

TABLE 3

World Production of Motor Vehicles  
(in millions of units)

	EC	North America	Japan	Total World
1970	11.4	9.5	5.3	29.7
1980	11.7	9.4	11.0	38.8
1989 Forecast	14.2	12.8	12.5	48.3

Source: JAMA, *Automotive News*, DRI.

technical development in assembly substitution leads to further substitution of capital for labour, and output grows slowly.

**b) European Automobile Producers**

European car manufacturers can be divided into two categories: volume or "full line" manufacturers on the one hand and specialist/luxury producers on the other.

*Volume Manufacturers*

Until recently there were eight full-line car manufacturers in the EC: Volkswagen, Fiat, Ford, GM, PSA, Renault, Austin Rover and SEAT. SEAT was taken over by Volkswagen in 1986, while Austin Rover's production has fallen to such low levels that it is questionable whether it can really be termed a volume manufacturer. As a result the EC's passenger car market is now shared fairly evenly among the six major companies (see Table 4).

However, this presentation of market share at a European level can be rather misleading, since it hides great differences in the geographical spread of sales between manufacturers. In

fact, most European volume manufacturers are heavily dependent on their national/domestic markets. This is particularly true for the Fiat group which, in addition to its dominant position in the Italian market, has all its European manufacturing facilities based in Italy.

The overall financial performance of the volume producers has substantially improved in 1988 and 1989 due to sustained car sales and continuing rationalization measures. However, in spite of this improvement, some volume producers still suffer from high debt ratios. The question remains therefore whether certain volume car manufacturers will be able to generate sufficient internal cash to finance their projected essential capital investments over the next five years. This is one of the most serious question marks hanging over the industry.

Another challenge for some of the volume producers will come from increased Japanese competition.