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## Auto industry trade-off 1NC

### Auto industry is expanding now in the U.S. – now is the key time to continue investment to prevent a catastrophic collapse.

Steven Chu, 1-11-2012, is an American physicist and the 12th United States Secretary of Energy, is known for his research at Bell Labs in cooling and trapping of atoms with laser light, which won him the Nobel Prize in Physics, Energy.gov, “Secretary Chu's Remarks at Detroit Economic Club -- As Prepared for Delivery,” <http://energy.gov/articles/secretary-chus-remarks-detroit-economic-club-prepared-delivery>

We’re here at an important moment for the U.S. auto industry. Only a few years ago, the industry stood on the brink of collapse. Today, it’s a much brighter picture. After seven straight years of decline, America’s auto manufacturers expanded their output by 35 percent in 2010. Last year, for the first time in roughly two decades, Chrysler, Ford, and General Motors all increased their U.S. market share. In the next few years, the Center for Automotive Research projects that auto and supply manufacturers will add more than 100,000 U.S. jobs[i]. This revival wasn’t destined to happen. In fact, some in Washington were ready to throw in the towel and let America’s auto industry fold. President Obama refused to sit back and watch the industry and potentially more than one million jobs fade away[ii]. He made difficult and often unpopular choices to provide support to GM and Chrysler and to prevent catastrophe for the industry, the economy, and auto communities across the country. In return, the President required GM and Chrysler to restructure to become more competitive. Now, only a few years after its darkest days, the U.S. auto industry is making a comeback. The President took action because auto manufacturing is a cornerstone of America’s industrial base and a lifeblood of our economy. A 2010 report[iii] found that U.S. auto manufacturers, suppliers, and dealers support nearly 8 million private sector jobs. This includes jobs directly connected to the industry like manufacturing, engineering, and sales, as well as other jobs that benefit when workers spend their paychecks buying food and clothes, visiting the doctor or paying their child’s college tuition. While we’ve weathered the storm, we can’t rest now. As our country competes for automotive leadership, our choice is clear: innovate or be overtaken.

### <insert specific link - OR>

### New transportation infrastructure trades off with the auto industry.

Bethel Director of Frazier Capital Valuatio; Masters in International Finance and European Business (Stephen, 1 December 2009, “The Valuation of Auto & Recreational Vehicle Dealership Operations,” Chapter 2, Frazier Capital, http://www.fraziercapital.com/books/auto/2.pdf

Second, rivalry between existing competitors involves such variables as the number of competitors, the relative strength of the competitors, the strength of their competitor’s relationship with car/truck distributors and manufacturers, the industry growth potential, the amount of fixed costs needed, service differences, and quality of cars available. Third, pressure from substitute products can hurt the auto industry. The auto industry faces competition not only from within, but also from other forms of transportation such as trains, subways, bicycles, metro transits and others. One needs to focus on substitute products and the minimum switching costs for potential customers, and high profit earning industries which can afford to reduce margins in order to broaden their market into the seller’s market.

### Collapse of the auto industry would cause the economy to collapse – cascade effects that would cause massive instability.

John Giokaris, March 2012, Loyola University Chicago Political Science & Journalism, policymic, “President Obama and George W. Bush Were Right to Bailout U.S. Auto Industry,” <http://www.policymic.com/articles/4086/president-obama-and-george-w-bush-were-right-to-bailout-u-s-auto-industry>

While it certainly would’ve made economic sense to allow the auto industry to suffer through the recession instead of continuing its infinite drain on the U.S. treasury, the consequences of such a collapse would have been devastating to America. Like the bank bailouts, while most people may not have liked it, allowing the auto companies to fail at that time would have contributed to a second Great Depression. Lawmakers are always stuck between balancing out sound economics with social instability, but the unpopularity of both will always take the higher priority with public office holders. The American auto industry was once the centerpiece of the U.S. economy. While that’s no longer the case, it still remains important. It employs large numbers of people and purchases supplies from literally thousands of U.S. companies. There can be endless debates of why the U.S. auto industry is in such trouble — from the decisions and makeup of management, to the unions that control much of the workforce, to the cost structures inherent in producing cars in the American economy. Whatever the reasons are, it left it woefully unprepared for the 2008 economic recession. Recessions reveal weak businesses and destroy them, freeing up resources for new enterprises. They occur when, as is inevitable, inefficiencies and irrationalities build up in the financial and economic system. The resulting economic downturn imposes a harsh discipline that destroys the inefficient, encourages efficiencies, and opens the doors to new businesses using new technologies and business models. The year 2001 smashed the dot com technology sector in the U.S., but that opened the door for Google Inc. The business cycle works well, but the human costs can be daunting. The collapse of inefficient businesses leaves workers without jobs, investors without money, and society less stable than before. The pain needed to rectify every country’s economy is enormous. Each country is prepared to accept a high degree of economic inefficiency to avoid, or at least postpone, the reckoning. The reckoning always comes, but for most of us, later is better than sooner. Economic rationality takes a back seat to social necessity and political common sense. The last recession had hit the auto industry hard. The ultimate reason is the same one that destroyed the U.S. steel industry a generation ago: Given U.S. cost structures, producing commodity products is best left to countries with lower wage rates, while more expensive U.S. labor is deployed in more specialized products requiring greater expertise. Thus, there is still steel production in the U.S., but it is specialty steel production, not commodity steel. Allowing this to happen to the U.S. auto industry sounds easy, but the transition would be a bloodletting. Current employees of both the automakers and suppliers would be devastated. Institutions that have lent money to the automakers would suffer massive or total losses. Pensioners might lose pensions and health care benefits, and an entire region of the U.S.— the industrial Midwest — would be devastated. Something stronger would grow in its place eventually, but not soon enough for many of the current employees, shareholders and creditors. Policymakers had a decision to make. If the automakers were allowed to fail, their drain on the economy would’ve ended; the pain would’ve been shorter (if not more intense); and new industries would emerge more quickly. But though their drain on the economy would end, the impact of the automakers’ failure on the economy would’ve been seismic. Unemployment would surge, as would bankruptcies of many auto suppliers. Defaults on loans would hit the credit markets. In the Midwest, home prices would plummet and foreclosures would skyrocket. And God only knows what the impact on equity markets would be.

### Global economic crisis causes war---strong statistical support - also causes great power transitions.

Jedediah Royal, 2010, Director of Cooperative Threat Reduction at the U.S. Department of Defense, “Economic Integration, Economic Signaling and the Problem of Economic Crises,” in Economics of War and Peace: Economic, Legal and Political Perspectives, ed. Goldsmith and Brauer, p. 213-14

Less intuitive is how periods of economic decline may increase the likelihood of external conflict. Political science literature has contributed a moderate degree of attention to the impact of economic decline and the security and defence behaviour of interdependent states. Research in this vein has been considered at systemic, dyadic and national levels. Several notable contributions follow. First, on the systemic level, Pollins (2008) advances Modelski and Thompson’s (1996) work on leadership cycle theory, finding that rhythms in the global economy are associated with the rise and fall of pre-eminent power and the often bloody transition from one pre-eminent leader to the next. As such, exogenous shocks such as economic crises could usher in a redistribution of relative power (see also Gilpin, 10981) that leads to uncertainty about power balances, increasing the risk of miscalculation (Fearon, 1995). Alternatively, even a relatively certain redistribution of power could lead to a permissive environment for conflict as a rising power may seek to challenge a declining power (Werner, 1999). Seperately, Polllins (1996) also shows that global economic cycles combined with parallel leadership cycles impact the likelihood of conflict among major, medium, and small powers, although he suggests that the causes and connections between global economic conditions and security conditions remain unknown. Second, on a dyadic level, Copeland’s (1996,2000) theory of trade expectations suggests that ‘future expectation of trade’ is a significant variable in understanding economic conditions and security behavior of states. He argues that interdependent states are likely to gain pacific benefits from trade so long as they have an optimistic view of future trade relations. However, if the expectation of future trade decline, particularly for difficult to replace items such as energy resources, the likelihood for conflict increases , as states will be inclined to use force to gain access to those resources. Crises could potentially be the trigger for decreased trade expectations either on its own or because it triggers protectionist moves by interdependent states. Third, others have considered the link between economic decline and external armed conflict at a national level. Blomberg and Hess (2002) find a strong correlation between internal conflict and external conflict, particularly during periods of economic downturn. They write, The linkages between internal and external conflict and prosperity are strong and mutually reinforcing. Economic conflict tends to spawn internal conflict, which in turn returns the favour. Moreover, the presence of a recession tends to amplify the extent to which international and external conflicts self-reinforce each other. (Blomberg & Hess, 2002, p.89). Economic decline has also been linked with an increase in the likelihood of terrorism (Blomberg, Hess, & Weerapana, 2004), which has the capacity to spill across borders and lead to external tensions. Furthermore, crises generally reduce the popularity of a sitting government. ‘Diversionary theory’ suggests that, when facing unpopularity arising from economic decline, sitting governments have increased incentives to create a ‘rally round the flag’ effect. Wang (1996), DeRouen (1995), and Blomberg, Hess and Thacker (2006) find supporting evidence showing that economic decline and use of force are at least indirectly correlated. Gelpi (1997) Miller (1999) and Kisanganie and Pickering (2009) suggest that the tendency towards diversionary tactics are greater for democratic states than autocratic states, due to the fact that democratic leaders are generally more susceptible to being removed from office due to lack of domestic support. DeRouen (2000) has provided evidence showing that periods of weak economic performance in the United States, and thus weak presidential popularity, are statistically linked to an increase in the use of force.

# \*\*\*Uniqueness Ext.\*\*\*

## Uniqueness – general

### The auto industry is pulling a turnaround now however the gain needs to continue.

Robert E. Scott & Hilary Wething, 1-31-2012, Economic Policy Institute (EPI), “Jobs in the U.S. auto parts industry are at risk due to subsidized and unfairly traded Chinese auto parts,” <http://www.epi.org/publication/bp336-us-china-auto-parts-industry/>

Although U.S. automakers have enjoyed a strong turnaround since the government helped restructure General Motors and Chrysler in 2009—with sales up 29.1 percent—that has not translated into a turnaround for the U.S. auto-parts industry, as indicated by the best-available measure of concern to American workers: jobs.2 Since the deepest point of the recession in 2009, the U.S. auto-parts industry has regained only 60,000 jobs, an increase of 13.8 percent (Bureau of Labor Statistics 2011). This gain is nowhere near what is needed to erase years of losses: The United States lost more than 400,000 direct jobs in auto parts between November 2000 and November 2011.

### Auto industry is seeing growth yet it is still vulnerable from demand shocks.

Robert E. Scott & Hilary Wething, 1-31-2012, Economic Policy Institute (EPI), “Jobs in the U.S. auto parts industry are at risk due to subsidized and unfairly traded Chinese auto parts,” <http://www.epi.org/publication/bp336-us-china-auto-parts-industry/>

Despite recent growth, the U.S. motor-vehicle sector is still behind. Total U.S. motor-vehicle sector sales in 2011 were 48.1 percent below sales in 2000 because of declining overall demand and significant long-term loss of market share. The U.S. auto-parts industry is particularly vulnerable. The U.S. trade deficit in auto parts increased from $9.5 billion in 2000 to $31.2 billion in 2010. Exports support U.S. jobs, but imports displace production that would support domestic employment; thus, on balance, trade deficits tend to increase unemployment (holding everything else in the economy constant).

### Momentum will continue in the future for the auto industry.

Youngpstarts, 5-8-2012, “The 10 Best Sectors That Are Boosting the Economy,” <http://www.youngupstarts.com/2012/05/08/us-the-10-best-sectors-that-are-boosting-the-economy/>

The auto industry has received plenty of credit for being a big part of the U.S. economic recovery. Recent months have seen impressive auto sales figures, and that momentum is expected to continue for some time. Although concerns over gas prices might put a damper on car purchases, experts believe that an improvement in unemployment will help make up the difference and keep auto sales strong.

### The auto industry is expanding but optimism is tempered – leverage to grow is fragile.

Brian Collie et. al, 6-4-2012, is a partner with Booz & Company in Chicago, specializes in business unit strategy and transformation for automotive and industrial clients, Scott Corwin is a partner with Booz & Company based in New York, specializes in growth strategies for the automotive, media, and consumer industries, and Arjun Kakkar is a senior associate with Booz & Company’s automotive practice, based in Cleveland, strategy+business, “Optimism Returns to the American Automotive Industry,” <http://m.strategy-business.com/article/00115?gko=531e5>

The U.S. auto industry is emerging from one of the darkest periods in its history. Car sales are climbing, and most estimates predict total sales of more than 14 million vehicles in 2012, an increase of nearly 9 percent over 2011. Car manufacturers and suppliers are increasingly profitable, and many automotive industry executives are more bullish about their own prospects, and those of the industry at large, than they have been for years. More than 200 executives from 75 automakers, suppliers, and dealer groups responded to Booz & Company’s annual U.S. Automotive Industry Survey and Confidence Index, conducted in February and March. Ninety-three percent of the survey respondents view the industry as stronger than a year ago. This is in stark contrast to the results from the 2011 survey, when more than half of all respondents said the industry was about the same as or worse than in 2009. (See Exhibit 1.) Unlike housing, which is still searching for a bottom, the automotive industry has emerged from the lows of the 2008–09 recession with a much stronger and more stable foundation for profitable growth. It’s a success story that would have seemed implausible in 2009. The industry’s current strength stems from a combination of external forces and the industry’s own improvement, resulting in a far better alignment between supply and demand. (See Exhibit 2.) On the supply side, 65 percent of respondents cited the auto industry’s restructuring as one of the top three drivers of strong performance. Automotive companies have gone to great lengths to improve balance sheets, remove excess capacity, and reduce costs. These efforts have allowed both suppliers and manufacturers to lower their break-even point, enabling them to turn a profit on a much smaller total industry volume. Better product offerings are a significant factor as well, and new vehicle launches are offering a level of performance, technology, safety features, and fuel efficiency never before seen — giving customers far better value than in the past. Quality ratings for the industry as a whole are continuing to improve, and the gap between domestics and imports has narrowed considerably. Externally, several factors are turning in the industry’s favor. Consumer confidence is increasing and credit is more widely available. Rising fuel prices are prompting some buyers to upgrade to more fuel-efficient models. Pent-up demand is also spurring sales. The average U.S. car today is more than 10 years old and has logged more than 100,000 miles; both numbers are far above historical averages. Many consumers who put off purchasing a new car during the recession have less reason to do so now. The new U.S. auto industry has some major differences from the old one, however. For one thing, the current optimism among executives is noticeably tempered. The industry has expressed a sober consensus that it needs to grow intelligently, preventing capacity from growing faster than natural market demand. Projected industry volume of roughly 14 million cars and light trucks in 2012 still represents a drop of nearly 20 percent from the levels sustained through much of the 2000s, which hovered at 16 million to 17 million. Yet this lower baseline represents a much better equilibrium between supply and demand. Instead of focusing on volume and share, automakers are working to build brand equity with consumers, improve the customer experience, strengthen their cost position, and compete globally. Similarly, suppliers have managed to regain some leverage in their relationships with manufacturers, and they’re working to stretch existing production capacity, rather than invest in new fixed assets. “The industry is the most rational it’s been in my 30 years of experience,” says Dave Cosper, vice chairman and CFO at Sonic Automotive, which has more than 100 dealerships in 15 states and sells 30 makes.

### Auto industry is on the tipping point, but slowly improving.

Michael Liu, 2012, Analyst for FranchiseHelp, Graduate of NYU's Stern School of Business, <http://www.franchisehelp.com/industry-reports/automotive-franchise-industry-report>

The automobile industry is not going anywhere soon. As the trends in the automotive industry continue, there exists both old and new opportunities available for those interested in franchising to get involved. Car maintenance, repairs, and body services are regularly going to be in demand regardless of whether people prefer to buy new cars or keep their old ones. The green movement has hit the automotive industry as all car manufacturers are focusing their attention on producing more environmentally friendly and fuel efficient vehicles. As this infant market matures, there will be a demand for services from businesses that understands how to cater to these specific types of vehicles. For potential business owners who have an interest in the automotive industry, partaking in an automotive franchise provides a good opportunity for everyone.

### Automotive industry is slowly improving.

Marc Davis, 4-9-2012, is a veteran journalist with more than 20 years’ experience reporting and writing on business, finance, corporate management and legal subjects, writing has been published online and in print by Adweek, <http://www.investopedia.com/articles/pf/12/auto-industry.asp#axzz20EZcaPDH>

Miraculously, also in 2012, like a phoenix rising from its own ashes, the U.S. automobile industry seemed to be recovering from its financial woes. GM posted a net profit of $7.6 billion, the most ever reported by the firm. Chrysler announced a profit of $183 million, its first net profit since its bankruptcy. Apparently, the U.S. government's bailout of the auto industry was effective. [Chrysler had paid back $7.6 billion in government loans](http://www.investopedia.com/financial-edge/0609/Chrysler-Bailout-2009-Third-Times-A-Charm.aspx), along with GM, which also repaid the government in full, with [interest](http://www.investopedia.com/terms/i/interest.asp#axzz1qtKjMwIt) and years ahead of the due date. There were almost 250 million cars, trucks and SUVs on American roads in 2012. About 25 years would be required to replace all of them, given the current rate of yearly automobile sales. So, even though the American auto industry is the world's most profitable in 2012, some analysts were still only moderately optimistic about its future. While U.S. auto sales increased substantially in China, the European market for U.S. cars is struggling. Despite its huge profits, GM announced major cost-cutting initiatives. If the U.S. economy continues its apparent, although slow and as yet not too vigorous recovery, auto sales are likely to improve as well. Americans love and need their motor vehicles -- for work, business and pleasure -- and the American auto-making industry will prosper as the nation prospers. But it may take a while.

### Auto Industry Strong Now

Nick Bunkley, New York Times News Service, Feb. 3, 2012. <<http://www.bendbulletin.com/article/20120203/NEWS0107/202030353/> > Accessed July 10, 2012

DETROIT — New-vehicle sales in the United States were unexpectedly strong in January, an early sign that the auto industry could have its best year since 2007, carmakers and analysts said Wednesday. Sales increased 11.4 percent from January 2011, according to the research firm Autodata. The industry’s annual selling rate, an important measure of its health, climbed to 14.18 million, the highest in more than two years. The Chrysler Group beat forecasts with a 44 percent increase in monthly sales, and Honda posted its first year-over-year gain since it began struggling with inventory shortages after last year’s earthquake and tsunami in Japan. Honda’s sales were up 8.8 percent. Toyota, the Ford Motor Co. and Nissan each reported modest increases, while Hyundai and Kia set January records. Volkswagen reported a 39.5 percent gain, its best January since 1974. In contrast, General Motors, whose sales were down 6.1 percent from January 2011, when sales were inflated by big discounts offered after the company’s public stock sale. Small cars were among the biggest factors driving the increase. Car sales rose 19.9 percent, while truck sales increased 3.7 percent. “This is healthy, this is good. It’s sustainable,” said Jesse Toprak, vice president of industry trends and insight at the automotive research website TrueCar.com. “It’s going to be another year of recovery where we have a very good chance of getting to that magic 14 million number.” Annual sales have been below 14 million for each of the last four years, falling to as low as 10.4 million in 2009. Hitting 14 million this year would represent at least a 9 percent increase from the 12.8 million sold in 2011. January was the first month in which the seasonally adjusted, annualized selling rate surpassed 14 million since August 2009, when the government’s cash-for-clunkers program briefly bolstered demand. Excluding that spike, January’s rate was the highest since May 2008. Honda and Toyota saw big rebounds for some of their models in January, after having difficulty meeting demand for much of 2011. Sales of the Toyota Camry, a midsize sedan that was redesigned several months ago, rose 56 percent. The industry’s top-selling compact car was the revamped Honda Civic, which posted a 50 percent increase.

### Auto sales and spending growing now

Clare Baldwin – Reuters - 11 <http://www.huffingtonpost.com/2011/08/01/auto-industry-hiring-may-lead-recovery_n_914686.html> “Auto Industry Hiring May Drive U.S. Economic Recovery: Survey”

Auto executives plan to do more hiring and more capital spending than executives in any other sector in the next year, according to the survey. Sixty-two percent of auto executives said they expect to hire people in the coming year, compared with an average of only 52 percent of executives across all sectors. Similarly, 71 percent of autos executives said they expect to increase their capital spending in the coming year compared with an average of 59 percent of all executives. Two years after the end of the U.S. recession, unemployment remains above 9 percent, U.S. consumer confidence hit a near two and a half-year low earlier this month and the U.S. government reached a last-minute deal late Sunday to avoid a U.S. debt crisis. All this has raised questions about the speed and strength of a U.S. recovery. The U.S. auto industry was hit hard during the financial crisis, which saw both General Motors Co (GM.N) and Chrysler seek bankruptcy protection and government bailouts. It was hit again in March when an earthquake, tsunami and nuclear crisis in Japan disrupted the supply chain. While the sector is improving -- U.S. July auto sales are expected to hit an annual rate of around 12 million vehicles, an improvement over May and June -- that figure still lags the 17 million-plus number sold in 2000.A full recovery could take years, but the next 12 months could see an improvement, according to the survey. Seventy-two percent of the autos executives surveyed said they expect their revenue to increase in the coming year. North America is still seen as the most important market, but more revenue is expected to come from other markets including China and South America. New models and products, acquisitions and joint ventures are also expected to add to revenue. Fifty-five percent of those surveyed expect to make an acquisition in the coming year; 5 percent expect to sell. Access to new markets, technologies and products is expected to drive the M&A activity. The auto sector survey, which included the responses of 100 autos executives, was conducted in June. KPMG is releasing the results of its other sector surveys separately.

## Brink/Tipping Point

### Auto industry is on the tipping point, but slowly improving

Michael Liu, Analyst for FranchiseHelp, Graduate of NYU's Stern School of Business, 2012, <<http://www.franchisehelp.com/industry-reports/automotive-franchise-industry-report>>. Accessed July 10, 2012

The automobile industry is not going anywhere soon. As the trends in the automotive industry continue, there exists both old and new opportunities available for those interested in franchising to get involved. Car maintenance, repairs, and body services are regularly going to be in demand regardless of whether people prefer to buy new cars or keep their old ones. The green movement has hit the automotive industry as all car manufacturers are focusing their attention on producing more environmentally friendly and fuel efficient vehicles. As this infant market matures, there will be a demand for services from businesses that understands how to cater to these specific types of vehicles. For potential business owners who have an interest in the automotive industry, partaking in an automotive franchise provides a good opportunity for everyone.

### Currently favorable business conditions are vital to car technology – the next few years are key to the long term transition

KMPG Jan 2010 http://www.kpmg.com/US/en/IssuesAndInsights/ArticlesPublications/Documents/transformation-automotive-industry.pdf

For example, Toyota is now planning to introduce clean diesel engines after having launched a successful hybrid program. Toyota also plans to introduce lithium-ion hybrid vehicles in some markets through a joint venture with their battery supplier, Panasonic. Companies may increasingly engage their suppliers, and sometimes their competitors, to bring best-of-breed technologies to the market at the lowest cost. Since technology costs highly correlate with manufacturing scale, a small number of suppliers with large footprints in a technology area may emerge as cost leaders with a significant competitive advantage. Some of these suppliers may also form regional clusters based on government incentives and other favorable business conditions. Federal funds introduced by the United States government for R&D in clean technologies and for re-tooling existing factories may motivate companies to increase their United States footprint. The next 5 to 10 years may bring substantial structural changes to the automotive industry. Although a large portion of the global automotive industry is still in distress, companies have to look beyond their short-term survival challenges to become successful in the long run. A longer-term strategy will involve rebalancing product portfolios and shedding unprofitable assets, as well as investing in strategic growth areas through a complex web of global relationships. As a result, successful companies will increasingly become global, asset light, and responsive to market shifts. A clearly defined global M&A strategy will play a dominant role in separating winners from losers, and eventually shape the future of the global automotive industry.

## Uniqueness - demand

### Car sales are at all-time lows – new bailouts will not save the auto industry.

Roland Jones, 2-12-2009, “With less than a week to go before General Motors and Chrysler are due to submit viability plans to Congress, a power vacuum in Washington is raising questions about the next steps,” MSNBC.com

With less than a week to go before General Motors and Chrysler are due to submit long-term viability plans to Congress, a power vacuum in Washington is raising questions about the next steps in bailout of the auto industry. Just before Christmas, when the Bush administration gave the two automakers a $17.4 billion lifeline to keep them in business, it gave them three months to come up with restructuring plans to turn their stalling companies into roadworthy businesses. GM and Chrysler must submit the viability plans, which could include plant shutdowns and other changes, by Tuesday and put them into effect by March 31. If not, the government can demand repayment of the loans and put the companies into bankruptcy. (Ford, the third major U.S. automaker, is exempt from the deadline because it has not yet taken any government money.) The final decision on whether the companies are viable will be made by a "car czar," who is yet to be appointed by President Barack Obama. The delay in appointing the official is raising concern that the Obama administration is uncertain about how to guide the nation's struggling auto industry. "The problem the automakers are facing is the person who will oversee any federal assistance to the auto industry, overview their plans and have the final determination that they're on the right track doesn't exist," said Aaron Bragman, an industry analyst at consultancy IHS Global Insight. "There's no one to answer their questions; there's no go-to guy to see if they're barking up the right tree." A number of candidates have been mentioned as possible candidates for the job, including Steven Rattner, head of investment firm Quadrangle, racing legend and auto industry executive Roger Penske, and former Massachusetts governor and presidential candidate Mitt Romney. "This person is going to take their business plans and go over them with a fine-tooth comb, so will it be someone who has good understanding of the car industry, or someone more skilled in turnarounds or bankruptcies?" Bragman said. "Will they be focused on the business or manufacturing? They'll have to know if they are looking at viable business plants, or a snow job." For their part, automakers say they intend to deliver their plans as required. "Our sleeves are rolled up, we are working hard on the plan and we intend to hit the Feb. 17 deadline," said Greg Martin, a GM spokesman in Washington. "This hasn't diminished our determination to file on time, and we anticipate someone will be named." The delay in appointing a car czar could lead to a delay in the viability timetable, said David Cole, chairman of Center for Automotive Research in Ann Arbor, Mich. "I think the date for viability will slip because the government is still getting its oversight committee together," Cole said. "They will have a significant learning process to go through, and to do the kind of due diligence and deep dive needed for this they'll need a team of experts, but at this point they haven't even appointed a car czar. So until they do that they can't make difficult judgments on the car industry." In any case, the automakers' ability to construct a workable viability plan looks dubious, according to Peter Morici, a professor of business at the University of Maryland. Under terms of the government loans, GM and Chrysler must show they are able to repay the government by demonstrating a "positive net present value," meaning that their current spending is justified by expected future cash flows. As part of their plans to move forward, the automakers are required to get their bondholders to accept equity in the place of some debt, a necessity that could lead to some difficult negotiations. The automakers also must bring their labor costs into line with Asian rivals doing business in the United States at a cheaper cost, such as Toyota and Honda. "They may bring their costs in line with those of the Japanese, but how you calculate net present value depends on how you assume car sales will look in the future, and that's unclear is this environment," he said. "And you can do whatever you want with the net present value calculation. You have to assume something there - that's accounting magic." In the meantime, car sales are in a deep freeze. U.S. sales last month fell 49 percent at General Motors, 40 percent at Ford and more than 50 percent at Chrysler. "The bottom line is the automakers are going to need more money," said Morici. "We haven't seen car sales this low since back during the Second World War when they were not selling cars at all. It's a combination of union contracts written 20 years ago and a bad economy, but those things have to change if there is going to be international competition."

# \*\*\*Links Ext.\*\*\*

## Generic links

### Any new plan will affect the auto industry.

KMPG, January 2010, <http://www.kpmg.com/US/en/IssuesAndInsights/ArticlesPublications/Documents/transformation-automotive-industry.pdf>

For example, Toyota is now planning to introduce clean diesel engines after having launched a successful hybrid program. Toyota also plans to introduce lithium-ion hybrid vehicles in some markets through a joint venture with their battery supplier, Panasonic. Companies may increasingly engage their suppliers, and sometimes their competitors, to bring best-of-breed technologies to the market at the lowest cost. Since technology costs highly correlate with manufacturing scale, a small number of suppliers with large footprints in a technology area may emerge as cost leaders with a significant competitive advantage. Some of these suppliers may also form regional clusters based on government incentives and other favorable business conditions. Federal funds introduced by the United States government for R&D in clean technologies and for re-tooling existing factories may motivate companies to increase their United States footprint.The next 5 to 10 years may bring substantial structural changes to the automotive industry. Although a large portion of the global automotive industry is still in distress, companies have to look beyond their short-term survival challenges to become successful in the long run. A longer-term strategy will involve rebalancing product portfolios and shedding unprofitable assets, as well as investing in strategic growth areas through a complex web of global relationships. As a result, successful companies will increasingly become global, asset light, and responsive to market shifts. A clearly defined global M&A strategy will play a dominant role in separating winners from losers, and eventually shape the future of the global automotive industry.

## Mass transit links

### Mass transit is causing a decline in the automotive industry.

J.M. Palacious, 12-9-2008, “Public Transit Up; Auto industry down,” <http://www.transitmiami.com/transit/public-transit-up-auto-industry-down>

The American Public Transportation Association released [figures](http://www.apta.com/media/releases/081208_ridership_surges.cfm) Monday on third quarter growth in public transportation. Tri-Rail ranked as the second fastest growing commuter rail system in the country with a whopping 32.9%. Public transit use overall jumped 6.5% between July and September across the country, while automobile use shrunk by a much larger 4.6%. More people reduced their driving because the actual number of vehicle-miles is much higher to begin with than the passenger-miles for public transit. So these 4.6% who reduced driving are not all switching to public transit, but also carpooling and combining or eliminating trips. Few bothered to point out that aspect of our new transportation habits, as the released figures don’t include those changes. Personally, I know many coworkers who have started carpooling this year. Read the Miami Herald article on the subject [here](http://www.miamiherald.com/news/broward/breaking-news/story/804383.html). One phrase in the article that nearly makes me shiver with delight is that “meanwhile, the U.S. auto industry is on the verge of collapse…” While I wish it were the case, the statement is rather sensationalist. If they declare bankruptcy they will not be collapsing, just restructuring. Meanwhile, gas prices continue to drop, so we can only hope these changes last.

### Public transportation hurts the automobile industry.

USCG (United States Coast Guard member), 6-24-2011, writing for the government reform for competitiveness, and innovation industry

Our need for mass transit is rapidly increasing. Yet we buy all of our trains, streetcars, light rail cars, and gondolas from abroad. At the same time our auto industry is having a hard time surviving. If we can shift part of our auto industry to making mass transit vehicles we can not only slow down on importing these vehicles from abroad, but perhaps we can start exporting vehicles as the worlds' cities grow. Urban Transit can only work in Cooperation with the Automobile Industry; They Claim to kill the Auto Industry in Favor of Mass Transit Joe R. Feagin and Robert Parker, June 1st 2002, Building American Cities: The Urban Real Estate Game book, Page 17 The auto-oil-rubber industrial complex has long been central to both the general economy and the urban transportation system in the United States. Automobile and auto-related industries provide a large proportion, sometimes estimated at one-sixth, of all jobs, although this proportion may be decreasing with the decline and stagnation in the auto industry over the last two decades. An estimated one-quarter to one-half of the land in central cities is used for the movement, storage, selling, and parking of automobiles, trucks, and buses. The expanding production of automobiles and trucks has been coordinated with the expansion of highways and freeways and has facilitated the bulging suburbanization around today’s cities.

### Public transit trades off with automobile industry – history proves.

Brian Beulter, March 2012, TPM's senior congressional reporter, <http://tpmdc.talkingpointsmemo.com/2012/03/end-of-an-error-the-car-century-begins-to-wane-charts.php>

The economy’s on the rebound, and with it so is the U.S. auto manufacturing sector, three years after Detroit nearly went bankrupt. But a different indicator of U.S. economic growth suggests a significant realignment is under way in the American transportation system — one that isn’t necessarily good news for car makers. The charts below tell a key part of the American story of the last century. Despite their much smaller numbers, Americans in the middle of the 1900s took more public transit trips on buses, trains and so on than we do today as a whole. Many more. In 1947 — the peak year — they racked up 23.4 billion trips in total. Last year it was a paltry-by-comparison 10.4 billion. The key reason why won’t surprise you. “Back then people didn’t have cars,” said APTA spokesman Virginia Miller. “Even in the 1950s people didn’t own a lot of cars, owning one car was common. As we move into the ’60s we saw people moving out into the suburbs [facilitated by] the interstate legislation in 1956 under President Eisenhower.” Public transportation’s been on the rebound for decades, after bottoming out in the early 1970s. But it didn’t really begin booming until the economy caught fire in the mid 1990s. Part of the story is population growth. Part of it’s the revival of American cities. But that recovery stalls every time the economy falls out from under it, which is exactly what happened in 2008. Last year, there was a significant turnaround. And that’s another indication that the economy is really, truly improving: Public transportation usage is back on the rise — in a significant way. That may not seem like it follows. Why wouldn’t people use cheaper modes of public transportation during economic hard times? But, [as the New York Times noted earlier this week](http://www.nytimes.com/2012/03/12/us/use-of-public-transit-rose-in-2011-report-says.html?_r=3&src=tp), an overwhelming number of public transportation users are commuters, and when those commuters lose their jobs, there’s no reason to take the train or the bus to work. APTA, of course, hopes it’s a return to trend. “What’s interesting now, in this new century, is that it appears we’re going back to the future as more and more people are realizing the value of public transportation,” Miller said. If she’s right, that has big implications for the robustness of the auto industry’s recovery, and many, many other aspects of the U.S. economy.

### Public transit causes a direct tradeoff with auto industry growth – undermining the economy

Beutler, ’12 (Brian, TPMDC senior congressional correspondent, 4/16/12, <http://tpmdc.talkingpointsmemo.com/2012/03/end-of-an-error-the-car-century-begins-to-wane-charts.php>, JD)

The economy’s on the rebound, and with it so is the U.S. auto manufacturing sector, three years after Detroit nearly went bankrupt. But a different indicator of U.S. economic growth suggests a significant realignment is under way in the American transportation system — one that isn’t necessarily good news for car makers. The charts below tell a key part of the American story of the last century. Despite their much smaller numbers, Americans in the middle of the 1900s took more public transit trips on buses, trains and so on than we do today as a whole. Many more. In 1947 — the peak year — they racked up 23.4 billion trips in total. Last year it was a paltry-by-comparison 10.4 billion. The key reason why won’t surprise you. “Back then people didn’t have cars,” said APTA spokesman Virginia Miller. “Even in the 1950s people didn’t own a lot of cars, owning one car was common. As we move into the ’60s we saw people moving out into the suburbs [facilitated by] the interstate legislation in 1956 under President Eisenhower.” Public transportation’s been on the rebound for decades, after bottoming out in the early 1970s. But it didn’t really begin booming until the economy caught fire in the mid 1990s. Part of the story is population growth. Part of it’s the revival of American cities. But that recovery stalls every time the economy falls out from under it, which is exactly what happened in 2008. Last year, there was a significant turnaround. And that’s another indication that the economy is really, truly improving: Public transportation usage is back on the rise — in a significant way. That may not seem like it follows. Why wouldn’t people use cheaper modes of public transportation during economic hard times? But, as the New York Times noted earlier this week, an overwhelming number of public transportation users are commuters, and when those commuters lose their jobs, there’s no reason to take the train or the bus to work. APTA, of course, hopes it’s a return to trend. “What’s interesting now, in this new century, is that it appears we’re going back to the future as more and more people are realizing the value of public transportation,” Miller said. If she’s right, that has big implications for the robustness of the auto industry’s recovery, and many, many other aspects of the U.S. economy.

### Lack of public transit is key to the auto industry

Chu, Ted H. Su, Yingzi 10/01/2010 The National Association for Business Economistshttp://www.freepatentsonline.com/article/Business-Economics/244026955.html

So what is the structural or secular level of automobile sales? America is said to be a country on wheels and Americans seem to love cars and trucks more than any other country in the world. With roughly 70 percent of people living in the suburbs without easy access to public transportation, owning a vehicle is simply a basic need in the United States. Over the last four decades, the U.S. auto industry has been hit by oil price shocks, economic recessions, regulatory changes, and technology revolutions such as the Internet revolution, yet one thing remains constant--the percent of people who are registered drivers.

### Public transport directly competes with and puts the auto industry out of business

Eric Britton on 7 July 2010 Why Free Public Transport is a bad idea?!? http://worldstreets.wordpress.com/get-invovled/contact/ Francis Eric Knight Britton is an American Political Scientist and Sustainability Activist[1] who has lived and worked in Paris, France since 1969. As the main convenor of The Commons: Open Society Sustainability Initiative and its various networks, he is well known for promoting integrated public transport, carsharing and bike sharing.

Fares can be used to moderate demand. If cheaper fares are available off-peak, then people with more flexibility have an incentive to travel at off-peak times. This results in more effective use of limited resources. (Demand management is also used in telecommunications and energy markets.) It could be anticipated that a free service would be particularly crowded at peak times. 4. Impact on car industry. Greater public transport means that people use fewer cars; as a result, car manufacturers and service providers (e.g. mechanics, gas stations, etc.) can go out of business.

### Major investment in public transit kills the auto industry

Franchise Direct 2009 Automotive Franchises Franchise Direct conducted an intensive study of the automotive franchise industry by examining the FDD’s of 30 businesses. The study shows that despite the endemic problems in the car industry, automotive franchises remain a solid investment. http://www.franchisedirect.com/automotivefranchises/automotiveindustrytrendsbusinessreportii/7/249

American communities and suburbs are designed very much around the car. Many cities lack any reliable public transport. Without major investment in mass transit infrastructure it will not pose a major threat to car use. Americans will continue to rely heavily on their cars for the foreseeable future. Already in 2009, the rate of decline of miles driven has slowed modestly. Gasoline prices have dropped to around $2 a gallon. As long as gasoline prices remain stable in 2009, auto franchises will benefit as consumers have more disposable income to spend on deferred car maintenance and repairs.

### Public transport hurts autos; US autos key to global

Vivek Ghosal March 2010 Competition and Innovation in the US Automobile Market https://www.cesifo-group.de/portal/page/portal/CFP\_CONF/CFP\_CONF\_2010/Conf-am10-Gollier/Conf-am10-papers/am10\_Ghosal.pdf

The paper’s central objectives are to examine the nature of competition and innovation in

the US automobile markets over a long period of time, 1969 to recent years. The US has had one

of the highest per capita incomes in the world, a relatively large population, and lack of public

transportation. These factors in combination have resulted in a relatively high demand for

automobiles (currently the US averages about 22% of global sales), and a market where almost

all the major firms in the world seek to compete for market share and profits. The US has also

had a relatively open markets, allowing entry by a wide range of foreign producers. In a sense,

the US market serves as a microcosm of the global automobile market, and the dynamics in US

market have implications for the global industry.

### Public transit trade off with automobile industry – history proves

Beulter 2012 (TPM's senior congressional reporter. Since 2009) http://tpmdc.talkingpointsmemo.com/2012/03/end-of-an-error-the-car-century-begins-to-wane-charts.php

The economy’s on the rebound, and with it so is the U.S. auto manufacturing sector, three years after Detroit nearly went bankrupt. But a different indicator of U.S. economic growth suggests a significant realignment is under way in the American transportation system — one that isn’t necessarily good news for car makers. The charts below tell a key part of the American story of the last century. Despite their much smaller numbers, Americans in the middle of the 1900s took more public transit trips on buses, trains and so on than we do today as a whole. Many more. In 1947 — the peak year — they racked up 23.4 billion trips in total. Last year it was a paltry-by-comparison 10.4 billion. The key reason why won’t surprise you. “Back then people didn’t have cars,” said APTA spokesman Virginia Miller. “Even in the 1950s people didn’t own a lot of cars, owning one car was common. As we move into the ’60s we saw people moving out into the suburbs [facilitated by] the interstate legislation in 1956 under President Eisenhower.” Public transportation’s been on the rebound for decades, after bottoming out in the early 1970s. But it didn’t really begin booming until the economy caught fire in the mid 1990s. Part of the story is population growth. Part of it’s the revival of American cities. But that recovery stalls every time the economy falls out from under it, which is exactly what happened in 2008. Last year, there was a significant turnaround. And that’s another indication that the economy is really, truly improving: Public transportation usage is back on the rise — in a significant way. That may not seem like it follows. Why wouldn’t people use cheaper modes of public transportation during economic hard times? But, as the New York Times noted earlier this week, an overwhelming number of public transportation users are commuters, and when those commuters lose their jobs, there’s no reason to take the train or the bus to work. APTA, of course, hopes it’s a return to trend. “What’s interesting now, in this new century, is that it appears we’re going back to the future as more and more people are realizing the value of public transportation,” Miller said. If she’s right, that has big implications for the robustness of the auto industry’s recovery, and many, many other aspects of the U.S. economy.

### Growth in public transit such as rail and others is directly correlated with a decline in car usage

By JM Palacios On December 9, 2008 Public Transit Up; Auto Industry Down http://www.transitmiami.com/transit/public-transit-up-auto-industry-down

The American Public Transportation Association released figures Monday on third quarter growth in public transportation. Tri-Rail ranked as the second fastest growing commuter rail system in the country with a whopping 32.9%. Public transit use overall jumped 6.5% between July and September across the country, while automobile use shrunk by a much larger 4.6%. More people reduced their driving because the actual number of vehicle-miles is much higher to begin with than the passenger-miles for public transit.

### Increased public transit trades off with the auto industry

Miami Herald, ‘8 (“Mass transit use is up 6.5% nationwide”, 12/8/8, http://www.soflo.fau.edu/media/article.aspx?articleID=574)

The nation's public transportation systems saw the largest quarterly ridership increase in 25 years as more Americans shunned their automobiles even as gas prices began to ease, according to industry figures released Monday. Subways, buses, commuter rail and light-rail systems saw a 6.5 percent jump in ridership from July to September, according to the Washington-based American Public Transportation Association.During the same quarter, Americans drove 4.6 percent less on the nation's highways. The average price for a gallon of gas peaked at more than $4 in mid-July, then began falling.''They may have tried public transportation to get away from high gas prices, but many have since found it works for them,'' association president William W. Millar said. ``I think this year has been a real turning point for the public's attitude toward public transportation.''The real test, however, could be reflected in the coming months; gas prices recently plunged below $2 a gallon nationwide for the first time since 2005.In South Florida, local transit providers reported similar results. All saw spikes in ridership during the third quarter as gas prices peaked at $4.16 per gallon. Some of those gains have dissipated as gas prices have recently eased back to the $1.80 per gallon threshold.''We definitely saw an increase over the summer,'' said Susy Guzman-Arean, acting director of strategic planning for Miami-Dade Transit, the nation's 12th-largest system. ``We're expecting the numbers to drop off now that gas prices are down. We're still up, but not as much as we were this summer.''Miami-Dade is still calculating its final numbers for Metrobus, Metrorail and Metromover ridership in August and September.But preliminary reports indicate that Miami-Dade Transit ridership was up 13.4 percent across all three modes in July over the previous year. The gains tailed off considerably in August -- a 2.2 percent gain over the previous year -- but those numbers were affected by the calendar and Mother Nature. There were only 21 weekdays this August, versus 23 in August 2007, and all transit agencies lost riders due to the threat of Tropical Storm Fay. Miami-Dade Transit ridership was up 3.6 percent in September over the previous year. The biggest gains were observed in July at Metrorail, which recorded a 20.2 percent increase in riders over the same month in 2007. Approximately 66,500 people board a Metrorail train on a typical weekday. Metrobus posted a 12.4 percent spike in ridership in July over the previous year. Approximately 265,000 people board a Metrobus on a typical weekday. At Tri-Rail, more than 15,119 people a a day boarded a train in July, up 41.9 percent over the previous July, according to the South Florida Regional Transportation Authority. Ridership tailed off slightly in August -- only up 19 percent over the previous year -- but those numbers would have been stronger if service had not been interrupted for two days by Fay. In September, with the first full month of school in session, Tri-Rail daily ridership routinely exceeded the 16,000 mark -- a 39 percent improvement over the previous year. ''We have seen a slight decline since September,'' said Tri-Rail spokeswoman Bonnie Arnold. ``And I do attribute that to the fact that gas prices have dramatically dropped down here.'' Broward County Transit spokeswoman Phyllis Berry said the agency had originally been projecting a 6 percent decrease in riders -- a result of service cuts and a 25-cent fare increase that went into effect in September 2007. An estimated 128,000 people board a Broward County Transit bus on a typical weekday. But ridership was actually up 3.65 percent in July, and 3.5 percent in September. Ridership was down 10.5 percent in August -- a reflection of the losses due to Fay and the calendar, Berry said. Nationwide, riders made 2.85 billion trips on public transportation during the third quarter, up from 2.67 billion trips a year ago. There have been gains in every quarter this year from 2007. Last year's 10.3 billion trips were the most on public transportation in 50 years. Amtrak also is seeing growth, with ridership across the country up 11 percent from July to September, according to spokeswoman Karina Romero. The gains come as more Americans stay off the roads. The Federal Highway Administration has reported 11 consecutive months of a decline in driving. Meanwhile, the U.S. auto industry is on the verge of collapse as vehicle sales plummet. Sales in September dropped below one million for the first time in 15 years and continued to decline in October and November.

### Mass transportation directly competes and trades off with the auto industry

"mass transit." Encyclopedia Britannica. Encyclopedia Britannica Online Academic Edition. Encyclopedia Britannica Inc., 2012. Web. 09 Jul. 2012. http://www.britannica.com/EBchecked/topic/368374/mass-transit

In many western European countries, postwar automobile growth was constrained by government policies, which heavily taxed both cars and their fuels. Mass transportation systems were maintained and expanded with government subsidies, and public policies kept central areas strong or fostered suburban growth in carefully designed higher-density nodes, in some cases (particularly in Britain and Sweden) in the form of systematically designed new towns linked to older central cities by high-quality mass transit lines. In less-developed parts of the world, mass transportation was shielded from automobile competition by the inability of citizens to afford cars and by government policies that kept both automobile and gasoline prices high.

## Bicycles Link

### Funding for bicycle infrastructure directly trades off with the auto industry

Larry Cohen February 2nd 2012 Creeps and weirdos: The auto industry agenda for keeping you on four wheels http://www.nationofchange.org/creeps-and-weirdos-auto-industry-agenda-keeping-you-four-wheels-1328193397

But, the auto industry’s profits depend on making sure that cars remain the standard mode of transportation – and that car companies grow their customer base, not lose them to bicycles. Auto companies are fueled by profits, and the auto industry spent over $45 million last year alone on lobbying Congress and other federal agencies in order to maintain a monopoly on our roadways. The auto industry makes money by ensuring that the public values driving and that roads are built for cars alone – even if this means greater demand for fossil fuel, increased environmental degradation, fewer opportunities for physical activity, and more road-related injuries.

## Auto industry – government innovation good

### Government investment is key to automotive infrastructure – innovation is viable.

The Irish Times, 2-4-2009, “Motor industry appeals for help to create battery base,” Lexis Nexis

You can see the direction the technology is driving us, Kruse says. However, the costs and limits of current batteries remain the biggest obstacles to mass marketing plug-in vehicles. Although nearly every major car company is moving ahead with electric-car plans, the batteries still cost about EUR 10,000 or more each, experts estimate, and that could make electric cars money-losers. Moreover, the industry s manufacturing capacity is limited. In the US, solving these problems could become more critical as President Obama pushes to toughen fuel-efficiency standards. The car firms are already lobbying congress for help to establish a battery industry. The issue is whether battery development is the most cost-efficient means of reducing US dependency on oil. You can heavily subsidise small volumes of electric cars and lightly subsidise high volumes, but you cannot heavily subsidise high volumes, says Menahem Anderman, chief executive of Total Battery Consulting. The environment and energy security will benefit more if we had a million hybrids in the US than 10,000 [electric vehicles], and technologically and economically this is more realistic. For now, batteries represent the greatest obstacle to an electric car, says JB Straubel, chief technical officer at Tesla Motors. There is no question that we can make 10 million cars. But with batteries, you’re beyond the existing manufacturing base. You need to build a whole new industry to make the batteries, as big as the industry that is making the cars themselves.

### Restructuring and supply-side changes will not change the fate of the auto industry - only increased demand can prevent collapse.

Aaron Bragman, 2-11-2009, Global Insight, World Markets Research Centre, “GM to Cut 14% of Global Workforce in 2009,” Lexis Nexis

Job cuts are nothing new to the auto industry and the "Detroit Three", but the size of the reductions made by the U.S. automakers since 2000 is significant. In the past eight years, the "Detroit Three" have cut more than 250,000 jobs, nearly half of their total workforce. TheAutomotive Newsreport states that 142,000 of those cuts have come in just the last three years, with 54,000 coming in North America alone in 2008. That amounts to 18% of the automakers' North American staff eliminated in just one year. Of the "Detroit Three", Chrysler made the biggest North American cuts in 2008, eliminating fully 31% of its total workforce, to 53,000 employees. Ford cut 15.5% of its staff level to finish with 75,200 employees, and GM reduced its personnel by 11.5% to 73,000. GM and Ford are able to make such massive North American cuts as much of their efforts and development work is now concentrated in overseas engineering centres. Still, it is a risk to cut staff numbers too much, as Chrysler has seen with the reductions it has made. Although the company denies that anything is amiss, reports have frequently suggested that development and project progress has suffered because of insufficient personnel at the struggling automaker; this makes the proposed Fiat deal all the more critical to the company's future, as it would inherit a full line-up of ready-engineered small, fuel-efficient cars. The car companies cannot ensure success through job cuts. Restructuring is indeed necessary, but a lot of progress has already been made in making these companies healthy and viable. The biggest problem they face is that nobody is buying their products. No amount of government bailout money, or even bankruptcy protection, is going to help the automakers if the economy does not start to turn around. IHS Global Insight is often asked what is required for the U.S. automakers to truly turn themselves around. The answer is simple: consumers need to start buying cars and trucks again, as without any revenue coming in, no profits can be made.

### Government incentives and consistent investment is key to the auto industry.

LBW (Lab Business Week), 1-18-2009, “Advanced Li-ion Battery Maker Applies for $480 Million in Federal Loan Funds to Accelerate Output for Next-Generation Auto Industry,” Lexis Nexis

"We are very pleased to be able to participate in an initiative that will help strengthen U.S. energy security, radically reduce greenhouse gases, and sharpen the competitive edge of American producers of fuel-efficient vehicles," said Ener1 Chairman and CEO Charles Gassenheimer. "A special federal lending program to incentivize next-generation auto and components manufacturers is exactly what is needed at this juncture to help regain market share for the U.S. in this crucial industry." EnerDel, Ener1 's lithium-ion battery subsidiary, applied for the funds under the Advanced Technology Vehicle Manufacturing Incentive Program (ATVMIP), which is administered by the U.S. Department of Energy (DOE). The $25 billion program is designed to enable U.S. auto companies and their suppliers to build or retool manufacturing facilities in order to improve the overall corporate average fuel economy (CAFE) of the American automotive industry. "Advanced lithium-ion battery technology is a basic need for every automaker in the world today, and that need will grow steadily," said Gassenheimer. "Building a strong U.S. supply chain in this rapidly emerging industry is a top priority to maintain competitiveness vis-a-vis foreign manufacturers that have already invested very heavily in this linchpin technology." EnerDel is the first and currently the only advanced lithium-ion automotive battery manufacturer in the U.S. EnerDel's manufacturing facilities are based in Indianapolis and Noblesville, Indiana. If granted, the funds will enable EnerDel to double manufacturing capacity to produce 600,000 hybrid electric vehicle packs per year at its existing plant by 2011, and to build a second larger plant capable of producing battery packs for up to 1.2 million hybrid electric vehicles by 2015. It is anticipated that the projects would create more than 1,300 new jobs. Using DOE data, Ener1 estimates batteries produced at these facilities each year could save the U.S. economy as much as $600 million at the gasoline pump and eliminate up to one billion tons of carbon emissions annually. The loans would be secured by project assets, and DOE is required by law to monitor progress closely to ensure the funds are used efficiently and effectively. If approved, the loan's interest rate, estimated to be less than 4 percent per annum, would be equal to the cost of funds to the U.S. Treasury Department for comparable obligations over a period of 25 years or the projected life of the project, whichever is shorter. DOE would have first lien on all assets acquired with the funds. "A critical new industry is taking shape before our eyes," said Gassenheimer. "Europe and Asia have committed vast resources to build production capacity, while the U.S. is starting to fall behind. We have the technology, but we lack domestic production capacity. Failure to develop the lithium-ion automotive battery industry would be tantamount to exchanging dependence on foreign oil for dependence on foreign-made batteries." EnerDel has developed a process for producing high-performance lithium-ion batteries using proprietary chemistry and a flat-cell design that maximizes power, reliability and longevity. EnerDel also specializes in software and systems integration to customize complete battery systems for installation into commercial vehicles. Ener1 has successfully raised $200 million to date in the equity capital markets, but acknowledges federal assistance is necessary for Ener1 to accelerate its production capacity to be able to meet the U.S. auto industry's current forecasts for hybrid and electric vehicles, and remain competitive in a rapidly evolving global marketplace. "Our business model suggests that for every $1 of capital investment, we can realize $4 to $6 of annual revenue, depending on product mix," Gassenheimer said. "With this revenue stream, we will be able to repay the loan on a timely basis and will help maintain the competitiveness of the automobile manufacturing industry in the U.S."

## Auto industry – key to economy

### This causes economic meltdown.

Chicago Tribune, 11-9-2008, “US auto industry too big to fail,” <http://www.swamppolitics.com/news/politics/blog/2008/11/auto_industry_too_big_to_fail.html>

Rick Wagoner, General Motors' chief executive, was on CNBC Friday where he was asked why shouldn't the company be allowed to go bankrupt. He essentially said it was too big to be allowed to fail because of the tremors such a failure would set off throughout the economy Because that would lead to a greater economic calamity, was his answer. "I've seen pundits write this stuff (about bankruptcy) but you can't sell cars to people under that circumstance. I think it would be a devastating impact. And not just for GM by the way. It would roll across, have a domino effect across the whole industry... It's not just an issue of GM, it's an issue of the whole domestic industry, the integrated supply base in 50 states, dealers. The impact would be devastating to the U.S. economy. I read the pundits too. I suspect these were some of the same guys who said 'Let Lehman go' and you see the impact that had. I think this is a pivotal issue for the U.S. The fact is that the problems in the auto sector are a direct consequence of the credit crisis." Wagoner's message to Washington policymakers is twofold. First, the freezing of the credit markets has been linked to Washington's failure to keep Lehman Brothers afloat because Lehman's failure led to the collapse of the commercial paper market, the short-term loans companies use to fund their operations. Second, if GM is allowed to fail, that could have unintended consequences of a huge magnitude, just like Lehman. A recent report by the Center for Automotive Research, provides some chilling numbers for what could happen if the Big Three collapsed. "Should all of the Detroit Three's U.S. operations cease in 2009, the first year total employment impact would be a loss of nearly 3.0 million jobs in the U.S. economy-- comprised of 239,341 jobs at the Detroit Three, 973,969 indirect/supplier jobs and over 1.7 million spin-off (expenditure-induced) jobs." The prospect of the economy losing an additional three million jobs at a time when it's already shedding millions more is what has Democratic policymakers President-elect Obama, House Speaker Nancy Pelosi and Senate Majority Leader Harry Reid pushing Treasury Secretary Henry Paulson to funnel some of the $700 billion in financial bailout money to the auto industry even though the Bush Administration says it doesn't have the legislative authority to do so.

### Studies prove the economic effect – will spill over into other industries.

NPBJ (Northeast Pennsylvania Business Journal), January 2009, “Collapse of auto industry would cost Pennsylvania 120,000 jobs,” Lexis Nexis

The financial woes of the U.S. auto industry are not just a Detroit problem but could impact the economies of states across the nation, according to a new study by the Economic Policy Institute (EPI) in Washington, D.C. Pennsylvania ranked ninth among the 50 states in potential job loss as a result of one or all of the Big Three automakers shutting down, the study estimated. Up to 120,100 jobs would disappear in Pennsylvania within a year if General Motors, Ford and Chrysler were allowed to fall into bankruptcy. The loss of General Motors, the company most at risk of entering bankruptcy, would jeopardize up to 33,200 jobs in Pennsylvania. Even if only motor vehicles and parts jobs are counted, Pennsylvania would lose up to 8,400 jobs from a total industry shutdown and up to 2,300 from the shutdown of General Motors alone, the study estimated. Mark Price, Ph.D., labor economist for the Keystone Research Center in Harrisburg, noted that the EPI study should concern manufacturers and other industries in Pennsylvania. "Anyone who thinks an auto industry collapse has little impact on Pennsylvania should think again," Price said. "As the EPI study shows, the 120,000 Pennsylvania jobs threatened by an auto industry failure account for 2.1 percent of total state employment." The EPI paper, titled "When Giants Fall," estimates that a total collapse of all three U.S. auto makers would result in the loss of up to 2.1 million American jobs within the next year. Tax revenue losses and additional governmental costs would top $150 billion within three years if the three companies enter bankruptcy. Without cars to export, the U.S. trade deficit would rise by $109.3 billion, the study also found.

### Auto industry collapse would ripple through other industries.

Stephen Foley, 11-29-2008, The Independent, London, The Hamilton Spectator, “Motor City gets kicked to the curb; Detroit's devastation deepens as the Big Three plead, scramble, pray for salvation,” Lexis Nexis

He is browsing listlessly in the gift store at Ford Field, home of the local American football team owned by Bill Ford Jr., the chairman of the car company. The Detroit Lions are halfway through the season and, without a win, are becoming a pitiful metaphor for the city. Mutean, 36, is not one of the 240,000 people employed by the Big Three, but he is one of the hundreds of thousands whose livelihoods depend on them, since he works for a shipping company that moves cars out of their factories and supplies in. As many as three million jobs could be lost if all three firms go bust as the effects ripple through the U.S. and cause a convulsion in the economies that rely heavily on auto industry jobs, according to a recent study by the Centre for Automotive Research.

# \*\*\*Impact Ext.\*\*\*

## Auto industry – key to economy

### The U.S. economy will collapse in the status quo - federal infrastructure projects targeted at the auto sector can solve.

Richard Freeman, 10-21-2005, Senior Economics Staff for the Executive Intelligence Review, <http://www.larouchepub.com/other/2005/3241delphi_vultures.html>

The Delphi Automotive Corporation management's massive fraud on a New York City bankruptcy court, which began on Oct. 8, sends the clearest possible signal to the United States Senate, whose members received memos six months ago from physical economist and statesman Lyndon LaRouche warning of the "strategic bankruptcy" of the auto industry. The U.S. Congress must intervene to support and regulate the American auto industry as LaRouche proposed, giving it credit, and a new national mission to "retool" to build vitally needed new economic infrastructure for the nation; and it must protect auto from the global gang of destructive vulture capitalists of which Delphi CEO and hatchet-man Robert "Steve" Miller is an operative. Without such urgent Congressional action, the integrated auto industry will vanish in the United States—as did the steel industry. A Delphi bankruptcy will soon be followed by waves of other auto-supplier bankruptcies, provoked strikes by the United Auto Workers Union (UAW) as its contracts are destroyed, bankruptcies of General Motors and then the other major automakers, broken into pieces to be sold off to global vulture "equity funds" and moved abroad. Following the model set by Northwest Airlines' CEO Douglas Steenland's bankruptcy move in September, Miller took a viable, non-bankrupt corporation into bankruptcy court, in order to "gain protection" from its wage contracts, eliminate its pension and healthcare benefits, provoke union strikes, and close most of its plants—and give big bonuses to its top executives to buy their immoral loyalty to his wrecking operation. Thus looting Delphi, Miller's gang's strategic objective is to transfer its cash flows into offshore markets of hedge funds and "equity funds," and move most of its remaining U.S. production abroad, to an auto industry below U.S. Federal minimum wage levels. This crime at Delphi was precisely predictable as soon as vulture "Steve" Miller was brought to the scene; just as fellow-vulture Kirk Kerkorian's buy-up of GM shares has been predictably aimed at forcing a bankruptcy of GM's auto-production operations. Miller had been Delphi CEO for all of three months before attempting to bankrupt the firm. Prior to that, he had gone from CEO positions at one after another leading American steel producer—LTV, Bethlehem Steel, Morrison-Knudsen—using bankruptcy to gut each company, and selling them off to UBS- and Rothschild-backed vulture fund operative Wilbur Ross; Ross, in turn, sold them to mega-vulture and Tony Blair moneybags Lakshmi Mittal's Mittal Steel Corp., now the biggest in the world. Mittal's steel plants across the globe feature worn-out capital and machinery, low wages, no pensions, and rising prices for the steel they produce, including flat-rolled steel bought by the U.S. auto industry. (More on this gang of industrial thieves.) The United States economy could not recover from the loss of skilled labor and high-technology machine-tool capability now threatening if the auto industry is broken up and completely outsourced, as these banks, hedge funds, and vultures plan. Globalization has to be stopped here, by Congress, in the battle of Delphi—and thoroughly reversed..

### Automobile manufacturing jobs are key to stimulating the economy.

Bill Roth, 4-18-2012, the founder of Earth 2017, through Green Builds Business Roth has coached hundreds of business owners across the U.S. in the development of projects that have created jobs, grown profits and reduced environmental impacts, “How High Gasoline Prices are Creating Jobs and Growing The Economy,” <http://www.triplepundit.com/2012/04/high-gasoline-prices-creating-jobs-growing-economy/>

Manufacturing jobs are key to economic growth. What most people don’t realize is that America, the world’s largest economy, is also the world’s largest manufacturer. The two do go together due to what economists call a multiplier effect. A multiplier effect is when a person with a job buys something locally that then creates a local economic stimulus or multiplier effect that results in job growth. Manufacturing jobs have the highest multiplier effect. The growth in automobile manufacturing jobs is creating a multiplier effect that is stimulating our economy and creating jobs.

### The auto industry is key to the economy.

Joe R. Feagin & Robert Parker, 6-1-2007, “The Rise and Fall of Mass Rail Transit”, Building American Cities: The Urban Real Estate Game, [www.people.uvawise.edu](http://www.people.uvawise.edu)

The auto-oil-rubber industrial complex has long been central to both the general economy and the urban transportation system in the United States. Automobile and auto-related industries provide a large proportion, sometimes estimated at one-sixth, of all jobs, although this proportion may be decreasing with the decline and stagnation in the auto industry over the last two decades. An estimated one-quarter to one-half of the land in central cities is used for the movement, storage, selling, and parking of automobiles, trucks, and buses. The expanding production of automobiles and trucks has been coordinated with the expansion of highways and freeways and has facilitated the bulging suburbanization around today’s cities.

### The auto industry is key to the global economy.

The Arizona Republic, 12-21-2008, “Throwing a Lifeline,” Lexis Nexis

Ordinarily, companies should deal on their own with the consequences of shortsighted planning, inflexibility, high costs and outmoded labor rules. But these are extraordinary times. And this is no ordinary industry. So many other parts of the economy are so weak that a collapse of the U.S. auto industry would be a devastating financial blow. And the failure of iconic companies, with their large labor forces and vast network of suppliers and dealers, would magnify the crisis of confidence that already weighs on the economy. The Bush plan immediately provides $13.4 billion in loans to GM and Chrysler, plus $4 billion available in February. So far, Ford says it doesn't need government help. The package is enough to keep the two automakers alive for the short term. Barack Obama's new administration will thus have some important breathing space, instead of dealing with the collapse of key industry the moment it gets into office. The president-elect showed he appreciated that fact by praising the Bush proposal as a "necessary step," while also warning auto companies not to squander this opportunity. The new White House financial team will be able to begin wrestling with the worst recession in a generation without also dealing with the fallout of a collapsing U.S. auto sector. Bush acted because Congress did not. His plans are similar to those that got through the House but hit too much opposition from Senate Republicans. For funding, Bush draws on the financial rescue package that Congress approved earlier. The automakers' loans come with plenty of accountability. The companies must restructure drastically to demonstrate that they can become profitable again. If they fail to produce viable plans by March 31, the government loans will be called in. The deal spreads the pain. Executive pay and perks are limited, while union wages and benefits must become competitive with those of foreign automakers. Bailout opponents argue that the companies should simply go into bankruptcy. But that risks scaring off would-be car and truck buyers, who would worry about servicing and resale value. Even if GM and Chrysler did eventually go bankrupt, the loan package allows a three-month window to plan for an orderly Chapter 11. The economic impact of domestic automakers is vast. The Bush loan package will avoid major job losses in some 50 major metropolitan areas, which have at least 1 percent of their employment in the auto-related sector. Although the Valley is not among them, our economic health is not independent of them. The auto-parts supply network is so closely linked to Detroit's health that even some foreign automakers with U.S. factories are eager to keep their U.S. competitors alive. Critics of helping Detroit automakers claim that if those companies fail, foreign companies would pick up the slack and build more vehicles at U.S. factories. So there would be no net loss of jobs in America. But that's not likely, according to a Brookings Institution report. Imported vehicles would pick up some of the demand that's currently filled by the Big Three. And foreign companies that assemble autos in America use two-thirds as many U.S. parts as their Detroit competitors. So a lot of the parts market would certainly shift overseas. President Bush's move to help U.S. automakers in a time of financial turmoil isn't a rescue plan for a single industry. It's part of an effort to revive the whole economy.

### Auto Industry Key to Current Econ, Right After Recession

Paul A. Einstein, msnbc contributor. July 3, 2012 <<http://bottomline.msnbc.msn.com/_news/2012/07/03/12547554-auto-industry-the-silver-lining-in-gloomy-economy?lite> > Accessed July 10, 2012.  
There may be plenty of reasons to worry about the U.S. economy: Weak jobs numbers, poor housing starts and a European economic crisis that threatens to spill across the Atlantic. But based on June sales numbers, the American auto industry is not one of them. Car sales outpaced even the more optimistic forecasts, with several manufacturers setting all-time records. A number of others, notably General Motors, saw demand surge to levels not seen since before the start of the lingering U.S. Recession. Significantly, while the industry was clearly pushing hard to sell, sell, sell, industry data suggest automakers didn’t fall into the past trap of buying sales with hefty rebates and other incentives. “The combination of new products, available credit, lower fuel prices and modest [economic growth](http://bottomline.msnbc.msn.com/_news/2012/07/03/12547554-auto-industry-the-silver-lining-in-gloomy-economy?lite)was a stronger influence on consumer behavior than economic and political uncertainty,” said Kurt McNeil, General Motors’ vice president of U.S. sales. GM posted a solid, 16 percent year-over-year gain, June bringing the maker’s best monthly unit sales since September of 2008. Chrysler, meanwhile, delivered its 27th consecutive monthly year-over-year increase — an increase of 20 percent — making it Chrysler’s best June in five years. Honda had to look back to 2008 for the last time it did so well in June, a month normally buoyed by the so-called Spring buying season.  Overall, the Japanese maker gained 48.8 percent, but its struggling luxury division, Acura, gained 76.5 percent — helped by the addition of some critical new products like the entry-luxury ILX.  The mainstream Honda division did well, with a 45.6 percent increase despite the fact that its Accord sedan is months away from being replaced by an all-new model. The Japanese did well across the board, Nissan reporting a 28.2 percent jump — its own luxury arm, Infiniti, gaining 66.1 percent for the month. But the real winner was industry giant Toyota. Like its Japanese rivals it suffered severely in spring 2011 as it was forced to close or sharply cut back production at many of its key assembly plants due to the March earthquake and tsunami that devastated Northeast Japan.  For June 2012, it saw sales rocket upwards by 60.3 percent — and forecast still better days to come. “June and first-half sales were driven by consumer interest in our new models including the Prius C … and the Camry,” which was redesigned for the 2012 model-year, noted Toyota division group vice president Bob Carter.  “We expect to see continued stability in the automotive market during the second half of 2012,” added Carter, thanks to pent-up demand, low interest rates and a continued influx of new products.” Toyota recently increased its forecast for the full year to 14.5 million vehicles, a figure more and more[analysts](http://bottomline.msnbc.msn.com/_news/2012/07/03/12547554-auto-industry-the-silver-lining-in-gloomy-economy?lite) now agree with.  In fact, June’s Seasonally Adjusted Annual Sales Rate, or SAAR, came in at more than 14 million, up from 13.7 million in May. And it did that even though the industry cut back on incentives by 1.6 percent from May to June, to an average $2,187 per vehicle, according to a preliminary estimate by tracking firm Edmunds.com.  That was also down 0.8 percent from June 2011. Nonetheless, there are some skeptics who worry that a weak economic recovery and the threat of a worsening crisis in Europe could cause the car market to stutter — or force makers to ramp up spending on givebacks. "

### Auto industry is the #1 internal link to recovery

Baldwin, ’11 (Claire, Reuters staff reporter, 10/1/11, http://www.huffingtonpost.com/2011/08/01/auto-industry-hiring-may-lead-recovery\_n\_914686.html, JD)

The auto industry could lead an economic recovery in the United States, according to a recent survey by audit, tax and advisory firm KPMG. Auto executives plan to do more hiring and more capital spending than executives in any other sector in the next year, according to the survey. Sixty-two percent of auto executives said they expect to hire people in the coming year, compared with an average of only 52 percent of executives across all sectors. Similarly, 71 percent of autos executives said they expect to increase their capital spending in the coming year compared with an average of 59 percent of all executives. Two years after the end of the U.S. recession, unemployment remains above 9 percent, U.S. consumer confidence hit a near two and a half-year low earlier this month and the U.S. government reached a last-minute deal late Sunday to avoid a U.S. debt crisis. All this has raised questions about the speed and strength of a U.S. recovery. The U.S. auto industry was hit hard during the financial crisis, which saw both General Motors Co (GM.N) and Chrysler seek bankruptcy protection and government bailouts. It was hit again in March when an earthquake, tsunami and nuclear crisis in Japan disrupted the supply chain. While the sector is improving -- U.S. July auto sales are expected to hit an annual rate of around 12 million vehicles, an improvement over May and June -- that figure still lags the 17 million-plus number sold in 2000. A full recovery could take years, but the next 12 months could see an improvement, according to the survey. Seventy-two percent of the autos executives surveyed said they expect their revenue to increase in the coming year. North America is still seen as the most important market, but more revenue is expected to come from other markets including China and South America. New models and products, acquisitions and joint ventures are also expected to add to revenue. Fifty-five percent of those surveyed expect to make an acquisition in the coming year; 5 percent expect to sell. Access to new markets, technologies and products is expected to drive the M&A activity. The auto sector survey, which included the responses of 100 autos executives, was conducted in June. KPMG is releasing the results of its other sector surveys separately.

## Auto industry – Quality of Life

### Auto industry is the heart of econ, technology, jobs, quality of life, and trade

OCIA 7’ (Organization of Motor Vehicle Manufacturers)<http://oica.net/category/economic-contributions/> “Economic Contributions”

Automobiles are a liberating technology for people around the world. The personal automobile allows people to live, work and play in ways that were unimaginable a century ago. Automobiles provide access to markets, to doctors, to jobs. Nearly every car trip ends with either an economic transaction or some other benefit to our quality of life. The auto industry is the single greatest engine of economic growth in the world. The global auto industry is a key sector of the economy for every major country in the world. The industry continues to grow, registering a 30 percent increase over the past decade (1995-2005). Building 60 million vehicles requires the employment of about 9 million people directly in making the vehicles and the parts that go into them. This is over 5 percent of the world’s total manufacturing employment. It is estimated that each direct auto job supports at least another 5 indirect jobs in the community, resulting in more than 50 million jobs owed to the auto industry. Many people are employed in related manufacturing and services. Autos are built using the goods of many industries, including steel, iron, aluminum, glass, plastics, glass, carpeting, textiles, computer chips, rubber and more.

### Auto k2 sustainability

Daimler 11 “Economic significance of the automotive industry” <http://sustainability.daimler.com/reports/daimler/annual/2012/nb/English/3560/economic-significance-of-the-automotive-industry.html>

The automotive industry is an important global driver of growth, income, employment, and innovation. The automobile enables a degree of flexibility and mobility that was undreamed of a century ago. Consequently, the automotive sector – and therefore our company as well – impacts global economic activity in a variety of ways. In Germany, the automotive industry is one of the biggest employers, accounting for more than 14 percent of all workers in manufacturing. Employees work not only at the major automakers but also at many family-run and medium-sized companies in the supplier industry. The automotive industry accounts for just under 8 percent of total industrial added value in Germany. This percentage is unusually high by comparison with other industrialized countries. The significance of exports has grown continually in recent years. Today more than three-fourths of the passenger cars produced in Germany are exported. Germany is the world’s fourth-largest auto-producing country after Japan, China, and the U.S. In 2011 the sector’s gross investments in plant and equipment were over €10 billion, which amounts to approximately a fifth of Germany’s total industrial investments. Over the past ten years, more than €100 billion in total was invested in Germany. Over €20 billion is invested annually in research and development by manufacturers and suppliers in the automotive industry – more than any other sector. That amounts to about one third of the total R&D expenditures in Germany (and 40 percent of the expenditures by the manufacturing sector). On average, ten patent applications a day come from the automotive sector, especially in the area of environmentally friendly vehicle technologies. The Daimler Group invested €5.634 billion in R&D activities worldwide in 2011 (2010: €4.849 billion). Above and beyond our core business – the production and sale of automobiles – Daimler also benefits the economy, science, and society in other ways. These include the Group’s provision of financial support to community projects and its promotion of infrastructure services, for example by building its own sports and athletic centers. – sustainability report 2011

## Auto industry – EU

### Auto Industry key to EU

ACEA 2009 “The automotive sector is key to the economic growth of the EU” http://www.acea.be/news/news\_detail/the\_automotive\_sector\_is\_key\_to\_the\_economic\_growth\_of\_the\_eu/

The automotive sector is key for sustaining and improving the economic strength of the European Union, ensuring future prosperity of its citizens. There is a clear need to establish a policy framework that nurtures the automotive industry, the “engine of Europe”. CARS 21 (Competitive Automotive Regulatory System for the 21ST century), a multi-party project to improve EU automotive regulation, has put an important process in motion. Now, it is time to implement its outcome with precision and care. It is vital for the international competitiveness of the automotive industry that the recommendations, agreed in 2005 by the High-level Group members of the Council, Commission, European Parliament, automotive industry, environmentalists, trade unions, suppliers, consumers and the oil industry, are implemented by all stakeholders. A mid-term review of the CARS 21 recommendations and of the roadmap should be conducted in 2009.

## Auto industry – Federal/State/Local

### Auto Industry Important Federal/State/Local governments

Chris Shunk, Associate Editor at Autoblog, 4/12/12, <<http://www.autoblog.com/2012/04/12/auto-industry-pays-135-billion-in-taxes-annually/> > Accessed July 10, 2012

How important is the auto industry to state and federal governments? According to the Center for Automotive Research, the industry accounts for $135 billion in annual taxes. In fact, a reported 13 percent of all state taxes comes from the automobile, or $91.5 billion in total. Just as impressive is the overall money that Americans pour into their four-wheeled transportation. CAR estimates that auto sales come in at $564 billion, and parts, repairs and other services add in another $173 billion. And those are the staggering numbers generated in an auto market of only 12 million units per year. So far, 2012 auto sales appear to be moving closer to 14 million units, which should help push the $735 billion total closer to the $1 trillion mark. The income generated by cars and trucks is certainly significant, but a good portion of that income goes toward new roads. Of the $43 billion that ends up in federal coffers, $29 billion comes from fuel taxes. On the state level, two-thirds of the $91.5 billion comes from taxes on fuel. Still, that amounts to 10 percent of California's overall revenue and a knee-wobbling 23 percent of revenue in Oklahoma. Auto jobs also contribute serious coin to Uncle Sam, with Michigan leading the way. Uncle Sam took in $2.2 billion from The Mitten State, followed by Ohio and California.

## Auto industry – Hegemony

### Auto industries federal budget & US leadership

Roger Simmermacker 4-30-09 electronic defense contractor and the vice president of his local machinists union http://roomfordebate.blogs.nytimes.com/2009/04/30/does-the-us-need-an-auto-industry/ “Does the U.S. Need an Auto Industry?”

We need a U.S. auto industry because American companies employ more American workers; support more retirees, their families and dependents; pay more taxes to the U.S. Treasury; have a much higher domestic-parts content in their vehicles, and operate far more factories in America than foreign-owned companies. If the Big Three fail, the American taxpayer will be paying the pension and health care costs for the affected workers and retirees. G.M. spent $5.2 billion in health care alone for their workers and retirees in 2004, for example. That’s $5.2 billion foreign-owned firms like Toyota and Honda didn’t have to pay because the Japanese government covers these costs for their home companies. That’s $5.2 billion American workers and retirees could instead use to contribute to the vitality of the communities in which they live. The Big Three have been bearing the wait of an honorable burden for decades, and the American people should be thankful and vigorously advocate their survival because it is “We, the People” that have benefited, regardless if we work in the auto industry or not. Millions of jobs and billions in tax revenue are at stake. Without competition from American companies, nothing can stop foreign companies from raising prices, closing American factories or compromising quality. Foreign-owned companies owe no loyalty or corporate responsibility to America. We cannot claim to be an independent nation if our manufacturing base is under foreign ownership or foreign control. If you fly the American flag, then you should drive an American car.

### Autos are the biggest driver of the US economy

AP, ’12 (4/3/12, http://www.ohio.com/business/u-s-automakers-post-best-monthly-sales-since-2007-1.291157, JD)

If car sales stay at the same rate as March, they would end the year at 14.4 million, up from 12.8 million in 2011. While that’s still below the 17 million of the booming mid-2000s, it’s far higher than the industry’s downturn in 2009, when 10.6 million vehicles were sold. Jesse Toprak, vice president of industry analysis at car buying site TrueCar.com, expects continued strong sales this year, thanks to compelling new products, improvements in consumer confidence and the stock market and low interest rates. “The good news is that the recovery has legs,” he said. He expects total sales of 14.5 million in 2012. That would be a faster pace than many were predicting at the start of the year, and it builds on a strong performance in January and February. As recently as October, J.D. Power and Associates lowered its 2012 forecast from 14.1 million vehicles to 13.8 million because of high gas prices and continuing economic uncertainty. The auto sector’s recovery is helping the entire economy. “Auto is important because it creates so many other jobs,” said Sung Won Sohn, an economics professor at California State University. “Think about the things that go into an auto: glass, textiles, rubber. There’s a lot of financing activity. We are talking about a very significant portion of job creation.” Sohn said a lot of pent-up demand remains in the U.S., from people who couldn’t afford cars during the recession to those who waited for Japanese inventories to improve after last March’s earthquake. The average age of a vehicle on U.S. roads has reached 10.8 years, and many need to be replaced. GM’s U.S. sales chief, Don Johnson, says pent-up demand will continue to fuel sales well into next year. Sohn said high gas prices are actually helping persuade people to trade in older, less-efficient vehicles.

### Auto industry key to economy, heg, industrial base – consistent gov’t support key

Szczesny '09, thedetroitbureau.com <http://www.thedetroitbureau.com/2009/06/auto-industry-key-to-future-economic-growth/ > date accessed: July 8, 2012 “Auto Industry Key to Future Economic Growth”

The domestic automobile industry is an important element in innovation engine that is critical to prosperity in the U.S., suggests a new study from a Washington think tank. America’s future depends on its ability to translate new ideas into investment, jobs, and long-term productivity growth, said Kent Hughes, director of the Science, Technology, America, and the Global Economy program at the Woodrow Wilson Center in Washington D.C., and one of the authors of the new study. “In the debate over handling the bankruptcies of Chrysler and General Motors,” he said, “the impact on innovation and the U.S. industrial base has been largely ignored. “The auto sector – including its parts suppliers, engineers, and related services – is a key part of our innovation system that encompasses much more than the goal of producing new, fuel-efficient cars,” Hughes said. “We need an even stronger industrial base so that we can pay our way in the world, instead of borrowing hundreds of billions of dollars from China, Japan, Germany, and many oil-rich states. It is hard to envision America having the capacity to produce hundreds of billions of dollars of manufactured goods in the future without a strong, innovative automotive sector,” he said. In fact, visitors to the Telematics 2009 conference in Novi., Mi., this week, said automakers are pushing for new futures that could help spark sales. “By 2016, the majority of consumers will consider in-vehicle connectivity and the ability of driver/passenger-centric, contextual information as important as traditional automobile features such as high safety and fuel efficiency standards,” says Thilo Koslowski vice president and automotive practice leader at the consulting firm of Gartner Inc. of Stamford, Conn. “The continued rise of connected consumer devices, such as smartphones and mobileInternet devices, will increase consumer expectations for always-on data availability throughout their work and home, and when being mobile – including when driving,” Kosowski said. GM vice chairman Robert Lutz made the same point last week when he said there seems to be a growing realization in Washington D.C., or at least on the part of the Obama administration, that if the U.S. wanted to remain a factor in world affairs, it needed to be able to back up its words with economic might. “It took 30 years for somebody to finally figure it out,” said Lutz, adding, “They want to revitalize the American automobile industry. There finally is a realization that our country cannot remain economically strong and militarily strong and have a global impact if it’s not backed up by wealth-producing industries. Hughes said the role of the government has become more complex. It must act as lender, owner, regulator, and strategist, working toward energy efficiency and energy security, he said. The auto industry’s challenges, however, also come from the market, he added. “Demand for autos is down and the U.S.-based auto sector has to contend with highly competitive exchange rates in China and other parts of East Asia as well as overseas incentives to lure production offshore,” Hughes said. “Going forward,” Hughes warned, “we need national policies that support the auto and other industrial sectors coupled with national investments in advanced manufacturing. We neglect the industrial base at our peril.”

## Auto industry – key to jobs

### Automotive industry provides millions of jobs - the plan wrecks the auto industry, taking away many jobs.

Yorgos Papatheodorou, 1-10-2007, senior project manager, CH2M HILL, and Michelle Harris, Project Consultant, P.E., CH2M HILL, “The Automotive Industry: Economic Impact And Location Issue,” <http://www.industryweek.com/articles/the_automotive_industry_economic_impact_and_location_issues_13363>

The automotive industry is a major industrial and economic force worldwide. It makes 60 million cars and trucks a year, and they are responsible for almost half the world's consumption of oil. The industry employs 4 million people directly, and many more indirectly. Despite the fact that many large companies have problems with overcapacity and low profitability, the automotive industry retains very strong influence and importance. The industry also provides well-paying jobs with good benefits, has heavy linkages with supplier industries (which gives it an oversized role in economic development), and has a strong political influence. The power of linkages is given by the following real but anonymous example of forecasted economic impacts of a proposed automotive assembly plant The industry is more than 100 years old. It started in Germany and France, and came of age in the U.S. in the era of mass production. Vehicle volumes, efficiency, safety, features and choice have grown steadily throughout the industry's history. It is so synonymous with 20th century industrial development, and so intertwined with its twin marvels, mass production and mass consumption, that it has been called the "industry of industries."However, all is not well in the automotive world. Worldwide, average margins have fallen from 20% in the 1920s to 5% now, with many companies losing money. This poor profitability performance is reflected in the industry's market capitalization: despite its huge revenues and employment, the automotive industry accounts for only 1.6% of the stock market in Europe, and 0.6% in the U.S. There is a big contrast between the industry's lackluster financial success and its oversized social role, share of employment and political influence.

### Auto industry is key to growth

Report Linker 2012 Industry: Market Research Reports, Statistics and Analysis http://www.reportlinker.com/ci02294/Automotive.html Automotive

The auto industry is a leading driver of global economic growth, says the International Organization of Motor Vehicle Manufacturers, and it has expanded over 30% in the ten-year period ending 2005. The industry is a leading employer throughout the world, with 9 million people involved in making 60 million vehicles, or 5% of global manufacturing jobs. Indirect employment from automotive activity is fivefold, representing 50 million jobs connected indirectly to the auto industry. Other industries involved in the manufacture and service of vehicles include textiles, plastics, iron, steel, glass, aluminum, computer chips and rubber. The industry also involves significant research and development activity, representing investment of nearly $85 billion. It is estimated that the manufacture of vehicles contributes more than $430 billion to the governments of 26 countries combined.

## Auto industry – multiplier effect

### Auto industry is key to the economy – multiplier effect.

Shobhana Chandra & Timothy Homan, 5-13-2012, staff writers, “Spark in Sales of Cars and Trucks Drives U.S. Economy,” <http://www.bloomberg.com/news/2012-05-13/spark-in-sales-of-cars-and-trucks-drives-u-s-economy.html>

Car sales that are running at the fastest pace in four years are poised to reverberate through the world’s largest economy as a spillover into production, profits and jobs for Americans may be starting. Auto purchases have exceeded a 14 million annual rate in each month this year, the strongest performance since early 2008, according to Ward’s Automotive Group. Government data show motor-vehicle output contributed half of the first quarter’s 2.2 percent economic growth. General Motors Co. (GM), the world’s largest automaker last year, boosted its 2012 industry-sales forecast, Ford Motor Co. (F) will add factory shifts and Chrysler Group LLC is stepping up hiring as demand rises. The resurgence -- from assembly lines and dealerships to steelmakers, freight lines and loan providers -- signals the U.S. is headed for lasting, robust growth, says Joseph Carson, director of global economic research at AllianceBernstein LP in New York. “We’re starting to see the spark in the auto sector that was missing initially” during the recovery from the recession, said Carson, a former GM economist. “It tells you there’s a certain momentum. A whole host of areas could see the multiplier effect. We’re at the beginning of a very long and durable cycle.” Rising employment, an improvement in consumer confidence and a thaw in lending are facilitating the revival in sales of cars and light-duty trucks. Chad Moutray, chief economist at the National Association of Manufacturers in Washington, estimates each dollar spent in the industry triggers an additional $2.02 of output in the economy.

## Auto industry – confidence mod

### A sustainable domestic auto industry is key to business confidence – national pride and expert consensus.

Alex MacDonald, January 2012, Tanque Verde Valley Democratic Club, “The Rescue of the American Auto Industry--An Obama Administration Success Story,” <http://www.tanqueverdedems.org/wp-content/uploads/2012/01/rescue-of-the-american-auto-industry.doc>

Looking at the enormity of the auto industry crisis and the vehemence of those crying “too big to fail”, and “bankruptcy is the cost of incompetency,” was it worth $82B of taxpayer’s money? Many people have doubted this Federal Recovery on ideological grounds calling it a “bail-out”. However, in our opinion and in the opinion of many economic experts and pundits, the benefits are clear. The US auto industry was saved and today, two years later, it looks like 85% of the funds will be paid back to the American people. What are these benefits? First is our national pride in a major American built industry. This is vital to the psyche of the American people. It has an entrenched value as a symbol of our industrial might. It is a significant factor in boosting the country’s morale in times of a loss of confidence in our economic system of capitalism. Secondly, millions of jobs were saved. Consider the cost of their unemployment, the loss of tax revenues and the trickle-down effect on their consumption of goods. In August, 2011, GM announced that its second quarter earnings had nearly doubled to $2.5B. In an article published in the Arizona Daily Star on January 5, 2012, it was reported, “The U.S. automakers rallied in 2011, two years after GM and Chrysler emerged from US-backed bankruptcies. GM also reclaimed the top spot in world vehicle sales from Toyota......Chrysler and GM have the American taxpayer to thank for that, but in the end, it’s been a good investment.” These investments, coupled with the stringent conditions placed on the companies, have resulted in a remarkable turnaround of the domestic auto industry. This turnaround would not have been possible without the government’s actions. The American automakers can also thank the Obama Administration for this success story.

### Business confidence is key to every aspect of the economy.

John Braithwaite, March 2004, Australian Research Council Federation fellow, “The Annals of The American Academy of Political and Social Science, “Emancipation and Hope,” Lexis Nexis

The challenge of designing institutions that simultaneously engender emancipation and hope is addressed within the assumption of economic institutions that are fundamentally capitalist. This contemporary global context gives more force to the hope nexus because we know capitalism thrives on hope. When business confidence collapses, capitalist economies head for recession. This dependence on hope is of quite general import; business leaders must have hope for the future before they will build new factories; consumers need confidence before they will buy what the factories make; investors need confidence before they will buy shares in the company that builds the factory; bankers need confidence to lend money to build the factory; scientists need confidence to innovate with new technologies in the hope that a capitalist will come along and market their invention. Keynes’s ([1936]1981) General Theory of Employment, Interest and Money lamented the theoretical neglect of “animal spirits” of hope (“spontaneous optimism rather than . . . mathematical expectation” (p. 161) in the discipline of economics, a neglect that continues to this day (see also Barbalet 1993).

### Current auto industry growth is key to consumer confidence

Michael Mayland, ’12 MLive Media Group, 4/1/12, http://www.mlive.com/auto/index.ssf/2012/04/us\_auto\_industry\_recovering\_fa.html, JD)

Through the first three months of the year, industry experts have increased their sales forecasts from 13.5 million vehicles to around 14.5 million sold in 2012. “The industry is really coming along,” said Jesse Toprak, vice president of industry trends and insights for TrueCar.com. “It just shows that the recovery in the first two months of the year and that sets us up nicely for the rest of the year.” According to Toprak, the industry exceeded expectations in the first quarter thanks to numerous factors, including high gas prices driving buyers to fuel-efficient products, Wall Street’s performance, strong vehicle lineups and a strengthening economy. Toprak said if the industry continues at its March pace of about 1.4 million units, it should be a prosperous year for the industry, as well as the U.S. economy. “It could actually get a bit higher,” he told MLive.com. “In fact, I’d say the forecast has more of an upside potential rather than a downside risk.” Toprak said the "highest correlation" to new vehicle sales is the stock market because that can affect consumer confidence, as well as credit lending and the economy. Earlier this year, Southfield-based research firm R.L. Polk predicted annual sales to hit pre-recession levels of 16 million by 2015.

## Auto industry – oil dependence mod

### This collapses research and development as well as short-circuiting energy policies that solve oil dependence.

Detroit News, 11-3-2008, “analysts: Big 3 Woes Imperil US economy,” <http://detnews.com/apps/pbcs.dll/article?AID=/20081103/AUTO01/811030343>

Allowing an automaker to go under would wipe out portions of the supply chain, dragging down healthy foreign automakers, as well, that would have to scramble to find other suppliers to provide their parts. Automakers also buy $15 billion a year in advertising, not counting the huge amount dealers spend. Automakers spend more on research and development than any other industry except the government, about $18.5 billion a year, McAlinden said, with 85 percent of that done in Michigan. Both presidential candidates have energy policies and tax incentives for fuel-saving research that cannot be achieved without a healthy and robust auto industry, CSM's Chesbrough said. "The auto sector is key to where the country needs to go in the future to reduce oil dependence," he said.

### Oil dependency leads to extinction.

Michael T. Klare, 2008, professor of peace and world security studies at Hampshire College, “The end of the world as you know it,” <http://www.tomdispatch.com/post/174919>

A growing risk of conflict: Throughout history, major shifts in power have normally been accompanied by violence -- in some cases, protracted violent upheavals. Either states at the pinnacle of power have struggled to prevent the loss of their privileged status, or challengers have fought to topple those at the top of the heap. Will that happen now? Will energy-deficit states launch campaigns to wrest the oil and gas reserves of surplus states from their control -- the Bush administration's war in Iraq might already be thought of as one such attempt -- or to eliminate competitors among their deficit-state rivals? The high costs and risks of modern warfare are well known and there is a widespread perception that energy problems can best be solved through economic means, not military ones. Nevertheless, the major powers are employing military means in their efforts to gain advantage in the global struggle for energy, and no one should be deluded on the subject. These endeavors could easily enough lead to unintended escalation and conflict. One conspicuous use of military means in the pursuit of energy is obviously the regular transfer of arms and military-support services by the major energy-importing states to their principal suppliers. Both the United States and China, for example, have stepped up their deliveries of arms and equipment to oil-producing states like Angola, Nigeria, and Sudan in Africa and, in the Caspian Sea basin, Azerbaijan, Kazakhstan, and Kyrgyzstan. The United States has placed particular emphasis on suppressing the armed insurgency in the vital Niger Delta region of Nigeria, where most of the country's oil is produced; Beijing has emphasized arms aid to Sudan, where Chinese-led oil operations are threatened by insurgencies in both the South and Darfur. Russia is also using arms transfers as an instrument in its efforts to gain influence in the major oil- and gas-producing regions of the Caspian Sea basin and the Persian Gulf. Its urge is not to procure energy for its own use, but to dominate the flow of energy to others. In particular, Moscow seeks a monopoly on the transportation of Central Asian gas to Europe via Gazprom's vast pipeline network; it also wants to tap into Iran's mammoth gas fields, further cementing Russia's control over the trade in natural gas. The danger, of course, is that such endeavors, multiplied over time, will provoke regional arms races, exacerbate regional tensions, and increase the danger of great-power involvement in any local conflicts that erupt. History has all too many examples of such miscalculations leading to wars that spiral out of control. Think of the years leading up to World War I. In fact, Central Asia and the Caspian today, with their multiple ethnic disorders and great-power rivalries, bear more than a glancing resemblance to the Balkans in the years leading up to 1914. What this adds up to is simple and sobering: the end of the world as you've known it. In the new, energy-centric world we have all now entered, the price of oil will dominate our lives and power will reside in the hands of those who control its global distribution. In this new world order, energy will govern our lives in new ways and on a daily basis. It will determine when, and for what purposes, we use our cars; how high (or low) we turn our thermostats; when, where, or even if, we travel; increasingly, what foods we eat (given that the price of producing and distributing many meats and vegetables is profoundly affected by the cost of oil or the allure of growing corn for ethanol); for some of us, where to live; for others, what businesses we engage in; for all of us, when and under what circumstances we go to war or avoid foreign entanglements that could end in war. This leads to a final observation: The most pressing decision facing the next president and Congress may be how best to accelerate the transition from a fossil-fuel-based energy system to a system based on climate-friendly energy alternatives.

## Auto industry – dependence extensions

### Auto industry investment is the lynchpin to new innovation – cooperation between manufacturing patents and R&D.

John Bryson, 5-15-2012, former Secretary of Commerce, President of Edison International, the parent company of Southern California Edison and as director of The Boeing Company, Commerce.gov, “President of Edison International, the parent company of Southern California Edison and as director of The Boeing Company,” <http://www.commerce.gov/blog/2012/05/15/us-commerce-secretary-john-bryson-delivers-remarks-steel-manufacturers-association>

When President Obama came into office, the United States was at risk of losing over one million auto industry jobs. The ripple effect on the supply chain would have been devastating, potentially eroding the U.S. manufacturing base and driving the economy from a deep recession into depression. Instead, due to the president’s leadership, the auto industry survived and is now thriving, adding more than 200,000 jobs over the last two and one-half years. There is an inextricable link between America’s ability to produce and America’s ability to innovate, compete and create jobs. Manufacturing is responsible for 70 percent of U.S. private sector R&D, 90 percent of patents, and 60 percent of our exports. In addition, the Commerce Department released a report just last week showing that manufacturing workers earn pay and benefits about 17 percent higher than other workers. It’s clear that we must continue to take smart, strategic steps to strengthen American manufacturing. We need to build on partnerships that already work, including those between government and the private sector. For example the Commerce Department’s National Institute of Standards and Technology (NIST) has hundreds of Standard Reference Materials–SRMs–which help with the manufacturing process and quality control in this industry. Even in a time of tight budgets, key federal investments in manufacturing are critical. That’s why the president has called to double the basic research budgets of NIST labs, the National Science Foundation and the Department of Energy Office of Science. His 2013 proposed budget includes $2.2 billion in R&D specifically for advanced manufacturing, a 19 percent increase, and would also include $100 million in new funding for NIST overall, a 14 percent increase. Continued collaboration between steel manufacturers, researchers, and policymakers is crucial.

### Government investment in the auto-industry is key to solve oil dependency.

The Associated Press, 9-12-2008, “Ford: Auto Industry Shoyudl Get Federal Loans,” <http://www.manufacturing.net/article.aspx?id=168442>

Ford Motor Co. CEO Alan Mulally says the U.S. auto industry should get federal loans even though in past years it focused on pickup trucks and sport utility vehicles instead of more efficient vehicles. Speaking on the CNBC cable television network Friday, Mulally said Ford built and sold the trucks because marketplace demanded them. "In the United States, Ford's strategy was to focus on what the customers really wanted, and those were the larger SUVs and trucks," he said. "Fuel prices were low, the interest rates were low. It's what the customers chose." Ford, he said, has a different strategy now that energy prices have risen, developing a portfolio that includes small cars already on sale in other parts of the world. "I think worldwide we're all going to care more about energy efficiency, sustainability, security," he said. The auto industry wants to secure up to $50 billion in government loans over three years to help it modernize factories and develop more fuel-efficient vehicles. Congress authorized $25 billion in loans in last year's energy bill but hasn't funded the program. General Motors Corp., Ford and Chrysler LLC have been working to secure funding for the loans after months of tight credit markets, tepid sales and high gasoline prices. Industry leaders say the loans are not a bailout because they would speed production of fuel-efficient vehicles and reduce dependence on imported oil. Mulally also said it's possible the U.S. auto fleet would move from oil to natural gas, although he said there is a lot of room to improve current internal combustion engines to make them more efficient at affordable costs. After that, he sees more alternate fuels, gas-electric hybrids and eventually electric vehicles and perhaps hydrogen power. He also said Ford can make money selling smaller vehicles because of cost cuts in last year's agreement with the United Auto Workers and its plan to design and build models for all markets across the world. He said he didn't know if the slumping U.S. auto market has hit bottom yet.

### Electric cars are ready – investment is key to decreasing emissions and oil dependency.

Ned Farquhar, 6-15-2008, Albuquerque Journal, “Four Options With a Lot More Mileage than ANWR,” Lexis Nexis

1. Fuel-switching. America uses two-thirds of its oil for transportation, which is 97 percent dependent on liquid fuels. Chevy, Toyota, Tesla, and a Norwegian company spun off from Ford will offer plug-in electric cars in the next year or two. Buyers will save 80 percent on fuel, charging up overnight instead of going to the service station. Imagine Congress offering an $8,000 to $10,000 instant rebate to try out viable, tested, plug-in technology that will move you 40 miles a day (farther if you buy a plug-in hybrid with a conventional motor too). Congress has subsidized domestic oil production with vast subsidies for decades; why not subsidize consumers to buy cars that don't need oil?

### Government investment in the auto industry key to solve oil dependence.

Tom Walsh, 8-28-2008, Free Press columnist, “US Loans to Detroit 3 will have strings,” <http://www.freep.com/apps/pbcs.dll/article?AID=/20080828/COL06/808280459/1014/business01>

The future cost and availability of energy are too important to be left to market forces to control. That's why we are about to witness the most demanding, meddlesome period of U.S. federal involvement in the affairs of Detroit's automotive industry in history. That may sound scary, and some of it is. But it may provide the last best chance for the Detroit Three automakers to survive and thrive. General Motors Corp., Ford Motor Co. and Chrysler LLC, reeling from volatile fuel prices and the collapse of SUV and pickup sales, are letting it be known that they may not all survive until 2010 unless Washington provides them access to as much as $50 billion in low-cost loans. This being a presidential election year, with Sens. Barack Obama and John McCain each needing to win Michigan or Ohio or both, it's likely the Detroit Three will get help from a skeptical Congress. Any help from Washington will come with strings attached. Some will want to tell Detroit what to build. Obama is already promising to have 1 million plug-in hybrid cars getting 150 m.p.g. on the roads by 2015. Some in Congress, with strong ties to organized labor, will want to tell Detroit where to build the cars and where to source the parts. Hint: not Mexico, not China. Just as the next president may feel beholden to Michigan or Ohio voters -- and thus inclined to preserve jobs by aiding Detroit -- the automakers would be beholden to the politicians who toss them a lifeboat. Although the terms may be onerous, the timing could be fortuitous. Building consensus There's a national consensus emerging that America must kick its reliance on foreign oil and fossil fuels. Wind and solar power, biofuels and electric cars are touted by both parties as solutions of the future. All were mentioned repeatedly in a town-hall chat Tuesday at the Democratic National Convention, led by Michigan Gov. Jennifer Granholm. This could be good for Detroit.

### Key to ending oil dependence

CNN, 2-2-2007, “Devastation in Central Florida; Showcase for Democratic Presidential Hopefuls; New Evidence on Dire Situation in Iraq,” Lexis Nexis

And how could $245 billion for the war be better spent? Jack Cafferty with your e-mail -- all coming up. BLITZER: Let's go to New York and Jack for "The Cafferty File" -- Jack. CAFFERTY: Wolf, the question this hour: President Bush says he needs another $245 billion this year and next year for the wars in Iraq and Afghanistan. We said, how could you better spend that money? John in San Marcos, California: "My first thought is education. A lot of children are being left behind, as we make 'guns or butter' spending choices that are leaving them behind." Gloria in Las Vegas: "If I didn't use the money on rebuilding the levees in New Orleans, or America's aging infrastructure, or America's Border Patrol and fences, or America's underfunded school system, or maybe paying back the money that has been stolen from Social Security, or funding decent health services, and repaying our military with proper benefits, I would burn the money before I would give one more dime to this war." James: "If we spent the money to subsidize the purchase of electric cars or plug-in hybrid electric, we could substantially cut our imports of oil. And oil is, after all, the only reason that we're in the Middle East."

## Auto industry – China mod

### Decaying of the American auto industry would cause China to displace it – causes surging trade deficits and breaks in the relationship.

AAM (Alliance for American Manufacturing), January 2012, White House Paper, “The Attack on the American Auto Parts Industry a Call for Action,” <http://americanmanufacturing.org/files/Auto%20Parts%20White%20Paper%20Final.pdf>

Earlier, this paper discussed the degree to which the fates of auto assembly and auto parts production are intertwined. The disruption caused by unfair Chinese practices has caused a break in that relationship in the U.S., because the advantages the Chinese products receive make them all-but-impossible to resist to the U.S. automakers. The next step in this process is as predictable as it is dangerous to the U.S. economy. As the American auto parts sector decays, it will only make sense to the automakers to further offshore assembly to places like China and Mexico, the better to make use of the parts sectors that still exist. As the Chinese parts industry continues to displace the American parts industry, it is easy to extrapolate how the assembly industry will follow. After the extraordinary efforts that the U.S. has taken in order to keep domestic automakers afloat, it is unconscionable that we should let them slip away by allowing the domestic supply chain to wither. The U.S. is not the only nation that has a large, important auto industry. Since China is engaging in such a massive effort to dominate the auto and auto parts market, it is instructive to look at how this is affecting the other major auto producing nations. Were China’s rise in this industry inevitable, one would expect to see other autoproducing nations in a predicament similar to America’s, running huge and rising trade deficits in autos and auto parts with China.

### Decline in market parity between China and the U.S. would cause U.S.-China war.

Walter R. Mead, March/April 2004, Senior Fellow at Council on Foreign Relations, “America's STICKY Power,” Foreign Policy, Lexis Nexis

Similarly, in the last 60 years, as foreigners have acquired a greater value in the United States-government and private bonds, direct and portfolio private China's rise to global prominence will offer a key test case for sticky power. As China develops economically, it should gain wealth that could support a military rivaling that of the United States; China is also gaining political influence in the world. Some analysts in both China and the United States believe that the laws of history mean that Chinese power will someday clash with the reigning U.S. power. Sticky power offers a way out. China benefits from participating in the U.S. economic system and integrating itself into the global economy. Between 1970 and 2003, China's gross domestic product grew from an estimated $106 billion to more than $1.3 trillion. By 2003, an estimated $450 billion of foreign money had flowed into the Chinese economy. Moreover, China is becoming increasingly dependent on both imports and exports to keep its economy (and its military machine) going. Hostilities between the United States and China would cripple China's industry, and cut off supplies of oil and other key commodities. Sticky power works both ways, though. If China cannot afford war with the United States, the United States will have an increasingly hard time breaking off commercial relations with China. In an era of weapons of mass destruction, this mutual dependence is probably good for both sides. Sticky power did not prevent World War I, but economic interdependence runs deeper now; as a result, the "inevitable" U.S.-Chinese conflict is less likely to occur.

## Auto industry – Steel mod

### Auto industry is key to the steel industry – bolsters manufacturing with demand.

Shobhana Chandra & Timothy Homan, 5-13-2012, staff writers, “Spark in Sales of Cars and Trucks Drives U.S. Economy,” <http://www.bloomberg.com/news/2012-05-13/spark-in-sales-of-cars-and-trucks-drives-u-s-economy.html>

Some companies are acquiring facilities to take advantage of the opportunities. Faurecia SA, Europe’s largest maker of car interiors, said May 3 that it will acquire an interior- components business in Saline, Michigan, for an undisclosed amount to increase its U.S. market share. The business generates $1.1 billion in annual sales from cockpit modules, instrument panels, door panels and center consoles for vehicles assembled at Ford plants, the Nanterre, France-based company said, adding that Ford will become its third-largest customer. The revival in demand “obviously benefits everybody,” said NAM’s Moutray. “You’re not only helping outside the auto industry -- the glass and steel and seat manufacturers -- but you’re also helping the restaurant that’s on the corner next to all those facilities. It is going to continue to be a bright spot for manufacturing throughout this year and next.”

### Strong steel industry is key to U.S. ship-building capacity, which maintains hegemony.

William R. Hawkins, April 2001, “A campaign of strategic necessity Sea Power,” <http://findarticles.com/p/articles/mi_qa3738/is_200104/ai_n8939648/pg_1?tag=artBody;col1>

The United States can neither protect its shores nor project its power overseas without a powerful Navy; but it cannot build and sustain a powerful Navy unless the country also possesses a robust maritime industrial infrastructure. Yet, American shipyards have not only suffered from policy neglect, they have now come under attack by America's trading partners. Although American diplomats have attempted to shield the industry from such attacks, it is not clear that this effort will be successful without a strong, mobilized base of domestic political support to stiffen Congress and the executive branch when they are challenged by foreign governments. Shipbuilding is a basic heavy industry, with strong ties to the steel, computer, and electronics sectors and with a highly skilled work force. It represents a large and specialized capital intensive physical establishment that, once lost, could not be reconstituted quickly. Most major industrial countries use subsidies to maintain their shipbuilding capacity. Major trading nations often build their own commercial fleets so that they may earn money not only from trade but also from its associated transportation. This was true of England in its heyday. Japan embarked on a similar program in the 1960s, and China is doing so today. A Minuscule Manifestation In their survey of the various factors crucial to The Great Powers and Global Struggle, 1490-1990, William R. Thompson and Karen Rasler, found that, "Historically, one state, the world power, has emerged from periods of intense conflict in a position of naval and commercial-industrial preeminence. Naval power has served as one of the principal manifestations of global reach capability. It has been, and continues to be, critical for projecting military force, for protecting commercial sea-lanes, and for denying extra-- continental maneuverability to opponents." The United States emerged from the Cold War as the world's foremost economic power and trading nation. But American policy-makers have neglected to use these advantages to sustain the nation's naval-maritime power. Less than 3 percent of America's import and export tonnage is carried in U.S.-flag ships, and American ships represent less than 1 percent of world commercial tonnage, compared to 9 percent 20 years ago. Direct U.S. shipbuilding subsidies ended in 1982, in large part because it was presumed that the 600-ship Navy envisioned by President Reagan would keep the yards busy. Today, however, with a Navy only half as large and declining further, America's shipyards are in trouble. During times of low naval procurement, the industry depends on commercial orders to keep busy, but such orders have been low. In 1999, only six U.S. shipyards had contracts to build large, ocean-going ships, down from 11 in 1993, and the industry as a whole had seen its work force decline by 30 percent since 1991. This undermines the ability of the United States to rebuild and expand its naval and maritime forces, as future dangers will undoubtedly require the country to do. Sailors, Shipping, and Protectionism At U.S. insistence, provisions were written into the 1994 Uruguay Round WTO (World Trade Organization) agreement exempting the Jones Act from national treatment rules. The Jones Act reserves shipping between U.S. ports for ships built in American shipyards. This is a scaled-down version of the Navigation Acts that long sustained British seapower. Adam Smith defended this policy, writing in The Wealth of Nations that "the defense of Great Britain depends very much upon the number of its sailors and shipping. The act of navigation, therefore, very properly endeavors to give the sailors and shipping of Great Britain the monopoly of the trade of their own country." The United States has had programs of this kind in operation since 1817, and the Jones Act dates back to 1920. Every year, in its "Report on U.S. Barriers to Trade and Investment," the European Union (EU) attacks the Jones Act and other U.S. laws meant to support American ships and shipbuilding. In its 1999 report, the EU attacked the congressional requirement, signed by President Clinton in 1995, that any oil exported from Alaska be carried in U.S.-flagged tankers, alleging that it is "incompatible with the spirit of the Uruguay Round ... and clearly represents a discriminatory and protectionist measure." This could be the prelude to a formal WTO challenge. The WTO agreement required that the Jones Act exemption be reviewed within five years to determine if the conditions necessitating the exemption still prevail. The EU and Japan have led calls among WTO members for the United States to justify the Jones Act waiver, claiming that the 2 percent of world commercial shipbuilding done in American yards comes at their expense. In a strict sense, this is true. During a period of global overcapacity like the present one, the market is a zero-sum game. Any ship built anywhere outside Europe is one less ship built in Europe, and the same goes for Japan, South Korea, China, or the United States. The Shipbuilding Superpowers Presently, Europe (defined as the EU plus Norway) ranks third behind Japan and South Korea as a center for commercial shipbuilding, with about 17 percent of orders ranked by tonnage. Japan and South Korea account for about two-thirds of world commercial shipbuilding, but over the last few years South Korea has been expanding its share at Japan's expense. China also has been expanding its shipbuilding, and now accounts for 7 percent of the world total, but this is short of Beijing's stated target of 10 percent by 2000. In an attempt to improve management of its stateowned yards, Beijing is restructuring the industry into two regional corporations answerable to the cabinet. In addition, there are local yards run by the provinces of Jiangsu and Fujian, three joint-venture yards (one each with Japanese, South Korean, and Singaporean interests), and the privately owned Guangzhou Shipyard. After an unexpectedly buoyant period in shipbuilding in the late 1990s, a significant and sustained slowdown in new orders is expected during this decade. The Organization for Economic Cooperation and Development (OECD) estimates that overcapacity is 20-25 percent today and may increase to around 40 percent of total capacity by the year 2005 if South Korea and China continue to expand and modernize their shipyards. In such a situation, every shipbuilder will want to see overcapacity reduced by the closing of someone else's yard. There are only about 260 U.S.flagged merchant ships in operation today and half of these depend on the Jones Act. By way of comparison, the Chinese-flagged merchant fleet numbers over 1,500 ships. More than 400 of these ships, carrying 30 percent of China's trade, are operated by the China Ocean Shipping Company (COSCO), a state-owned conglomerate with close ties to Beijing's military. COSCO routinely provides shipping support to Chinese military and naval exercises, and is Beijing's principal carrier of foreign arms shipments. Opportunities and Challenges There are two major market opportunities for American shipyards: the replacement of single-hulled oil tankers with double-hulled ships, as mandated by the Oil Pollution Act of 1990; and construction of large oceangoing cruise ships for the U.S. domestic trade. Foreign shipyards want the Jones Act repealed or modified so they can compete for these orders. The EU and Japan made public their latest criticism of U.S. policy at the WTO meeting in Geneva on 19 July 2000. This prompted the U.S. delegation to reply with the following statement: "To place the U.S. legislation [Jones Act] into context, it should be recalled that the core shipbuilding industrial base, upon which the U.S. Navy depends to meet its acquisition needs, has historically been sustained by a combination of commercial shipbuilding for the domestic trade and military orders. ... It is critical for U.S. shipbuilders to build commercial ships for this trade if a viable industrial base is to be maintained to meet future Navy requirements." Washington also reminded its critics that "The United States is not a major builder of ships." While this may be offered as a defense against the EU charges, it is also an admission of U.S. policy failure. What the EU and Japan want from the WTO dispute settlement process are the terms they gained in the OECD Shipbuilding Agreement. This agreement to curtail subsidies was negotiated and signed by Clinton in 1994, but Congress has refused to implement it. There are a number of problems with the agreement, not the least of which is that several major shipbuilding countries, including China, are not parties to it and would not have their industries constrained by its provisions. The Bush administration's focus, however, is expected to be on those parts of the agreement that would most adversely affect American shipyards. The OECD agreement permits foreign countries to take "responsive measures"-i.e., to impose penalties against U.S. shipyards that build Jones Act ships. These penalties can include imposing tariffs and restricting bids in such a way that it would take American shipyards out of the competition for foreign orders. Sanctions Against Sealift Furthermore, even though the OECD agreement excludes "warships," it does not exclude all "military vessels." Military programs can be challenged as "disguised actions taken in favor of commercial shipbuilding." Foreign judges operating through the agreement's dispute resolution panels could decide what is or is not a "legal" U.S. military program. They could then impose trade sanctions against American shipyards. U.S. Navy programs such as "Charter and Build" and "National Defense Features" could be challenged because they involve subsidies to commercial ships. But these programs are vital to provide a pool of ships that can be activated to meet "surge" sealift and logistics requirements in wartime. In 1996, the U.S. House of Representatives voted 2-1 (with majorities in both parties) for a package of amendments to the OECD agreement that had been drawn up by Rep. Herbert Bateman (R-Va.) and Rep. Duncan Hunter (R-Calif.), senior members of the House Armed Services Committee. The Clinton administration refused to accept the amendments, and the process stalemated in the Senate. Like all such international agreements, however, the OECD pact still sits on the political horizon as an issue which the EU, Japan, and other states will push on any new American president. The Bush administration undoubtedly will face new demands for implementation of the agreement as well as challenges at the WTO, but must stand firm against both. An III-Considered Proposal The Clinton administration, despite strong statements at the WTO, flirted with appeasement of its OECD critics. To "please allies," the Department of Defense's Office of Acquisition, Technology, and Logistics circulated draft legislation during the summer to allow strategic sealift ships, research ships, combat logistics ships, special support ships, and even ships for the Coast Guard to be built in foreign yards. These are the kinds of ships that might well have been challenged as insufficiently "military" had the OECD Shipbuilding Agreement been implemented. For months, concerned members of the House and Senate Armed Services Committees, along with the American Shipbuilding Association, worked behind the scenes to oppose the Pentagon proposal as "penny-wise but pound-foolish." Secretary of Defense William S. Cohen finally pulled the idea after it was exposed in a front-page story in the Washington Times on 26 September. The effort to maintain a robust American shipbuilding industry will be complicated by domestic lobbying by firms that use or provide commercial shipping. From the short-sighted perspective of these firms, "cheap" ships built overseas and manned by foreign crews are a good deal. Last July, 26 major international carriers banded together to form a new industry association to lobby in Washington.

### Global nuclear war.

Zalmay Khalilzad, Spring 1995, Dep. Secretary of Defense, The Washington Quarterly

A world in which the United States exercises leadership would have tremendous advantages. First, the global environment would be more open and receptive to American values--democracy, free markets, and the rule of law. Second, such a world would have a better chance of dealing cooperatively with the world's major problems, such as nuclear proliferation, renegade states, and low level conflicts. Finally, US leadership would help preclude the rise of another global rival, enabling the US and the world to avoid another cold or hot war and all the attendant dangers, including a global nuclear exchange.

## Auto industry – steel mod extensions

### A strong steel industry is key to the economy and national security interests.

Recycling Today, 1-24-2001, quotes United Steelworkers of America President George Becker, “USWA Wants Government to Tax Steel imports,” <http://www.recyclingtoday.com/news/news.asp?ID=264>

Becker stressed that a strong steel industry is essential for America's economic well-being and national security because more than a million jobs are directly and indirectly dependent on steel production. He added that key steel-consuming industries represent more than 15% of the U.S. gross national product and an even higher percentage of good-paying U.S. jobs. "We're asking our government to realize what other nations realized long ago," Becker says. "That steel is vital to our national interest and to the economic well-being of the American people."

## A2 Foreign cars fill-in

### Foreign cars in the U.S. do not help the American auto sector.

Stephen J. Collins, 5-12-2006, President of Automotive Trade Policy Council, “Foreign Auto Parts Hurting US Industry,” Detroit Free Press, <http://www.freep.com/apps/pbcs.dll/article?AID=/20060512/OPINION04/605120337/1068/OPINION>

I want to commend you for an interesting and informative report: "Foreign? American? Auto parts go global: U.S. cars add content from other countries" (May 7). The article cited an impressive amount of data on the domestic content of various auto companies. But I do have a problem with an overall sense a reader may have gotten that there is not much difference between the domestic sourcing of the Detroit-based companies and that of Japanese auto companies, or that transition is just a healthy restructuring of the business. Using your numbers, the average joint domestic content of cars and trucks sold in the United States by GM, Ford and DaimlerChrysler came in just under 80%, compared with 49% overall for Toyota. Far from being unimportant, this phenomenon is having a huge and destructive impact on the U.S. auto-parts industry and the U.S. manufacturing base. This difference translates into tens of billions of dollars in contracts and hundreds of thousands of jobs, or lost jobs, in the U.S. auto-parts industry. It is one major reason for the intense pressure U.S. auto-parts companies face in today's hypercompetitive U.S. market. Yes, Toyota and the other Japanese companies with plants in the United States are buying more parts locally. But Japanese automakers are also still exporting more than a million and a half cars and trucks to the United States every year with essentially zero domestic content. And the cumulative impact of these trends over the past five to 10 years is creating a deep and painful hole in the industrial underpinning of the U.S. auto-parts industry. Times are changing. But some facts remain, and one is that DaimlerChrysler, Ford and GM, by any measure, are still the backbone of the U.S. auto-parts industry.

# \*\*\*\*Aff Answers\*\*\*

## Auto industry resilient

### Industry is resilient – R&D and employment strategy.

Kim Carr, 10-16-2008, Australian Labor Party, Minister for Innovation, Industry, Science and Research, Open Australia Beta, “Questions without Notice Automotive Industry,” <http://www.openaustralia.org/senate/?id=2008-10-16.102.1>

I thank the Senator for his question. The situation in the automotive industry I think we would all agree is particularly troubling. We all acknowledge that the automotive sector is facing exceptional difficulties as a result of the international conditions. I understand that reports in the press today highlight the concerns of manufacturers—both direct manufacturers and suppliers.Ford has confirmed that it will be laying off more workers, but it has yet to indicate exactly how many. The company has indicated that it will be making a statement this afternoon. I understand that statement will be made at 3.30 pm. Holden is planning more down days between now and the new year and the Federation of Automotive Parts Manufacturers has warned that there could be significant job losses in the component sector if the right decisions are not taken now.This is precisely why the government are taking decisive action to support this industry and every other Australian industry sector by increasing the liquidity and the stability of the financial system by putting together a $104 billion economic security package to keep the economy growing. That is precisely why we commissioned the Bracks review and that is why we are drawing up what we have done in terms of the most comprehensive industry plan ever devised for the automotive industry in this country.The industry and its workers are performing incredibly well given the intense pressure that they are all under. In the year to August over 63,000 people were employed in the car industry representing some six per cent of the manufacturing workforce. Automotive exports rose 20 per cent to $5.6 billion last financial year. The latest research and development figures from the ABS show that spending on automotive research and development rose from $761 million in 2005-06 to $848 million in 2006-07. That is an increase of 11 per cent. So while it may be the case that those opposite are seeking to drive down this industry, we have to bear in mind that there are enormous opportunities for there to be future growth in the industry.

### No collapse large cash reserves.

Kathleen Kerwin et. al, 6-23-2008, David Welch and Christine Tierney, staff writers and market commentators, Business Week, “Commentary: Can Motown Get Out of This Funk?,” <http://www.businessweek.com/magazine/content/03_25/b3838034.htm>

The accelerating problems -- and Motown's seeming inability to stop them -- have left some on Wall Street questioning whether one of the Big Three could eventually be forced into bankruptcy court. Auto executives scoff at that suggestion. All three have strong cash positions, and GM and Ford, at least, are adding to that. None faces an imminent cash crunch. GM Chief Financial Officer John Devine called Wall Street doomsayers "Chicken Little" during a June 10 investor briefing. "The sky is not falling," he says. But the clouds are certainly gathering. Although GM still thinks it could meet its overall profit goal of $2.85 billion this year, its profits from North American auto operations may "fall well short" of the targeted $1.7 billion to $1.9 billion. The difference will come from profits at the GMAC financial services unit and improvement in Europe. Ford says it will make about $1.3 billion, up from a net loss of $986 million last year. Most of that will come from Ford's credit arm; it expects to make little or nothing on North American auto sales. Chrysler came into the year with a $2 billion profit target; now it hopes to break even. Motown execs are right about one thing: there's little immediate threat of a financial collapse. GM's net liquidity has steadily improved for the past two years; it is up $3.3 billion from the end of 2002. GM holds $20.6 billion of cash, vs. $15 billion of long-term debt. Ford has $26.6 billion of cash -- up $1 billion in the first quarter -- -and just $1 billion of its $14 billion in debt comes due in the next five years.

### The auto industry was never on the verge of collapse

[Daniel Ikenson](http://www.cato.org/people/daniel-ikenson) [January 25, 2012 [The President’s Heroics and Other Tall Tales about the Auto Industry](http://www.cato-at-liberty.org/the-presidents-heroics-and-other-tall-tales-about-the-auto-industry/)](http://www.cato-at-liberty.org/2012/01/) http://www.cato-at-liberty.org/the-presidents-heroics-and-other-tall-tales-about-the-auto-industry/

The assertion – or implication – that he saved the auto industry is bogus. The auto industry was never on the verge of collapse. GM and Chrysler were in deep trouble, but Ford, Honda, Toyota, Nissan, Mazda, Kia, Hyundai, BMW and Mercedes Benz (to name some U.S. producers) were fine. Yes, in 2008-2009 the economy was in recession and automobile demand had tanked. The companies that had been the most profligate, the most reckless, and the least disciplined were exposed, but talk of industry collapse was the product of a Detroit public relations campaign that featured the claim that 2 to 3 million jobs could be lost if the government didn’t funnel huge sums of cash to the Big Three.

## Industry collapse good

### Even if the industry goes bankrupt they would be able to emerge stronger then before.

Greg Lewis, 11-13-2008, a professor of English at St. John Fisher College in Rochester, N.Y., and author of the forthcoming book "The Politics of Anger," The Washington Times, “Obama's auto-bailout dilemma,” <http://www.washingtontimes.com/news/2008/nov/13/plea-with-power-steering/>

Last Tuesday's election results represent an exercise in poetic justice in that Barack Obama is inheriting a set of problems largely of his own ideology's making. The kicker is that it's precisely the solutions likely to emerge based on that ideology that make it all too likely that the problems will remain intractable. The current auto industry panic is instructive of Mr. Obama's dilemma. The crisis facing America's big three auto manufacturers has, arguably, a single source: legacy costs resulting from union contracts negotiated a half-century ago. The financial burden thus incurred weighs down their balance sheets to such a degree that, even if the industry in which they compete were thriving, it would be extremely difficult to maintain long-term profitability.As automobile manufacturing became a global industry, the foreign manufacturers that expanded their operations into the United States flourished. But while Toyota and Honda, along with relative latecomers Hyundai and Kia, have a significant manufacturing and sales presence in the United States, they don't have the staggering labor-related financial obligations under which General Motors, Chrysler and Ford are struggling.GM, for instance, has some 450,000 retirees - more than threefold the number of its current full-time employees - to whom it pays pensions and for whom it provides medical care. By some estimates, medical costs alone add $1,500 to the average cost of each GM automobile. And the company faces an unfunded liability of more than $80 billion, about half its annual pre-downturn gross sales, for future health-care costs for employees and retirees and their dependents.Toyota, on the other hand, having gone to school on the problems looming for American auto companies as it set up U.S. operations, currently has fewer than 1,000 retirees. Even when that number balloons into the thousands over the next decade, the company's liabilities for its retirees will remain right where they are today: at $0.00. Toyota has put the responsibility for funding their retirements on the shoulders of the employees themselves, through individual investment accounts to which the company contributes.Even American automotive technology has suffered because of union labor agreements. As foreign manufacturers entered the U.S. market aggressively in the 1970s and '80s, American car companies, faced with growing labor-related expenses that made drastic cost-cutting necessary, found it necessary to save money by skimping on retooling their manufacturing operations. As a result, their products suffered against the competition in both technological innovation and quality.Without the balance-sheet-killing albatross resulting from union contracts, foreign manufacturers are doing very well in the United States. And therein lies the rub for the president-elect. If Mr. Obama does what might please his ideological supporters and bails out the auto industry by essentially nationalizing GM, Ford and Chrysler, he'll put the burden of saving the industry from the consequences of union contracts negotiated by his leftist political forebears squarely on the shoulders of American taxpayers. In doing so, he'll please the left while at the same time almost assuring that these companies will either sink into oblivion or become the corporate equivalent of permanent wards of the state.On the other hand, if he allows them to enter into bankruptcy, the companies might have a fighting chance to reorganize, possibly jettisoning some of the financial baggage resulting from back-end-heavy labor agreements. They might conceivably emerge even stronger. The thought of the howls of protest that would be raised by Mr. Obama's leftist base in that event, however, are very likely to prevent the president-elect from pursuing that course of action.

### Turn: Lack of public transit kills ability to get to work- transport is key to jobs

Todd Litman Victoria Transport Policy Institute And Felix Laube Institute for Science and Technology Policy Murdoch University, Perth, Australia 6 August, 2002

Automobile dependency reduces the quantity and quality of transportation choices. At the street

level, increased automobile traffic makes walking and cycling more difficult and unpleasant. As

middle-class consumers drive more and depend less on other modes there is less political support

for these alternatives. As demand for public transit decreases service quality declines. Although

most automobile dependent communities subsidize public transit, such subsidies cannot offset

the structural inefficiencies of operating public transit in unsuitable conditions. In addition to the direct costs and inequity that this reduction in mobility choices imposes on non-drivers, it can also reduce economic productivity if it limits access to education and jobs. In automobile dependent areas, a lack of travel choices for non-drivers can be a major barrier for welfare-to-work efforts, and for many employers who rely on lower-income workers who often have limited access to an automobile.

### Auto Industry will slow drain the US economy, making us ever more dependent on government

John Giokaris Feb 10, 2012 “President Obama and George W. Bush Were Right to Bailout U.S. Auto Industry” http://www.policymic.com/articles/4086/president-obama-and-george-w-bush-were-right-to-bailout-u-s-auto-industry

There is also a powerful counter-argument to bailing out the U.S. auto industry. This argument holds that the auto industry is a drain on the U.S. economy, that it will never be globally competitive, and that if it is dragged back from the edge, no one will then say it is time to push it to the edge and over. The next time it will be on the brink will be during the next recession, and the same argument to save it will be used. In due course, the U.S. will be so terrified of the social and political consequences of business failure that it will maintain Chinese-like state owned enterprises, full of employees and generation-old plants and business models. Clearly, short-run solutions can easily become long-term albatrosses.

### No risk of a link- Manufacturing could be done by the auto industry, empirically proven

Herman Rosenfeld 2009 The North American Auto Industry in Crisishttp://monthlyreview.org/2009/06/01/the-north-american-auto-industry-in-crisis

Seventh, we need a bold alternative vision for transforming the auto industry. Some call for a nationalized auto, mass transit, and energy corporation, which would take over the auto companies, reintegrate key supplier facilities, dramatically increase investment in mass transit, phase out fossil and nuclear fuels, and move towards renewable forms of energy.21 They point out the enormous success of nationally planned industries during the Second World War, when GM—although still privately owned—became the largest aerospace manufacturer, under public control in a planned environment. If nationalized industry and planning worked then, why couldn’t they work now? Others have called for strong regulation and a series of transformative experiments, arguing that without changing the larger economic and political environment, a nationalized industry would have a hard time operating “differently.” Whichever approach is taken, transforming the current industry will require major structural reform, challenging the logic of capitalism and capitalist state institutions.

## Auto industry not key to economy

### The economy is resilient and nimble – even sharp corrections from the auto industry won’t affect it.

Michael Barone, 7-7-2008, is a senior writer for U.S.News & World Report and principal coauthor of The Almanac of American Politics. He has written for many publications—including the Economist and the New York Times, U.S. News and World Report, “Housing, the Subprime Mortgage Crisis and the Enduring Resilience of the U.S. Economy,” <http://www.usnews.com/blogs/barone/2008/7/7/housing-the-subprime-mortgage-crisis-and-the-enduring-resilience-of-the-us-economy.html>

For guidance in my thinking, I have come to look to my American Enterprise Institute colleague Peter Wallison, whose latest long paper is titled, "For Financial Regulation, the Era of Big Government Really Is Over." Wallison notes that for all the financial roilings, the "real economy" keeps rolling along. "The picture this suggests is of a globalized economy that is far more flexible, diverse, nimble and robust than most observers would have imagined." This is one of Alan Greenspan's themes in his memoir, which in my view should not have been titled The Age of Turbulence but The Age of Resilience. Growing up in Detroit in the 1950s, I saw how the metro area's economy was subject to sharp contractions when the macroeconomy slowed down and demand for new cars suddenly dropped off. The Big Three auto industry worked on three-year product development cycles and its three- or five-year contracts with the United Auto Workers. That economy was very inflexible and had little resilience. In contrast, the economy of the last decade has mostly produced low-inflation economic growth despite a series of shocks—Long-Term Capital Management in 1998, the bursting of the high-tech bubble in 2000, Sept. 11, 2001, the prolonged Iraq war, and now the subprime mortgage crisis.Writing from long experience (he was a year or two ahead of me at Harvard and served as general counsel to the Treasury 25 years ago), Wallison notes that our economic world is much different from the one we grew up in. "First, the financial resources of the government today are no longer large in relation to the size of the private sector." The Federal Reserve's balance sheet is $800 billion while the real assets of the 10 largest private-sector banks are $17.4 trillion—more than 20 times larger. Currency markets trade something like $618 billion every day. The Fed can take on loans from Bear Stearns. But its capacity for intervention is limited.The second factor "is that governments cannot control where financial transactions occur." This is not entirely a new thing: In his work on the Mediterranean in the 16th and 17th centuries, the French historian Fernand Braudel wrote, "Capitalism laughs at frontiers." But the statism inaugurated in response to the world wars of the 20th century erected some pretty strong barriers against capital and currency movements. I remember that in the early years of Harold Wilson's first Labor government, in 1964 or 1965, the United Kingdom prohibited its citizens from taking more than £100 out of the country. Imagine if a major government tried to do that today! The government would have to confiscate the credit and debit cards of every outgoing traveler. The Bretton Woods structure that was set up by John Maynard Keynes and others after World War II—fixed-exchange controls pegged to the dollar, GATT, and the IMF—worked pretty well for a quarter century, until it was abruptly dismantled by Richard Nixon and John Connally in August 1971, and depended on government control of the flows of money, which simply could not occur today. A world accustomed to global depression and world war was willing to accept such controls. Ours isn't.Wallison's third point is that "financial innovations are making private risk management more effective than government regulation." He points especially to credit default swaps that enable private parties to slough off risk onto other private parties. Trying to set up a regulatory mechanism to achieve the same goals, he argues, would be impossible and would almost certainly have unfortunate side effects. Banks are currently much more heavily regulated than investment banks (and for good reason), he points out; but banks were hit as badly by the subprime crunch as investment banks. In his conclusion, Wallison quotes the warning against overregulation by New York Fed President Timothy Geithner (a Clinton appointee, by the way) and goes on:Regulatory policy, then, as Geithner suggests, should focus on things markets themselves cannot solve, not on those problems markets—and market discipline—can effectively address. This means policies that enhance transparency to make market discipline more effective, avoid moral hazard and encourage the development of clearinghouses for [credit default swaps]. Above all, it means that government regulatory policies should not make things worse by failing to recognize government's own limitations in an era when private markets have grown so large.This seems to me to get things right. Government clearly has a role in establishing regulations that structure financial markets, just as it has a role in enforcing contracts and proscribing fraud. But government can't force financial institutions to make only good bets.

## UQ outstrips the link

### Other factors assure demand will rise over SQ – pulls us off the brink

Jim Harger May 22, 2012 “Automotive and housing recovery are inevitable, says Detroit-based Federal Reserve economist” http://www.mlive.com/business/index.ssf/2012/05/automotive\_and\_housing\_recover\_1.html

GRAND RAPIDS – Armed with some 70 pages of graphs and charts, Paul Traub said he can only conclude that the auto industry and housing market are coming back strong. “I see us getting back to 16 million vehicles (a year) in a couple of years,” said Traub, a Detroit-based economist for the Federal Reserve Bank of Chicago, in his remarks to the CFA Society of West Michigan and World Affairs Council of Western Michigan Tuesday. In a 50-minute presentation, Traub flipped through charts that included scrappage rates for old vehicles, number of vehicles in operation, rising used car prices and average age of cars in use to explain why the demand for cars and light trucks is sure to rise to historic levels. “I think we’re creating a tremendous amount of demand,” said Traub, a former chief economist for Chrysler LLC.

### Auto recovery is inevitable

Ted H Chu and Yingzi Su “Will the U.S. Auto Market Come Back” Business Economics, 2010, vol. 45, issue 4, pages 253-265 http://econpapers.repec.org/article/palbuseco/v\_3a45\_3ay\_3a2010\_3ai\_3a4\_3ap\_3a253-265.htm

Abstract: In the Great Recession, the automotive industry has been one of the hardest hit sectors, along with the housing and financial industries. As the largest and most cyclical consumer spending sector, the automotive sector has historically been important for economic recovery after every postwar recession. Will it be the same this time? Will consumer demand for new vehicles stay depressed in a prolonged deleveraging process? In this paper, we present an analysis of the fundamental factors that determine long-term vehicle demand, together with the factors that drive its cyclical fluctuations. We believe the recovery of the auto industry is inevitable and that it will again become an important driver of the mid-term U.S. recovery. However, a quick return to the precrisis peak is unlikely, given the slow recovery of employment and housing markets and higher energy prices.

## Auto Industry Collapse Inevitable

### Survival impossible given current structure

John Giokaris Feb 10, 2012 “President Obama and George W. Bush Were Right to Bailout U.S. Auto Industry” http://www.policymic.com/articles/4086/president-obama-and-george-w-bush-were-right-to-bailout-u-s-auto-industry

The last recession had hit the auto industry hard. The ultimate reason is the same one that destroyed the U.S. steel industry a generation ago: Given U.S. cost structures, producing commodity products is best left to countries with lower wage rates, while more expensive U.S. labor is deployed in more specialized products requiring greater expertise. Thus, there is still steel production in the U.S., but it is specialty steel production, not commodity steel. Allowing this to happen to the U.S. auto industry sounds easy, but the transition would be a bloodletting. Current employees of both the automakers and suppliers would be devastated. Institutions that have lent money to the automakers would suffer massive or total losses. Pensioners might lose pensions and health care benefits, and an entire region of the U.S.— the industrial Midwest — would be devastated. Something stronger would grow in its place eventually, but not soon enough for many of the current employees, shareholders and creditors. Policymakers had a decision to make. If the automakers were allowed to fail, their drain on the economy would’ve ended; the pain would’ve been shorter (if not more intense); and new industries would emerge more quickly. But though their drain on the economy would end, the impact of the automakers’ failure on the economy would’ve been seismic. Unemployment would surge, as would bankruptcies of many auto suppliers. Defaults on loans would hit the credit markets. In the Midwest, home prices would plummet and foreclosures would skyrocket. And God only knows what the impact on equity markets would be. Few if any believe the U.S. auto industry can survive in its current form. But there was an emerging consensus in Washington that the auto industry must not be allowed to fail in 2008-2009. The argument for spending money on the auto industry was not to save it, but to postpone its failure until a less devastating and inconvenient time. In other words, fearing the social and political consequences of a recession working itself through to its logical conclusion, Washington decided to spend money it knew it might not recover to postpone the failure.