

AMERICAN AUTO JOBS

2010 STATE AND
CONGRESSIONAL
CAMPAIGN

BRIEFING KIT

MILLIONS OF U.S. JOBS AND TENS OF BILLIONS OF DOLLARS IN AUTOMOTIVE INVESTMENT ARE AT STAKE IN THE NEXT ELECTION.

From health care to CAFE, your candidate is likely to face questions from a range of audiences with a strong interest in America's auto industry, including organized labor, communities hit hard by plant closings, and farmers producing ethanol crops.

Level Field is providing this policy guide to each campaign organization in advance of the 2010 state and Congressional elections. We hope you'll find it useful in preparing your points on economic competitiveness, the need for meaningful health care reform, and other leading issues.

We'd also like to encourage each candidate to move beyond some of the more harmful rhetoric that's being used about the auto industry, and "Detroit," in particular.

Today, "Detroit" remains America's largest exporter, one of our largest sources of corporate R&D, and one of our largest buyers of U.S. steel, iron, glass and computer chips.

"Detroit" also stretches from Alabama to Wyoming. When you include the automakers themselves, parts suppliers, 20,000 dealerships and hundreds of research facilities nationwide, the auto industry supports **nearly 3 million U.S. jobs.**

Why should this matter to candidates for public office? Because the very circumstances that make companies like Ford, GM and Chrysler so valuable to America (U.S. plants, jobs and retirees) have also put them at a competitive disadvantage. **Even with a dramatic improvement in quality, painful plant closings and buyouts, and a commitment to meeting higher CAFE standards, Detroit's turnaround will not succeed unless policymakers tackle health care, kick the tires on new trade agreements, and call upon our Asian trading partners to stop boosting their exports by manipulating their currencies.**

If you would like further information about the issues outlined in this briefing, please contact us at info@levelfieldinstitute.org or visit us at www.levelfieldinstitute.org.

WHAT YOU DRIVE,
DRIVES AMERICA.

KEY ISSUES

■ AUTO JOBS

5

Automakers support 3 million U.S. jobs, but the bulk of those jobs are supported by just three companies: Ford, GM and Chrysler.



■ AUTO PARTS

6

Last year, automakers spent approximately \$149 billion on U.S. parts, making them among the largest buyers of U.S. steel, rubber and semiconductors. Those parts suppliers, in turn, employed about 569,000 U.S. workers. The average Big 3 car used more than twice as much domestic content than the average foreign car, including those built in the U.S.



■ INVESTMENT

8

Those that believe “all cars are the same,” should consider what America’s economy could look like if Ford, GM and Chrysler operated at the same U.S. job and investment rates as the average foreign automaker.



■ R&D

9

Those criticizing “Detroit” for failing to innovate should check with the National Science Foundation, which tracks U.S. R&D spending... and also happens to spend about \$3 billion less on R&D each year than Ford.



■ HEALTH CARE

11

Every U.S. employer is put at a disadvantage because our health care costs too much. But automakers and other U.S. companies that face strong global competition are hurt more. With the security of millions of retirees and retiree spouses at stake, automakers are a leading example of why health care reforms are both a moral imperative and a business imperative.



■ CAFE

12

Level Field supports raising CAFE. But the fine print on current proposals has a big impact on U.S. jobs.



■ CURRENCY POLICY

13

Smart legislation and a strong White House response to Japan’s manipulation of the yen could save the U.S. auto industry millions of jobs and billions in R&D. Japan’s currency manipulation represents a \$3,000 per car subsidy. Removing that subsidy could have a larger impact on domestic automaker profitability than solving health care.



■ TRADE AGREEMENTS

14

Level Field’s retiree supporters favor free trade, but one agreement under consideration presents significant risks that need to be addressed. Strong action by Congress could help open the door to the Korean auto market.



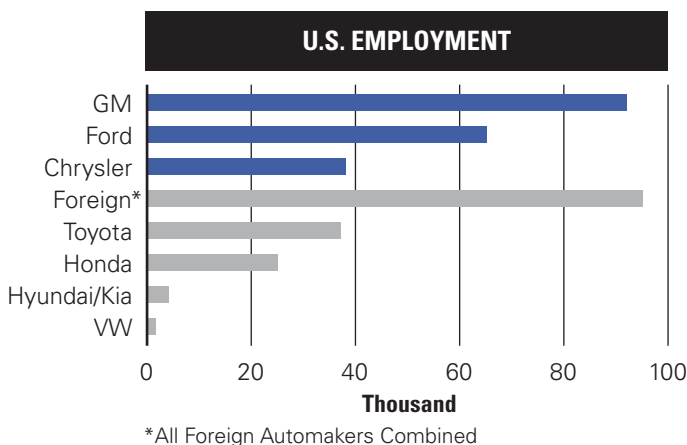
WHAT YOU DRIVE,
DRIVES AMERICA.

WHY AUTO JOBS MATTER... AND WHY SOME COMPANIES MATTER A LOT MORE THAN OTHERS.

Automakers contribute far more to the U.S. economy than most Americans appreciate. Accounting for nearly 3 million U.S. jobs, they're our largest exporter, one of our largest sources of corporate R&D, and one of our largest buyers of U.S.-made parts and material. Yet much of this value comes from just three of the 20-odd companies competing here.

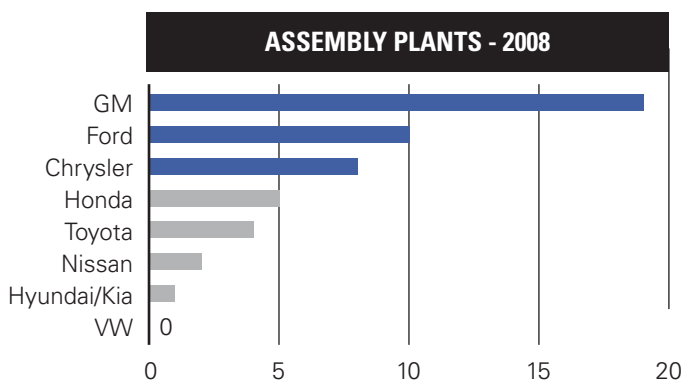
Jobs

GM alone employs nearly as many Americans as all foreign automakers combined. Ford employs as many Americans at just one of its plants as Hyundai, Mercedes, Subaru and VW each employ nationwide.



Plants

Automakers operate 54 assembly plants nationwide, but Ford, GM and Chrysler built 37 of them. In fact, Ford operates as many assembly plants here as Toyota, Nissan, Hyundai, Subaru, Mercedes and VW combined, while GM has more.



WHAT YOU DRIVE,
DRIVES AMERICA.

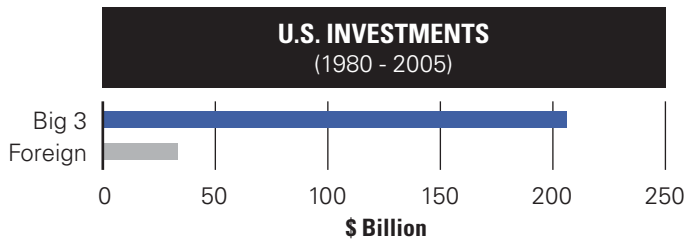
WHY AUTO JOBS MATTER... (cont.)

R&D

Thanks largely to Ford, GM and Chrysler, more than 65,000 Americans work in auto R&D in Michigan alone. By comparison, the 14 Japanese automakers doing business in the U.S. employ only about 4,000 R&D workers nationwide.

Infrastructure Investment

Automakers invested \$239 billion in plants and infrastructure from 1980 to 2005, but 86 cents of every dollar came from Chrysler, Ford and GM.



For every dollar invested, foreign automakers contributed only 14 cents.



U.S. Parts

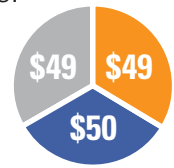
Automakers spent \$149 billion on U.S. parts last year, but Detroit represented more than two-thirds of that amount...



(in billions)

Foreign Big 3 At Risk

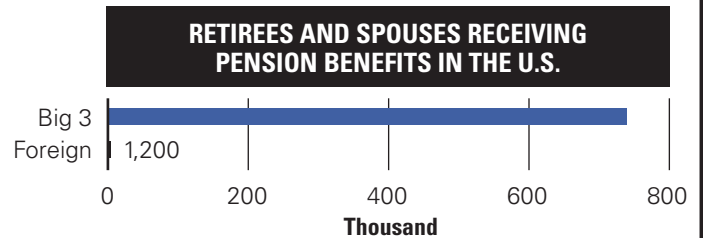
If U.S. automakers used as little of domestic content as foreign automakers, \$49 billion would move overseas.



(in billions)

Retirees

Because GM, Ford and Chrysler have been here far longer than foreign automakers, they support 600 times more retirees and retiree family members than foreign automakers, including Toyota and Honda.



WHAT YOU DRIVE,
DRIVES AMERICA.



IT'S *WHERE* THE WORK GETS DONE THAT MATTERS MOST TO U.S. JOBS.

Buying a Ford, GM or Chrysler supports about five times more U.S. jobs, on average, than buying a Hyundai—and twice as many U.S. jobs, on average, than buying a Toyota. Does that mean the Big 3 are five times less efficient than Hyundai?

No. It's *where* the work gets done that matters most to U.S. jobs.

Global Workforce

Ford vs. VW

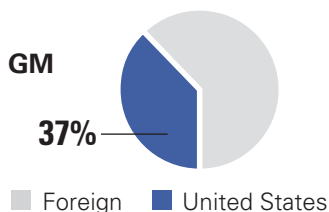
Ford uses fewer workers to build a car than VW, yet Ford employs 43 times more Americans. Why? Because three of every ten Ford workers is based in the U.S., while fewer than 1 in 100 VW workers is based here.



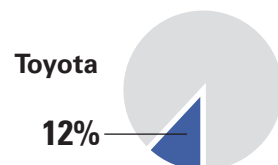
GM vs. Toyota

GM and Toyota each use approximately the same number of workers to build each car. So why does GM employ 2.5 times more Americans than Toyota? Because only 12% of Toyota's workforce is here. At GM, it's 37%.

37% of GM's workforce is located in the U.S....



While only 12% of Toyota's workforce is located in the U.S.



■ Foreign ■ United States

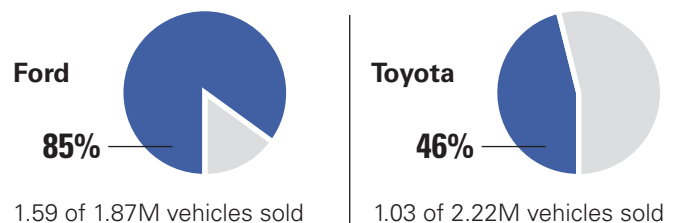
U.S. Production

Ford vs. Toyota

Toyota sold 20% more vehicles in the U.S. last year, so why does Ford employ nearly twice as many Americans? Because Ford makes a lot more cars in the U.S. than Toyota. In fact, 85 out of every 100 cars Ford sold in the U.S. last year were made in the U.S. Only 46 of every 100 cars Toyota sold here last year were made here.

Ford produced 565,000 more vehicles in the U.S. last year than Toyota, even though Toyota sold about 350,000 more vehicles here.

U.S. Production as % of vehicles sold in the U.S.



1.59 of 1.87M vehicles sold

1.03 of 2.22M vehicles sold

WHAT YOU DRIVE,
DRIVES AMERICA.



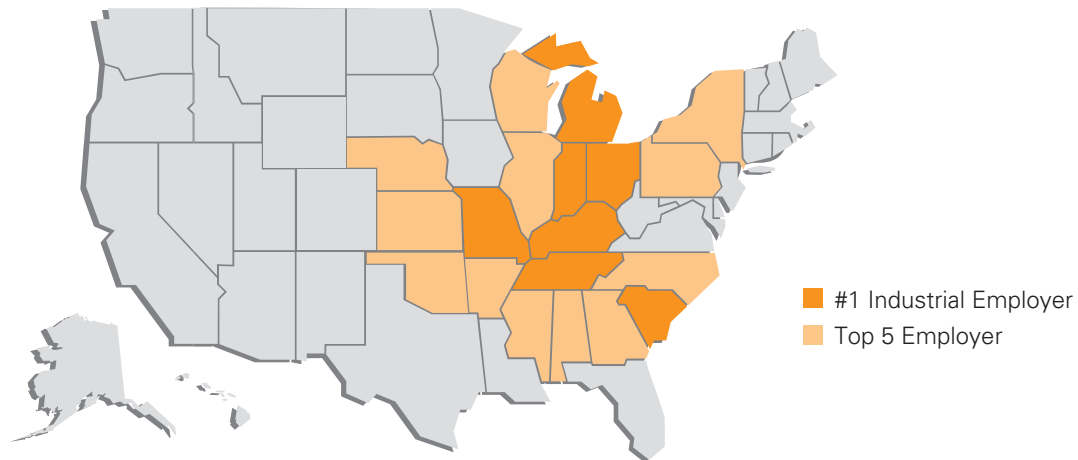
THINK ALL CARS ARE THE SAME? TAKE A LOOK UNDER THE HOOD.

On average, 72% of the parts in each Ford, GM and Chrysler are “domestic.” That’s more than twice the average foreign automaker’s domestic content (34%). What’s the difference between 72% and 34% domestic content? About \$49 billion in U.S. parts sales—and nearly 1 million U.S. jobs.

“Domestic content” is a term used by the U.S. government to measure how many U.S. or Canadian parts have gone into producing a particular car. The percentage is determined based on the value of the parts used. For example, if a truck’s engine and transmission are built in the

U.S. and everything else comes from Mexico, and the engine and transmission represent half the cost of the truck’s parts, the truck’s “domestic content” is 50%. Automakers post this percentage on each car, so that car buyers can see how their purchase affects U.S. jobs.

Auto Parts Suppliers



WHAT YOU DRIVE,
DRIVES AMERICA.

Why does this matter?

Last year, automakers spent about \$149 billion on U.S. parts, buying nearly a third of America’s iron, aluminum and steel, and nearly 60 percent of the rubber used to make tires. In fact, auto parts suppliers employ about twice as many Americans as the automakers themselves. These parts suppliers are the #1 industrial employer in seven states, and a top five employer in 11 others.

Ford, GM and Chrysler build a lot more cars here than foreign automakers do. Consequently, they buy more of their parts here. In fact, while they sold less than half the cars purchased in the U.S. last year, they bought more than two-thirds of the parts made here.

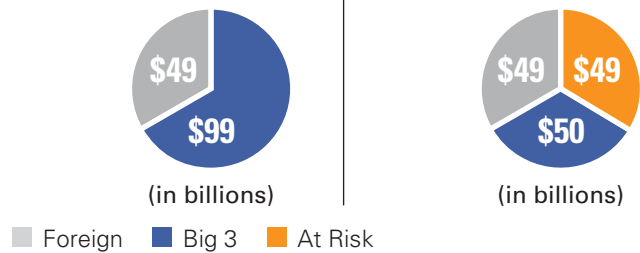
Perhaps the best way to understand the importance of these parts sales is to consider what America would look like if Ford, GM and Chrysler used as few U.S. parts as foreign automakers do. In other words, if Ford, GM and Chrysler had shifted from 72% domestic content to 34% domestic content, what would have happened?

The U.S. parts market would have shrunk by another third overnight. Approximately \$49 billion in U.S. parts sales would have moved overseas—and 189,000 auto parts jobs could have moved with them. Because each parts supplier in your community supports nearly five other jobs, shifting from 72% domestic content to 34% domestic content could have cost America 1 million jobs.

Domestic Parts Spending

Automakers spent \$149 billion on U.S. parts last year, but “Detroit” accounted for two-thirds of this amount...

If U.S. automakers used as little domestic content as foreign automakers, \$49 billion would move overseas.



Because of Detroit’s two-to-one parts advantage, a Ford assembled in Mexico has more “domestic content” than a Hyundai built in Alabama or a BMW built in South Carolina.



WHAT YOU DRIVE,
DRIVES AMERICA.



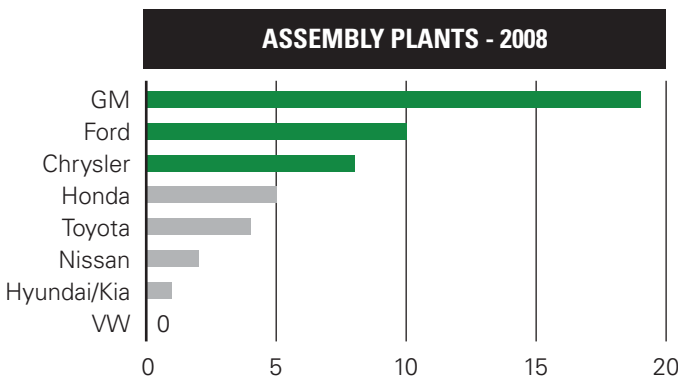
ALL THE HEADLINES YOU SEE ON PLANT CLOSINGS DON'T TELL THE WHOLE STORY.

Ford operates about as many assembly plants as Toyota, Subaru, BMW, Hyundai, Nissan and VW put together. And Ford, GM and Chrysler, together, operate twice as many assembly plants as all foreign automakers combined.

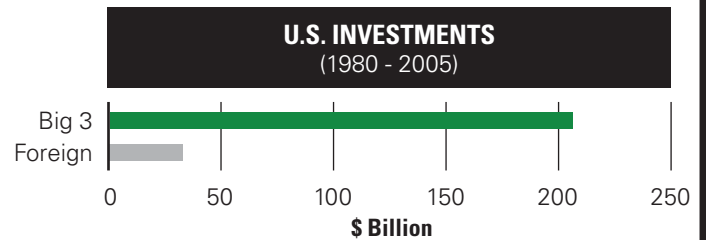
If you follow the auto industry coverage in your local newspaper, you might think there are only two kinds of auto plants in America: those being shut down by GM and those being opened by foreign automakers.

When Honda announced in 2006 it was investing \$1 billion in a new Indiana plant, more than 500 articles featured the news. About the same time, Ford announced \$1 billion in improvements to several plants in Michigan. Only 25 articles featured the news.

The fact is, however, that Ford, GM and Chrysler operate twice as many assembly plants in the U.S. as all the foreign automakers combined.



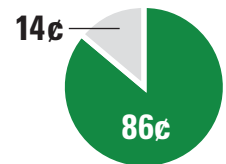
Because their presence is so much larger than foreign automakers, Ford, GM and Chrysler have invested six times more than all foreign automakers combined (1980-2005).



Eighty-six cents of every dollar automakers invested in America came from Ford, GM or Chrysler; the remaining 14 cents came from all the foreign automakers combined.

For every dollar invested, foreign automakers contributed only 14 cents.

Foreign Big 3



In just five years (2001-2005), Ford, GM and Chrysler invested more in U.S. plants and infrastructure than all the foreign automakers combined invested over the past 25 years (\$38.6 billion vs. \$33 billion).



BEFORE YOU JUDGE DETROIT ON INNOVATION, READ THIS.

Candidates who criticize “Detroit” for failing to innovate should read the latest report from the National Science Foundation, which tracks R&D spending. NSF’s report finds, once again, that Detroit’s automakers are among America’s largest sources of corporate R&D. Thanks, in part, to this R&D, our roads are four times safer than they were in 1960, auto emissions are 99% cleaner than they were in 1970, and fuel efficiency has increased by more than half since 1975 (even though we buy 2.5 times more trucks and SUVs).

Today the bulk of R&D in America is done by corporations (65%), not the Federal government (28%). Since the 1970s, when corporate R&D first overtook government spending on R&D, the gap has widened considerably.

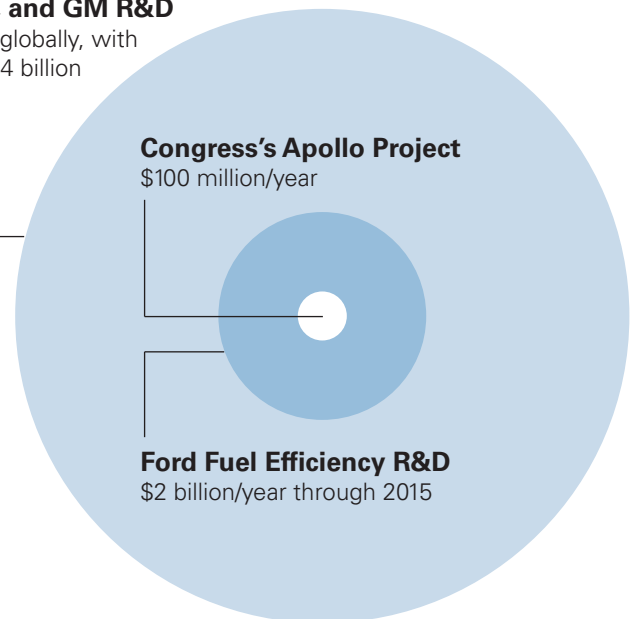
Ford, GM and Chrysler spent \$17.5 billion on R&D last year, and 80 cents of every dollar (\$14 billion) was spent in the U.S.

In Michigan alone, more than 65,000 R&D workers operate out of more than 200 facilities—representing a \$10 billion/year investment in America’s economic competitiveness. That’s why Michigan ranks second in corporate R&D spending. California is #1, over all. But, on a per capita basis, Michigan ranks higher.

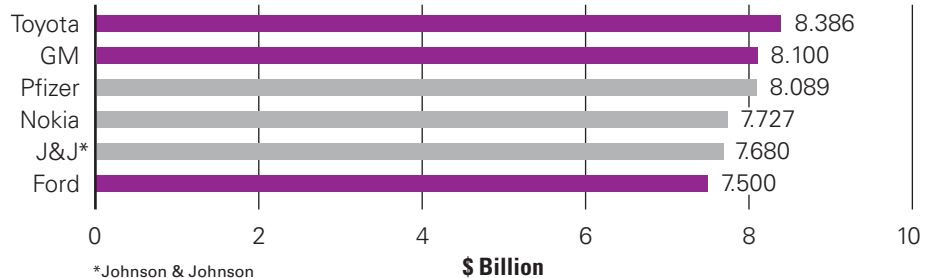
To get a true sense of how important this R&D is to our economy, it helps to compare Detroit’s spending on R&D to the research outlined in Congress’s current “Apollo” legislation. Apollo would invest \$100 million per year on fuel efficiency. That is about one-half of one percent of what Detroit will be spending over that same period.

Chrysler, Ford, and GM R&D

\$17.5 billion/year globally, with approximately \$14 billion spent in the U.S.



TOP INVESTORS IN R&D – 2007 (globally)



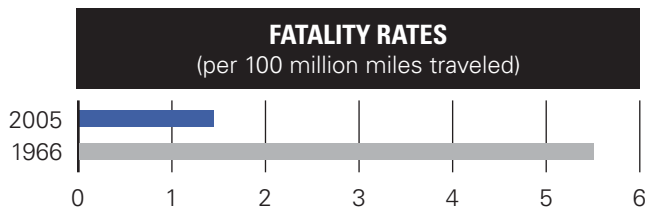
WHAT YOU DRIVE,
DRIVES AMERICA.

R&D

Of course, spending more on R&D does not necessarily translate into innovation, but Detroit's record on matters that matter most to consumers and the free market suggests the money's been well spent.

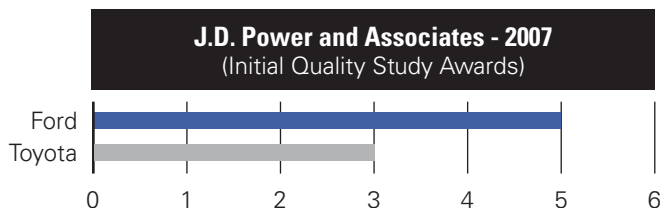
Safety

Despite the fact our highways are far more crowded, they are 4 times safer than 1960.



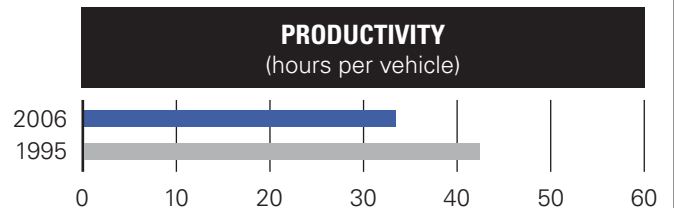
Quality

JD Power's results on initial quality show Detroit substantially eliminating the quality gap in 2005, with Ford winning more categories than Toyota in 2007—and GM winning Motor Trend Car and Truck of the Year honors for 2008. Ford won Truck of the Year in 2009.



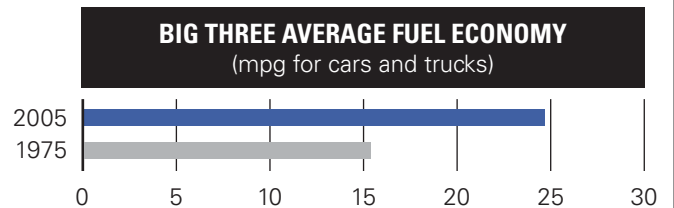
Efficiency

Over 10 years, Detroit reduced the number of hours it takes to build a car by more than 20% (cutting 8 hours out of the 42 hours it took in 1995).



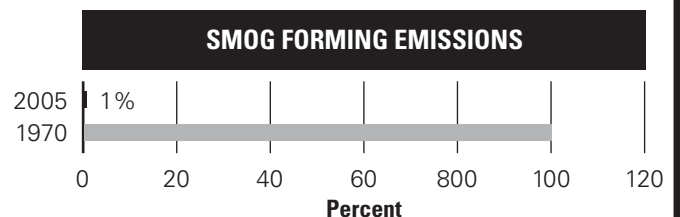
Fuel Economy

GM's fuel economy improved by half from 1975 to 2005, even though trucks rose from about 20% of fleet sales to more than 50%. Results at Ford are similar.



Our Environment

Auto emissions are 99% cleaner than the 1970s.



WHAT YOU DRIVE,
DRIVES AMERICA.



TODAY'S AUTOMAKERS ARE AMERICA'S BEST EXAMPLE OF WHY WE NEED TO FIX HEALTH CARE.

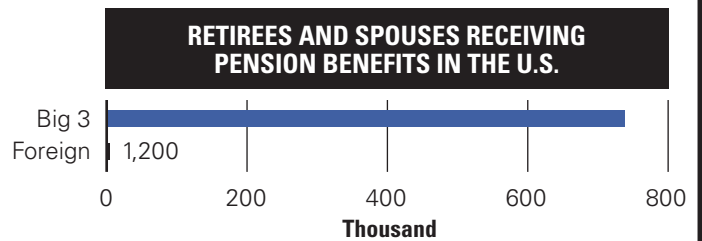
Today, Ford, GM and Chrysler spend more on health care than steel. But before you condemn them for their "legacy costs," consider the people behind that legacy.

Every U.S. employer is hurt by health care costs, because (1) we pay twice as much for health care as other industrialized nations; and, (2) we rely on employers to carry our health care system.

But the health care challenge is particularly tough for companies that face strong international competition. And it's even worse in industries, like the auto industry, where most of the health care costs are borne by just a few firms, because they are the ones with nearly all of America's auto retirees.

Though domestic automakers and foreign automakers each sell about half the cars bought in the U.S. each year, Ford, GM and Chrysler cover health care for six times more Americans than foreign automakers (2 million vs. 300,000).

Ford, GM and Chrysler together support more than 600 times more U.S. retirees and family members as foreign automakers do. In fact, supporting its retirees costs GM about \$950 for each car they sell here. Ford spends about \$635 per car sold. At Toyota, it's \$0 per car.



If an electric utility needs to raise rates to cover rising health care costs, its customers don't have much of a choice. But if Ford needs to raise prices in order to cover its rising health care costs, car buyers can always choose an import. That's one reason why investors recently bid \$65 billion for a single Texas utility (TXU)—about 1.5 times the combined market capitalization of Ford, GM and Chrysler at that time.



WHAT YOU DRIVE,
DRIVES AMERICA.



WE NEED TO GET MORE MILEAGE OUT OF CAFE.

Everyone agrees that fuel economy standards for autos must rise, but Congress and the Executive Branch must take a closer look at how these new rules will be applied. Hundreds of thousands of U.S. jobs are at stake.

Established in 1975 in response to the 1973-4 OPEC oil embargo, CAFE is the sales-weighted average fuel economy, expressed in miles per gallon (mpg), of a particular automaker's car and truck fleets. The Department of Transportation's National Highway Transportation and Safety Administration (NHTSA) administers CAFE standards—including determining whether increases are economically and technically feasible.

Automakers meet CAFE by controlling the mpg of each car in their fleets, but they must also respond to changes in consumer demand (for example, if an automaker's lower mpg vehicles sell more than expected, that raises the automakers average mpg).

Congress should maintain CAFE “anti-backsliding” provisions that support U.S. production of the very cars CAFE is supposed to encourage. Those provisions require automakers to meet CAFE standards for the fleets they build here and the fleets they build overseas, encouraging small car production in the U.S.

How can we have a flex-fuel economy, if we don't have cars that can run on flex fuels?

Gas companies must do their share. Today, only 1,900 ethanol/E85 pumps are available nationwide, despite the fact that consumers have purchased 10.5 million cars capable of using it.



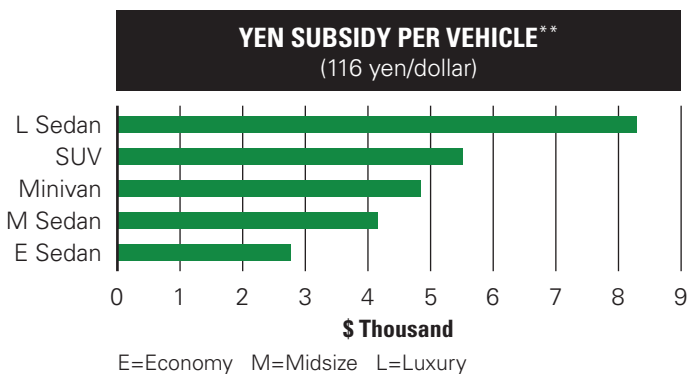
A STRONG SIGNAL FROM WASHINGTON COULD END JAPAN'S PRACTICE OF SUBSIDIZING AUTO IMPORTS.

By calling upon Japan to stop manipulating its currency, Congress and the President could end years of import subsidies that have made it harder to produce cars in the U.S. This would encourage foreign automakers to build more of their cars here. In fact, ending Japan's yen subsidy could have as big an impact on Detroit's profitability as reducing health care costs—and it could take far less time to accomplish.

For years, Japan intervened in currency markets to keep the yen weak (versus the dollar), which made it cheaper for Japanese manufacturers to export to the U.S. In fact, from 1998 to 2004, Japan intervened approximately 160 times, spending \$505 billion. Japanese officials continue to send strong messages to the markets to keep the markets artificially weak.

Estimates of the impact of this subsidy generally range from \$3,000 to \$14,000 per import, depending on the car's cost and the economist's assumption of just how devalued the yen is at a given time. *And because so much of their research, design, engineering and marketing are conducted in Japan, this subsidy also gives Toyota, Nissan and Honda an advantage on the cars they make here in the U.S.*

If you doubt that Japan is, in fact, intervening in currency markets, you need only listen to Japan's Finance Minister and the former Chairman of Toyota Motor Company, each of whom made it clear that intervening (through currency selling or by "talking down" the Yen) was taking place.*



How big a boost does Japan's currency policy give Toyota, Honda and Nissan? Imagine if Uncle Sam helped GM by paying for the sunroof, alloy wheels, remote start and premium stereo on your new Saturn Aura. That's about \$3,000 worth of help, which gives you a sense of just how helpful Japan's \$14,000 subsidy for each Toyota Land Cruiser could be.

*Hiroshi Okuda, chairman of Toyota Motor Corp., yesterday said that 'measures may have to be taken' to stem the yen's gains. 'If the present exchange rate remains... there may need to be measures taken,' Okuda said." Bloomberg, May 9, 2006. "Excessive and disorderly moves in foreign exchange rates are undesirable because they may hurt economic growth." Sadakazu Tanigaki, Finance Minister, Bloomberg, May 9, 2004.

** ATPC. America's Auto Industry: Economic Contributions & Competitive Challenges



WHAT YOU DRIVE,
DRIVES AMERICA.



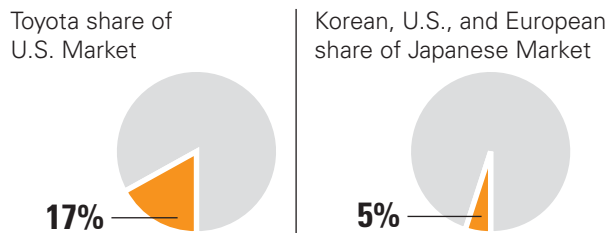
CONGRESS MUST TAKE A CLOSER LOOK AT THE KOREAN FREE TRADE AGREEMENT.

These days, every automaker is a global company—and open, fair trade benefits us all. But recent trade data shows that some partners are blocking U.S. vehicles through non-tariff barriers.

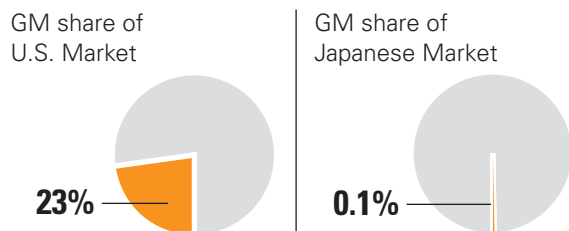
Japan

Proving that a country is protecting its market with non-tariff barriers (like onerous inspection practices and restrictions on dealerships) can be difficult. But American, European and Korean automakers—together—still capture less than 5% of Japan’s auto sales. Toyota makes great cars, but does that really explain why it has captured 3 times more market share in the U.S. than every U.S., European and Korean automaker put together have captured in Japan?

Why can't all the European, Korean and American automakers together sell 1/3 as many cars in Japan as Toyota sells in the U.S.?



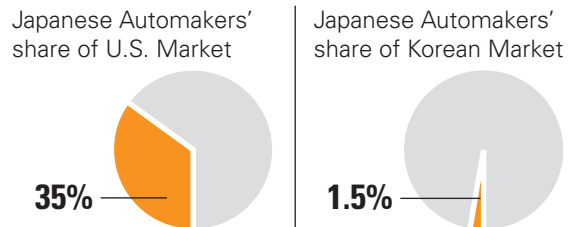
How do you explain a 230x difference in market share for GM?



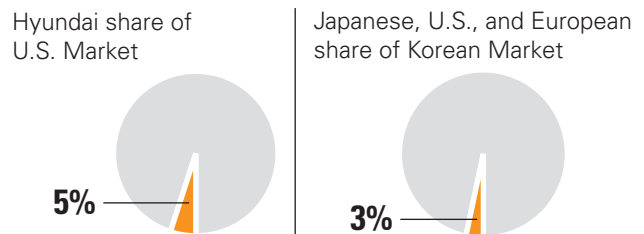
South Korea

Toyota, Honda and Nissan together capture about one in three U.S. auto sales—but they’ve captured less than one-twentieth that amount in Korea. How can a single company, Hyundai, capture a bigger share of the U.S. market than all the U.S., European and Japanese automakers combined enjoy in Korea?

How do you explain a 23x difference in market share for Toyota, Honda and Nissan?



How can Hyundai's share of the U.S. market be bigger than the Korean market share of every other company in the world?



WHAT YOU DRIVE, DRIVES AMERICA.

Sources and Methodology

U.S. automotive sales and production figures are for the 2008 calendar year. **Auto job estimates** are as of December 31, 2008, based on the automakers' respective annual reports, corporate websites and press statements. Worker productivity estimates are based on 2007 employment data, because most automakers have not yet reported global employment for December 31, 2008. **"Spinoff" employment** refers to jobs at suppliers and other companies that directly serve automakers, as well as jobs at neighboring businesses (like hospitals, schools and restaurants) that would not exist without the financial support of autoworkers and their families. LFI "spinoff" estimates are based on studies by the Center for Automotive Research (CAR).

Auto supplier employment estimates are based on 2004 data (*Contribution of the Motor Vehicle Supplier Sector to the Economies of the United States and its 50 State*), adjusted to reflect the drop in U.S. auto production from 2004 through 2008. **LFI's "jobs per car"** scores are obtained by dividing an automaker's U.S. jobs (as of December 31, 2008) by the number of cars that automaker sold in the U.S. that year. This approach accounts for the research, design, engineering and management jobs that tend to be overlooked by simply counting assembly plants. It also accounts for market share. Our JPC site presents jobs per car data in terms of jobs per every 2,500 cars sold. Doing so allows us to present results in whole numbers, which are easier to compare. For example, Hyundai/Kia supports 15 jobs for every 2,500 cars sold. If we were to present this in terms of every single car sold, Hyundai's JPC score would be .0006. **Assembly plant**

comparisons are based on Ward's Automotive Group's "North America 2009 Model Vehicle Final Assembly Plant Locations." Because most plants in the U.S. will be idled for at least part of 2009, we exclude only those plants that have been permanently closed. **Automaker R&D spending** estimates are based on the companies' respective annual reports and corporate websites, as well as materials provided by the National Science Foundation, ATPC, JAMA, AIAM and recent R&D reports by Booz Allen. Statistics relating to automotive R&D employment and facilities in Michigan are from the Michigan Economic Development Corporation. **Domestic content figures** are based on the automakers' filings with the Department of Transportation for each of their 2008 models, weighted according to each model's 2008 sales.

Capital investment data is taken from the Automotive Trade Policy Council's *The Economic Contribution of the U.S. Auto Industry* (2007), the Center for Automotive Research's "Book of Deals," and automaker and auto trade association websites. Retiree, health care and pension data are taken from reports by the ATPC, Auto Alliance, JAMA, AIAM and CAR. Fuel efficiency, traffic safety and emissions data are from the U.S. Department of Transportation.

Capital investment data is taken from the Automotive Trade Policy Council's *The Economic Contribution of the U.S. Auto Industry* (2007), the Center for Automotive Research's "Book of Deals," and automaker and auto trade association websites. Retiree, health care and pension data are taken from reports by the ATPC, Auto Alliance, JAMA, AIAM and CAR. Fuel efficiency, traffic safety and emissions data are from the U.S. Department of Transportation.

About Level Field Institute

Level Field seeks to promote U.S. jobs, R&D and infrastructure investment by offering clear comparisons of how various automakers contribute to the U.S. economy. Established by retirees and families of GM, Ford, Chrysler, and the suppliers and dealers that support them, the Level Field Institute also has the support of major manufacturers, suppliers, dealers, unions and others who care about these issues. Level Field welcomes foreign automaker investments and supports free trade.

Additional Resources

For further information about these issues, we encourage you to visit the following websites:

Level Field Institute provides research reports on auto industry trends, as well as company by company scorecards on jobs, plants and domestic content. www.levelfieldinstitute.org

Automotive Trade Policy Council provides reports on currency policy, as well as detailed reports on domestic automakers' contribution to the U.S. economy. www.autotradercouncil.org

Automotive Alliance provides reports on the economic contribution of America's auto industry. www.autoalliance.org

Japan Automobile Manufacturers Association represents the fourteen major Japanese car, truck, bus and motorcycle manufacturers. www.jama.org

Association of International Automobile Manufacturers provides reports on the economic contribution of foreign automakers. www.aiam.org

Center for Automotive Research conducts automotive industry research, publishing studies investigating governmental influences on the industry, and how industry affects society. www.cargroup.org



5505 Connecticut Ave., NW, #346
Washington, DC 20015-2601
www.levelfieldinstitute.org

TEL 202.510.2018

FAX 866.212.1232