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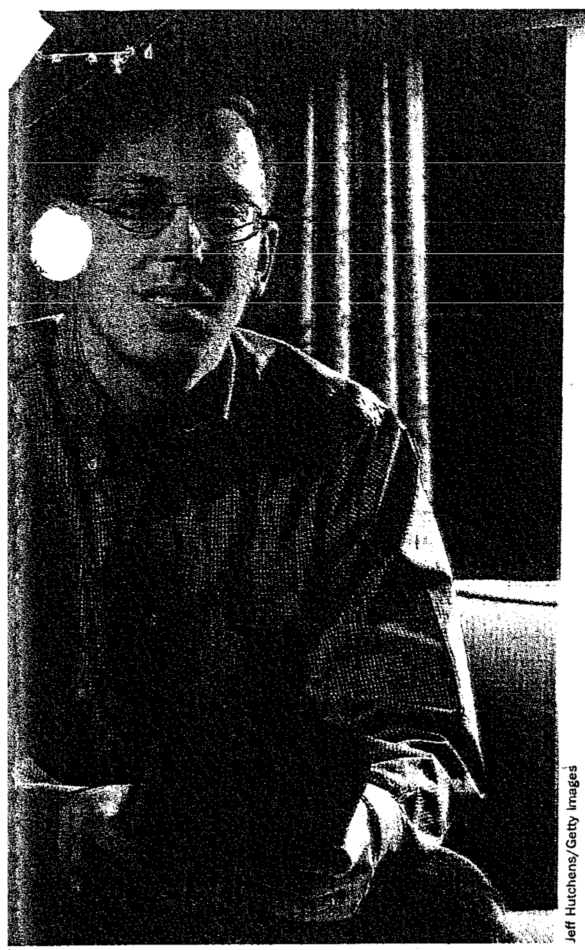

Jeff Hutchens/Getty Images

...est of Faith

...or's firing after his conversion
...new orthodoxy at religious colleges.

By DANIEL GOLDEN

Wheaton, Ill.

...COLLEGE was delighted to have assistant profes- ...a Hochschild teach students about medieval phi- ... Thomas Aquinas, one of Roman Catholicism's ... thinkers.

...lar teacher converted to Catholicism, the presti- ...ge reacted differently. It fired him.

...y evangelical colleges, requires full-time faculty ...tants and sign a statement of belief in "biblical ...iant with evangelical Christianity." In a letter no- ...d of the college's decision, Wheaton's president ...re" to retain "a gifted brother in Christ" was out- ...o employ "faculty who embody the institution's ... convictions."

...3 years old, who was considered by his depart- ... ...s (Please Turn to Page A8, Column 1)

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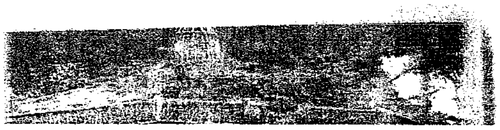


Marlton Cansler (second from left), Malik Jones (fourth from left) and other family brought together in a **fantasy photo**.

Troubled Legacy

Auto Industry, at a Crossroads, Finds Itself Stalled by History

From Sales to Labor Costs, Once-Storied GM, Ford Grapple with Past Practices

A Need to 'Change or Die'

By JOSEPH B. WHITE And JEFFREY MCCRACKEN

A big cloud looms over the U.S. auto industry as executives and dealers gather next week in Detroit for the annual North American auto show—their equivalent of the Oscars.

Normally, the cars are the stars. But this year, the industry is riveted by a far more urgent matter: the problems afflicting the Motor City's beaten-up giants, General Motors Corp. and Ford Motor Co.—and their odds of surviving them.

The very speculation that they may not shows how far the mighty have fallen. For decades, GM and Ford stood as icons of America's industrial power.

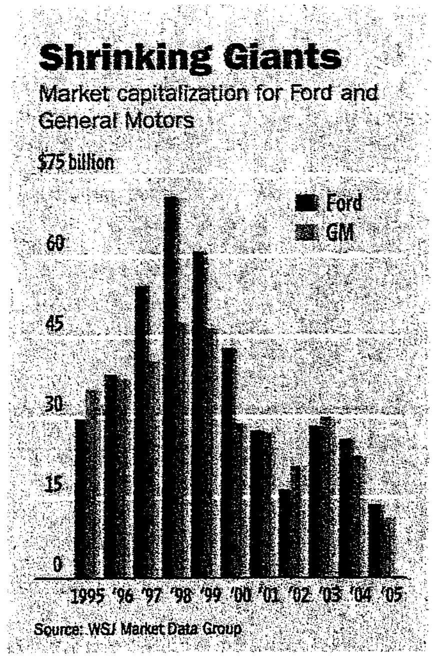
Ford mastered assembly-line production with its Model T and paid $5-a-day wages that put autos in reach of the masses. GM, under legendary early leader Alfred P. Sloan, refined modern management techniques and made the car a status symbol. It rolled out a wide range of brands—and features from tailfins to wraparound windshields—designed to suit every purse and purpose.

Post-World War II deals between the auto makers and the United Auto Workers union set a new standard of ever-better wages, health-care and pension benefits. That helped create a prosperous middle class of consumers, especially in the Upper Midwest—who in turn drove the car-crazy American way of life.

The idea of either company going bankrupt was simply unthinkable.

No more. Saddled by high labor costs and swamped by foreign competition from Toyota Motor Corp. and others, the two are now symbols not of America's economic might but its vulnerability to more nimble Asian and European manufacturers. Those companies benefit from largely nationalized health care at home and nonunion workers in the U.S. South.

Last year, both GM and Ford earned "junk bond" ratings on their debt—raising the prospect they may have to seek bankruptcy protection. GM's U.S. market share—close to 50% at the company's height—fell to 26.2%, while Ford's was down to 18.6%.



In the last two decades, the U.S. market has transformed from a cozy, three-way oligopoly—including Chrysler Corp., now part of Germany's DaimlerChrysler AG—to a knife fight among six to eight global players, all of which have substantial manufacturing operations in the U.S., Mexico and Canada.

But while the world that created Detroit's Big Three no longer exists, the legacy and mindset of those days persists, despite more than a decade of attempts to adapt to the new reality. The challenge is similar to that in the steel and airline industries, in which once-dominant players concluded that filing

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Former No. 2 At Wal-Mart Set To Plead Guilty

Under Deal, Sources Say, Coughlin Will Admit To Fraud, Tax Evasion

By JAMES BANDLER

Former Wal-Mart Stores Inc. Vice Chairman Thomas Coughlin has agreed to plead guilty later this month to federal wire-fraud and tax-evasion charges, according to people familiar with the proposed plea agreement he has struck with prosecutors.

The deal, if it holds, will bring down the curtain on a bizarre chapter in Wal-

Auto Industry Finds Itself Stalled

Continued From First Page

for Chapter 11 bankruptcy protection was the only way out of their mazes.

Detroit's leaders, including GM Chairman and Chief Executive Rick Wagoner and Ford Chairman and CEO Bill Ford, deny any plans to follow suit. But they also say they understand the new world. Both Mr. Wagoner and Mr. Ford promise big restructuring plans this year, including cost cuts and new models.

As Mark Fields, newly appointed president of Ford's Americas operations, declared last week, the view is that U.S. car makers must "change or die."

But tackling GM's "legacy costs" will be a highly complicated challenge. Most industry executives use "legacy costs" as shorthand for health and pension obligations owed to retiree. But GM's real legacy costs constitute a vicious circle that go well beyond those issues, affecting decisions about employees and production capacity, marketing and corporate structure and culture. Progress in one arena often hampers it elsewhere.

Take GM's longstanding agreement with the United Auto Workers to pay laid-off hourly workers nearly full wages long after their jobs have been eliminated. Dubbed the "JOBS Bank," this has recently stirred concern on Wall Street, where investors question how GM can cut costs and sell its vehicles at more competitive prices if it can't stop paying unneeded workers.

GM won't disclose the costs of the JOBS bank, but analysts estimate that it covers about 5,000 people. At roughly $100,000 per person each year, including benefits, that puts its estimated cost at $500 million a year—roughly $110 for each vehicle GM sold in the U.S. in 2005.

Some analysts say its costs are even greater. The need to pay idled workers is part of the reason that GM in recent years has sustained production of models that weren't in demand. To move the excess inventory, GM resorted to ever-more-costly discount deals. A recent estimate by CNW Marketing Research put GM's per-vehicle discount spending for 2005 at an average of more than $5,000 a vehicle, compared with $2,853 for Toyota.

The JOBS Bank is a legacy of the early 1980s, when then-Chairman Roger B. Smith was embarking on a strategy to automate GM's North American factories. In a recent interview, UAW President Ron Gettelfinger and UAW Vice President Richard Shoemaker, who heads the union's GM department, said the JOBS Bank originally was a company proposal, aimed at convincing UAW leaders not to oppose new technology.

"The idea was, 'You help us get productive and we'll bring work in' " to occupy the displaced workers, Mr. Gettelfinger said.

But that decision came back to haunt the company in later years as it began to embrace Toyota's methods of car making and made rapid productivity gains. Dubbed "lean production" in an influential book, "The Machine that Changed the World," the methods substituted discipline and a focus on eliminating wasted worker effort for fancy machines. They spurred much faster gains than anyone expected and redefined the productivity debate in the auto business.

But the JOBS bank never got redefined. Instead, after fighting a series of costly strikes with the UAW in the mid-1990s, GM management concluded it was better to build a harmonious relationship than provoke fights. The bank has survived successive rounds of contract bargaining, including the most recent round in 2003.

In the consumer arena, GM is saddled with another kind of legacy: The years, mainly in the 1980s and 1990s, when its vehicles suffered from inferior quality and reliability compared with the best Japanese brands. Many consumers thought GM also lagged in the quality of its designs. As GM Vice Chairman for Product Development Robert Lutz said earlier this year, "We had interiors that can only be described as 'functional.' They had very little about them that was aesthetically pleasing."

Mr. Lutz has spent much of the past four years pushing GM's designers and engineers to create better-looking cars that will erase memories of GM's drab 1980s and 1990s vehicles. But that's easier said than done.

> U.S. car makers must 'change or die,' says Mark Fields, a top official at Ford.

Last April, when GM hosted a competitive-drive event at a race track outside Chicago, customers formed long lines to try out the new Volkswagen Jetta and BMW 3-series. But there was no wait to drive many of GM's touted vehicles, such as the Chevrolet Malibu. The only GM cars that drew attention at the Arlington International Racecourse were the Chevy Corvette and the Cadillac CTS-V.

"It became a pain, because you had to wait a while to drive a BMW 5-series or another GM competitor," said Jeff Henderson, an Algonquin, Ill., resident who owns a Honda Accord sedan and Toyota Sienna minivan. "You couldn't help but notice the lines were pretty small for the GM vehicles." GM, he said, "does have some great products out there, but they don't have the reputation for quality that Toyota has."

It's the kind of comment that Mark LaNeve, GM's North American marketing chief, hates to hear. "We've got to overcome that," he said. "Maybe we've been too reluctant to admit our competitive problems in the past."

GM plans to kick off an aggressive new marketing strategy next week, which will stress quality and new, lower base prices on most models. "In some ways, we're going to turn back the clock," Mr. LaNeve said. "The Japanese offer a good product at a good price. Our cars are just as good, and you're paying more for that Japanese product."

Mr. LaNeve didn't discuss details in advance, but said he plans a "straightforward message on competitiveness, price advantages." In some cases, that will mean calling out specific competitors, like Toyota and Ford, sometimes on a model-by-model basis.

But the mission is complicated by another legacy: the complex structure GM has built in the U.S. over 97 years. The company currently sells cars and trucks under eight U.S. brands, compared with six in the 1950s when its market power was at its zenith. It has 7,500 dealers selling just over 26% of the market. Toyota's roughly 1,400 dealers sell just over 13% of the market.

Over the years, GM executives mostly have rebuffed calls to focus their marketing, design and engineering resources on fewer brands and models. The company did kill the Oldsmobile brand in 2000. But the phase-out was messy, taking several years and costing about $1 billion in expenses related to buying out Oldsmobile dealers, who had claims to compensation under state-franchise laws and GM's dealer agreements.

Mr. LaNeve says he's not planning to kill any more brands. Instead, he's trying to get Buick, Pontiac and GMC dealers to consolidate so they can sell a slimmed-down portfolio of vehicles under those three brands. As of now, he says, stores in which those three brands account for 60% of volume have been merged. "If we really do it right, we get better financial results," he said.

But when? Mr. Wagoner won't say, although he has hinted that he expects 2006 to be better than 2005. With most industry executives forecasting flat overall U.S. sales in 2006, and competitors such as Toyota lining up big new model blitzes of their own, though, it's not likely GM will get much relief from pricing pressure.

Coming in 2007, GM faces perhaps the toughest legacy test: negotiating a new contract with the UAW. UAW leaders, in letters sent to rank-and-file members, have justified decisions to accept cuts in health care by warning that if GM filed for bankruptcy protection, workers could wind up with even less. But UAW leaders are under fire from dissidents who believe they have been too quick to accept cuts to health-care benefits

In an unusual move, a group of Ford UAW members last week formally challenged the procedures the UAW used in a recent ratification vote for a package of health-care cuts at Ford that passed by a narrow 51%-49% margin.

The irony is that if Mr. Wagoner achieves somewhat better financial results this year, that could make it harder for him to persuade UAW workers to accept painful cuts needed to save the company long term.

—*Gina Chon [illegible]*

Wal-Mart's ...

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for comment.

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But federal prose... Attorney's Office fo... trict of Arkansas hav... that Mr. Coughlin w... destine intelligence ... unions, according t... with the investigat... said it has also inve... and found Mr. Cou... untrue.

Wendy's Internat...

Sales Decline in... As Chain Plans...

Wendy's Interna... weak fourth-quarter... begin testing so... items. The Dublin... chain also said it... super-value menu,... items sold for 99 ... delaying plans to... owned Wendy's to... the restaurants ... enough. Chief Exec... gave few details of... He said Wendy's wo... Tim Hortons chain... is selling 15% to 18%... coffee chain in an ... slated to price in M... quarter U.S. same-s... stores open at leas... company-owned W... 1.9% at franchises,... ter of declining sale... store sales rose 5.8... in the U.S., while... Wendy's Baja Fres...

Dell Inc.

Early Vesting ... Is Aimed at ...

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