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AUTOMOTIVE Industries

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HOW TO TURN AROUND A CAR COMPANY

GM's Jack Smith and Nissan's Carlos Ghosn reveal their secrets of success

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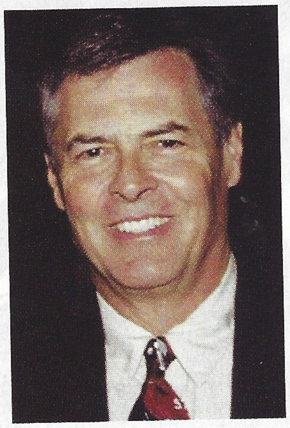

Domestics vs. Imports

A country can have one of two types of auto industry: its own, or someone else's. Unfortunately, the U.S. seems to be stumbling blindly down a primrose path from the former to the latter. Does anyone not understand why this is not a good thing?

"By far the best situation is the first," says Sean McAlinden, Economics and Business Group director of the Center for Automotive Research (CAR), "because the best and most permanent jobs — the strategic core of the industry — are in designing, engineering and developing products, research and development and running the company. In the second situation, the terrifying reality is that some people in an office in some far-away country can snap their fingers and change everything."

In North America, would you rather be in the position of the United States, or those of Canada and Mexico? In Europe, would you rather have Germany's industry or Great Britain's?

Japan's home team of automakers, suppliers, banks and government — facing a long-stagnant market at home — has worked to expand aggressively throughout the world. Korea is following fast in Japan's footsteps. Guess whose market is everyone's most open, most generous and most lucrative favorite?

A recent CAR study found that 10 percent of U.S. jobs are provided by the U.S. auto industry, which directly employs 13.5 million Americans. Suppliers and other auto-related companies employ another 2.2 million, not counting the local stores and mom-and-pop shops supported by every U.S. facility.

To be fair, as U.S. OEMs shed employees to survive their shrinking shares, foreign-owned transplants are adding jobs. But the ratio is far from one-for-one, and those new jobs are mostly in non-union factories in poorer parts of the country, and in dealerships.

Much news was made this August when Toyota supplanted Chrysler as third in U.S. sales. Toyota is also on its way to outselling both Ford and Chevrolet, the two biggest baseball, mom and apple pie American makes we grew up with. Those August sales also showed off-shore brands owning 42 percent of our market...and they are fast heading toward 50 percent and beyond.

More and more Americans are choosing their stuff over ours. Loyal Japanese and German citizens wouldn't dream of doing that, so why would we?

First, the seemingly impossible-to-shake perception that their stuff is better than ours. Our guys earned that reputation with decades of cheap and shoddy workmanship even as the top-tier imports were training us to expect much better. But it's no longer true.

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With each new quality survey, Toyota/Lexus and Honda/Acura typically set the pace, but the domestics are increasingly close behind...and generally ahead of most other Japanese, Europeans and Koreans. And the gaps are small. J. D. Power's 2003 Initial Quality Survey (IQS) shows the average domestic-brand vehicle tied with the average European at 135 problems per 100 vehicles, the average Japanese at 126 and the average Korean at 152.

Second, the growing perception — created and nurtured by off-shore makers and reinforced by dealers and our own media — that a U.S.-built "import" is economically equivalent to a domestic vehicle, especially when that "domestic" may be bolted together in Canada or Mexico. Few Americans understand that the location of a vehicle's assembly is virtually irrelevant, since it represents only a small percentage of its value. The true tests of "domestic" vs. "import" are 1) where do the profits go? and 2) where are most of the better jobs?

I am not suggesting that U.S. media should favor domestic-brand vehicles, or that buyers should blindly choose them out of patriotism or loyalty. I am suggesting that both should shed dated perceptions, give all an equal shot and make intelligent recommendations and decisions based on current car-to-car comparisons of quality, content and value.

I also strongly suggest that our Federal and local governments should comprehend the damage done by anti-business policies, regulations and taxes that create unequal business conditions for domestics vs. off-shore competitors. Like others, they should work with U.S. business to ensure a level playing field for the benefit of all Americans and the U.S. economy. ★

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