

DETROIT FEDERAL RESERVE – 11-3-03

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GREETINGS FROM CAR TO OUR GOOD FRIENDS AT THE CHICAGO FED
HERE ON FORT STREET IN DETROIT – A STREET NAME WHICH HAS
SOMETHING TO DO WITH THE ORIGINAL FORT DETROIT, BUILT BY THE
FRENCH, NOT TO KEEP OUR FAIR DEALING NATIVE-AMERICANS OUT, BUT
INSTEAD, TO BLOCK THE APPROACH OF THE PERFIDIOUS BRITISH.
INDEED, THE FRENCH CAN BE VERY WISE . . . OCCASIONALLY – WOULD
THAT WE COULD USE THE SAME WALLS TO GUARD OUR EXECUTIVE
SUITES IN DEARBORN FOR THE SAME PURPOSE.

FRIENDS, DETROITERS, PICK-UP TRUCK DRIVERS – LISTEN TO ME. I COME,
WITH THE REST OF THESE GENTLEMEN, TO BURY THE BIG THREE – I GUESS
– NOT PRAISE THEM. THE SUPPOSED INCOMPETENCE OF LARGE
COMPANIES LIVES AFTER THEM. THEIR ACCOMPLISHMENTS AND
LIMITLESS BENEFITS TO OUR ECONOMY OVER THE LAST CENTURY ARE
OFT SOLD OFF WITH THEIR ASSETS.

SO LET IT BE WITH THE BIG 3. MR. CARSON HAS TOLD YOU THAT THE BIG 3 ARE CAUGHT IN A FATAL TRAP OF THEIR OWN MAKING AND THAT THEIR CHANCES OF SURVIVAL, THIS TIME, ARE INDEED POOR. IN THIS, HE AND HIS PUBLICATION (NOT FOR THE FIRST TIME) ARE PARTICIPATING WITH THE USUAL CROWD IN ONE OF THE OLDEST, AND MOST TIME-WORN, NON-FICTION OR RATHER FICTIONAL GENRES IN BUSINESS LITERATURE – WAS IT EDGAR ALLEN POE OR JULES VERNE THAT WROTE THE FIRST “THE INCOMPETENT BIG THREE ARE DOOMED” COLUMN? OR DID IT START AS RECENTLY AS THE 70’S WITH BROCK YATES OR CHARLES SOBEL, OR MARY ANN KELLER OR EMMA ROTHCHILD, OR THE FAMOUS DAVID HALBERSTROM? (900 PAGES IN 9 MONTHS BY HIS WRITING TEAM) AND RECENTLY WITH MARY WALTON OR MICKI MAYNARD – NOT TO FORGET THE COLLECTED WIT AND WISDOM OF JERRY FLINT AND VARIOUS NASTY WEB SITES AROUND TOWN? AND THESE ARE HONORABLE JOURNALISTS ALL, I’M SURE.

IN FACT – THE BIG THREE HAVE BEEN BURIED SO MANY TIMES OVER SO MANY YEARS BY THESE ER UM, WELL-MEANING I’M SURE, LITERARY PUNDITS, THE BIG 3 MIGHT AS WELL INSTALL FINISHED BASEMENTS WITH WALL TVS IN THEIR GRAVES. THIS STAND-UP ROUTINE IS GETTING VERY, VERY OLD IN ITS CURRENT PHASE – “TAKE MY FORD, PLEASE.” MUCH OF THE WRITING – ESPECIALLY MICKI’S – REPEATS OVER AND OVER, AD INFINATUM, AD NAUSEUM EST, PREVIOUS WRITING BY OTHERS AND

OFTEN PARAPHRASES JIM WOMACK'S WORK ON LEAN PRODUCTION FOR MANY, MANY PAGES, WHO DID IT, OF COURSE, FAR, FAR BETTER. HOWEVER, HAVE MORE THAN A COUPLE OF THESE PEOPLE EVER DESIGNED A PART, SET A PRICE, OR STRAIGHTENED AN AXLE? YET THEY ARE ONE AND ALL, HONORABLE AND I'M SURE THOROUGHLY KNOWLEDGEABLE JOURNALISTS AND ACADEMICS.

THE BIG 3 HAVE BROUGHT MANY BILLIONS OF EARNINGS HOME TO DETROIT AND MANY MILLIONS OF JOBS TO THE UPPER MIDWEST OVER THE LAST CENTURY. WAS THIS ALL INCOMPETENCE? AND HAVEN'T WE ALL WAITED FOR IN VAIN, AND LOST TRILLIONS BETTING ON, SOME OTHER PRODUCT OR TECHNOLOGY TO MATCH THE INCREDIBLE ECONOMIC GROWTH IN THE US ECONOMY SUPPLIED BY DETROIT'S PRODUCT AND PROCESS? AND WE WILL CONTINUE TO WAIT IN VAIN.

YES, DETROIT HAS FALLEN HARD AT TIMES. JAPANESE US MARKET SHARE INCREASED FROM 5 TO 11 PERCENT IN ONE YEAR IN 1973 – THE YEAR OF THE OPEC EMBARGO. SIX YEARS LATER, JAPANESE SHARE INCREASED AGAIN, FROM 11 TO 21 PERCENT IN 12 MONTHS DURING THE IRANIAN HOSTAGE AND SECOND ENERGY CRISIS. BY 1991 – JAPANESE US SHARE ROSE TO 29 PERCENT. DURING THIS PERIOD, DETROIT WAS FORCED BY THE GOVERNMENT TO INVEST \$45 BILLION IN DOWNSIZED CARS AND ENGINES THE PUBLIC DID NOT WANT. FOR WHICH THEY

OFFERED, GRUDGEDLY A \$1.5 BILLION LOAN GUARANTEE TO CHRYSLER,
WAS THIS ALL REALLY DETROIT INCOMPETENCE?

AND THEN WITH THE LIGHT TRUCK BOOM OF THE 90'S, FUELED BY
RECORD LOW GASOLINE PRICES, THE JAPANESE LOST SHARE, FALLING TO
25 PERCENT WITHOUT NARY A HEADLINE IN THE NEW YORK TIMES. IN
FACT, THE JAPANESE ALMOST LOST THEIR INDUSTRY BY THE MID-90S TO
THE STRONG YEN AND THEIR LACK OF TRUCK PRODUCTS. NOW ONLY
TWO JAPANESE COMPANIES REMAIN INDEPENDENT – THE OTHERS
REACHED VIRTUAL AND REAL BANKRUPTCY, AND SOLD THEIR
INDEPENDENCE TO THE EUROPEANS AND THE AMERICANS. CAPACITY IN
JAPAN HAS FALLEN BY OVER 30 PERCENT SINCE 1992. AND IT IS STILL
FALLING.

WITH THE STRENGTHENING OF THE DOLLAR IN THE SECOND HALF OF THE
90S, POWERED BY THE FED AND OUR FEDERAL GOVERNMENT, FOR DARK
AND CORRUPT PURPOSES I'M SURE, AND UNCOUNTABLE INTERVENTIONS
BY EXPORTING NATIONS SUCH AS JAPAN SINCE 9-11 TO SUPPORT THE
DOLLAR AND THEIR OWN EXPORTS – FOREIGN SHARE OF THE US MARKET
HAS AGAIN INCREASED TO NEW RECORD LEVELS.

YET, A FREQUENT CRITICISM FROM THE PUNDITS IS THAT DETROIT'S
RECENT LOSS OF SHARE IS ONCE AGAIN ATTRIBUTABLE TO THEIR LACK

OF FOCUS ON THE CONSUMER. REALLY? WAS IT LACK OF CONSUMER FOCUS THAT WAS RESPONSIBLE FOR DETROIT PRODUCING TENS OF MILLIONS OF LARGE CARS IN THE 50S AND 60S, INCREASING THE AVERAGE AUTOMOTIVE MARKET BY ALMOST 200 PERCENT IN SALES, PUTTING ALL OF AMERICA ON WHEELS AND CREATING THE LARGEST AND MOST PROFITABLE CORPORATIONS IN WORLD HISTORY? WAS IT INCOMPETENCE FOR DETROIT TO INNOVATE THE MINIVAN AND THE COMPACT SPORT UTILITY IN THE 80S AND EARN WITH THESE PRODUCTS AND LUXURY PICKUPS OVER \$104 BILLION IN NET EARNINGS BETWEEN 1994 AND 2000? AND THIS TRUCK MARKET CONTINUES TO GROW – UP ANOTHER 3 PERCENT THIS YEAR TO ANOTHER RECORD, AND SCHEDULED TO TRAVEL PAST 9 MILLION IN ANNUAL SALES IN EACH OF THE NEXT TWO YEARS. BUT WE ARE TOLD BY THE PUNDITS – ALL HONORABLE JOURNALISTS I’M SURE – TO SPEND BILLIONS ON HYBRIDS AND IMPOSSIBLE FUEL CELLS THAT THE VAST MAJORITY OF AMERICANS DO NOT, AND SHOULD NOT, WANT.

YES, DETROIT MADE RECORD MONEY IN THE 90S FROM THE US TRUCK BOOM. A SECOND CHANCE FROM GOD. THE ONLY INTERESTING QUESTION IS WHETHER THE MONEY WAS INVESTED WISELY. A SCORE OF NEW ASSEMBLY PLANTS WERE BUILT IN EMERGING MARKETS THAT NEVER EMERGED, AND STILL WON’T. AN ODD COLLECTION OF 2ND RATE EUROPEAN AND THIRD RATE JAPANESE AND KOREAN CAR COMPANIES

WERE BOUGHT AT VAST EXPENSE AND THEY HAVEN'T EARNED A NICKEL YET AND NEVER WILL (ESPECIALLY LAND ROVER). WOULDN'T THE MONEY HAVE BEEN BETTER INVESTED IN SHORING UP THE PENSION FUNDS AHEAD OF THE BURSTING OF THE STOCK MARKET BUBBLE, OR HOW ABOUT \$TEN BILLION TO DESIGN AND MANUFACTURE A CAR TO COMPETE ON THE LEVEL WITH CAMRY AND ACCORD?

YET WORLD MARKET SHARE FOR THE BIG 3 GROUP OF COMPANIES TOTALED NO LESS THAN 47% OF WORLD SALES IN 2002 COMPARED TO 13.5% FOR HONDA AND TOYOTA COMBINED – 3.5 TO 1! IF THESE MANY PARTNERSHIPS CAN BE CONVERTED TO GLOBAL SCALE ECONOMIES – AN ENORMOUS ADVANTAGE CAN AND WILL RESULT.

YES, LET US DISCUSS OUR VERY ERST-WHILE FRIENDS THE EUROPEANS – SOVIET LITE AS ALWAYS – WITH THEIR MASS VEHICLE PRODUCTION COMMITTEE IN BRUSSELS HANDING OUT 12 PERCENT EU SHARE TO EVERY DOMESTIC COMPETITOR – AND 60 PERCENT OF EACH HOME NATIONAL MARKET TO THE HOME COMPANIES – ALL PROTECTED BY IRONCLAD EU PROTECTIONISM AND MAJOR GOVERNMENT OWNERSHIP FOR FOUR DECADES. IN THE EU, FIVE DOLLAR A GALLON GASOLINE IS TAXED BY A DOLLAR LESS TO CREATE AN INSTANT ADVANCED DIESEL MARKET – AND WE ARE TOLD TO DO THE SAME BY *THE ECONOMIST* – SORRY WE NEED

THE MONEY TO FUND DRUG COMPANY RESEARCH FOR A WORLD THAT DOESN'T WANT TO PAY.

WE ARE TOLD BY MR. CARSON, AN HONORABLE AND THOUGHTFUL JOURNALIST I'M SURE, THAT THE BIG THREE ARE HAMSTRUNG BY THEIR OWN UNION'S INFLEXIBILITY AND EVER-RISING LEGACY COSTS. REALLY? SINCE 1978, TOTAL UAW EMPLOYMENT AT GM HAS FALLEN BY 72 PERCENT, WHILE US SALES FOR GM HAS ONLY FALLEN BY 30 PERCENT. WHO IS INFLEXIBLE? YES, THE UAW DID ASK THAT RESTRUCTURING BE CARRIED OUT HUMANELY THROUGH FULL RETIREMENT AT A RATE OF 12 THOUSAND A YEAR FOR 18 YEARS AT GM. AND YES THE COMPANIES FULLY INTEND TO PAY UP FOR THIS LARGEST RESTRUCTURING IN CORPORATE HISTORY. THE FUND WILL RECOVER – ESPECIALLY WITH REASONABLE AND FAIR RULES FROM WASHINGTON. SO I MUST SAY THAT LEGACY COSTS AS A RULE, IN ANY FAIR CALCULATION, HAVE BEEN OVERBLOWN. THEY ARE A TEMPORARY HURRICANE THAT EVENTUALLY BLOWS OVER. IN 2007, THE NUMBER OF WORKERS WHO WILL ASCEND TO THE GREAT BODY SHOP IN THE SKY WILL EXCEED THE NUMBERS NEWLY RETIRING. ALREADY MORE ARE PASSING THRU TO SOCIAL SECURITY THAN NEWLY RETIRING. THE STEEL INDUSTRY HAS HAD FAR HIGHER RATIOS OF RETIREES TO ACTIVES THAN THE AUTO INDUSTRY (2 TO 7 TIMES HIGHER). THESE CASH TRANSFERS SHOULD NOT BE PASSED TO THE

UNIT COST OF VEHICLES UNDER ANY REASONABLE ECONOMICS – THEY ARE THE PRICE OF PRODUCTIVITY.

HOWEVER, SINCE THE COLLASPE OF THE HMOS, THE STRAIN OF DOUBLE-DIGIT INFLATIONARY HEALTH CARE COSTS FOR BOTH ACTIVES AND CURRENT RETIREES IS DANGEROUSLY OPPRESIVE. WHOSE FAULT IS THIS? CERTAINLY NOT DETROIT’S. EVERY MORNING AT 5:45 AM, THOUSANDS OF AUTOWORKERS IN THIS AREA START WORK AND COMPETE WITH VEHICLES AND PARTS IMPORTED FROM 30 COUNTRIES AROUND THE WORLD. THOSE COUNTRIES EITHER PROVIDE NATIONAL HEALTH CARE FROM THE GOVERNMENT SECTOR OR ARE PROVIDED THRU THE PRIVATE SECTOR VERY LITTLE OR NOTHING AT AL IN HEALTH CARE. YET OUR WORKERS ARE TO BE PREVENTED FROM CROSSING THE DETROIT RIVER TO BUY THE SAME DRUGS FROM A WINDSOR PHARMACY – AND WHEN WE TRY TO USE A MAIL-ORDER COMPANY TO BUY IN BULK – THE LOCAL PHARMACY CHAIN VAMPIRES LOBBY THE STATE GOVERNMENT TO FORCE THE WORKERS BACK INTO LINE IN THEIR STORES TO MAINTAIN THEIR CUT OF THE TAKE.

IF WE RAN OUR INDUSTRY LIKE PFIZER – WHAT A GREAT COMPANY IT TRULY IS - CHRYSLER’S MINIVAN AND CHEROKEE SPORT UTE WOULD HAVE COME OFF THE PATENT ONLY A COUPLE OF YEARS AGO – BUT THAT’S OK – CHRYSLER WOULD HAVE SPENT ALL OF THEIR R&D DURING

THE PATENT TO GET A FOUR YEAR EXTENSION, WE NEED PRESCRIPTIONS ON MEDICARE AND A WEAKER DOLLAR OR ALL OF US MANUFACTURING WILL SINK INTO PERMANENT DECLINE.

I HAVE A WILL AND A TESTAMENT FROM THE BIG THREE. WILL YOU HEAR IT? IT WILL BRING YOU TO TEARS. THE VERY STONES OF DETROIT WILL RISE TO MUTINY.

THE BIG THREE OF COURSE AREN'T HEADING TOWARD EXTINCTION. THEIR WOUNDS AREN'T FATAL.

IF THEY ARE INDEED THE BIG TWO AND ONE HALF – WHATS THAT MAKE TOYOTA FOR ONE MONTH? A HALF FOR A MONTH.

LET ME LIST SOME FACTS THAT WILL HAPPEN IN THE FASHION OF A BAVARIAN AUTO EXECUTIVE. EIN!

1. THE BIG THREE HAVE ALREADY TIED THE FOREIGN COMPETITION IN INITIAL QUALITY – LET JD POWER ADMIT THERE IS NO STATISTICAL DIFFERENCE REMAINING ON THEIR IQS SCORE – CHRYSLER IS AHEAD OF MERCEDES – BUICK AHEAD OF EVERYONE BUT ACCURA AND LEXUS. DURABILITY IS THE NEXT BATTLEGROUND – BUT THE GAP IS NARROWER.

2. THE BIG THREE WILL TIE TOYOTA NORTH AMERICAN PRODUCTIVITY ON LABOR HOURS PER VEHICLE IN 12 -24 MONTHS – WITH GM REDUCING THE FINAL 4 HOUR GAP IN TOTAL VEHICLE PRODUCTIVITY BY NEXT SUMMER.
3. THE BIG 3 WILL INTRODUCE OVER 100 MODELS IN THE NEXT FOUR YEARS – AND THE MAJORITY OF THEM WILL BE BRAND-NEW CAR MODELS FROM THE WHEELS UP.
4. THE BIG THREE WILL SURVIVE IN THE LARGEST, FASTEST GROWING IN NUMBERS, AND MOST PROFITABLE AUTO MARKET IN THE WORLD: NORTH AMERICA. SALES WILL REACH 22 MILLION BY 2010-2012. LARGER OVERCAPACITY WILL EXIST IN CHINA THAN IN NORTH AMERICA LONG BEFORE THEM.
5. THE STRONG DOLLAR WILL FINALLY END. MAYBE THE WTO WILL BECOME A REAL TRADE ORGANIZATION AND PUNISH SUCH CURRENCY MANIPULATION.
6. CHRYSLER WILL SURVIVE AS PART OF DAIMLER – IT’S THE LARGEST PART OF DAIMLER (45%) – THEY CAN’T SHUT IT DOWN. AND ITS CURRENT SHARE IS FAR ABOVE THAT IN 92 OR 82. A STRONGER, LEANER AND EVEN FASTER CHRYSLER WILL EMERGE ONCE AGAIN.
7. WE AS A NATION WILL DO SOMETHING FINALLY ABOUT RUN-AWAY HEALTH CARE INFLATION THROUGH REGULATION.

8. THE LIONS WILL WIN ANOTHER FOOTBALL GAME. BUT THE TIGERS WILL NEVER WIN. AND MICHIGAN'S HIGHWAY BARRELS WILL FINALLY GO BACK TO OHIO FROM WHENCE THEY CAME.

TO FINISH, IT IS MORE LIKELY THAT THE FEDERAL RESERVE WILL BE FULLY OUTSOURCED TO THE BANGLADORE PLATEAU IN INDIA TO SHUFFLE PAPER RATHER THAN THE BIG THREE BECOME EXTINCT.

AND LET ME QUOTE ANOTHER FAMOUS BARD – FROM CHICAGO – THAT WHEN THE GOING GETS TOUGH WHEN THE GOING GETS TOUGH WELL NOTHING IS OVER UNLESS DETROIT SAYS IT IS OVER – AND THEY HAVE TO GO ALL OUT – THIS SITUATION REQUIRES A FUTILE AND STUPID GESTURE ON SOMEONE'S PART AND THE BIG THREE ARE JUST THE . . WELL, ALL OF AMERICA WASN'T SURPRISED TO LEARN THAT THE FELLOW WHO RECENTLY JUMPED OVER NIAGRA FALLS WITHOUT A BARREL WAS A DETROITER – SO LETS BRING BACK THE EXCURSION. Thank you.

