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Editorial

## Trying to Find the Road Ahead

With its bonds downgraded to junk and its market share on the ropes, Detroit's auto industry almost looks to be in a free fall. Ford Motor Company's announcement yesterday that after three straight quarters of North American losses, it will close as many as 14 factories and eliminate up to 30,000 jobs by 2012 is another sign of dark days in the Motor City. What's really sad is that Ford is in such bad shape that few people think the restructuring and job cuts are too aggressive, even though they were larger than many auto industry analysts had been expecting.

That's not all that surprising when you consider that earlier this month, the Chinese automaker Geely did something no Chinese company had ever done. At Detroit's auto show, it unveiled a Chinese car that Geely plans to upgrade and sell in the United States in 2008. The price for what could be China's first foray into America's overheated love affair with cars: around \$10,000.

The American auto industry is used to getting its head handed to it on a silver platter by Toyota and the Japanese. Judging from the reaction to Geely at the auto show, American automakers may soon be adding the Chinese to their list of global competitors. One DaimlerChrysler employee, checking out Geely's 7151 CK model, which seats five and is about the size of a Honda Civic, told the Voice of America: "If I didn't work for DaimlerChrysler, I would consider it as one of my buying options." Ouch.

The United Automobile Workers union was absolutely right to say, as it did yesterday, that Ford would be better off trying to design more appealing cars and trucks. The reality is that all the job cuts in the world won't help if Ford, and General Motors, for that matter, continue to shy away from offering more Americans many more cars that can run on fuels other than gasoline. With the global oil market operating at close to zero excess capacity, oil prices are not coming down anytime soon. To handle that, the auto bigwigs in Detroit should, for starters, be making sure that every new car they roll out is a flexible-fuel car.

Beyond that, Ford should be putting more into developing plug-in hybrid vehicles, which can be plugged into the electricity grid, and a lot less into gas-guzzling sport utility vehicles. Company officials are talking about developing a new small car, along the lines of the ubiquitous SmartCars prevalent on European roads. That's good, but it would behoove Ford to make sure that it doesn't lose sight of the larger issue. "Oil prices are not going down, they're going up," said Gal Luft, executive director of the Institute for the Analysis of Global Security, based in Washington. "And if you don't have a car that can deal with that, you're dead."