

Scripps News Service - By Richard Williamson

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General Motors is on the verge of bankruptcy because it "builds cars that nobody wants to buy." If you haven't heard that line in the bailout debate, you haven't been listening.

"They're a dinosaur in a sense," Sen. Richard Shelby, R-Ala., said on NBC's Meet the Press. "I hate to see this because I would like to see them become lean and hungry and innovative. And if they did and put out the right products they could survive."

Such facile rhetoric has been in vogue since at least 1978 and is as obsolete as a Chevy Vega.

In 2007, more than 9.3 million "nobodies" bought GM cars and trucks, keeping the brand in a dead heat with Toyota as the world's largest automaker. It was the second-best sales year in GM's 100-year history.

Were buyers just being charitable? Does "nobody" want a Corvette? Do the more than 600,000 potential buyers lining up for the new 2010 Camaro not really want one? Clearly, no one wants to buy the Cadillac CTS, Motor Trend magazine's Car of the Year.

And what about the fact that Chevrolet dealers were screaming for more Malibus this year to satisfy demand? Was that just public relations? What about Malibu's selection as 2008 North American Car of the Year by the fussy Detroit auto show press and the remodeled model's ranking as best mid-size car in initial quality by J.D. Power and Associates?

Chevrolet sales grew more than 4 percent in 2007 to 4.5 million vehicles, with a nearly 34 percent increase in Europe and a 22 percent rise in Asia. There must be a lot of "nobodies" in China, because GM ranks as the best-selling import brand there.

And apologies all around for those nasty old trucks that boosted market share for the Detroit Three in the 1990s. GM sold 3.8 million globally in 2007, an increase of 33,000 or 1 percent.

As someone who has been reviewing cars for nearly two decades, I can think of few GM products I didn't want to buy, though some of the early Lumina and the misbegotten Pontiac Aztek were quite resistible. The problem isn't that "nobody wants" a GM product, it's the fact that in a hyper-competitive world, a company that once dominated is going to see its market share inevitably slip. Thus, every action appears defensive.

The fact is, GM, Ford and Chrysler are still paying for the sins of the '70s and '80s long beyond what we should expect. Korean car maker Hyundai, meanwhile, is wreathed in laurels for reversing its quality fiascos of the 1980s and is devouring market share from the Detroit Three as well as Japan.

When I say the domestics are "paying for their sins," I mean that literally. GM products bear consistently lower sticker prices than their Asian and European competitors, despite the fact that they typically offer a richer menu of standard equipment and better power options.

Take the Cadillac CTS, for example, which retails for \$38,980 and comes with a navigation system and OnStar Service as standard equipment. If you turned to import competitors, you might pay \$50,625 for a BMW 5-Series or \$45,675 for a Lexus GS350 without the nav system.

GM supports thousands upon thousands of retirees. In 2004, health care cost GM \$1,525 per vehicle, compared to Toyota's \$201, according to the management consulting firm A.T. Kearney. And health care costs increase with age. Toyota had only 250 retirees in North America in 2004. GM covered about 340,000, including spouses.

It was inevitable that GM, Ford and Chrysler would lose the commanding market share they enjoyed after World War II. Since then, the import brands have expanded their fleets to compete in every market segment, complete with U.S. factories. The Detroit Three lost their virtual monopoly in full-size trucks when Toyota got serious about the Tundra, and Nissan rolled out the Titan, both built in Southern U.S. states hostile to unions and offering extravagant economic incentives.

GM has 7,000 dealerships, many of which are protected from closure by antiquated state laws. Toyota has 1,500.

While anyone who covers the industry can come up with any number of blunders by the Detroit Three, building unwanted products is not one of the biggies. Not anymore. That was a completely different era.

In fact, part of their recent trouble came from the fact that they built vehicles that people did want. Until a year ago, they had a hard time supplying enough Yukons and Silverados for a market flush with cash and credit. Toyota and Nissan were fighting hard for a piece of the action.

When pump prices spiked, all of the makers were caught with fleets of gas guzzlers that few buyers could afford, even if they wanted them.

But were the automakers to blame for high fuel prices? There's a good argument to be made that the U.S. invasion of Iraq - a government action - and related world instability contributed to the soaring fuel prices that endangered not only the auto industry but the world economy.

That's not to say that GM didn't have plenty of high-quality, fuel-efficient cars. With 20 models that get 30 miles per gallon or more, GM offers more than any other maker. They also offer the most hybrid vehicles, ranging from the Malibu Hybrid to Cadillac Escalade.

And if you want conventional frugality, there's the dutiful little Chevy Aveo, which, at \$12,120 costs about \$2,000 less than a Toyota Yaris.

If it survives, GM will produce plug-in hybrids within a couple of years that should allow most commuters to go to work and back without running their internal combustion engines at all.

GM still catches a lot of grief for scrapping the electric EV1 in 1999, but the two-seater was believed to have cost GM \$80,000 per unit and could only be leased, not sold. It was a costly boondoggle briefly mandated by one state -- California. Nonetheless, GM soldiers on with development of the Volt, a hybrid designed to run primarily on battery power that might enjoy better success but certainly won't save the company.

GM's sophisticated OnStar communications system is also seen as a bargain basis for future communication between vehicles. The system would also provide 360-degree visibility and would cost much less than the government's proposed \$3 to \$10 billion network.

GM could be the beneficiary or the victim of government action, but the government has been deeply involved in the automotive business for most of its existence, from catalytic converters to air bags, which, by the way, GM pioneered.

Should the U.S. government lend taxpayer dollars to the Big Three? We're talking about a loan, here, not an outright gift like the hundreds of billions of dollars we have poured into Iraq.

Some respected economists argue that bankruptcy may be the only way for GM to hack the Gordian knot of contracts, laws, regulations and debts dating back to an era of black-and-white TV. But GM questions whether the world's largest automaker could survive bankruptcy. Who would trust a warranty or parts supplies for a company that might not be around next year?

At the end of the day, GM may go under, taking much of the world's economy with it. To think that they survived the Great Depression but perished in their 100th year would be a bitter pill to swallow. But let's hope that historians don't blame the demise of the brand on cars that "nobody wanted."