retirees and dependents. It is estimated that in 2004, health-care costs added about \$1400 to the cost of each Chrysler truck.

Worldwide, in 2004, the Chrysler Group posted factory unit sales of 2.8 million passenger cars, minivans, sport-utility vehicles and light trucks, a 5% increase over 2003. Worldwide retail sales increased by 4% to 2.7 million vehicles.

Estimated revenue in 2005 declined to \$69.2 billion following declining sales of its SUV range following high gasoline prices.

In August 2006, Chrysler started production of the 2007 Aspen SUV, essentially a high-end version of the Dodge Durango, at its Newark Assembly Plant following a \$180 million retooling and body shop renovation that allow the facility to build two models on one assembly line.

In October 2006, Chrysler began a strategic review of its business, highlighting the pressing need for it to restructure after sustaining heavy losses. However, Chrysler is pushing ahead with Project Refocus, which aims to cut \$1000 from the cost of each vehicle it builds.

In November 2006, Chrysler halted development work on a new model code-named CT that was due to replace the Chrysler Pacifica in 2008. The CT is a crossover utility vehicle.

Chrysler is believed to have posted revenues of \$77.1 billion in 2006, but revenues declined to \$73.2 billion as sales in the US fell in 2007.

Cerberus Capital Management, the current parent of Chrysler, is seeking returns on its investment and is pushing for Chrysler to build smaller cars that are competitive. To this extent, it has struck a deal with Chery Automobile of China for the building of small cars. Chery will build a small car based on modifications to one of its domestic models, and it will be branded as a Dodge, Chrysler, or Jeep. The cars, to debut sometime in 2008, will be sold in Europe, India, China in addition to the US.

Meanwhile to cut costs, Chrysler is considering shutting down or selling some assets it considers non-core to its long-term strategy. Chrysler wants to sell its high performance auto parts business, and Chrysler Transport, which manages the flow of parts and supplies to Chrysler's plants.

Chrysler has also struck a deal with United Auto Workers (UAW) that allows UAW to manage a \$11 billion retiree health care trust funded by Chrysler. Chrysler is to cut between 8,500 and 10,000 hourly jobs through 2008. Four models are also expected to be cut which include the Dodge Magnum, the Chrysler PT Cruiser convertible, the Chrysler Crossfire convertible, and the Chrysler Pacifica crossover.

In the short-term it has cut production by eliminating some shifts in several North American assembly plants.

Estimated Chrysler Group Revenue

Year	Billion Dollars Revenue	Percent Growth
2003	65.5	N/C
2004	73.9	12.8%
2005	69.2	-6.4%
2006	77.1	11.4%
2007	73.2	-5.1%

Source: IBISWorld Estimates

Note: Constructed from Estimated US Market Shares

Honda Motor Company, Limited

Market Share: 8.80%

Honda Motor Company is a significant automobile maker in the US. The company operates over 110 production facilities in more than 30 countries. In the US, its subsidiaries include American Honda Motor Co., Inc. and Indiana Precision Technology, Inc. Other than manufacturing cars and light trucks, the company also manufactures motorcycles and power products including engines. Light Truck models include the Acura, Acura RD-X (small SUV), Pilot, Element, CRV and Ridgeline Truck.

In 1999, Honda and General Motors agreed to a deal whereby Honda was to supply low-emission V6 engines and automatic transmissions to GM, while GM's Isuzu supplied diesel engines to Honda. In 2001, Honda set up a solar-powered hydrogen research station in California as part of its plans to develop renewable-energy fuel cell vehicles.

Sales from the North American market amounted to \$32,330 million in 2002 from total sales of \$55,253 million. However revenue attributable to this industry was estimated to be \$18,770 million.

Honda Manufacturing of Alabama (HMA) completed expansion of capacity on its new \$425 million assembly line in 2004, which increased employment to 4,300, doubled production capacity to 300,000 engines and vehicles per year and increased Honda's investment in Alabama to more than \$1 billion. As at November 2006, HMA employed more than 4,500 people, producing about 300,000 Odyssey minivans and V6 engines each year.

Honda was successful in gaining market share in 2003 in the US due to its successful introduction of two new Sports Utility Vehicles, the small Honda Element and the larger Honda Pilot.

In late November 2003, Honda produced its ten-millionth automobile in the United States after starting production first in 1982. Out of the ten million cars and light trucks produced in the US, 8.85 million were purchased in America. The rest were sold in Canada and Mexico, and exported to Japan and other countries. Approximately 75% of Honda vehicles annually purchased in the US are manufactured at Honda plants in North America.

Total worldwide sales in 2003 amounted to \$67.479 billion and net income was \$3.612 billion. Consolidated revenues for fiscal year ending March 2004 amounted to \$78.222 billion and net income amounted to \$4.450 billion. The increase in revenue and income reflects the demand for more fuel efficient vehicles during a period of high fuel prices.

In March 2005, Honda launched the next generation, US developed, Ridgeline truck, the first to be sold in all states to be compliant with California's ULEV emission standards. Based on Ridgeline's success, Honda's automotive business in the US will see the introduction of additional light truck models.

For the fiscal year ending March 2005, consolidated revenue of Honda Motor Co., Ltd. amounted to \$80.705 billion and net income posted was \$4.536 billion. Worldwide, unit sales of automobiles rose 8.7% to 3.242 million units, due mainly to strong sales in Asia and Europe and increased sales of parts for automobile production to Guangzhou Honda Automobile Co., Ltd., an affiliate of Honda.

Over the fiscal year 2006, Honda generated total revenue of \$84,218 million and posted net income of \$5,075 million giving it a net profit margin of 6.0%. The 9.4% increase in revenue was brought about by higher sales of more fuel efficient medium to compact SUVs in the US.

Fiscal 2007 brought strong revenue growth to Honda, when revenue increased by 11.9% to \$94,241 million as demand for its light trucks and automobiles continued to increase.

Consolidated Financial Performance

Year	Million Dollars Revenue	Percent Growth	Million Dollars Income	Percent Growth
2002	55253	N/C	2722	N/C
2003	67479	22.1%	3612	32.7%
2004	78222	15.9%	4450	23.2%
2005	80705	3.2%	4536	1.9%
2006	84218	4.4%	5075	11.9%
2007	94241	11.9%	5035	-0.8%

Source: hoovers.com
 Note: Fiscal Year End March

OTHER PLAYERS

Mitsubishi Motors Corporation - Market Share 1.0% in 2007

Mitsubishi Motors North America is the US subsidiary of Japan based Mitsubishi Motors Corporation. Mitsubishi worldwide has been in financial difficulties since the start of 2000. At that time, it was bailed out by DaimlerChrysler purchasing 34% stake in Mitsubishi. However, in November 2005, DaimlerChrysler sold its interests in Mitsubishi.

Mitsubishi embarked on a restructuring program in 2000 aimed at focusing exclusively on car operations. It spun-off its truck division to create Mitsubishi Fuso Truck and Bus Corporation. The venture has had quality problems with a number of recalls.

The restructuring program of 2000 was not successful as Mitsubishi continued losing market shares in key markets around the world.

The latest attempt to restructure involves downsizing of production capacity around the world, with the number of vehicle platforms declining from 15 to 6. During this latest restructure, DaimlerChrysler did not pledge any financial bail-out plans. The scheme aimed at reducing costs by \$2 billion, includes a bail-out of \$4 billion from other companies in the Mitsubishi Group.

As part of its North American turnaround plan, Mitsubishi reduced production at its Normal, Illinois plant, moving from a two-shift to one-shift production schedule starting in October 2004. The reduction in capacity has led to a reduction of around 20,000 units a year and a decline in employment of 1,200 employees.

Estimated revenue generated from this industry in 2006 was \$1.54 billion.

Industry Performance

CURRENT PERFORMANCE

Strong sales in 2003 led industry revenue to expand significantly and profitability levels of most producers improved. Demand for SUVs remained strong at the expense of cars with the large domestic manufacturers concentrating on production of various models of SUVs. As a consequence, IBISWorld believes that industry revenue increased by 21.2% in 2003 but value added increased by 35.9%.

The traditional domestic dominance of American manufacturers faced a challenge as Asian Manufacturers, led by Toyota, continued to gain ground in the US market, amassing a 31.3% market share in 2003 with unit sales up by 3.1%. Ford, General Motors and Daimler Chrysler still controlled more than 60% of the US passenger vehicle market, but while the Big Three have been focusing on more profitable trucks and SUVs, their share of the car market fell to less than half.

During 2004, automobile and light truck production volumes in the US decreased by 1.9% compared to 2003 and totaled 11,600,391 units. The decline in production volumes was due to higher inventory levels of 2004 models in the second quarter of calendar 2004. This prompted the auto assemblers to increase incentives in the form of rebates to move stock. For instance, in July 2004, General Motors raised its cash rebate on most of its sport utility vehicles to \$5000. Rebates were necessary on larger SUVs, as high gasoline prices tended to drag demand for bigger vehicles that cost more to run.

Domestic demand for trucks in 2004 fell by 5.5%, while imports increased by 4.3% leading to industry revenue to decline by 7.5%. During 2004, the market share of the Big Three declined to the benefit of Japanese and Korean imports and local assemblies. For instance, General Motors market share of total trucks sold in 2004 declined to 29% from 30% a year ago.

The performance of the Big Three (GM, Ford & Chrysler) was questioned in relation to their treatment of suppliers. A study conducted by a Michigan-based consulting firm, Planning Perspectives, in early August 2004, found that the US Big Three primarily focused on cost, while the Japanese automakers also wanted low costs, but balanced that goal with an emphasis on quality and technology. In addition, the survey found that the Big Three had inadequate regard for suppliers' proprietary information or intellectual property, while Japanese valued and safeguarded suppliers' new ideas. IBISWorld believes that true collaboration along supply chains is the recipe for reduction in total supply chain costs and the development of trusting relationships.

During 2005, domestic production volumes declined by 0.2% compared to 2004. Even the popular SUV segment declined by 1.4%, as gasoline prices remained high. To address this situation, General Motors initiated the employee discount initiative scheme in June 2005 to make the larger SUVs more attractive to consumers. Both Ford and Chrysler followed suit in offering competitive employee discount pricing programs of their own with great success in generating sales. Industry revenue is believed to have declined by 7.2% in 2005 and value added by 13.6% as employment levels fell by 11.6% to 99,568. Domestic demand fell by 7.8% which led to imports declining by 1.7%.

Industry revenue in 2006 declined by 4.6% based on production volumes of light trucks in 2006, which indicate a reduction of 10.7%. Both, Ford and Chrysler implemented significant volume reduction in their production schedules of light trucks in the fourth quarter of 2006. Ford reduced truck production by 21% or 168,000 vehicles, its biggest production cut in three decades. Sales of light duty trucks declined by 6.4% in 2006.

The manufacturing productivity gap among North American automotive manufacturers continued to narrow as quality advances and more flexible labor agreements drove major improvements. The difference between the most and least productive in terms of total (assembly, stamping and power train) labor hours was 5.17 hours per vehicle in 2006 (about \$300 per vehicle), down from 7.33 hours per vehicle in 2005, and less than one-third the 17.17 hours per vehicle gap in 1998.

Although the industry has been focusing on developing SUVs with hybrid technology that will increase fuel efficiencies in 2007, IBISWorld believes that industry performance remained weak with industry revenue declining by 1.2% and value added by 3.5%. Although light truck production increased by 1.8% in 2007, sales declined by 2.4% leading assemblers to curtail production in late 2007 and early 2008.

An estimated 187,000 hybrid vehicles were sold in the US during the first-half of 2007, accounting for 2.3% of the total US new light-vehicle market. While sales of hybrid vehicles declined slightly in the second-half of 2007, the market sold 345,000 hybrids in 2007, a 35% increase from the 256,000 hybrids sold in 2006.

Softer economic conditions in the US during 2008 are expected to dampen demand for light trucks and IBISWorld predicts industry revenue to decline by 2.4% in 2008 and value added by 2.0%.

Over the period end-2003 to 2008, industry revenue contracted by 4.6% per year following significant increase in 2003, followed by sustained decline in the next four years as high fuel prices led to consumers switching to more fuel efficient vehicles such as compact and mid-sized cars. Value added over the same period decreased by 9.3% per year and employment by 3.5% per year.

Environmental Regulations

Six European manufacturers (Daimler, BMW, Porsche, Maserati, Volkswagen and Ferrari) were fined for exceeding corporate average fuel economy (CAFE) standards in the US during the 2006 model year. According to data from the National Highway Traffic Safety Administration (NHTSA), fuel economy in the US averaged 26.2 miles per gallon (mpg), up on 25.7 mpg in the 2006 model year. Passenger cars averaged 31.2 mpg, while light trucks averaged 23.1 mpg, ahead of government targets for 2007 of 27.5 mpg for cars and 22.2 mpg for light trucks.

Exports and Imports

Exports expanded by an annualized 5.7% over the current period following double digit growth rates in 2005 and 2006. Imports expanded by an annualized 0.3% over the current period following declines in 2003 and 2005.

Restructuring

In a bid to be profitable again, General Motors (GM) and Ford are preparing to reduce capacity in their North American operations. General Motors has announced the loss of 30,000 jobs by 2007 and Ford intends to reduce its workforce by 30,000 by 2008 and become profitable by 2009.

Structural costs for GM are already below 30% compared to 34% in 2005, despite weaker than expected US Industry volumes. It expects to reduce structural costs as a percentage of revenue to 23% by 2012. To facilitate these changes, GM launched, in cooperation with the UAW, the first phase of a voluntary special attrition program for hourly workers in January 2008. This phase applies to those at select job banks, Service Parts Operations (SPO), and other key sites. Employees participating in this phase will begin to exit in March 2008. Phase 2 of the program, under active discussion

with UAW, will be launched in February 2008 in all other plants. Participating employees will begin exiting in April. For both phases of the program, 46,000 existing employees are eligible for retirement.

Toyota consolidated its North American engineering and manufacturing operations into one company. The new company is called Toyota Motor Engineering and Manufacturing North America (TEMA), and was launched in 2006. This consolidation will allow a closer collaboration between engineering and manufacturing processes.

Light Duty Truck Sales & Production

Year	Thousands Sales	Percent Growth	Thousands Production	Percent Growth
2003	9024.9	N/C	7318.9	N/C
2004	9360.6	3.7%	7372.8	0.7%
2005	9278.3	-0.9%	7203.0	-2.3%
2006	8683.6	-6.4%	6431.5	-10.7%
2007	8470.9	-2.4%	6548.9	1.8%

Source: U.S. Government

HISTORICAL PERFORMANCE

Sport utility vehicles and pickup trucks were originally descended from commercial and military vehicles such as the Jeep and Land Rover. SUVs have been popular for many years with rural buyers due to their off-road capabilities.

In the last 25 years and even more in the last decade, SUVs have become popular with urban buyers. Consequently, more modern SUVs often come with more luxury features and some crossover SUVs have adopted lower ride heights and utilize unibody construction to better accommodate their use for on-road driving.

Historically the former Big Three and foreign-based manufacturers formed joint ventures and alliances as a way for foreign-based producers to gain access to the North American market and for the domestic producers to fill gaps in the vehicle line-ups.

The most important trends in the automotive industry generally pertain to two related developments: intensifying competition and increasing globalization. Increased domestic competition leads manufacturers to leverage their brands and engineering, development, and production costs deter them from entering and competing in foreign markets.

Currency fluctuations have encouraged the production of foreign models in North America and reduced the flow of imports. In particular, the long-term appreciation of the Japanese Yen versus the dollar (a trend that until 1999 had been reversed after a mid-1995 peak) made many Japanese automakers step up their North American transplant manufacturing capacity so to maintain competitive prices on their core products. Most moderately priced Japanese light vehicles sold in the United States are made there.

New car sales declined in 1997 and 1998 due to changeover of buyers preferences to light-duty trucks. The popularity of vans, pickups, and especially sport utilities boosted light duty truck sales over the last five years.

Domestic demand has been on the increase over the three years from 1998 to 2000, fuelled by greater affordability and the attraction of products from the light truck segment. Exports have been declining over the period 1998 to 2000 owing to

greater competition from foreign carmakers that have penetrated traditional US export markets such as Canada and Mexico. Imports have been on the increase following the domestic demand trend.

Real industry revenue over the period 1998 to 2000 fluctuated between 25.0% and minus 18.4% peaking at 25.5% in 1999 owing to favorable economic conditions. Industry profitability was moderate over this period.

Higher production volumes and the introduction of a slew of new models led to an increasing number of recalls for safety defects. Automakers sold a record 17.4 million vehicles in 2000 but recalled 22.8 million for safety defects and parts that did not meet federal requirements, the second highest number ever and 8 million more than in 1997. In 1999, the auto industry sold 16.9 million vehicles and recalled 19.9 million units.

At the end of March 2001, automakers announced three major recalls. General Motors recalled 1.4 million light trucks and sport utility vehicles for brake problems. Ford Motor Company recalled 300,000 Ford contours and Mercury Mystiques for overheating engines that could catch fire, and 961,000 Mitsubishi Galants and Eclipses, Chrysler Sebrings, Dodge Avengers and Eagle Talons built at Mitsubishi's plant, were recalled for potentially defective ball joints.

Rebates offered by the manufacturers together with lower interest rates arrested the rate of decline in sales when compared to 2000, but at an expense in income. However, US new car and truck sales in April 2001 fell to a seasonally adjusted annualized selling rate of 16.7 million vehicles. For instance, during April, General Motors sales declined by 16% with double digit declines in several key market segments. Sales at Chevrolet, which accounted for more than half of GM's US car light truck volumes, fell 12% in April. A significant factor though was the recall of new TrailBlazer sport-utility vehicle for a defective suspension component.

The industry performed slightly better in May 2001 when auto sales fell only 1.2% from May of the previous year. General Motors registered a small increase in sales at the expense of Ford Motor, which suffered a sharp drop in sales, particularly for its Explorer and other sport utilities. General Motors turnaround was due to discounts being offered in Western states of up to \$1000 on most of its full-size sport utility vehicles that are based on pickup truck designs, like the Chevrolet Tahoe and GMC Yukon. It was rewarded with an increase of nearly 30 per cent in sales of these models. By contrast Ford and the Chrysler unit of DaimlerChrysler A.G. had declines of 11.1% and 8.3%.

The tragic events of September 11, 2001, when terrorists attacked Washington and New York, had a detrimental effect on this industry. On the supply side, parts shortage across the US forced some vehicle makers to slow down factories and scale back production. Suspended air-freight shipments and more stringent controls at the nation's borders hampered the transport of parts and materials to manufacturers.

An economy close to recession suffered another blow to consumer confidence following the terrorist attack. Motor vehicle sales declined severely in the month of September. This prompted the big three manufactures to offer zero-interest financing deals on new trucks in an attempt to protect market share. This reduced the profitability of the big three in the short-run. The offers were supposed to expire on Halloween, but the automakers extended them twice. Chrysler's offer was extended to January 8, 2002, Ford's to January 14 and GM's to January 2.

General Motors reported late in November 2001, that Monsanto Corporation placed the first 50 orders for its new Chevrolet Silverado full-size pickup trucks that run on a blend of ethanol and petrol. General Motors began offering the so-called "flex-fuel" option on the 1500 series Chevrolet Silverado and GMC Sierra full-size pickup trucks with the 5300 Vortec engine in the first quarter 2002.

On the average, real industry revenue declined by 2.8% in 2001 and value added by 5.5%. Although the total number of vehicles sold amounted to 17.7 million, deep discounts, incentives such as zero-financing eroded sales revenue of the

major companies. The reduction in value added was due to a reduction in employment of 5.3 percent and losses posted by Ford Motor Company and Daimler Chrysler. The major companies embarked on cost cutting measures in form of plant closures, withdrawal of models and reduction in employment. Ford embarked on a reduction of 21,500 jobs including 5000 salaried staff. Chrysler, the US arm of DaimlerChrysler stepped up its cost-cutting and restructuring efforts amid intense price competition and weakening sales in North America.

Quality problems continued to plague the industry when General Motors in August 2002, recalled almost 720,000 cars and trucks with potential air bag problems.

Significant financial incentives by the manufacturers in the first-half of 2002 led to increased sales of motor vehicles and production numbers. For the seven months to July 2002, there were 4,456,423 domestic light trucks sold, an increase of 0.8%. Overall total domestic light vehicles sold declined by 3.2%.

Based on production data of automobiles and light trucks, US production volumes of light trucks for 2002 increased by 11.2% owing to increased sales led by significant manufacturers' financial incentives. As a consequence, industry revenue for 2002 is believed to have increased by 7.0% and value added by 42.5% as light trucks sales became more profitable than car sales. The large increase in value added was due increased profitability, an increase of 17.1% in wages paid reflecting an increase of 7.8% in employment levels.

Light Duty Truck Sales & Production

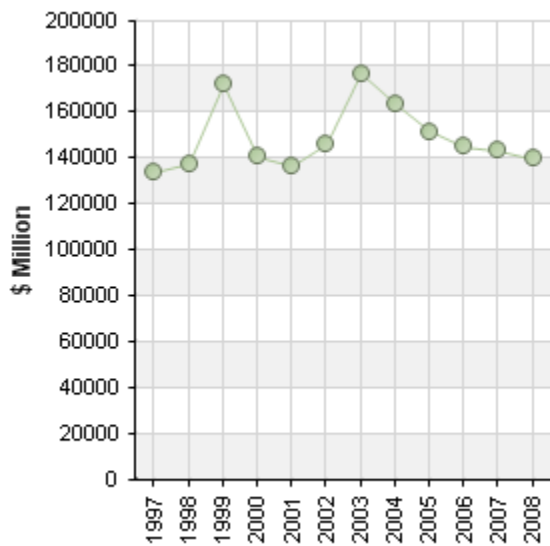
Year	Thousands Sales	Percent Growth	Thousands Production	Percent Growth
1995	6093.1	N/C	5285.4	N/C
1996	6570.4	7.8%	5448.6	3.1%
1997	6858.1	4.4%	5858.9	7.5%
1998	7404.5	8.0%	6074.0	3.7%
1999	8197.2	10.7%	6955.2	14.5%
2000	8502.8	3.7%	6840.1	-1.7%
2001	8699.3	2.3%	6292.8	-8.0%
2002	8714.3	0.2%	7000.4	11.2%

Source: U.S. Government

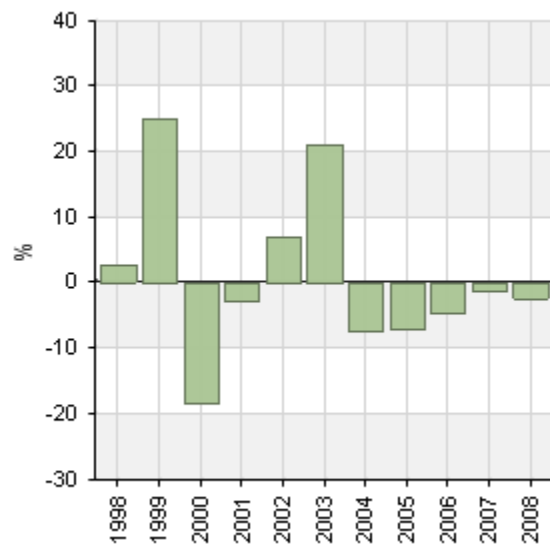
Revenue

	Revenue \$ Million	Growth %
1997	134,004.0	N/A
1998	137,713.0	2.8
1999	172,313.0	25.1
2000	140,618.0	-18.4
2001	136,683.0	-2.8
2002	146,178.0	6.9
2003	177,100.0	21.2
2004	163,812.0	-7.5
2005	151,965.0	-7.2
2006	144,986.0	-4.6
2007	143,248.0	-1.2
2008	139,759.0	-2.4

Revenue



Revenue Growth Rate

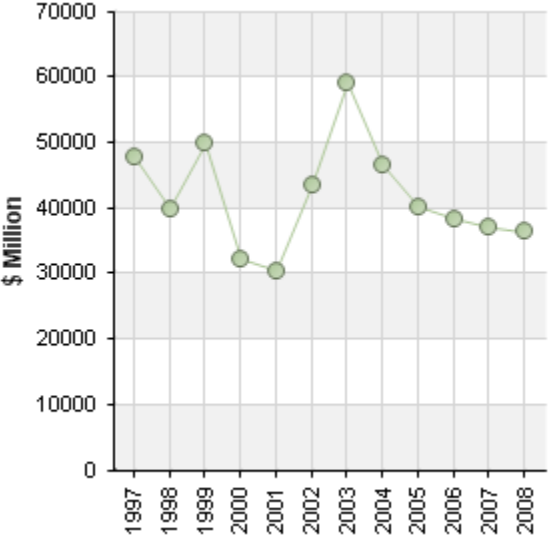


Gross Product

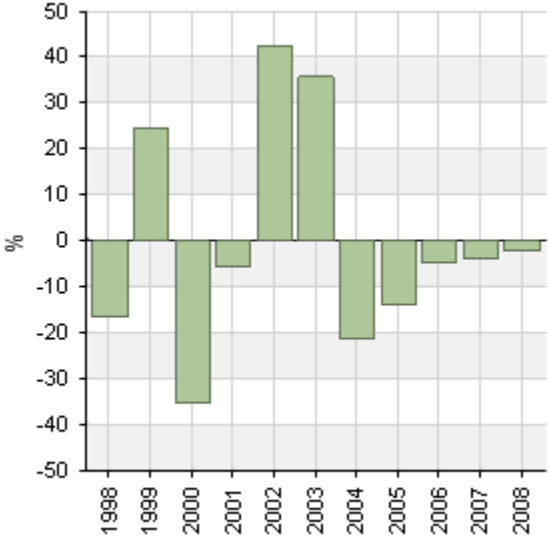
	Gross Product \$ Million	Growth %
1997	47,892.0	N/A
1998	40,035.0	-16.4
1999	49,896.0	24.6
2000	32,310.0	-35.2
2001	30,536.0	-5.5
2002	43,529.0	42.5

2003	59,168.0	35.9
2004	46,607.0	-21.2
2005	40,288.0	-13.6
2006	38,475.0	-4.5
2007	37,128.0	-3.5
2008	36,386.0	-2.0

Gross Product



Gross Product Growth Rate

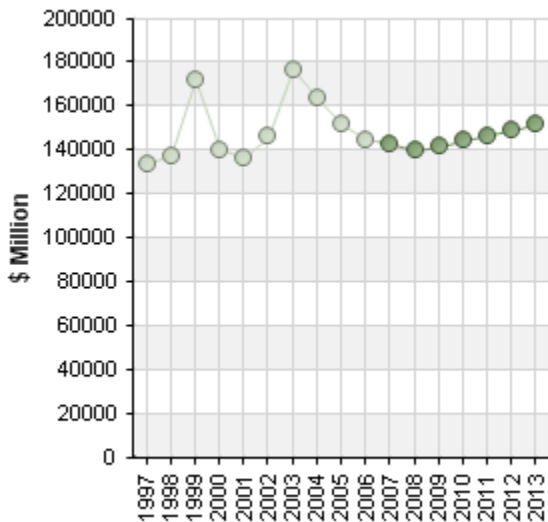


Outlook

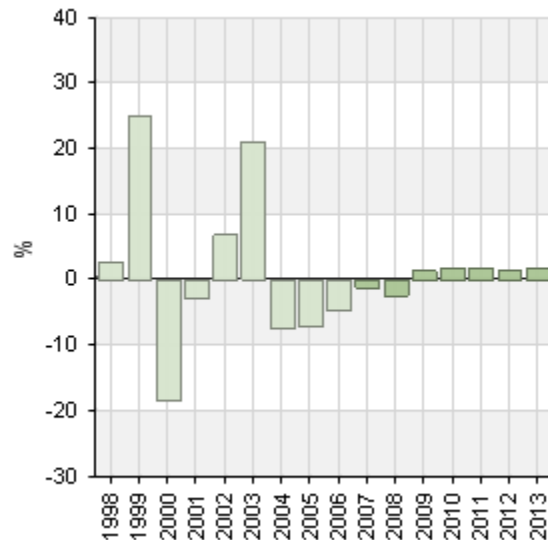
Revenue

	Revenue \$ Million	Growth %
2007	143,248.0	-1.2
2008	139,759.0	-2.4
2009	141,688.0	1.4
2010	144,320.0	1.9
2011	146,959.0	1.8
2012	149,055.0	1.4
2013	151,845.0	1.9

Revenue



Revenue Growth Rate



Over the end-2008 to end-2013 forecast period, industry revenue is expected to increase on average by 1.7% per year, value added on average by 2.3% per year, while employment is expected to contract on average by 4.9% per year. In contrast the US economy is expected to expand by 2.7% per year over the forecast period.

The expected small growth rates in revenue and value added over the forecast period can be explained by production declines in the first year as demand for light trucks remains weak during a period of increasing fuel costs, before newer fuel efficient vehicles are introduced in the latter-half of the forecast period that would resume growth in revenue and value added.

Employment is expected to fall early in the forecast period as the larger players such as General Motors, Ford and Chrysler shed significant proportion of their unionized staff.

Domestic demand is expected to increase by 3.0% in 2009, as consumers continue to move towards more fuel efficient vehicles that have been developed by domestic and overseas light truck manufacturers, after which, domestic demand is

expected to increase again. Over the forecast period, domestic demand for light trucks is expected to increase on average by 2.2% per year.

Industry profitability is expected to improve considerably from 2009 onwards as General Motors and Ford restructure themselves.

The relative US dollar weakness is prompting some European car makers to expand their manufacturing capacity in dollar-denominated markets, creating a natural hedge against the currency fluctuations, which affects their profitability. However, the US dollar is expected to strengthen during 2009, applying some pressure on exports.

Exports have a limited potential to grow as the US product is over-equipped and expensive for the developing automobile markets of China, India, Latin America and eastern Europe. Even without local production requirements, the low vehicle prices needed to be successful in evolving markets are incompatible with the product costs associated with US manufacturing efforts. This scenario provided the impetus for Ford Motor Company and General Motors to expand production capacity in China through their joint venture partners.

Canada is the market that is most accepting of US made vehicles. However, because of lower incomes, higher taxes and vehicle prices, and a weak Canadian dollar, the best selling models in Canada tend to be smaller and less expensive than the US best-sellers. As the Mexico market continues to expand, automakers will increase the number of models tailored for that market. The Canadian light vehicle market in total is expected to reach only 2.2 million by 2008, with the Mexican market reaching nearly 1 million units. As a consequence, the two export markets with the greatest potential for US made products have limited growth potential and are significantly smaller than the US market.

Components that have significant steel ingredients are expected to cost less in the short-term as steel prices decline after the US International Trade Commission (ITC) revoked anti-dumping and countervailing duty orders on corrosion resistant steel from Australia, Canada, France and Japan. Tier Two suppliers are expected to pass on these price decreases to auto assemblers.

More stringent environmental regulations are expected during the forecast period to 2013 and astute manufacturers have been preparing conversions to their product to comply with these forthcoming regulations. Already, legislation is in place to improve fuel efficiency of light duty trucks to 22.2 miles per gallon by 2007 and to 24.1 miles per gallon by 2011. However, some relief in the form of support from the Bush Administration to challenge the Californian Zero Emission Vehicle mandate was welcomed by vehicle manufacturers. The Zero Emission Vehicle mandate looked to legally oblige manufacturers to increase fuel economy of their models whilst developing clean fuel technologies, however the Justice Department has deemed the move as beyond the legislative capabilities of an individual state authority.

According to industry sources, the world fuel cell market will more than triple through 2008 to \$10.0 billion, and exceed \$25 billion by 2012. Fuel cells are receiving extensive investigation due to their inherent nature as low-polluting, high efficiency energy sources. Three major markets are emerging: electric power generation, portable electronic devices and motor vehicles. To this extent, the Bush Administration has committed \$1.2 billion towards further research into fuel cell technology. A number of initiatives by groups of manufactures and their suppliers are looking to solve the problems associated with fuel cell technology.

Meanwhile, auto assemblers have focused on the development of petrol-electric hybrid vehicles to increase fuel economies and cut exhaust emissions. Ford and Toyota are expected to concentrate on making more hybrids from existing platforms, especially those of SUVs. Further developments that are expected include, clean diesels, flex-fuel vehicles, plug-in hybrids and eventually hydrogen fuel cells.

Toyota Motor Corporation announced in February 2007 its plans for an eighth vehicle plant in North America. The plant, on a 1,700-acre site in Blue Springs, Mississippi, will have an annual production capacity of 150,000 vehicles, producing the Highlander SUV, starting in around 2010. The planned investment is \$1.3 billion and around 2,000 new jobs will be created.

Four-wheel-drive vehicles, which currently account for one-quarter of all new light vehicles produced in North America, are expected to approach 33% market penetration by 2012, according to industry sources.

Similar sources indicate that the US market for hybrid vehicles or clean diesel engines is forecast to exceed 11% of the total vehicle market by 2012. Sales of hybrid light vehicles will rise from 83,000 units in 2004 to three million by 2015, equivalent to 17.7% of the total US light vehicle market.

The majors are expected to look overseas for expansion as the domestic market for light trucks remains relatively weak in the short-term. GM plans to grow aggressively in emerging markets such as China, Brazil, Russia and India. To strengthen its position in China, where it was the first automaker to sell 1 million units in a single year, GM intends to continue to build its corporate reputation, expand its product portfolio with fuel-efficient products, drive full implementation of its multi-brand strategy, expand capacity, and develop local supply base and technology capability.