

GM's Wagoner: Washington's scapegoat

(Reuters)—General Motors Corp. Chairman Rick Wagoner looked weary last week in Washington, as he and fellow "Big Three" executives met with Congress over federal funding to rescue the U.S. auto industry, and in turn, Michigan's economy.

This week, word out of Washington—and among GM investors—is that stakeholders are asking for a head over the auto industry's near-collapse, and it may just be Wagoner's. And this columnist believes that if that's what it takes to save a million people from the unemployment lines and take a chance at revitalizing Detroit's economy, Wagoner may just take it. But don't blame him for Detroit's woes.

G. Richard Wagoner Jr. arrived in Detroit as an outsider. Growing up in Virginia and Harvard-educated, the bright and energetic Wagoner began his GM careers in the 1970s at GM's treasurer's office in New York City.

In 1992, Wagoner rose to the position of Chief Financial Officer. He assumed a multitude of roles until 2000, when Wagoner, then a young 47 year old, was elected by the board to become the firm's president and chief executive officer, succeeding the legendary John "Jack" F. Smith Jr. at the helm of the most iconic manufacturing firm in the United States.

Wagoner became CEO at GM at a time when the company reaped enormous profits from popular pickup trucks and SUVs. GM's difficult years of the early 1990s were a distant memory, and the efforts of Wagoner and Smith had helped the company become a strong competitor to the Japanese.

Aggressive cost-cutting, payroll cuts, and factory overhauls improved efficiency and productivity at GM's factories, and increased quality and reliability of its vehicles, a long stigma of American-made cars dating back to the 80s. GM solidified its lead over rivals Ford, Chrysler, and Toyota.

Although GM was making profits in the early 2000s, Wagoner was well aware of its Achilles' heel—too much legacy burden.



G. Richard Wagoner Jr., chairman and CEO of General Motors, testifies at a hearing on the U.S. auto industry on Capitol Hill on December 5, 2008 in Washington, DC. BRENDAN HOFFMAN/GETTY IMAGES

He knew that cheap gas prices, a booming economy, and strong sales of high-margin SUVs deflected attention away from GM's deeper issues. But GM's problems could surface quickly if the economy turned sour.

GM dished out generous health and retirement benefit packages decades ago to appease the United Auto Workers union. Due to a par-

ticularly onerous contract signed in 1990, GM agreed to pay former employees 70 percent of their annual salaries for years after leaving the company. For every car built, thousands of dollars went toward paying for health and pension benefits to retired and laid-off employees.

And keep in mind that today's GM is much smaller than the one that ran the auto industry decades

ago—it must support a far greater retirement base than it could afford.

"We have a huge fixed-cost base. It's 30 years of downsizing and 30 years of increased health-care costs. It puts a premium on us running this business to generate cash," Wagoner said in a 2003 interview with BusinessWeek (BW). Essentially, Wagoner was faced with

fixing 30 years of mismanagement at GM.

The truth is, he arrived at the scene after most of GM's poor management decisions have already been made. GM only pays its current workers a little more than Toyota, Nissan, and Honda pay their non-unionized employees, but legacy overhead expense costs the company an estimated additional

\$30-\$40 per hour per employee.

The choice to go "all in" with SUVs and pickup trucks was also made prior to Wagoner's appointment. In 2002, an estimated 90 percent of GM's net profit came from SUVs and pickup trucks. At the time, few could foresee that demand for larger vehicles would drop off as precipitously as it has. Even Toyota and Nissan subsequently introduced heavy SUVs and pickups to boost competition in the field.

After all, Wagoner is not a Detroit auto expert. He let his executives make product decisions, according to reports. "Rick acts more like a coach than a boss," says David E. Cole, director of the Center for Automotive Research (CAR) in Ann Arbor, Mich. in the BW interview.

Wagoner appointed Robert A. Lutz, an auto industry veteran who previously worked at BMW, Ford, and Chrysler, as GM's Vice Chairman of Global Product Development. Lutz oversaw the development of popular Saturn Sky and Pontiac Solstice compact sports cars.

Turning around a company—especially one as old and bureaucratic as GM—will not happen overnight, and the pieces for a turnaround seem to be there. Wagoner began as his restructuring process years ago, but unfortunately, time expired on him and his company. As the Wall Street banks can attest, the current financial storm waits for no one.

Back in Washington, lawmakers are pointing a finger at Detroit, inferring that any bailout must accompany drastic business changes at the top, which could mean replacing the current executives.

"You've got to consider new leadership," Sen. Chris Dodd (D-Conn.) said on CBS's "Face the Nation." GM's Wagoner "has to move on," he asserted.

If Wagoner is gone and GM survives because of a federal bailout, the new CEO would be lauded as both a hero and a visionary. It's a shame Wagoner never got his chance.

Pule Mmolotsi and the future of innovation in Botswana

By RADCLIFFE DOCKERY
Special to the Epoch Times

During our visit to the Republic of Botswana, we encountered a wave of innovative and forward thinking businesses. This small southern African nation has an emerging information technology sector full of inventors and entrepreneurs who are pushing new technologies.

Pule Mmolotsi, is the President of the Inventors Association of Botswana. He is also the inventor and patent holder of Botswana's first biometric phone. This biometric phone allows for users within an organization to log into their phones via a finger print scanner. Mmolotsi explains the cost benefits of such a solution.

"Many organizations are struggling with higher than expected telecommunications costs due to long distance calls being made on office phones with no process to log who made the calls", said Mmolotsi.

He later explained a situation where a government agency over \$250,000 in excess long distance costs. Thus, he took the steps to create the biometric phone where users have to use their finger print to log into the phone and make calls. The return on investment for organizations has been tremendous.

Since 2004, Mmolotsi has been developing this technology in Botswana. He has produced the second generation prototype of the Biometric phone which provides users with greater technical capability – plus has a more modern look. That being said, Mmolotsi has faced significant challenges as it pertains to funding this needed innovation.

To date he has incurred a personal financial investment of \$150,000 Pula (which is about \$25,000 Canadian) for development and promotion.

When we asked why this was the case, he explained, "There is a lack of a national funding agency that focuses on Research & Development here in Botswana, thus inventors such as myself are normally required to use our own capital to not only develop new technology but to

continue our own R&D".

Mmolotsi is not alone in facing the issue surrounding a lack of funding for R&D in Botswana. This is why he formed the Inventors Association of Botswana. The association's primary objective is to support and promote the development of intellectual property in Botswana. The hope is that the association will encourage both the private and public sectors to invest in R&D within Botswana. Additionally, it will help prevent the best

tional Telecommunications Union in Egypt, World Biometric Conferences in Las Vegas and Miami, International Biometric Conference in London, and Neural Manufacturing in Malaysia. However, he has to fund the transportation, accommodation and conference fees on his own with little to no help from the local investors.

The road that Mmolotsi has taken has not been an easy one. Yet in the heart of southern Africa he has been able to invent and commercialize a biometric phone. Plus, he has been able to improve the product and have it showcased at conferences around the world.

So why does he still run into funding road blocks? The overall R&D strategy in Botswana needs more development. As the nation continues to make strides to diversify its economy, it has taken a bit of time to embrace information technology. Hopefully, with a new high speed network and the creation of the Botswana Innovation Hub this trend will reverse.

In the meantime, Mmolotsi requires at least \$1 million pula (\$150,000 Canadian) to finish off research and to showcase this technology at the ITU conference in Geneva for 2009. The stereotype of African youth normally surrounds poverty and the loss of hope, particularly in the southern region of the continent. Yet, Pule Mmolotsi shows us that with vision and a passion for technical innovation Africa can and will be a player in the next generation of security and communications.

Both the public and private sectors in North America should view inventors such as Pule as not only an inspiration but as a solid opportunity to make a substantial impact via their Corporate Social Responsibility initiatives or venture capital investments.

HigherEye Training & Consulting is working with Pule Mmolotsi to attract investment via Corporate Social Responsibility programs or Venture Capital. To learn more about how you can make a positive impact, contact Radcliffe Dockery at vision@highereye.com or call (416) 855-0072

young technical talent from leaving Botswana.

To illustrate the effectiveness of Mmolotsi's technical skills, he had recently presented his products at the following events: Interna-

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