

Growing Market

By Tetsuya Komatsu

Automobile sales in Japan are booming. In the three years up to the end of 1989, sales of new cars rose by more than 1 million vehicles. The upsurge in sales is expected to continue into 1990.

The situation was very different before 1987. Between 1981 and 1986, the annual growth rate of auto sales on the Japanese market, considered to be the third-largest after those of the United States and Europe, and which had been said to have "ripened" after the two oil crises, was in the range of only 2%. So why are automobiles selling so well in Japan now?

The 28th Tokyo Motor Show held last fall was a huge success, setting a number of show records. During its 12 days, it attracted 1,924,200 people, 670,000 more than the visitors to the Frankfurt Motor Show, the world's largest foreign automobile exhibition. Considering that the area of the Frankfurt Motor Show site was four times as large as that of the Tokyo Motor Show, one can judge just how popular the Tokyo Motor Show was. The grounds were so crowded that many people complained that they could not see the cars on display.

Heightened interest

It seems that it was the Japanese people's heightened interest in automobiles that made the motor show a record success. The sharp expansion of the Japanese automobile market over the past three years substantiates this growing interest in motor vehicles. The number of new cars sold in Japan in 1989 exceeded 5.5 million, whereas three years before, in 1986, sales were in the region of 4.09 million. The sharp growth of sales in the three years is even more significant when one takes into account that in 1986 and earlier, sales grew at a low annual rate of only about 2%.

With the domestic auto market enjoying smooth growth, auto manufacturers have been launching a whole series of new models in response to brisk demand

for them. At the latest Tokyo Motor Show they exhibited luxury cars and high-performance cars featuring state-of-the-art technologies.

The automobile came into widespread use in Japan 25 years ago, and in the intervening years its auto market has grown to become the third-largest in the world after those of the U.S. and Europe, and like those markets, the Japanese market achieved maturity in the 1980s. It had been thought that after reaching maturity, the growth of the market would remain slow. Toward the end of the decade, however, the market attained annual growth of around 10%.

Because the Japanese auto market has already achieved full growth, auto dealers are at a loss to explain specifically why the market has grown so suddenly. Even Masaru Izumi, president of the Japan Automobile Dealers Association, a nationwide organization of dealers in new cars, can offer no reason for the phenomenon. "I just don't know why cars are selling so well in Japan," he said.

In analyzing the distinct features of the new car boom, the popularity of high-class passenger cars of 2,001cc or more can be cited as a factor sustaining the

sharp growth of the auto market. In the U.S. and Europe, cars of this class are considered standard models, but in Japan they had been chauffeur-driven cars used mostly by corporations for their senior executives until about three years ago, because cars with an engine displacement of 2,001cc or more had more than twice as much tax imposed on them as smaller cars, making them expensive to own. In addition, in the wake of the oil crunch, these gas guzzlers were considered even more of a luxury.

But Nissan Motor Co. changed all that when it put on the market the 2,960cc Cima in January 1988. The Cima proved to be highly popular with private motorists. The increase in the value of assets of some individuals and corporations with the rise in land and stock prices, as well as an increase in individual disposable income due to the good performance of the domestic demand-led economy, can be cited as factors encouraging the "Cima boom." Having thus become affluent, Japanese consumers began to seek expensive products. Another factor is that high land prices have led some people to give up hopes of ever owning their own home, and they are now more inclined to

Table 1 Sales of Passenger Cars (with 2,001 cc engine or more)

	Cars sold (units)	Rate of increase over same month of previous year (%)
Jan. 1989	7,533	81.5
Feb.	10,938	65.7
Mar.	15,192	74.4
Apr.	25,474	177.7
May	19,734	164.8
June	24,316	176.1
July	25,871	173.7
Aug.	17,219	182.5
Sept.	33,407	230.6
Oct.	30,841	236.2
Nov.	32,295	229.7
Dec.	33,718	146.2
Jan. 1990	23,769	215.5

Source: Japan Automobile Dealers Association

spend some of their savings on coveted luxury items.

High-grade cars may also be selling better because the tax imposed on cars of 2,001cc or more was substantially reduced in April 1989, resulting in a fall in purchase prices and maintenance costs for such cars. With motorists clearly hankering after high-class cars, other makers moved into the market, and as many as 10 models comparable to the Cima were put on the market. The increase in cars of this class had the synergetic effect of boosting sales of high-grade cars.

Expensive tastes

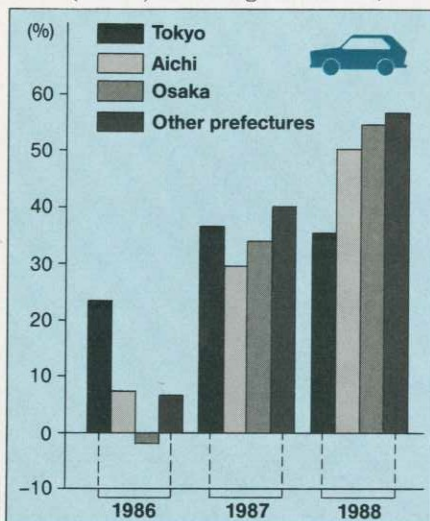
In the past, only people living in major metropolitan areas bought deluxe cars, but lately those living in the provinces have started to purchase such cars, which has led to the expansion of the high-class car market (Fig. 1). The Economic Planning Agency's 1989 Annual Report on the National Life referred to this trend as "popularization of consumption of expensive products." In a way, the affluence of Japanese society has led the Japanese to consume expensive products in a way comparable to such consumption in the U.S. and Europe.

The Japanese auto market is said to be potentially as large as those of the U.S. and Europe, but the rate of auto ownership per 1,000 people in Japan is still low—only 43% of that in the U.S. and 56% of that in West Germany. The marked expansion of the Japanese auto market in recent years can be said to have resulted from drawing on the potential demand.

Cars of less than 2,000cc are also selling well. Two-seater open convertibles had been selling at a rate of about 500 a month per model. However, after Mazda Motor Corp. put on the market the Eunos Roadster last year, its sales registered in the region of 2,000 a month. The Roadster, a lightweight sports car with a 1,600cc engine, is priced at ¥1.7 million (\$11,700 at the rate of ¥145/\$), or only 35% of the price of the Cima.

The present brisk demand for automobiles in Japan is a result not only of consumers going for high-class cars but is

Fig. 1 Annual Growth Rate of Newly Registered Passenger Cars (with 2,001 cc engine or more)



Source: 1989 Annual Report on the National Life, Economic Planning Agency

also because more car owners than before want to own more than one car or replace their cars with new ones.

The sharp increase in the number of cars in Japan has given rise to various problems. One of them is parking. According to the Tokyo Metropolitan Police Department, nearly 70% of cars parked in Tokyo at any given time are illegally parked. Putting it the other way, parking spaces in Tokyo can accommodate only 30% of the cars looking for a place to park.

This means that all the cars that cannot find a legal parking space are forced to park on the roads, turning roadways into parking lots and blocking the flow of traffic. In the heart of Tokyo, especially, double parking, that is, parking alongside cars already parked on the side of the road, is rampant. Police are of course cracking down on illegal parking, but the authorities have not yet come up with a solution to the problem.

Illegal parking on roads causes traffic jams. It not only interferes with the smooth flow of traffic, but also aggravates air pollution. For example, if a car caught in a traffic jam takes nearly one hour to travel a distance that normally takes about 20 minutes, it will emit three times as much exhaust gas into the atmo-



A sharp increase in the number of cars in Japan has worsened the problem of illegal parking, which causes traffic jams, leading to worse pollution.

sphere. Brisk sales of expensive cars with large engines means more nitrogen oxide (NO_x) and carbon dioxide (CO₂) discharged into the atmosphere, and this further aggravates atmospheric pollution.

To cope with the air pollution caused by cars, there are growing calls to restrict traffic in Tokyo and other major cities. This proposal is preposterous, to say the least, because restricting traffic to the hearts of the major cities would not only adversely affect the economy but would also deny the very existence of the car as a means of transport.

The remarkable expansion of the Japanese automobile market, especially the steep climb in sales of high-grade cars, has given rise to traffic congestion, air pollution and other social problems. These problems are primarily attributed to the slowness in improving the quality and network of roads rather than to the automobile itself. Improvement and expansion of the infrastructure is indispensable if the further growth of the automobile market is to be sustained.

Tetsuya Komatsu is a staff writer at Nikkan Jidisha Shimbun, a daily newspaper on the automobile business.