

Should We Give GM And Chrysler Another Chance?

"No matter how much money you throw at the automakers, that won't solve the problem. It will actually make things worse" says Viraf Baliwalla, a consumer advocate for car buyers and founder of Automall Network (www.automallnetwork.com) a professional vehicle buying service. "But there is a less risky solution".

He compares the auto industry crisis to that of a patient in desperate need of a blood transfusion. "If you don't cauterize the wound, the patient will lose all of their own blood plus any new blood administered" he says.

Baliwalla believes that giving the automakers more money without fixing the root of the problem is like extending their life support in the hopes that they will heal themselves over time.

"It is only extending their lifeline so they can cut expenses and staff while shifting the payroll burden off their books to the taxpayers' unemployment benefits tab. You can only cut costs so far. If nobody is buying, no matter how much you cut, you'll still operate at a loss and eventually go bankrupt. Ultimately, the cost will be a lot higher for all involved" he says.

North American car and truck production has plummeted 40% just in the first 7 weeks of 2009 versus the same period in 2008, from 2,157,688 units down to 886,614. Therein lies the root of the problem - consumers are not buying. Consumer confidence is at an all-time low and with the impending doom and gloom stories, who would want to risk their hard earned money to buy a GM or Chrysler product? Get people buying again and you solve the problem by increasing sales which creates profit ... and jobs.

"If this is basic business common sense, then why are we throwing good public money at companies that have no plan on how to increase sales, only plans on how to cut costs," he asks.

Baliwalla suggests a multi-pronged approach to stabilize the problem where efforts come from all sides:

- Auto manufacturers:
- Who would buy a new GM or Chrysler vehicle with the impending fear of bankruptcy? What good is a 3 year bumper to bumper warranty when there are no dealerships to service the vehicles and when the manufacturer isn't around to honor it. Manufacturers should include a fully insured third party warranty with every new vehicle. This would give more peace of mind that even if GM or Chrysler went broke,

Should We Give GM And Chrysler Another Chance?

Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

my vehicle is still covered. It would also allow third party warranty companies and independent garages to increase jobs.

Manufacturers would prefer to channel the business only into their dealerships however what is the worse of two evils – forcing consumers into dealerships that may soon be vacant or increasing sales potential of vehicles with dealerships still probably getting a large chunk of the repair business?

- Compensate the CEO and top brass with limited but reasonable salaries and put greater weight on bonuses based on bringing the company back to profitability. Then, keep the structure that way.

If the top management isn't confident in themselves to turn things around, why are they still there taking a big paycheck?

- Governments:

- Replace the bailouts with matching manufacturer rebates to consumers. This will make vehicles more affordable and help lower income earners pass credit requirements to get money flowing. (ie: a Chevy Malibu is advertised for about \$22,000 with approximately \$4000 in manufacturer rebates. If the government matches the rebate, it then costs only \$14,000 for a brand new midsize vehicle. Now it becomes affordable for more people)

- Give them a small lifeline if needed to implement these changes but mitigate the risks. If consumers still aren't buying because they don't like the product, then the company will eventually go broke anyways but for different reasons than the economy. At least you haven't thrown away good money after bad

- Unions:

- Cost of labor is too high. The reality is that costs have to come down for the manufacturers to survive and thus be able to keep you employed

- Eliminate job protection for underperforming workers. Union or no union, if someone doesn't perform or doesn't take pride in their work, they shouldn't be working there. This is costing your employer and ultimately costing everyone

- Consumers:

- Buy, but buy smart. Live within your means and don't let higher debt for a fancier vehicle get the better of you.

Source URL (retrieved on 12/17/2014 - 4:46pm):

<http://www.impomag.com/articles/2009/03/should-we-give-gm-and-chrysler-another->

Should We Give GM And Chrysler Another Chance?

Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

[chance](#)