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76 Percent of Auto Supplier Executives Favor GM Bailout; Estimate 275,000 Jobs Lost at their Companies

BIRMINGHAM, MI (Nov 25, 2008) -- In a spot survey last week of 270 supplier executives representing 185 companies, 76 percent said they support a federal government bailout of General Motors. Without it, they said they'd have to downsize or close, resulting in over 275,000 people losing jobs at their companies.

While the survey focused on GM, 71 percent also favored government support for Ford Motor Company, but only 54 percent felt Chrysler deserved help. Overall, 41 percent of the suppliers indicated that GM troubles could be attributed to top management, 40 percent to the UAW, and 19 percent to the federal government itself.

The Pulse Survey was undertaken by Planning Perspectives, a Birmingham Michigan consultancy that specializes in buyer-supplier relations in the automotive and other industries. It was conducted Nov 20-21 and included suppliers headquartered in 12 Midwestern and Southern states.

The top three reasons why suppliers favored a GM bailout were the following:

- 34% felt that the potential negative economic impact of a GM failure on the country is too great to allow to happen.
- 25% felt that the automotive industry deserves rescue just like the financial industry.
- Nearly 20% indicated that bankruptcy is not a viable option for GM.

When the 24% of the suppliers who did not favor a GM federal government bailout were asked why they opposed the bailout, they gave the following responses:

- 35% said that bankruptcy is a better option than a Government bailout, principally because GM could renegotiate labor contracts and rid itself of unnecessary dealerships without concern for state franchise laws.
- 35% felt that GM would get into financial trouble again and need more money.
- 12% felt that the government bailout will have too many strings attached to it.

In response to what was most likely to happen to their company if GM declared bankruptcy:

- 68% indicated that their company would have to downsize.
- 9% said they would more than likely go out of business.
- 3% said they definitely would go out of business.

These 185 suppliers indicated that a GM bankruptcy would result in over 275,000 people losing their jobs at their companies.

Typical supplier comments about the various issues:

On the roles of the GM management, the UAW, and the federal government in creating the conditions that have lead to the current crisis:

"GM was clearly on the path to restructuring until the double whammy of a rapid rise in the price of oil followed by the financial/credit market meltdown. None of the automakers would be in the mess they are in today had the government acted on the need to reduce our dependence on foreign oil that was identified in the seventies after the Arab oil embargoes, the need for a national energy policy highlighted at the same time, and the need for a US manufacturing strategy to preserve the leading edge competence we once enjoyed."

"The real cause of the OEMs' current situation is the economy and the credit crisis. People can't get credit and therefore aren't buying vehicles. It's as simple as that and who is responsible for that?"

On the difference in attitude regarding a bailout of GM and Ford vs. Chrysler:

"It is clear to me that the Big 3 have not done a good job to explain the concessions that they have achieved with the UAW for the future, the improvements in quality and their tireless effort to improve fuel economy for the future. This is clearly not a management issue as Toyota is facing the same production cuts and losses in North America. It is my belief that GM and Ford have done a great job to turnaround the measurable objectives, the culture and future structural costs. Unfortunately, I don't see the same results from Chrysler and their quality, technology and fuel economy are the worst in the industry. Based on these parameters and the structural issues of the industry I believe that Chrysler should be left to Chapter 11."

In support of GM:

"Did we forget GM was responsible for getting the economy back after 9/11 or its importance during WW II? The ramifications of GM going out of business would be so dynamic it would trigger a depression. Washington, wake up! You are selling our manufacturing base down the drain. You are partly responsible for this event. You have supported foreign investors and turned your back on the Domestic. Your CAFE standards and other government mandates have helped put the Domestic auto makers where they are today."

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About PPI

Since 1990, PPI has specialized in developing and implementing in-depth surveys of suppliers for the automotive OEMs and Tier 1 suppliers, and companies in numerous other service and manufacturing industries worldwide, including, aircraft engine, computer, construction tools, electronics, energy, and food industries. In 2001, PPI initiated its syndicated Annual North American Automotive OEM - Tier 1 Supplier Working Relations Study. This annual Study has been recognized as the benchmark of supplier working relations for the automotive industry in the *Harvard Business Review* and several books. The Studies provide critical sales and financial planning information for suppliers and their sales, marketing, and financial staffs, as well as a means by which OEMs and their purchasing staffs can get a reality check on their working relationships with suppliers. John W. Henke, Jr., Ph.D. is president of Planning Perspectives, Inc., and is a marketing professor at Oakland University in Rochester, MI. PPI is based on Birmingham, Michigan and can be reached at +1.248.644.7690.