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NEW FEATURE

Opinion: Keep America Global

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Opinion: Keep America Global

It's time to cut the "America tax" for the world's auto industry.
 by Gary Witzenburg (2005-01-31)

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Dear Mr. President:

Because one of your pressing priorities is the U.S. economy, I respectfully suggest that you must effectively address the globally uncompetitive costs of doing business in America.

Your opponent beat you up for the loss of jobs following 9/11, and American companies have been criticized for moving operations and jobs off-shore. The critics cite low wages, but (as you know) labor cost is but one small part of the equation. The rest is a uniquely American smorgasbord of health care, taxation, regulation, litigation, and retiree "legacy" costs that make it increasingly tough for U.S. companies to survive, let alone prosper, vs. global competition.

These costs affect virtually all U.S. business, but I submit our domestic auto industry as Prime Example no. 1. The frightening fact is that our three remaining makers (DCX's Chrysler Group remains a major contributor to American jobs and the U.S. economy) have slid past 60 percent combined U.S. share on their way to 50, 40, and eventually zero.

If the costs of doing business here are not substantially reduced, and soon, we'll very likely awake one day in the same uncomfortable position as Canada — with all our auto facilities and jobs controlled outside our borders. When that happens, says Center for Automotive Research (CAR) Vice President Sean McAlinden, "the terrifying reality is that some people in an office in some far-away country can snap their fingers and change everything."

Carrying old grudges and stubborn misperceptions, most Americans don't comprehend how able and competitive our three surviving automakers have become — or how devastating to our economy the failure of even one would be. Roughly one in seven U.S. jobs is dependent on the auto industry and supporting businesses, from parts plants to mom-and-pop markets.

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Aside from image and perception disadvantages — reinforced daily by our own media — part of the problem boils down to sheer numbers: 13 major foreign makers (so far) engaged in relentlessly cutthroat competition against our three in the world's most open and lucrative auto market. Yet the biggest single reason is this very large gap in costs vs. everywhere else.

Korean maker Hyundai, for example, has quickly climbed to the fourth-place U.S. import brand on the strengths of high feature content, long warranties, and real quality improvement at very low prices. How can Hyundai offer so much for so little? Compare its cost of doing business in Korea to ours, or even those in Japan and Europe. And not far behind Korea will come China and India . Meanwhile, U.S. makers are expected to keep on adding expensive safety equipment, richer interiors and more at no extra charge, which they have.

Skyrocketing health-care costs were a hot election issue... does anyone have a workable, affordable solution? Perhaps it's time to more tightly regulate that highly profitable industry. Perhaps (since foreign workers are covered by their governments, not their employers) every vehicle sold in this country, regardless of origin, should carry a healthy health-care surcharge to cover America's auto workers, families, and retirees.

Yes, Germany's tax rate is higher than ours (and Japan 's is roughly the same). "But there's no State of Bavaria tax, no taxes on sales, payroll, on and on," says CAR's McAlinden. "And while other governments don't charge taxes on overseas earnings, we still do."

Yes, all vehicles sold here must meet the same heavy load of regulations; but facilities and businesses based elsewhere do not. Yes, import makers (or their U.S. arms) can and do get sued; but going after U.S. companies is so much easier, and more lucrative for lawyers. We trust you will do your best for American business and workers. You promised as much in your December 18 radio address: "I will work with members of both political parties," you said, "to confront these problems so we can keep our economy flexible, innovative, and competitive, and so America remains the best place in the world to do business."

If you want to keep business and jobs in America, Mr. President, you must keep that promise. You must level the playing field for American business, as soon as humanly possible.

Gary Witzenburg, a former advanced technology engineering manager and part-time racing driver, is a widely published auto writer and Editor-at-Large of Automotive Industries.

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