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MAY 2011

Japan Auto Crisis

March 11, 2011 Japan was hit by the largest earthquake in their recorded history. The magnitude 8.9 quake and twenty-three foot tsunami that followed devastated the region. Homes and businesses were severely damaged along with a major nuclear plant resulting in disrupted power supplies. This catastrophic event interrupted Japan's automotive industry which is the second largest supplier of cars in the world.

The natural disaster's negative impact resonated through automotive industries in many countries. IHS Automotive predicts that one-third of daily global automotive production has been cut because of supply chain disruptions. That means about 5 million vehicles worldwide won't be built, out of the 72 million vehicles planned for production in 2011^[1]. Most Japanese automotive parts factories were not directly hit by the quake or tsunami, but suffered from the aftermath. Storm damage such electrical outages and water cut offs ceased production capabilities.

The United States will begin feeling the effect of shortages this month since boat shipments sent before the earthquake arrived in April^[2]. Any disruption in the supply chain causes a domino effect. If one part doesn't arrive, a vehicle cannot be built which can lead to multiple factory shutdowns. The most common parts coming from Japan are computer chips, paint pigments, plastics, wires and electrical components. What does this mean for buyers? Higher prices and fewer choices. There will be limited selection on new models and paint shortages

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Upcoming Events

GFX

June 6-8, 2010
Booth #93, San Diego, CA

SHRM

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Private Event, Las Vegas, NV
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FedFleet

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Booth #631, Orlando, FL

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resulting in fewer color options. Manufacturer discounts may disappear. Repair orders for past models may not be completed. The financial result of these issues cost Japan's automakers \$200 million a day according to Goldman Sachs' estimates^[3].

Some suppliers resumed operations in April, but it could take through May or June for the entire supply base to be back^[4]. The supply chain cycle will hopefully be back to normal by the end of this summer into autumn. In regards to vehicle production, executives at virtually every publicly held dealership group said they have been told by Japanese automakers to expect product shortages that will start in June and last most of the year^[5].

What does this mean for your fleet?

- Open up lines of communication: Talk to your suppliers. Find out the status of your vehicles and identify any available alternatives such as color, model, and manufacturer
- Research extending the life your current vehicles
- Check automobile manufacturer's websites for the latest updates, available vehicles and options

For more information, [listen](#) to a Fleetcast with Russ Cass, Fleet Director at Piemonte National Fleet discuss the crisis.

^[1] CNBC.com
^[2] NYPOST.com
^[3] CNBC.com
^[4] CNBC.com
^[5] autonews.com



As your total fleet management solution, Merchants Leasing is excited to announce the launch of Fleetcast, the fleet management podcast. Fleetcast is an audio file resource center for fleet professionals to learn about latest issues and trends within the

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Editor's Note

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We'd love to hear your questions, comments or suggestions. Please [contact](#) us.

Sincerely,

Jessica Heizer
Merchants Leasing

About Us

Merchants Leasing is a full-service leasing company committed to developing tailored fleet programs for its customers. It goes further to offer a unique No Risk closed-end lease option and a comprehensive choice of leasing programs and fleet solutions. In addition to its wide range of vehicles for lease, customers can take advantage of

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Episodes Available for Download:

[Future Trends in Fleet Management](#)

A three part series with Mike Antich from Bobit Business Media.



[Japan Auto Crisis](#)

Russ Cass, Fleet Director at Piemonte National Fleet discusses the latest news.



Sneak Peek at Future Topics:

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Spotlight On James Crocker



Merchants insurance and maintenance programs, roadside assistance, telematics, fuel cards, local and nationwide delivery, and expert fleet management and administration. Headquartered in Greater Manchester, NH, Merchants is part of the Merchants Automotive Group and a Singer Family Company. For more information about Merchants Leasing, visit www.merchantsleasing.com.

Merchants Leasing
PO Box 16415
1278 Hooksett Road
Hooksett, NH 03106

Toll-free: 1-866-6LEASES (1-866-653-2737)

Direct Line: 603-669-4100

Fax: 603-669-2031

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Director of Fleet Purchasing and Dispositions

Merchants Leasing announces the promotion of James Crocker. As Director of Fleet Purchasing and Dispositions, he will be responsible for all of Merchants' fleet acquisition, fleet disposal and managing the transportation group.

James came to Merchants in 2009 from Herb Chambers Dealership Group where he was Director for Services for BMW and Mercedes. During his tenure as Fleet Maintenance Manager, James has expanded the call center, fully staffed the call center team, assisted in the design of IT components and has strengthened and solidified Merchants' relationships with national account vendors. James has been recognized by our customers as a valued consultant in managing their fleet maintenance spending.

Jim is a graduate of the University of Massachusetts, where he obtained a Bachelor of Science in Business Administration, with a double concentration in Management and Finance. For the past twelve years Jim has worked for The Herb Chambers Companies (HCC), the 12th largest dealer chain in the United States. He began his work at HCC in support roles before becoming the Service Director for the past nine years. Jim was raised in Billerica Massachusetts and has lived in Methuen for the past six years. He spends most of his time with his 4 year old son and working on his golf game, weather permitting. He is a "self proclaimed speed freak", loving anything fast moving, especially motorcycles and cars which he is always in the market for. What he loves the most about Merchants so far are the people. He says; "You feel less like a number and more like a friend or family member. They honestly care about their employees."

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