CHAPTER 1 MARKET OVERVIEW

1.1 Market Definition

Datamonitor includes all operational leasing agreements with terms longer than one year in the truck leasing market. Trucks of between 3.51 and 15 tonnes GVW (Gross Vehicular Weight) and trucks of over 15 tonnes GVW are the main truck types covered in this market. The market value is measured in terms of the lessor's income before any taxes and levies.

1.2 Research Highlights

The Japanese truck leasing market has been receding for several years following the 1997 Asian economic collapse.

The leading revenue source for the Japanese truck leasing market in 2002 was the heavy truck (15.1 tons and over) leasing sector.

During the next five years, the market is expected to experience steadily declining growth rates.

The truck-leasing sector is one of severe competition, due to the number of operators in that market.

1.3 Market Analysis

The Japanese truck leasing market has been receding for several years following the 1997 Asian economic collapse, as has the rest of Japan’s automotive industry, following expansive growth in the early 1990s. The truck leasing market in Japan shrunk following 1997, leading to over-capacity in the market and depressing demand for truck hire. Following years of poor economic growth, the Japanese leasing market is expected to see increased sales and profits for 2003/2004. This improvement in growth is not due to any improvement in Japan’s economy, but rather due to the enforcement of a diesel truck control ordinance that goes into effect in October in certain geographical areas of Japan. Heavy-duty trucks that fail to meet these new regulations will not be allowed to drive through these areas, hence the demand for new trucks.

In contrast, although the declining trend is considered attributable to the general recession, the actual freight rates continued to decrease even after the cargo movements turned upward in fiscal 1995. This is considered to be a consequence of the rapid increase of operators, and the resultant severe competition. Presently, most automobile leasing companies are looking to cost saving measures rather than market growth to increase profits.

The market for truck-leasing reached a value of $2.3 billion in 2002, having shrunk with a compound annual growth rate (CAGR) of –4.4% in the 1998-2002 period. This growth was considerably weaker than that of the Asian market itself leading to the Japanese market's share decreasing by 11.4 percentage points between 1998 and 2002, accounting for 57.0% of the Asian truck market by the end of this period.

The leading revenue source for the Japanese truck leasing market in 2002 was the heavy truck (15.1 tons and over) leasing sector, which accounted for nearly 69.7% of the market's value in 2002. In value terms this sector was worth $1.6 billion, an increase of 0.2 percentage points on the previous year making this sector the strongest performing within the market. The light truck (3.51-7.5 tons) leasing sector generated the second largest revenues in 2002, reaching a value of $692.3 million, equivalent to 30.3% of the market's value. It is unlikely that this sector will challenge the leading sector's position going forward.

During the next five years, the market is expected to experience steadily declining growth rates that actually contract in 2003 at a rate of –0.24% and then steadily increase to 1.46% in 2007. By 2007 the market is forecast to reach a value of $2.4 billion, a CAGR of 0.8% in the 2002-2007 period, lower than the Asian market. The Japanese market's weak growth is highlighted by its decreasing share of the Asian market; from its 57.0% share in 2002, the market is forecast to account for 44.8% by 2007, a 12.2 percentage point decrease compared to the Chinese market's growth of 4.1 percentage points during this timeframe.