

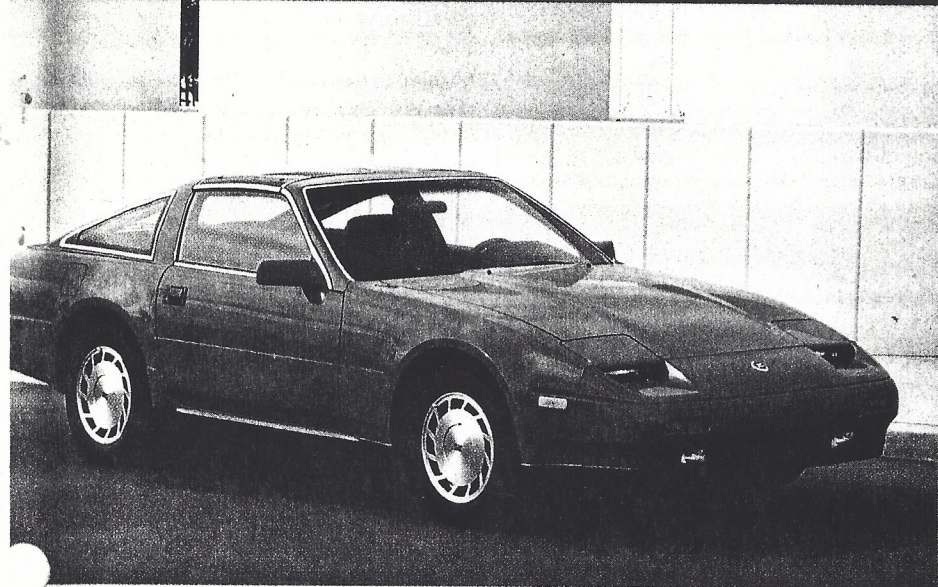
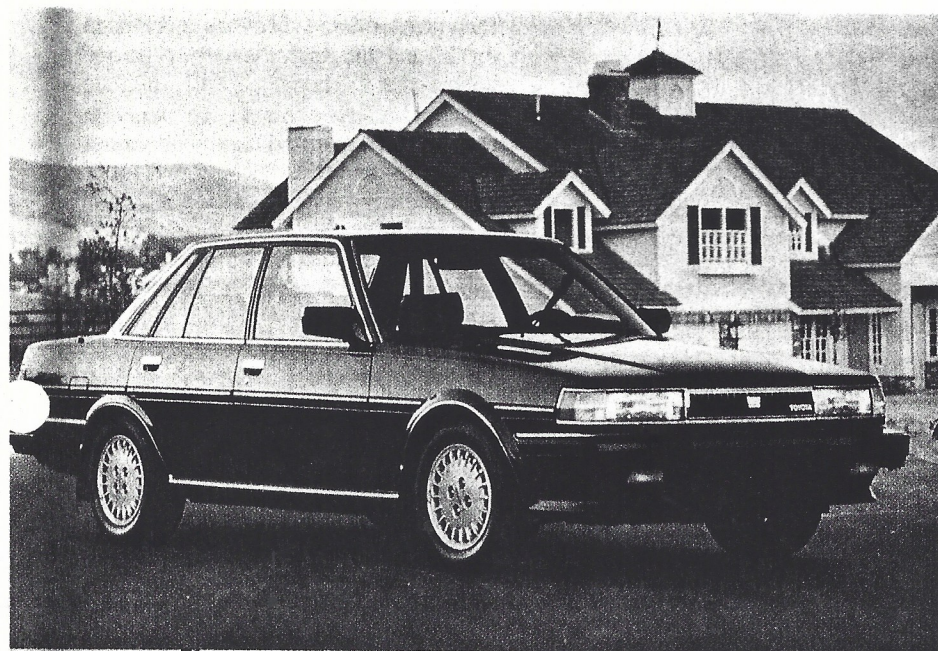


PSA MAGAZINE

THE IMPORTANCE
OF BEING ERNESTINE,
GNUS ANGST,
MRS. BEASLEY...
A FACE-TO-FACES
INTERVIEW WITH
LILY TOMLIN

MARCH 1987/COMPLIMENTARY TO PASSENGERS

Ready for the \$30,000 Toyota, America?



Satisfying a yen for luxury and high performance, two Japanese entries in the \$20,000 range: the Toyota luxury Cressida sedan (top) and the Nissan 300-ZX sports car (bottom). Says one Japanese exporter, recalling Detroit's sentiments of the seventies, "As long as the upscale market continues to grow, we want to be represented."

Faced with 'Voluntary' Import Quotas, The Japanese Enter The U.S. Luxury Car Market for Higher Per-Unit Profits
By Gary Witzenburg

Remember when Japanese cars were small and cheap? Just a couple of years ago, even top-of-the-line Japanese imports were at least affordable to most buyers. Not anymore. Today we have \$20,000 luxury Toyotas, Nissans and Hondas, with more on the way. What gives?

It was a decade ago when U.S. sales of Japanese cars went over a million for the first time. *Well* over a million. Nearly 1.4 million, to be exact. And the Japanese share of our new-car market shot to 12.4 percent from 9.3 percent in 1976.

That caused considerable nervousness among Detroit executives.

Detroit also had a banner year in 1977, with sales and income at all four makers up dramatically from the year before. Total U.S. new-car deliveries topped 11 million for the first time since pre-fuel-crisis '73. And 1978 was even better as sales continued to climb while Japanese penetration declined slightly to 12.0 percent. What, me worry?

Then came 1979. The year began with the country's second major fuel shortage and ended with domestic new-car sales headed for a deep depression. Out of a total market of 10.7 million units, the Japanese took nearly 1.8 million, or 16.6 percent. ▀

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That *really* got people's attention, both in Detroit and in Washington. Everyone knew our domestic makers were in serious trouble, and the clamoring began for some sort of Japanese-car quota or tariff to protect them, at least until they could get more competitive in both

quality and efficiency.

As things got progressively worse over the next year, the Japanese government saw protectionist pressure growing in our Congress and wisely acted to head it off. It ruled that, beginning in April 1981, its own automakers would

"voluntarily" limit themselves to 1.68 million passenger-car exports to the U.S. per year, with each company's apportionment based on then-current levels.

This Voluntary Restraint Agreement (VRA) was renewed for three consecutive years, and it proved highly successful in giving Detroit the breathing room it needed. By 1983, with a strong recovery under way, it was renewed again and expanded to 1.85 million units for 1984, then swelled to a substantial 2.3 million for '85 and '86. As this is written, no one knows what will happen April 1 when the current VRA expires. It may be scrapped, expanded again or (most likely) renewed at its current level for at least another year.

Meanwhile, the VRA's influence has been substantial. While easing the pressure on domestic automakers, it has restricted the growth of Japanese importers and curtailed the plans of newer and smaller ones such as Mitsubishi and Isuzu. It has encouraged every one of them—beginning with Honda, whose Marysville, Ohio, plant came onstream in October 1982—to move toward U.S. assembly as a way to increase sales even as their import volumes are restricted.

And it has caused them to move substantially "upmarket." Obviously, if the number of products you can import is limited, you'd like to move a higher percentage of that number toward more profitable products.

The other major factor that has led to \$20,000 Japanese luxury sedans is, of course, the recent rapid deflation of our dollar versus their yen.

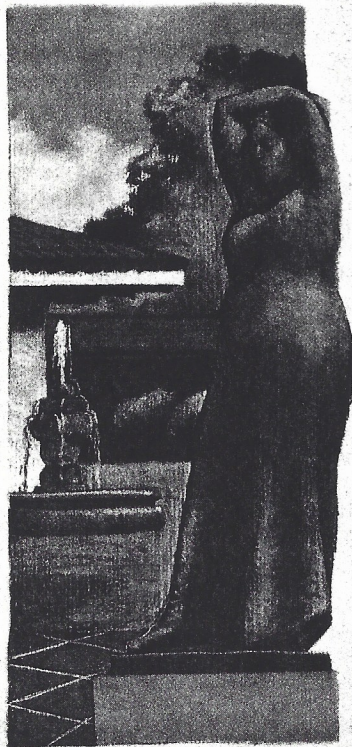
Ask Japanese auto executives about their products' steady upscale migration, and their answer is what Detroit used to say about its gas-guzzling gunboats of the past.

"We are focusing on cars consumers want to buy," says Kazutoshi Hagiwara, president of Nissan Motor Corp. in U.S.A., "and that trend in the last few years has been toward luxury and high performance." Nissan's 300-ZX sports car currently ranges from about \$18,500 for the "base" model with five-speed manual transmission to over \$22,000 for the Turbo with automatic. And both it and Nissan's \$16,000 Maxima luxury/sport sedan remain highly

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popular despite their inflating prices.

"Yet," Hagiwara adds, "our number one seller is still the Sentra, our lowest-priced model."

"We're not going to abandon the entry-level market for a second," echoes Toyota Group vice-president Jim Per-

kins. "It's very important to us because that is where so many buyers have first experienced a Toyota in the past. At the same time, we want to be able to meet consumer demand, and if demand continues to grow in the so-called upscale market, we want to be represented."

Toyota's luxury Cressida sedans and wagons already brush the \$20,000 mark, and its Supra Turbo sports car starts at \$22,260.

Other Japanese entries in the \$20,000 club are Mazda's top-of-the-line RX-7 Turbo sports car at about \$20,400 and Honda's Acura-brand Legend sedan, which ranges from \$19,900 to nearly \$23,000. Will their prices keep climbing? Most likely, so long as their performance and equipment levels keep improving, the yen stays strong against the dollar and the market for them continues to bear it. Are they worth it? Their satisfied buyers sure seem to think so.

Even more unnerving, though, to both Detroit and the vaunted European automakers, is what the Japanese may have up their collective sleeve for the U.S. market in the fairly near future. Mazda has already announced it will be bringing its luxury 929 sedan to America late this calendar year, Toyota has a new luxury sedan both larger and costlier than its Cressida just over the horizon, Honda has big (upward) plans for its Acura division, and others are sure to follow.

Visitors to the fall 1985 Tokyo Motor Show were astounded at the levels of luxury, performance, design and high technology demonstrated by the many Japanese makers' concept cars on display there—Mazda's MX-03 (a high-performance, four-seat sport coupe), Toyota's FXV (a mid-engine four-door four-seater), and, most impressive, Nissan's CUE-X. Called "A Prototype for Reality," the CUE-X had, like the others, four-wheel drive, four-wheel steer, state-of-the art ABS braking and prodigious power from its four-cam, 24-valve, twin-turbo V-6. But it also featured such exotica as movable aerodynamic spoilers front and rear, electronically controlled air suspension, a satellite navigational system, a laser radar distance warning system and even a digital tire pressure display, all encompassed in a beautifully aerodynamic four-door sedan body.

It also looked surprisingly practical and produceable, as if they were about to send it down some highly efficient assembly line sometime very soon.

Now *that* could be pretty scary even for the likes of Mercedes, BMW and Jaguar. ■

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