

HARD TIMES HIT THE AUTO INDUSTRY

Introduction

Focus

This *CBC News in Review* story examines the current crisis facing the North American automobile industry, government plans to offer assistance, and the impact on workers and the economies of Canada and the U.S.

Did you know . . .

Former GM CEO Rick Wagoner, who was ordered fired by U.S. President Barack Obama, will not receive a severance payment, but will instead be eligible for a pension worth about USD\$23-million, to be paid in installments over the rest of his life.

On March 30, 2009, U.S. President Barack Obama announced his long-awaited plan to rescue the floundering U.S. automobile industry. For months prior to Obama's statement, the chief executives of the "Big Three" automobile manufacturers—General Motors, Ford, and Chrysler—had been appealing to the U.S. government for massive financial assistance to stave off impending bankruptcy. The auto giants had faced slumping sales, a serious cash-flow problem, and rising production costs, all of which placed them in a very precarious financial situation. They needed a bailout from the government, along with major concessions on wages and benefits from the United Auto Workers union, if they were going to be able to survive the crisis, become competitive again, and position themselves for a recovery once overall economic conditions improved.

Obama's reaction to the auto industry's problems was measured but hardly reassuring to the chief executives of the Big Three. One of them, Rick Wagoner, CEO of General Motors, was actually forced to take involuntary retirement as part of the price for the company's receiving any government handouts. Obama put the car companies on notice, making it clear that GM and Chrysler, the two most troubled auto giants, would only obtain financial help if they committed themselves to a major restructuring plan to make their industry more streamlined and profitable in the future. Although Obama was reluctant to abandon the auto companies to their fate—which could mean bankruptcy—he acknowledged that there were "no good options" facing his new administration in managing this crisis. As he told reporters,

"year after year, decade after decade, we've seen problems papered over and tough choices kicked down the road, even as foreign competitors outpaced us. Well, now we're reached the end of that road" (www2.macleans.ca, March 30, 2009).

The situation facing the Canadian subsidiaries of the Detroit-based Big Three was no less serious. GM and Chrysler were closing plants, slashing jobs, and threatening even more drastic cost-saving actions if no assistance was forthcoming from the federal government and the province of Ontario. Prime Minister Stephen Harper and Ontario Premier Dalton McGuinty had promised a \$4-billion financial rescue package for the ailing auto industry shortly before Christmas 2008. But by the end of February 2009, with sales continuing to slide and debts increasing, GM and Chrysler were back at the table, asking for even more money to keep them from going bankrupt. For its part, the Canadian Auto Workers union was also being pressured to accept significant concessions on wages, pensions, and other benefits in return for preserving at least some of the jobs its members depended on for their livelihoods in the Southern Ontario auto towns of Windsor, Oshawa, and Brampton.

The decline of the North American automobile industry is one of the most serious consequences of the economic slowdown that struck Canada and other countries in the fall of 2008. Prior to this, the Big Three were already facing serious challenges from foreign competitors, especially Japan and South Korea, and also dealing with the negative impact of rising fuel costs on the sales of large, gas-guzzling automobiles and

SUVs (sports utility vehicles). But the credit crunch, job losses in other sectors of the economy, and a general sense of panic among consumers had cut deeply, with sales of new cars plummeting across the board in late 2008 and early 2009. Workers in this once-thriving industry, on both sides of the border, who had enjoyed high wages and a sense of job security when times were good, were now facing the prospect of layoffs and even the permanent disappearance of their employment as auto workers.

The impact of such a slump could be potentially devastating to both the Canadian and U.S. manufacturing

economies, resulting in the possible loss of over half a million jobs in Canada alone. Its ripple effect to other sectors related to the auto industry, such as rubber, electric equipment, and machine parts could be even more damaging. For this reason, Canadian political leaders, along with their U.S. counterparts, were reluctant to accept the inevitability of at least one of the Big Three companies declaring bankruptcy. But, by the early spring of 2009, viable alternatives to such a consequence appeared to be vanishing, and the hard times that had struck the auto industry seemed far from over.

To Consider

1. Why was U.S. President Barack Obama reluctant to give the struggling automobile companies a large financial bailout package?
2. What are the main factors behind the serious financial problems the U.S. auto industry now faces?
3. Why is the Canadian automobile industry also facing major difficulties?
4. What are the potentially harmful effects of at least one of the Big Three auto companies declaring bankruptcy?
5. In your opinion, will all of the Big Three survive? Explain.

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Video Review

Update

As this story was being prepared, on April 7, executives for General Motors Corp. and Segway Inc. indicated that they were working together to develop a two-wheeled, two-seat electric vehicle designed to be a fast, safe, inexpensive, and clean alternative to traditional cars and trucks for cities across the world. The PUMA (Personal Urban Mobility and Accessibility) would also involve a vast communications network that would allow vehicles to interact with each other, regulate the flow of traffic, and prevent crashes from happening. In effect people would not be driving these highly efficient and "green" vehicles.

Watch the video and respond to the following questions.

1. Name the automobile companies that make up the "Big Three."

2. Which two countries have given the Big Three serious competition with their imported automobiles?

_____ and _____

3. What are the three main reasons for the decline in sales of new cars in late 2008 and early 2009?

4. What two steps have the automobile companies taken in order to cut costs and stay profitable?

5. Which two of the Big Three auto companies are facing the possibility of going bankrupt? _____ and _____

6. Where were the executives of the Big Three looking for help as the crisis in their industry became more serious?

7. What were the main conditions of the U.S. and Canadian government bailout packages offered to the struggling automobile companies?

8. What demands were being made to the U.S. and Canadian automobile workers unions: the UAW and the CAW?

9. Why did the major auto companies ask for even more financial assistance in early 2009?

10. Which Big Three company threatened to close all of its Canadian operations if it was unable to obtain financial assistance from the government?

11. What was the reaction among auto workers in Windsor, Ontario, to Chrysler's announcement?

12. What steps did U.S. President Barack Obama announce as part of his plan to assist the automobile industry in late March 2009?

13. How has the Canadian government responded to the crisis in the auto industry in this country?

Responding to Statements

With your classmates, discuss the following statements made in the video. Indicate how you think each relates to the main themes of the video and whether or not you agree with the statement and why:

"We've seen this before. The auto industry goes through these cycles and this is a deep cycle. But I have every confidence the industry will come back." — Jeffrey Leestman, Automobile Hall of Fame

"I'm extremely worried about what our auto industry's going to look like tomorrow, because every time I turn around, I'm getting another piece of bad news." — Chris Buckley, Canadian Auto Workers (CAW)

"Our choice is to passively stand by over the demise of the auto industry in Canada and observe its consolidation in the United States of America or to act. We choose to act." — Ontario Premier Dalton McGuinty

"This crisis we're in today has nothing to do with wages and benefits. It's got to do with a global financial crisis, it's got to do with consumers not having the ability to get loans, and nobody's buying today." — CAW President Ken Lewenza

"We've seen problems papered over and tough choices kicked down the road even as foreign competitors outpaced us. Well, we've reached the end of that road." — U.S. President Barack Obama

"Very clearly, if the money had not been forwarded today, they would not have been able to meet payroll today or tomorrow, and so we were faced with this choice of a disorderly bankruptcy where, quite frankly, if liquidation would have been the result of that bankruptcy, whole plants or parts of plants would have been ripped up from Canadian soil, transferred to another country, India, China, who knows, and obviously the jobs would have gone with them." — Canadian Industry Minister Tony Clement

Examining the Bailout Terms

Watch the video again and carefully take note of the terms of the financial bailouts to the automobile industry that the Canadian and U.S. governments are imposing. Do you think the bailouts are necessary and justified? Why or why not? Do you think the conditions the two governments have imposed on the automobile companies are sufficient for them to become successful again? Why or why not? What conditions do you think should be tied to any financial assistance to the automobile industry funded by the Canadian and U.S. taxpayers?

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Detroit's "Big Three": Coping with the Crisis

Did you know . . .
U.S. industry experts predict that if the current problems in the auto sector continue much longer, at least a third of auto parts suppliers could go out of business in the next three years.

CBC Archives
To learn more about the Canada-U.S. Auto Pact, visit the CBC Digital Archives at www.cbc.ca/archives and open the audio-visual file "The Auto Pact: En route to free trade."

For decades, the "Big Three" automobile companies—General Motors (GM), Ford, and Chrysler—have dominated the market for new cars in North America. From their head offices in Detroit, Michigan, the CEOs of these automobile giants looked out over a multi-billion-dollar empire and watched as the companies they ran amassed huge profits in the golden years of post-Second World War prosperity. And while times were good for the car company owners and shareholders, they were also golden for the thousands of workers on the assembly line who built the vehicles that North American consumers were anxious to purchase. The wages, benefits, and pension packages enjoyed by members of the United Auto Workers and its Canadian offshoot, the Canadian Auto Workers union, were the envy of other employees in the manufacturing sectors of the North American economies. Ever since Henry Ford, the founder of Ford Motor Company and the inventor of the assembly line, recognized in the early 1900s that paying his workers high wages made good economic sense, a job at Ford—or GM or Chrysler for that matter—was a ticket to middle-class status for the families of those fortunate enough to obtain one.

In Canada, too, the automobile industry was the engine of economic prosperity and development in the postwar era. Alone among the main industrial nations of the world, Canada does not manufacture its own vehicles, but instead serves as the location of important subsidiaries of the Big Three—Ford, GM, and Chrysler. All established manufacturing plants in a number of cities in Southern Ontario and the region around Montreal in Quebec.

Places such as Oshawa, Windsor, Oakville, and Brampton in Ontario, and Ste-Thérèse, Quebec, became synonymous with the auto industry in much the same way that Detroit was known as "Motor City." In the 1960s, with the negotiation of the Canada-U.S. auto pact, the Canadian automobile industry gained privileged access to the huge American market for cars and trucks produced here. To this day, almost 85 per cent of all the vehicles made in Canada are destined for sale south of the border.

But beginning in the 1970s danger signs began to appear that within a few decades would threaten the very survival of the Big Three. The price of gasoline, which had remained relatively low and stable for decades, began to fluctuate dramatically with the two "oil shocks" of 1973 and 1979. Relatively cheap, fuel-efficient imported vehicles from countries such as Japan, whose economy expanded following the end of the Second World War, and even newer players in the global economy like South Korea, began to challenge the supremacy and North American market share of the Big Three. And while consumers started to indicate a growing preference for smaller, more economical vehicles, the CEOs in Detroit continued to follow the advice of their marketing and advertising experts by turning out increasing numbers of large, gas-guzzling deluxe automobiles and SUVs. During the prosperous years of the late 1990s, SUV sales indeed expanded, but once fuel prices started to rise dramatically in the early 2000s, they just as suddenly dropped off.

With their markets shrinking due to foreign competition and costs rising as

Further Research

To learn more about the views of the unions employed by the Big Three visit the Web site of the United Auto Workers at www.uaw.org and the Canadian Autoworkers at www.caw.ca.

Did you know . . .

According to an opinion poll published at the end of March 2009, barely 15 per cent of Canadians support government efforts to finance the North American car industry out of its predicament. In Ontario, the proportion that agrees with the bailout is a miserly 17 per cent. What is your own view on this issue?

a result of generous wage and benefit packages, along with expensive health-care programs for auto workers in the United States, the Big Three started to experience declining profit margins. One solution to this problem was to close down unproductive or unprofitable facilities in Canada and the U.S. and relocate them to countries such as Mexico, where labour costs are far lower and environmental standards less stringent. But because the auto industry was so closely associated with the spirit of American manufacturing, and it was such an important employer in states like Michigan, Ohio, and Indiana, the Big Three could not close down all or most of their facilities without incurring the wrath of the American public and the federal government. When faced with the choice of closing a U.S. or a Canadian plant that was not economical to continue operating, the CEOs of the Big Three invariably decided to shut down the operation north of the border.

The crisis in the auto industry came to a head in the fall of 2008 as the combined effects of foreign competition, high fuel prices, and a sharp economic downturn all cut into sales, triggering a serious cash-flow shortage. The CEOs of the Big Three made a visit to Washington, D.C., in November 2009 to appeal for a massive government bailout, similar to the ones that had been offered to the failing banking and financial institutions whose collapse had triggered the crisis in the first place. But they were met with a less-than-enthusiastic response from congressional leaders, who noted that they had all flown to the U.S. capital on their own private jets, instead of travelling on commercial flights. At the same time, they were demanding that the workers they employed agree to significant concessions in wages, benefits, and pensions in return for some degree of job

protection in the future.

In the end, the U.S. Congress did reluctantly agree to a \$50-billion bailout package for GM and Chrysler, the two companies facing the most serious economic difficulties. But the money was contingent on agreement by the auto giants to a massive restructuring program that would streamline production, reduce generous compensation for CEOs, and begin the process of shifting to smaller, more environmentally friendly vehicles such as gas-and-electric-powered hybrids. At the same time, the Canadian and Ontario governments announced their own rescue packages, amounting to about 20 per cent of the U.S. bailout, relative to the size of the industry in this country compared with that in the United States. These plans also carried them serious conditions. They were not to be viewed as handouts but as loans to be repaid with interest once the auto makers found themselves in a more profitable position following a hoped-for economic recovery.

However, that recovery appeared very distant in the early months of 2009, as the economies of both Canada and the United States continued to shed jobs and register negative growth. Car sales dropped to levels not seen since the recession of 1961, and the Big Three were calling for even more assistance. For his part, the newly elected U.S. President, Barack Obama, was extremely reluctant to commit more taxpayer money to a risky bailout package for Detroit. In late March, he indicated that it might be necessary for at least one of these once-proud firms, Chrysler, to undergo a “controlled bankruptcy,” or possibly a merger with a foreign auto company, such as Italy’s Fiat. And he practically ordered GM to sack its CEO, Rick Wagoner, who was, in Obama’s view, the symbol of everything that had gone wrong with the company in

recent years. This was an unprecedented involvement of the federal government in the affairs of a private company, something that had rarely been seen before in the United States, the homeland of the free market. But Obama's dramatic actions underscored the seriousness of the crisis facing the Big Three and left

unanswered the questions hanging over Detroit and the rest of the country: Will the automobile industry of the future survive the crisis, and what will it look like once it is over?

Source: "The used-to-be Big Three," CBC News Online, www.cbc.ca/money/story/2009/02/17/f-bigthreeudtate.html

Analysis

1. Why has the automobile industry been such an important part of the economies of Canada and the United States since the end of the Second World War?
2. What problems did the North American automobile industry begin to face in the 1970s? How successful was it in dealing with them?
3. Why did the CEOs of the Big Three ask the U.S. and Canadian governments for financial assistance beginning in the fall of 2008?
4. Why were both the U.S. and Canadian governments reluctant to offer large financial bailout packages to the troubled auto industry?
5. What do you think are some possible solutions to the crisis currently facing the auto industry in North America?

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Point-Counterpoint: Two Views of the Auto Crisis

Did you know . . .

Along with their North American counterparts, some Asian car companies are experiencing slumping sales, while others are prospering. In March 2009 sales of Toyota products, including the prestigious Lexus brand, declined by 23 per cent. Honda's sales, including the luxury Acura, slid by almost as much. On the other hand, the Korean auto makers Hyundai and Kia saw their sales shoot up, by 25.5 per cent in the case of Hyundai, and 12 per cent for Kia ("Slack U.S. market hitting Canada hard," *Toronto Star* online, www.thestar.com/printArticle/612204).

Dennis Desrosiers is the head of an auto-industry consulting firm, and Jim Stanford is an economist affiliated with the Canadian Auto Workers Union. As experts on the problems facing the industry, they are both frequent commentators in the media. However, their views on the causes of the current crisis, and how it can be overcome, are quite different. Here is a summary of their analyses and conclusions.

Dennis Desrosiers

In Dennis Desrosiers' opinion, the North American auto industry is not facing a real crisis, but instead an opportunity to reinvent and modernize itself. Despite plummeting sales for new vehicles in late 2008 and early 2009, he is confident that the market will rebound sooner rather than later. But in his view, this depends on the ability of the Big Three to take advantage of the financial lifelines being offered by the U.S. and Canadian governments to undergo a sweeping overhaul of their operations. He believes that the industry needs to scale down in size and reduce what he regards as overly generous wage, benefit, and pension packages to its unionized workers if it is to become competitive with foreign companies based in Japan, South Korea, and possibly India. He claims that North American subsidiaries of Japanese car companies such as Honda, Toyota, and Nissan, are more efficient, profitable, and productive than their North American counterparts in the Big Three. This is mainly because they have been able to keep production costs, and in particular labour costs, down.

In November 2008, Desrosiers believed that a financial bailout package to the American auto industry was inevitable, because incoming U.S.

President Barack Obama owed his election victory partly to the votes of unionized workers in heavily industrialized states such as Michigan, Ohio, Pennsylvania, and Indiana. Many of these workers were employed either in the auto industry itself or in sectors of the economy that depend on it. But he viewed the bailout as only a short-term, stop-gap measure that might alleviate the immediate crisis but would do little if anything to resolve the industry's long-running structural problems.

Desrosiers argues that innovation and efficiency are the keys to success in the auto industry in the 21st century. Much more funding must be devoted to research and development of new vehicles, especially environmentally friendly hybrids that replace the gas-powered internal combustion engine with electricity or even solar power. He sees the current crisis as ushering in what could be a "decade of opportunity" or a "decade of threat" for North American car manufacturers, depending on how the CEOs of the Big Three, and the unions representing their workers, respond to the extreme challenges they now face.

Jim Stanford

Jim Stanford, who advises the CAW on economic issues, takes a very different view of the origins of the current crisis confronting the auto industry and how it can be overcome. He argues that those like Desrosiers who emphasize the high wages and benefits North American auto workers earn as a contributing factor to the industry's financial problems are using unionized workers as scapegoats for an economic crisis they had no role in causing. He strongly believes that the Canadian and U.S. governments are right to extend substantial financial

assistance to the Big Three to help them overcome their current difficulties and points to the fact that almost every other Western industrialized nation has done the same. But only Canada and the U.S. have made this aid conditional on significant concessions on the part of the auto workers' unions in the two countries relating to wages, hours, benefits, and pensions.

He also disputes Desrosiers' claim that the North American auto industry has fallen behind in its competitive advantage compared with Japanese firms operating in the same market because of their allegedly high labour costs. He points to the fact that the Canadian dollar is overvalued in relation to its U.S. counterpart, thus making Canadian auto exports across the border more costly than they would be if the dollar's value were to drop below USD\$0.80. Countering Desrosiers' statement that Canada's auto industry has the highest labour costs in the world, Stanford responds that they compare favourably with other industrialized countries, and are actually lower than those in the U.S. This is largely because of Canada's public health-care system, which gives Big Three subsidiaries here a competitive advantage over U.S. plants that have to provide private health care to their workers.

In Stanford's view, the current crisis in the auto industry is the result of the

economic downturn triggered by the collapse of a number of U.S. financial institutions in late 2008. It is also compounded by trade policies that do not do enough to protect domestic auto makers from foreign competition. He states that "auto workers did not cause this crisis, and cutting wages won't solve the crisis." While agreeing with Desrosiers that the Big Three must overhaul their industry and start manufacturing more fuel-efficient vehicles, he strongly opposes the claim that massive cuts to wages, benefits, and pensions will be necessary to revive the economic health of the auto sector. Instead, he calls upon all of the major stakeholders—company executives, shareholders, government, and unions—to work together to achieve a fair and viable solution to the problem. This will not be achieved, he concludes, in an atmosphere of acrimony, finger-pointing, and "union bashing."

Sources: "Big auto boom coming," by Dennis Desrosiers, National Post, November 18, 2008, <http://network.nationalpost.com/np/blogs/fpcomment/archive/2008/11/19/big-auto-boom-coming.html> and "Finger-pointing and the political economy of industrial policy: Auto industry fact and fiction" and "Auto industry in jeopardy," presentations by Jim Stanford, www.caw.ca

Inquiry

1. Summarize the views of Dennis Desrosiers and Jim Stanford on the reasons for the current crisis in the auto industry and how it can be resolved. Which position do you find more persuasive, and why?
2. On what issues do Desrosiers and Stanford agree? On which ones do they disagree? Do you think their proposed solutions to the crisis have any features in common? If so, do you think they are feasible?
3. What additional solutions would you propose to restore the North American auto industry? Be specific.

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The Future of the Auto Industry

David Foot is a professor of economics at the University of Toronto and the author of the best-selling book *Boom, Bust, and Echo*. His specialty is the study of population patterns and how they impact on the economy and society in general. In his view, the current crisis facing the North American auto industry is the result of a major contraction in demand for new cars among two large groups in the population. These are recently retired “young seniors” in their late 60s and early 70s, and the second half of the post-war “baby boom” generation, now in their 40s and early 50s. Both of these groups of people are unlikely to be interested in purchasing new vehicles while the economy is in its currently depressed state. This is because the retired young seniors are living on pension incomes that have dropped in value as a result of the financial downturn, while the late baby boomers are still struggling with mortgage payments and worrying about their jobs.

As they enter retirement, many seniors find that they no longer require two family cars, resulting in a glut of resale vehicles on the market. This reduces their value and makes them more attractive to late baby-boomer buyers who might otherwise consider purchasing a new vehicle. In turn, this trend cuts demand for new cars, thus having a negative impact on the profit margins of auto manufacturers. Since both of these groups constitute a large sector of the North American population, and because of their increasing life expectancy rates, they will likely be around for some time to come. This trend has significant consequences for the future of the auto industry.

Foot believes that one factor that might offset a long-term decline in demand

for new cars is the rise of what he calls the “echo” generation, the children of the baby boomers who are now entering their 20s and 30s. This smaller cohort of the North American population will want to buy cars, but it is likely that it will demand lower-priced and more environmentally friendly vehicles than the majority of the products the Big Three have been offering on the market since the 1980s. Foot believes that the boom in minivan and SUV sales that proved so profitable to auto makers in the 80s and 90s is now a thing of the past, because the population cohorts most interested in these products have now moved on to another stage of their lives in very different economic conditions.

In Foot’s view, North American car companies have not been very perceptive in analyzing population trends and how changes in them might affect their industry. Unlike Japanese manufacturers, who have reworked their product line to be more appealing to senior car buyers, the Big Three producers and the unions representing their workers have both been caught in a freeze-frame, enslaved by nostalgia for a now-vanished period when younger customers were fuelling the growth of their industry. Governments in the U.S. and Canada should provide a financial bailout to the auto companies, Foot agrees, but any such taxpayer-funded assistance must take demographic trends into account. This means that instead of just trying to “save jobs” in the industry, efforts should be made to shift product lines to appeal to older buyers, help workers move to early retirement, and encourage younger employees to seek work in other, more viable areas of the economy. Foot concludes that the current crisis in the auto industry will not vanish in

the foreseeable future, and that it is no longer “business as usual” for the Big Three. The industry’s survival depends on its ability to adapt to the reality of a rapidly aging population and requires

that it become “smarter and smaller” if North American consumers are going to continue to purchase its products.

Source: “Who’s gonna buy this car?” *The Globe and Mail*, March 12, 2009

Activities

1. In your own words, summarize the main points of David Foot’s analysis of the problems facing the North American auto industry and how they relate to changing population patterns. Do you agree with his point of view? Why or why not?
2. If you were a North American auto executive, how would you apply David Foot’s recommendations on how the industry should change in order to survive to specific issues such as research and development of new product lines, marketing, and human resources?
3. Describe the kind of car that you think you would likely purchase in your late 20s or early 30s.

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Activity: Building the Cars of the Future

Did you know . . .
Manufacturing output in Canada shrank by 3.1 per cent in January 2009, with about half of the decline due to a 27 per cent drop in motor vehicle and auto parts production ("Auto sector puts brakes on GDP," *Toronto Star* online, www.thestar.com/PrintArticle/611453).

Most analysts who have studied the current crisis in the auto industry agree that the Big Three and other manufacturers of motor vehicles must seriously rethink their strategies if they wish to survive and regain a profitable position in the market. But what kinds of cars are likely to appeal to buyers once the economic downturn reverses itself and consumers regain the confidence needed to purchase a "big-ticket" item such as a new family vehicle?

One new product that is already starting to make an impact on the North American car market is the CUV, or car-based crossover vehicle. It is currently the fastest-growing segment of the new automobile market, with 41 models now available for sale. Ford's Escape is the biggest-selling CUV, but Japanese companies are also entering the field, and imported models of this kind of vehicle enjoy a 60 per cent market share in North America.

Another step necessary in any restructuring program is the reduction in product brands that no longer appeal to consumers because of their price and poor fuel efficiency. For example, the GM Hummer, once popularized by former film star and California Governor Arnold Schwarzenegger, is likely to be discontinued, along with the Chrysler PT Cruiser. Chrysler's proposed merger with the Italian auto manufacturer Fiat, one of the conditions in U.S. President Obama's financial bailout to the auto companies, will likely lead to the introduction of a number of smaller, fuel-efficient vehicles Chrysler's future product line.

Other new products being developed include Ford's gas/electric Fusion hybrid and a Mercury Milan hybrid. GM is introducing battery technology for its Chevy Volt and is working on a fuel-cell-powered concept car called the Equinox. Chrysler is also experimenting with hybrids, such as the Dodge Circuit EV, an all-electric sports car, .

Activity

Form small groups with your classmates to research and design a "car of the future" that you think would appeal to customers once the economic slump has ended. Once your group has completed its research and development, make a presentation on your new vehicle to the rest of the class in the form of a "product launch," with images of the vehicle and other promotional information designed to attract potential customers.

Consult the Web sites of the Big Three auto makers (Ford, GM, and Chrysler) and those of other major car manufacturers (Toyota, Nissan, Honda, etc.) in order to find out what kinds of new products they are currently either producing or in the process of developing.

Ford Motor Company: www.ford.com or www.ford.ca

General Motors: www.gm.com or www.gm.ca

Chrysler: www.chrysler.com or www.chrysler.ca

Honda: <http://world.honda.com>

Toyota: www.toyota.com or www.toyota.ca

Nissan: www.nissan-global.com or www.nissan.ca

Hyundai: www.hyundaicanada.com

Another good source of information for this activity is "Automotive industry crisis," *The New York Times* Online, http://topics.nytimes.com/top/reference/timestopics/subjects/c/credit_crisis/auto_industry/.