

THE DIFFERENCE BETWEEN GM AND TOYOTA: THE HEALTH CARE

China Hand's got a great post describing the biggest difference between GM and Toyota—the health care they pay workers (or not) in their home country. The argument (click through to read it) that GM had to cede the sedan market is one that accords with discussions about business models I've had.

Some excerpts:

Assume that a bridge loan to help the Big Three weather the downturn is going to happen, perhaps when the current crop of congresscritters has left Washington and the bailout can be hung around the neck of the Democrats and the Obama administration.

Maybe in February, we can have a serious discussion about fundamental problems and systemic solutions.

And the whole debate might not hinge on greedy unions, electric cars, CAFÉ standards, on brain transplants for auto executives.

It should be about national health care.

A key difference between GM and Toyota isn't unions.

It's national health care in their home markets.

[snip]

The interesting little secret about Toyota is that, like GM, its home base operations are not especially profitable, even with the health care subsidy.

Japan is an expensive place to have a factory. When bonuses are factored in, Toyota and GM workers both make yearly incomes in the \$60,000 range.

Even with massive exports of Japan-built cars, the Japanese operations account for about 1/3 of global profits while posting 50% of worldwide sales.

In the first quarter of FY 2006, Toyota's home operations brought in about US\$1 billion of its total profits of \$3.23 billion.

That's roughly what GM was paying per quarter on retirees' health care.

Read the whole thing.