ED WALLACE

Close Another Door

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Once every four years America has a national election, one which includes the presidency, and it often happens during the same week I visit with many of the new car dealers in the area. As a result, every four years they ask me who I think will win the presidency. The answer is the same: Don't know and don't care. I've had jobs since 1965, under 10 different administrations, 4 Democrats, 5 Republicans, one unknown but colorful, yet never had a problem finding a job when I needed one. Not one of our presidents ever once helped me find work; conversely, none ever cost me a job.

Other Americans have not been quite as fortunate; but again, typically it's not the president that makes or breaks the economy, but the crises that happen during their watch. Maybe they add to the sudden crises, or maybe they help mitigate them; but by and large no matter who the president is, the majority of Americans have to get up and go to work on Monday — and that's what keeps the American economy going. Americans don't give Americans enough credit for why we've had the best economy in the world for decades.

Case in point, on November 5 it was reported that General Motors earned $4 billion in just the third quarter of this year and with a profit margin — not a gross margin — of 14.9 percent. Turns out, GM made $4.4 billion in North America, which means somewhere in the SEC filing they've got $400 million of losses overseas or special charges to deal with. But they did break out that GM International made $10 million in contrast to losing $65 million in the same quarter a year ago. So, what's missing? GM's China numbers.

After all, GM sells as many new cars in China than here, and one would think that would equal huge profits. And we know GM China sold 771,400 vehicles in the third quarter, and Buick alone accounted for 252,000 of those sales. But buried deep in that statement GM wrote, “China equity income was flat as volume and mix offset unfavorable pricing and regulatory costs.”

Makes you wonder why GM complains about regulatory costs and rebate programs in America, where it made $4.4 billion in 90 days, but sells more cars in China — where regulatory costs and pricing nets the automaker a zero percent increase.

In any case, many are bragging about the brilliant management now running General Motors. Not to take anything away from them, but the GM we see today was created by Bob Lutz’s product renaissance from 2000 to 2009 and Fritz Henderson’s reorganization of the company after bankruptcy. Oh, and the crushing debt that felled GM in 2009 had been building since the days of Roger Smith’s leadership in the Eighties; it was wiped out in bankruptcy court.

Even Ford posted a pre-tax earnings statement of $3.6 billion for the third quarter, holding onto 9.7 percent profit margins on its products, while Chrysler posted an all-time third-quarter earnings record of $2.67 billion. So in just 90 days the Big Three of Detroit, the old line, decrepit, failing, American large-scale manufacturers according to Wall Street, earned $10.67 billion, or a pathetic $118,555,556 a day. No wonder Wall Street has such contempt for slackers like our American auto industry.

Then again, the disruptive company well on its way to destroying the auto industry as we know it, according to those same Wall Street analysts, Uber, put out a statement that its food delivery business is up 190 percent year over year in the third quarter. That’s right, where last year someone pushed an Uber Eats app button on their iPhone and ordered a Wendy’s large chocolate Frosty® for delivery, this year nearly twice as many Americans opted for home delivery of that frozen treat. That’s the kind of news that keeps auto executives up at night wondering how long they can keep their jobs, knowing that while they try to sleep, someone in an eight-year-old Kia Forte is speeding through the night trying to get a Frosty into the hands of its purchaser before it melts. And it’s all worthwhile when the purchaser tells their Uber Eats driver, thanks to you I don’t have to buy that new Chevy Corvette to fetch my own sugar fix.

On the other hand, in spite of that incredible news about Americans’ becoming too lazy to get off the couch and drive a half-mile for fast food, it was also reported that year to date Uber has lost another $5.8 billion, with revenues down a whopping 18 percent in the third quarter of this year. Keep in mind that Uber lost $8.5 billion in 2019 and said that kind of loss would never happen again; special one-off costs for early investors’ payout had artificially inflated it. Yet it appears that Uber could well lose a similar amount for 2020, in spite of the fact that the Uber-Frosty® Express is up 190 percent.

So, which company do you think is worth $53.1 billion in market capitalization and which one is worth $73.5 billion? The company that earned $4 billion in 90 days, or the company that has lost $14.3 billion over the past 21 months? You’re right. Wall Street pegs Uber’s value at $73.5 billion and GM’s at only $53.1 billion.

There is everything wrong in America today. Too often we cheer on imaginary winners that are actually losers and point a veiled contempt at those who truly succeed.

The news was not much better for Tesla. In a surprisingly candid speech, Akio Toyoda, family head of the Toyota Motor Company, slammed Tesla when he said, Tesla believes they have the recipe for the future, but

Toyota owns an entire kitchen and chef. OK, with that analogy I'm thinking he put the wrong forest mushrooms into his stew last night; but his point is that last year Tesla sold 367,000 vehicles worldwide and Toyota over 10 million. Head of Volkswagen Group Herbert Diess was a bit more complimentary to Tesla and Elon Musk, pointing out that one company is driving the entire world toward alternative fuel vehicles. He is right; and if Tesla fails financially, the entire auto industry push to the future dies with it.

In related news, in the Netherlands in September the all-new Volkswagen ID.3 electric car outsold the Tesla Model 3 by 75 to 1. Moreover, Tesla's market share in Western Europe was 33 percent of all electric cars in 2019 and sits at around 13 percent today. The reverse is true here, as there seems to be Tesla and no one else competing in the electric car market. But Europeans have lots of choices now for electric vehicles and soon enough we will, too.

In this column, outside of the first paragraph you will notice the winners and losers of the past 90 days' corporate struggle for the future of transportation. For the most part none of this had to do with any of our politicians in any meaningful way. True, Tesla has turned profits in the past five quarters by selling off its emission credits to other manufacturers, and those credits are a political construction. And yes, in many parts of the world there are governmental movements toward killing the internal combustion engine, lest we kill the world with CO2 and other emissions. It's also true that after the Financial Meltdown in 2008, Tesla received a $465 million loan from the Department of Energy just to stay in business. Fisker got a loan, too. One entity failed quickly; the other is still with us. The reason? Wall Street loved Tesla and did stock offerings, and Tesla paid off the feds with part of the proceeds.

Still, I haven't seen in my lifetime a former president so brilliant that American corporations lined up in a bidding war to get that person to become the chairman of their company.

And so, apparently, another door has closed and by definition another one has opened. The pandemic damaged the auto industry more in 2020 than anyone ever elected has. It also set the stage for that incredible third quarter comeback and profit. Even as other measures, such as lockdowns, were in place, the car companies came up with a potentially safe way to reopen their plants and get the economy moving again. Dealerships reopened and car sales were back on. Driven by the American consumer, large incentives in many cases, and the desperate need we all have to feel as if we have returned to normalcy — although we all know we have not. But again, in everything just stated, that's in all of us and it's always there, regardless who is in charge.

It seems incredible that we have to remind each other that America's success is ours alone to take credit for. I've seen that firsthand in two decades inside the auto industry. And the things that damaged us the most, but not for long, were two energy crises in the Seventies, the collapse in oil prices in the mid-Eighties, followed by the bank failures of the late Eighties and so on. The auto industry marched on through all of that. Then again, so did America — regardless of who won any election.

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