

Friday, Sept. 29, 2023

**An Open Letter to Michigan Business, Government, Labor, and Civic Leaders:**

The stakes in the UAW strike against the Detroit Three automakers of General Motors Co., Ford Motor Co., and Stellantis involve more than the strike's length, the number of plants impacted, and the size of workers' pay increase. It is about America's automotive future and Michigan's role in it.

***Let's Be Clear: Our Workers Deserve a Raise***

America's middle class and Michigan's signature automotive industry were built on workers and companies producing world-changing vehicles through good times and bad. We need management and labor to have a *productive* relationship that tackles the future together with fairness and long-term viability for all.

***It's Not 1965 – or Even 2008***

The Detroit Three are leaders in today's global automotive industry; however, the market dynamics have changed dramatically. The automotive industry's competitive landscape is far different today than it ever was, with new, unconventional competitors and global market dynamics.

- The Detroit Three automakers controlled 90% of the U.S. market in 1965. Today, it is less than 50%.
- In 1965, GM was the No. 1 global automaker, and Ford was No. 2. Today, GM and Ford are roughly No. 5 and No. 6, respectively.
- In 2008, when the Detroit Three automakers were on the brink and two filed for bankruptcy, China's domestic market was 6.7 million units. Today, China is the world's largest auto market at 26 million units and exports more cars than any other nation.
- In 2008, Tesla did not exist. Yet, today, Tesla is the industry's most valuable automaker and is challenging the Corolla as the world's best-selling car.
- Today, more cars are built in the U.S. by non-American brands (mostly in southern states) than by the Detroit Three automakers in Michigan and our neighboring Great Lakes states.

***Let's Look Forward, Not to the Past***

The last time the Detroit Three were not on the leading edge was during the small car craze of the 1970s. The companies, the workers, and Michigan's economy paid a big price, as many refused to adapt to new market realities. Similarly, today, EVs are treated as a political issue, not a business reality.

- EVs are in the early stages of a “hockey stick” demand curve, with a 67% year-over-year increase in the U.S. and even stronger demand in other parts of the globe.
- EVs now approach 10% of new car sales – up from just 2.4% in 2020.
- EV owners have very high EV repurchase rates.

Global market forces will drive the adoption curve for new technologies, not partisan rhetoric or wishful thinking.

### ***A Speedy Resolution, Yes, But Not Any Resolution***

Multiple factors led to the crisis that almost ended America’s auto industry in 2008, with many beyond the control of management or labor. However, a critical element was contracts that made the U.S. industry’s cost, efficiency, and flexibility uncompetitive. Many of those same elements are again being requested.

- Increased and more cumbersome job classifications.
- Rules that prevent the moving of production to higher-demand products.
- Built-in cost of living increases regardless of inflation levels.
- Old-school defined benefit retirement programs.
- Four-day workweeks.

Today, UAW workers are among the best compensated globally, with those hired after 2007 averaging \$80,000 annually or \$130,000 annually for skilled tradespersons (figures include wages, profit sharing, and lump sum payments; figures do not include benefits). The UAW’s current average hourly wage at \$65 compares favorably with foreign makers operating in the U.S. at \$55, Tesla at \$45, and manufacturing in China and Mexico much lower.

### ***Today and Tomorrow, Michigan Pays the Price***

Seven to 10 jobs are linked to every OEM manufacturing job. Even today’s “limited” strike has a \$1.6 billion economic impact, according to Anderson Economic Group.

Michigan has a larger share of auto-related manufacturing and will continue to take a disproportionate share of the economic fallout.

- While many impacted UAW workers will receive strike pay, disrupted employees at suppliers will not.
- Supplier firms run on much tighter margins than their OEM counterparts and are far more vulnerable to mass layoffs and even bankruptcy.
- Job impact has – and will continue to – ripple across non-manufacturing areas, such as restaurants, car dealers, service stations, and other local businesses.
- The UAW message being sent to the nation and beyond is that “it is hard to do business in Michigan.” This will have a clear negative impact on new investment in Michigan and make keeping existing businesses more difficult.

Michigan has been – and can continue to be – a world leader in the innovation, technology, and manufacturing of devices that make the movement of people and goods possible. But our past success does not guarantee future success. Michigan and U.S. auto industries must not cede our leadership role to others.

Today’s temptation is to treat every challenge as a political one. In this case, it is about Michigan’s economic future. It is critical that all of Michigan leaders – political, industry, labor, and civic – use their influence to push toward a resolution of fairness and long-term viability for Michigan and its signature industry.