

Big three automakers crises

[Business](#), [Industries](#)



In view of the of the recent appearances of the CEOs of the big three automakers namely Chrysler, Ford, and General Motors before the House and Senate Committees regarding their financial problems, herewith are recommendations on the White House' position on the issue. Brief background The issues raised by these three giant carmakers are that they are losing ground against their foreign competitors and that for the past eleven months of 2008, their sales are dropping. According to some analyst, based on GM's November sales, customers are "worried about the potential bankruptcy" (Taylor, A. par. 3) of the company.

According to Taylor, GM's sales for the first eleven months have fallen 21.9% which is comparable to Ford's 20.6% and Chrysler's 27.7%. This negative figure is far worse compared to their Asian rivals like Toyota which is down by 13.4%, Honda by 5.4%, and Nissan 9.1% (Taylor, par. 5). According to the report of Planning Perspectives Inc. an auto industry consulting firm, 68% of the executives for industry suppliers who participated in their survey about the impact if General Motors declared Bankruptcy, they would likely close their business.

In this case, Steven Gray noted that some 275,000 would lose their jobs in the Midwest alone (Gray, par. 2). These issues are very important to the United Economy as millions of employees stand to lose their jobs if these three giant automakers declared bankruptcy. This will incur enormous economic losses both to the governments and to the society in the form of taxes and incomes. Overview of different of the different option along with advantage and disadvantages The current global economic recession has

severely affected the big three automakers as compared to their Asian competitors.

However, Monica Davey and Susan Saulny reported that in Michigan, the home of the big three automakers, many people are against the bailout of the three companies. Citing across the state interviews over the last two weeks, Davey and Saulny said that criticism against the automakers bailout request surfaced again and again (Davey & Saulny, par. 6). Some even blamed the three companies for their own economic misery (par. par. 10). The commentary of Jack R. Nerad on the issue of bailout of three giant automakers is worth considering in taking options on this issue.

In his article entitled Commentary: Can the Big Three Survive a bailout? Nerad's analysis of the downfall of the big three has to do with not being geared towards producing small fuel-efficient cars, which the foreign manufacturers did. Thus, the question whether the three survive a bailout is very important to be answered. Nerad viewed the bailout as simply the government's effort "to bring to the market unwanted vehicles that assure that "they fail somewhat later rather than sooner" (Nerad, par. 5). The best option for the government in the meantime is just to wait and see.

Anyway, regardless of any financial assistance to these three giants, it may not really turn the tide of the economic recession. The advantage of this option is that it will help the government determine the real problem of these companies in view of the reported restructuring plan of these car manufacturers. The disadvantage is obvious, thousands will lose their jobs, but this will just be temporary as with right action towards the rehabilitation

of these companies, they can recover and all these employees can be recalled back to their works.

Recommended course of action which will most likely lead, not only to a short term, but also a long term, financially feasible and politically acceptable resolution —i. e. , provide for a sustainable recovery of the U. S. automobile industry at little or no ultimate cost to the American people. Certainly the big three are experiencing the impact of economic recession which might cause layoffs inevitable whether there is bailout or no bailout, and other companies are expected to downsize their workforce to cope up with the crises.

While the economic role played by these three companies are vital not only to the state of Michigan, but to the United States in general, it is important that President Elect Barack Obama employs a careful policy on the three car manufacturers of wait and see, as most of the opinion pointed to the fact that even if there is no bailout, these three giant automakers stand to lose their ground against foreign automakers. The president should require these firms to show concrete plan of action for the government to grant their loans.

This concrete plan of action should include product restructuring. This means producing smaller but fuel-efficient cars that could effectively compete with its foreign competitors. Commerce Secretary Carlos M. Gutierrez and Samuel W. Bodman, stated in their letters to the democratic leaders of Congress, that a satisfactory plan should address the issues that deal with competitiveness, labor and management costs, debt structure and even plans for new and existing vehicles (Marr, Kindra par. 3).

This product restructuring can be financially feasible in the sense that if the big three produce affordable smaller yet fuel efficient cars they could regain their market and they could be on their way to recovery. Adopting this measures can help this automobile companies recover with cost to the American people except the loan that will be provided to these companies. Work Cited Davey, Monica & Saulny Susan " Even in Michigan, Not Everyone Wants a Lifeline" New York Times, Dec. 2, 2008 http://www.nytimes.com/2008/12/03/us/03michigan.html?_r=1

Gray, Steven " The Ripple Effect of a Potential GM bankruptcy" TIME CNN Friday, Nov. 28, 2008 <http://www.time.com/time/printout/0,8816,1862737,00.html> Marr, Kindra " US Automakers Told to Draft Viability Plan November 26, 2008 <http://www.washingtonpost.com/wp-dyn/content/article/2008/11/25/AR2008112502568.html> Nerad, Jack R. " Commentary: Can the Big Three Survive a Bailout? " CNN Politics. Com Updated, Wednesday, Dec. 3, 2008 Taylor Alex III " Even with a Bailout, GM" s Profit Prospects Look Bleak" Wednesday, Dec. 3, 2008 <http://www.time.com/time/printout/0,8816,1863892,00.html>