

In reading all the discussion about the possibility of a bailout of GM, Ford and maybe Chrysler, it appears to me that no one has asked and answered the fundamental questions behind the issue.

First let me say that this is not about the quality of cars they build. I just bought a Ford for my dad. Im looking at trading in at least my personal Lexus coupe for another Ford I like. I think Ford makes great cars. There are some great GM cars as well. Unfortunately, while the companies make cars I like, they can't seem to run their businesses in a way that will allow them to survive. The issue is not about car quality. Even consumer reports says that the Big 3 now makes reliable cars. This is about their business model.

The reality of markets is this, If GM, Ford and Chrysler disappeared that doesn't mean the demand for cars will disappear. We will still buy cars. The question is what brand we will buy, where will those cars be built, by what company and how many jobs will be created to fulfill the demand ? According to Cars.com the [Toyota Camry is built in Lafayette Indiana](#) and has more than 75pct American Components. [The Honda Civic is built in the US with more than 70pct of US made components](#). The Big 3 are not the only manufacturers making cars in the US. If they go away, buy American Made could still survive.

It would be nice to have GM, Ford and Chrysler survive in some new profitable form, but we shouldn't lie to ourselves and make it sound like the demand for GM, Ford and Chrysler cars couldn't move to other cars made in the USA. Its a lie to suggest that 100pct of the jobs at these companies and their vendors will disappear. Jobs will be created in the businesses of those car companies that fulfill the demand for cars that the Big 3 leave behind. That said, it would be nice to find a solution that maintains as much of these institutions as possible and keeps their employees in their jobs if at all possible.

My Solutions ?

Take a page from the FDIC. The government should be in discussions with foreign automakers that have US manufacturing operations to discuss buying/assuming the operations of GM, Ford and/or Chrysler and rolling the acquisitions into Toyota, Honda, whoever with a requirement that the cars continue to be built in the US and any profits remain in the US.

It is unfortunate that there are not any well run or even profitable car manufacturers in the US that could assume the operations, but it is what it is. It will take the US operations of foreign car companies taking over manufacturing facilities, dealership relationships, vendor contracts, the whole works. I realize that this is more difficult than assuming bank branches. That manufacturing facilities are different between operators. I didn't say this would be easy. It wouldn't be. But its far better than the alternative. I would rather see money used to retool manufacturing than fund a business operation that just doesn't work and hasnt worked for years.

Of course every induced merger requires concessions. The concessions being that some negotiated percentage of GM/Ford/Chrysler employees would roll into the cost, pay and benefits structure of the acquirer. The taxpayers would guarantee the BANK debt acquired by whoever takes over the companies. Bond debt would be paid if after everyone else that is owed money, including the government.

Sure, the CEO and management of GM would be upset. Just as Im sure the CEO and management of banks that were taken over were. Thats life in the big city.

If Im providing loan guarantees, or direct government loans to car companies to protect jobs, I would much rather have Toyota US Operations running GM with a Toyota USA cost and manufacturing model than GM, with a GM cost and manufacturing model running GM. They can apply business principles that actually do work and save whatever part of the Big 3 can be saved. IMHO, this will keep the largest chunk possible of the job base in the US and turn the auto industry into income tax payers rather than a taxpayer money pit. Call me crazy. Its time for the US auto industry to go down in history as an example of how not to run a business. If we want manufacturing to be a priority in this country, we have to find business models that work. We cant just depend on protectionist policies to keep unproductive, unprofitable businesses alive because we think they are too big to fail.

And if there is no Sheila Blair with a plan for the auto industry. Let em go bankrupt with the government providing financing to help them come out with a brand new business structure. Of course there should be some caveats:

1.. The bankruptcy court puts the designs of all parts, patents and technology of all big 3 cars into the public domain so no one ever has to worry about getting their car fixed. Someone will always be able to build parts or systems for all makes and models. In fact, making the designs open source could possibly lead to better parts, car designs and repair solutions.

2. The bankruptcy court assigns to their boards someone who has a clue about how to cut costs and manufacture in a cut throat environment. Michael Dell and Andy Grove come to mind.

3. The court creates a warranty fund, much like the FDIC, where every car sold has some dollar amount go into the fund to pay for warranty service for a maximum of up to 3 years. In the event the Big 3 cant survive out of bankruptcy, repairs on the cars for models sold while the companies are in bankruptcy become a tax credit, with the treasury being reimbursed for these repairs from the fund. (btw, I hate to do something using tax credits, so if anyone else has a better suggestion on how to deal with and pay for warranties..)

I'm probably missing something, but if the fear of bankruptcy is buyers will turn away for fear of parts and warranties concerns, problem solved. In fact, knowing that the government will now help protect warranties could help sales.

Bottom line is this: When doing things the same was as its always been done doesnt work..... stop doing it that way. That applies not only to businesses, but consumers as well.

My last car purchase, for my dad, was American. The next car I buy will be made in America. I can think of so many reasons why its the right thing to do. Im going to give Detroit another chance and buy American. It wont matter if they are owned by Toyota or Honda, in or out of bankruptcy or as is. What will matter is whether or not I like the car. Im coming back with an open mind. The product better be as good as advertised or you have lost me forever.