



Our Plan for America

A STRATEGIC PLAN FOR FIXING THE AUTO INDUSTRY

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At the turn of the 19th century, the largest industry in the United States was wagon wheel manufacturing. Today, the wagon wheel industry is virtually non-existent.

In just 108 years, the world has changed dramatically. Automobiles lead the industrial revolution of the 20th century, and the freedom it provided to consumers has changed the American landscape. A change to the way goods were shipped and the increased amount of leisure travel caused the need to construct the highways that ultimately fueled the rapid expansion, development and connectivity of the United States as we know it today.

Unfortunately, ingenuity and strategy have left Detroit. In fact, the greatest export from Detroit isn't the car. The greatest export from Detroit is failure, problems and stale thinking that is the result of executives that have been inbred within a culture of entitlement, and where out-of-the-box thinking resulted in losers like the Pontiac Aztec.

The solution for what ails Detroit isn't going to come from the CEO's of Ford, Chrysler and General Motors. If they were so ill equipped to comprehend the causes of failures they have created or inherited, then how can we be so naive to believe that whether they arrive in Washington, DC on a private jet or in a hybrid car, they will bring with them a winning and viable survival plan--for the domestic automobile manufacturing industry, let alone their own companies?

Let's be clear and straight here. The solution is not coming from Detroit, and the government leaders we send to Washington, DC are experts in the art of compromise, not invention. So where do we turn? Who will help to resolve this crisis? If not the elected leaders or the Detroit CEO's that are entrusted by stockholders with this task—then who?

I asked this question of myself and sat down to contemplate the solutions. I'm not suggesting that the plan I have created and put forth is the ultimate answer to all of the troubles that face our nation and the auto industry at this time of crisis, but it is a plan



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born from outside the Beltway and the assembly lines of Detroit. I share it with you in hopes that it will stimulate a national conversation about making courageous decisions that are necessary to avoid further failure, conflict and acceleration of our economic death spiral. If the automotive industry's problem is not addressed at the highest strategic level AND is not resolved in the best interests of the American public, which is about to become the largest single shareholding block of the Big Three, America will be in a much more dire situation than at present.

The automotive industry is part of an ecosystem that is out of balance. It is a systemic failure. The only way to treat it is to address the entire ecosystem, and address how the Big Three can contribute as "organs within the organism" rather than just single cell mitochondria.

First we must communicate very clearly that the automotive industry, the government and the autoworker must accept that this is a problem that needs the willing participation of all parties. If the current union leaders, politicians and corporate executives are unwilling to execute the plan and play the important role to which they are assigned in this plan and that is in the best interests of America, then the American public should replace them.

Second, we need to call a summit on the industry with the following agenda:

1. Solve The Marketing Problem First
2. The Big Three Play a Role
3. The Union Plays a Role
4. The Governments of America, Mexico and Canada Play a Role
5. To Participate in the Auto Industry of the Future—Accept the Roles

SOLVE THE MARKETING PROBLEM FIRST

To address the problem and solve it, we must first address what is produced, how it is produced, and how it is marketed, distributed, serviced and sold. Detroit produces too many models sold under too many brands that have too little differentiation within a system that is dominated by only three dysfunctional manufacturers. In the chase to build market share for each brand, Detroit has diluted its ability to supply cars and trucks that have discernable virtues or value. The result is a marketing strategy that sells vehicles at discount, provides sub-prime consumer financing for periods of time that exceed the commercial service life of the vehicle, and creates months of lagging sales that dealers cannot absorb. The Big Three must focus on delivering fewer but higher quality vehicles, rather than trying to create a customized palette with a business model that builds mass production for economies of scale.



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Detroit needs to stop producing cars as a result of union contracts rather than market demand. We need to stop the blind march of madness and embrace a rational and transcendent approach to the problem. It's a marketing problem. Poor marketing ends in poor economic performance. Detroit has failed at marketing. We need to fix the marketing problem. Marketing isn't glossy brochures, splashy TV ads, catchy radio jingles or colorful print spreads—it is the whole package. Japan, for instance, is great at marketing because they built a system that generates quality and productivity at amazing speed and efficiency.

To fix the marketing problem, The Big Three must become role players on a new "Domestic Automotive Marketing Platform" that has three major players with clearly defined and vital roles:

General Motors: Fund GM. In exchange, GM will no longer produce passenger vehicles. It will instead focus on supplying SUV's, light, medium and heavy-duty trucks for the commercial and personal vehicle market. Small businesses and consumers alike rely on these vehicles for short-haul needs—they are vital to the economy and there is strong demand for them.

GM will also supply vehicles for the Government's uses and for the Military.

Ford: Fund Ford. In exchange, Ford will be responsible for invention and will explore all means of producing a commercially-viable alternative energy engine and powertrain that it will supply to GM and Chrysler for use in the vehicles they produce by the end of this decade. Ford will cease making trucks, SUV's and passenger vehicles that are currently produced without a hybrid engine. It can expect to be the core of invention for the foreseeable decade and perhaps longer.

Chrysler: Chrysler will not be taxpayer funded. Chrysler will have the opportunity to absorb consumer demand for passenger vehicles that are no longer produced by Ford and General Motors. It will sell its way to financial health. If it cannot compete with imported vehicles under a less restrictive playing field that is proposed in this plan, then it deserves to sink and then Ford will supply future demand. Cerberus Capital, not the taxpayer, will be left holding the bag if Chrysler fails.

The Big Three are part of a larger ecosystem – global auto manufacturing. They are the weakest link in the chain and it has been exposed. Removing, consolidating or assigning roles to survive as a new and more competitive system will build a stronger organism within the global ecosystem in which it exists. Left unchanged, it will die (even with \$15-\$125 billion bailout). The US part of the ecosystem has to be rebuilt to survive. If not, the American consumer will just buy Toyota, Hyundai, Nissan, Mercedes, Lexus, and BMW.



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THE UNION PLAYS A ROLE

There will be an end to the Auto Workers' Union, as we know it today. Outside of poor marketing, this union is perhaps the greatest cause of failure within the Detroit system. This piece of the plan is not intended to break the union or subjugate the employees to employers as they were in the past. The rationale for this key component of the plan is freedom—freedom for manufacturers to compete on a level playing field with global manufacturing costs and to finally offer American auto workers the freedom to retain more of their income through tax breaks, restructured retirement plans and access to supplemental educational services to retrain displaced workers. The Union will be required to redeploy billions of dollars that American workers have contributed in the form of dues as an ultimate investment in the future hope and progress of generations born into a system of legalized slavery that has been provided to the auto industry. Pension shortfalls will be the primary responsibility of the Union.

Workers will be offered the opportunity to compete for jobs at any one of the Big Three, or others if they so choose. Skill level and competency will succeed the outdated and abused caste society of Detroit. In fact, real income will rise for workers as a result of this plan.

THE GOVERNMENTS OF AMERICA, MEXICO AND CANADA WILL PLAY A ROLE

The United States government should immediately repeal the onerous [Corporate Average Fuel Economy](#) (CAFE) Standards that have put the Big Three at a disadvantage against their global competitors. CAFE standards are artificial fuel economy standards that put American producers at a disadvantage for costs of production, and provide importers unfair advantages for importing their vehicles. Removing these standards makes us more competitive internally and will help us sell more cars.

General criticisms of raising the CAFE standards have been that – owing to the significant lead times manufacturers need to change model lines and because of the time needed for the vehicle fleet to turn over – increasing CAFE is a slow and inefficient means of achieving reductions in fuel consumption. Opponents of raising CAFE usually cite fears that higher efficiency will likely be obtained by downsizing vehicle size and weight, raising concerns about safety.

The U.S. should also institute a revolutionary program that provides direct tax incentives that encourages Americans to immediately buy GM trucks and SUVs and Chrysler passenger vehicles. I propose that each new vehicle buyer be provided with a minimum \$5,000 first year tax deduction and that a cap be placed on the depreciation value at no more than thirty-percent at the end of year two of the vehicle's life. The



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vehicle will have a mandatory return to one of five fleet disposition centers. These vehicles will be turned and shipped to Mexico or Canada.

Mexico and Canada will underwrite the two-year depreciation cap and minimum \$5,000 tax incentive through a rebate paid to the U.S. government for each barrel of oil or gallon of refined gas that U.S. consumers purchase from these countries. The United States imports one third of its oil from Mexico and Canada (Gibson Consulting) <http://www.gravmag.com/oil.html>. We need to remove the stigma of villain from the Middle East and stop the North American welfare program that is the imported oil program from our near and dear neighbors to our direct north and south. For each used vehicle that Mexico and Canada receives from U.S. inventories at return lots, they will receive, on a 2-1 basis, forgiveness of the billions of dollars in government debt owed to the U.S. taxpayers. Mexico and Canada will have the opportunity to remarket these vehicles to other countries or use them to stimulate their own economic growth. The result of this overarching plan is the depletion of vehicle stockpiles that lose value every day, gets the production lines moving again and puts American autoworkers back online.

TO PARTICIPATE IN THE AUTO INDUSTRY OF THE FUTURE—ACCEPT THE ROLES

The American taxpayer has a right to present this plan and demand that its politicians and industry executives consider its revolutionary core values and concepts as part of a national conversation on the Auto Industry. Their roles are to execute against the plan or the American taxpayer will execute the right to remove those unwilling executives and politicians who are asking us to blindly trust their ability to solve a problem for which they are ill-equipped to comprehend, let alone willing to accept as their failure as leaders at every level related to this issue of significant national importance.

If the Mexican and Canadian governments are unwilling to participate in the plan, then America should withdraw from the [North American Free Trade Agreement](#), close its borders to subsidized health care and unchecked immigration that it silently provides to these governments, and call “due” the billions of dollars in issued debt.

Stale rhetoric and incompetence will not lead us from failure. Our own inaction and personal refusal to take part in the solution process will seal our fate.

My personal stake and contribution to this end is having drafted this plan and taken the risk in its publication for consideration as a piece of the solution for which I have yet to see any viable alternatives arise.