

OPINION

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The Big Three: When will they ever learn?

By Thomas H. Trimarco

MY INITIAL encounter with the arrogance and intransigence of Big Three management dates back to 1971 when I was serving as assistant general counsel at the US Department of Transportation. The occasion was a high-level policy and planning meeting chaired by Secretary John Volpe and attended by the Big Three presidents, Lee Iacocca of Ford, Edward N. Cole of GM, and John Riccardo of Chrysler. To emphasize the Nixon administration's interest in this meeting, Peter Flanagan, a former investment banker, repre-

sented the White House.

The purpose of the meeting was for the Department of Transportation policy team, headed by Assistant Secretary Charles Baker Sr. of Massachusetts, to report the disturbing findings of its recently completed study. It revealed that despite Detroit's control of more than 85 percent of the US domestic automobile market, there was a mounting threat to that dominance presented by Japanese and European automakers. In essence, our foreign competitors were making cars more attuned to the growing interest of American consumers in smaller and more energy-efficient cars.

Detroit was told that the trend could take on an explosive dimension if an interruption occurred in the flow of inexpensive oil from the Middle East. It was a sadly prescient observation with the fallout of the Yom Kippur War of October 1973 occurring less than two years later. The automakers were encouraged to expedite the development of cars that could meet the competitive threat of the future and to deemphasize the making of its gas-guzzlers with big fins and big trunks.

The reaction from the Big Three was politely indifferent. But one particularly dismissive comment was made by Chrysler's

Riccardo to Volpe at the end of the meeting. It has stayed with me for the past 35 years: "John, what your government planners don't understand," he said, "is that the American consumer buys, and will continue to buy, any automobile that we decide to advertise."

The recollection of that tone-deaf remark came rushing back to me with a combination of anger, dismay, and despair recently when I saw a GM advertisement proudly announcing the arrival of its (drum roll and trumpets please) Cadillac Escalade "Hybrid."

This 21st-century version of the 1970s oversized gas-guzzler

was being promoted on the basis of improving its gas mileage from 13 miles per gallon to . . . 20 miles per gallon. Now that's a hybrid for you — Detroit style. Apparently the belief still exists in Detroit that as long as they advertise it, we will buy it.

Indeed, this is happening while we watch the sorry spectacle of the current CEOs of the Big Three first privately jetting and then "hybridizing" to DC, asking for \$35 billion of taxpayer money so that Detroit can continue to make cars that fewer and fewer Americans want to buy. Our market share is below 40 percent today and dropping.

These management misfits

have created a big mess. They have created an unsustainable business model. And our current generation may yet witness the most tremendous failure any industry has experienced in US history. But it should come as little surprise. The arrogance of the Big Three is institutional, and historical.

Perhaps they must learn the hard way. Unfortunately, an entire nation will suffer for it.

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