

TWO AND A HALF PATHS DIVERGED IN THE WOODS

When Mullaly refused to even consider taking a \$1 dollar salary for the next year and then admitted that Ford didn't need cash from Congress immediately, I knew this would happen.

But this week, as the automakers take a second run at Congress, hoping to persuade lawmakers to give them \$25 billion in federal aid, their agendas are diverging as they contemplate futures as drastically different car companies.

Those differences will become clear as they deliver more detailed plans for how they would use that money not just to survive, but also to turn themselves around to be competitive in the long term.

That should make for a sharp contrast to the hearings two weeks ago, when the executives presented a united front, saying in lockstep that it was the credit crisis and weak economy, not their strategies, that had put them in dire straits.

The short version of what they're asking for is as follows:

Ford: Ford will brag about all its recent improvements (including **beating out even Honda** on a recent list of safest vehicles), make some symbolic changes (including, hopefully, cutting Mulally's pay), and simply ask that it have access to \$7 billion credit if things remain bad when it would need that money, next summer or so.

Chrysler: Chrysler will beg Congress to

help someone else buy it. I think it will be unsuccessful.

GM: GM will have to offer a much more comprehensive plan, because unlike Chrysler, Congress will refuse to let it fail. This NYT articles talks about closing Saturn dealers and selling Saturns through Buick/Pontiac/GMC dealers and postponing the payment to the UAW for it to pick up retiree healthcare.

I suspect that GM's proposing the Saturn closures because those dealers would presumably be easier to back out of than the older Buick/Pontiac/GMC dealers (and there are fewer of them). GM might be thinking of rebranding the Saturn when it makes the move, since Saturns are basically now Opel cars; rebranding the line and moving it to new dealers ought to revitalize those older dealers, and give GM a way to ease out of those dying brands without giving up the market presence they have. And by rebranding, it would make it easier for GM to have people like Dan Neil proclaim GM to be his favorite car company. In other words, the idea would be to shift, over time, to being Chevy, Caddy, and Saturn/Opel, and to use this crisis to get help easing out of another brand of dealership while still trying to retain the older ones.

In short, this week's meetings just turned back into what they always were: GM and Chrysler trying to find a way out of their very different crises, which have been exacerbated by the credit crisis, with Ford joining in because it can't survive GM going under and because it could use some easier credit lines.

Given the sketchy plans laid out here, I'll be most interested in two things. First the prospect of Congress pretending to be able to

grasp GM's problems—when it couldn't even understand how China plays into continued GM existence last round of hearings? Will Congress understand that they need to allow GM to continue to invest in China if they want it to continue to be an American company? Will it be able to help GM shift the healthcare burden to the UAW with people like Richard Shelby squawking about unions?

And Chrysler: I can't think of a really feasible solution for Chrysler, particularly now that its fate will be separate from GM and Ford's. That's because it is already a fundamentally international company, with more of its assembly being done in Canada and Mexico (and it will have to retain that if it wants to sell itself). In addition, a lot of the technology Chrysler relies on is fundamentally international as well, developed in joint ventures with companies like Hyundai and Mitsubishi. Which means it's harder to make a case for saving Chrysler for strategic reasons. There are companies out there that—if a deal was sweetened with a way to get out of some contracts here—would be interested in Chrysler. My question is, does that really accomplish objectives like jobs saved and supply chains salvaged here in the US? I'm not so sure.