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Struggling American Auto Industry Blamed on Foreign Competition and High Labor Costs

Voters Perceive Product Quality to be Lesser Cause

MACKINAC ISLAND, Mich. — It is no secret that the American auto industry is struggling. It's been well documented, particularly given Toyota's climb to the top of global auto sales and lagging profits from Detroit's Big Three. Michigan voters point most of the blame toward foreign competition (30 percent) and high labor costs (27 percent).

"Voters in Michigan do not feel that product quality is the problem causing slipping market share among Michigan-based manufacturers – Ford, General Motors and Chrysler," said Kelly Rossman-McKinney, CEO of The Rossman Group. "Rather, the state's electorate points the blame squarely on the shoulders of foreign competition and comparatively high labor costs. Poor management (19 percent) and poor product (7 percent) rank much further down the list of contributors to our current problems."

This according to a recent state-wide survey conducted by Denno-Noor Research, in partnership with The Rossman Group, recently named Lansing's Most Effective Public Relations Firm by a survey of political insiders, and Michigan Information & Research Services, Michigan's leading daily legislative and state government newsletter. MIRS was also recently voted the preferred newsletter of Lansing's political insiders.

The question was worded as follows:

"The domestic auto industry is losing market share and is in arguably the worst condition in its history. What do you blame for the problems of the domestic auto industry (ROTATE) poor product, poor management, foreign competition or high labor costs?"

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“Michigan residents are loathe to place the blame for our struggling auto industry on mismanagement or on product quality,” said MIRS President John T. Reurink. “Rather, they’d rather point their fingers at growing foreign competition and small profit margins due to high labor costs.

“There is a strong partisan split on this issue, as strong Democrats prefer to blame foreign competition (40 percent) as opposed to high labor costs (15 percent). Strong Republicans, on the other hand, have the opposite view, as they prefer to place more of the blame on labor (48 percent) and not so much on foreign competition (17 percent),” added Reurink.

The following chart demonstrates where responses landed geographically on the issue of blame for our struggling domestic auto industry*:

| | <u>SE MI</u> | <u>Central MI</u> | <u>West MI</u> | <u>Tri Cities/ Thumb</u> | <u>Upper L.P.</u> | <u>U.P.</u> | <u>Oakland</u> | <u>Macomb</u> | <u>Detroit</u> | <u>Balance of Wayne</u> |
|---------------------------------|--------------|-------------------|----------------|--------------------------|-------------------|-------------|----------------|---------------|----------------|-------------------------|
| Poor Product | 7% | 5% | 6% | 6% | 9% | 11% | 8% | 6% | 13% | 5% |
| Poor Management | 26% | 14% | 21% | 19% | 13% | 0% | 14% | 24% | 15% | 21% |
| Foreign Competition | 21% | 33% | 29% | 34% | 38% | 32% | 29% | 24% | 46% | 24% |
| High Labor Costs | 28% | 30% | 28% | 21% | 25% | 37% | 29% | 18% | 18% | 33% |
| All of the Above | 4% | 12% | 7% | 9% | 3% | 11% | 5% | 8% | 3% | 8% |
| None of the Above/Unsure | 14% | 5% | 9% | 12% | 13% | 11% | 16% | 20% | 5% | 9% |

*All numbers rounded. Thus, totals may exceed 100 percent.

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“Looking at the results geographically, Central Michigan (33 percent), West Michigan (29 percent), Tri-Cities/Thumb (34 percent), the Upper Lower Peninsula (38 percent) and the city of Detroit (46 percent) all placed a plurality of the blame on foreign competition,” said Denno-Noor President Dennis Denno. “High labor costs was the number one reason for our struggling auto industry in Southeast Michigan (28 percent), the Upper Peninsula (37 percent) and in the balance of Wayne County (33 percent). Oakland County cast equal blame on foreign competition and high labor costs (29 percent each), while Macomb County voters blamed both poor management and foreign competition equally (24 percent). Poor management also scored higher than foreign competition in Southeast Michigan (26 percent to 21 percent) and rated high in West Michigan (21 percent) and in the balance of Wayne County (21 percent).”

“It’s easy to place the blame on foreign competition,” said Rossman-McKinney. “But that also means that voters feel we are not competing well. As to the underlying reasons, the electorate as a whole does not seem to have a problem with the quality of the product being produced by the big three as much as they do high labor costs, which suppresses profit margins and poor management, which is not surprising given the recent turnovers at the helm at Ford and Chrysler and the continued scrutiny at General Motors. I find it pretty remarkable that the voters of Michigan do not have a problem with the product being sold by the domestic automakers. Poor management and high labor costs can explain why profits are down, but I find it remarkable that the state’s residents don’t have a problem with the product despite the fact that the Big Three continue to lose market share.”

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Methodology:

This survey was part of the Rossman Group/MIRS/Denno-Noor Quarterly Survey of the Michigan electorate. 600 respondents were surveyed between May 14 and May 17, and the participation was stratified based on census data and past voter behavior. A screen was employed to include only those participants who said they intended on voting, either at the polls or by absentee ballot, in the November 2008 Election. The margin of error is plus/minus four percent.