



### ***Who should lead reorganization of the US auto industry?***

The auto industry is in shambles. At stake are the financial lives of many Americans and a core American industry and heritage. For the auto industry to survive and prosper it must be restructured to operate like a well-managed company. Yes – the auto industry understands it must downsize and reorganize; but crucial, key and pivotal decisions regarding the auto industry downsizing and reorganization must be done by people who know the industry, not the U.S. Treasury Department, investment bankers and bankruptcy professionals. For this to occur all involved in the auto industry must unite for a more powerful presence and voice and take leadership of the reorganization process and provide the business - management / operational / strategic aspects of auto industry reorganization.

There are three major components to a company reorganization; financial, legal and business - management / operational / strategic. The financial and legal aspects are near-term components; the business - management / operational / strategic aspects are the longer-term components, the components that are necessary for a successful long-term reorganization of the auto industry.

For the auto industry to survive and prosper will require all sectors to be viable, and that those leading the auto industry reorganization have experienced understanding and viewpoints of key industry business drivers, elements, factors, and sectors, and how they work together for the whole. Sectors include but are not limited to: New Car Dealers, (“Retained Dealer Points” and “Terminated or Displaced Dealer Points”), Fleet & Rental Companies, Leasing Companies, other Vehicle Outlets, Supply Chain (Tiers 1, 2, 3), After-Market Parts & Accessory Manufacturers and Distributors, multitudes of small business owners, and other product and services providers.

As anticipated, General Motors filed for Chapter 11 protection on June 1<sup>st</sup>. It is now clearer than ever the U.S. Treasury Department, investment bankers and bankruptcy professionals are leading the auto industry reorganization and that they are primarily focused on the near-term financial and legal aspects of the reorganization. This is also true of the Chrysler Chapter 11 bankruptcy. Seasoned industry executives, managers and professionals should be given the resources and time to develop and implement new strategies. In developing these strategies the focus should be to (i) redeploy industry assets with the objective of generated targeted returns on assets; (ii) adjust cost and operating structures based on current vehicle sale projections of approximately 9,000,000 new vehicles; (iii) develop products and strategies to regain domestic market share incrementally expanding auto industry sales based on performance and profits; and (iv) create capital structures that align with new strategic plans.

Because of the Chapter 11 filing of Chrysler and General Motors, folks are defaulting to the idea that the auto industry consists only of General Motors, Ford and Chrysler, the Detroit Big-Three. We must not lose sight of the fact that the auto industry includes the Detroit Big-Three, plus foreign manufacturers who have facilities, plants and new car dealership outlets in the U.S. Many new car dealerships have foreign car product lines; many supply chain companies also sell to foreign car manufacturers. These additional factors and interest should be considered as pivotal decisions are being made in the Chrysler and GM bankruptcies.

A time-honored auto industry principle is that “nothing happens until you sell something”. New vehicle sales fuel the economic engine that powers the auto industry. New vehicle sales cannot occur without New Car Dealers and a supply of new vehicles. New car manufacturers cannot have new vehicles without a Supply Chain. This interdependence example applies throughout the auto industry to the many different companies and industries that contribute to the overall auto industry.

All sectors, constituents and constituencies are required. All auto industry sectors and constituents must come together as a unified force and bring to bear more influence and control in the auto industry reorganization process. This is an absolute necessity to ensure that all required business elements are present for the auto industry to emerge with the ability to regain leadership prominence. An auto industry is not viable unless all constituencies are viable. For All constituents to be viable their interest must be addressed in the auto industry reorganization in a fair and equitable manner.

America needs and must have an auto industry and we only have one chance to get it right. All involved in the auto industry must unite for a more powerful presence and voice and take leadership of the auto industry reorganization process from the U.S. Treasury Department, investment bankers and professionals.

*KPN Advisors is a strategic business advisory firm with comprehensive automotive and metals management expertise; and financial and bankruptcy restructuring experience.*

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