

The Alternative Line

by Joe Holzer for Publication in CNY-PCA Redline Report Copyright 2009 <http://www.holzerent.com>

Crisis Response and Response Integrity

This is a rant, so if that's a problem for you, please accept my apology in advance. As most of you are at least dimly aware, there has been a substantial drop in automobile sales over the past eight months. Also, there have been substantial and rapid rises in the number of layoffs and unemployment. Concurrently, the housing market is in the dumpster, which has led to a high default rate, which has led to a lack of faith in the value of the various mortgage backed securities and their derivatives, which of course has led to a credit crunch. That has inevitably led to consumers lacking confidence in their own personal situation, which of course means a dropoff in home sales (which of course exacerbates the falling price market) as well as putting off purchases of new automobiles, which doesn't help GM, Ford or anybody else. Which leads me back to the beginning of this paragraph; the drop in automobile sales.

But the response to that reality has been profoundly illustrative of both the various companies and entities involved, and what got us to the situation in the first place. Make no mistake, those who have read my diatribes know that I view the typical SUV as about as appropriate for most of the real tasks placed before them as I view an original VW Beetle as a boat; it will definitely float, as their commercial said, but it won't float indefinitely. Those who watch Top Gear will recognize the truth in this from their amphibian escapades. But I digress. Anyway, despite my views on the purpose of SUV's, I will fight to the death for their owners' right to make what I consider stupid purchases. It's their money. At least until they owe it to me. So Detroit can be forgiven for simply giving US buyers what WE (ignorantly, perhaps) want to buy, and satisfying that demand is the foundation for an automobile company's prosperity, as it is for almost everything we choose when we have an alternative.

When the banking credit crisis hit, the US Administration immediately gave a ton of money to the banks, and rushed through a fire-sale bargain for J.P.Morgan – Chase, which I will hereafter refer to as “Chase” (scumbag might be a more appropriate word as you will read, but again I digress). Note that the Administration did so with YOUR money. The new one continues to do so.

Chase immediately determined that the smartest thing they could do was to screw the very people they should have wanted to do precisely the opposite to – those who actually have, do, and will continue to live up to the terms of their individual financial arrangements with Chase (and everybody else), precisely because they understand the rules. According to them, they “notified” me in Nov that they were changing the terms under which I had borrowed funds from the agreed 3.9% APR to 7.99% and adding a \$10 per month “fee” for the privilege of doing business with them. Oh, and by the way, the payments will now be the greater of the aggregate interest plus a percent of the debt, or 5% of the debt, whichever is greater.

I never have seen the notice, so it was probably in fine print tucked in the pile of global warming they include with every statement, so I was surprised to see the result with my Feb. '09 bill. Being the submissive I am ;-) I took them to task. They insist they have the right, apparently because they think the term “contract” only applies to their ability to enforce terms favorable to THEM. But I think that someone in the Fed Bank Regulator I copied my complaint to agreed that the “Fee” was nothing more than a progressively indexing APR in violation of Fed law. How else to explain the letters I received yesterday that Chase was “refunding” the \$10 fee. It is probably appropriate to acknowledge one fact about these things; they were “deals” to transfer balances from another account to their card account, because they know that almost all cardholders will continue to use the cards, and then Chase will get both the retailer's fees and the much higher APR for purchases, which BTW will only be paid off once the lower APR stuff is. However, I refer you back to “I know the rules”. So those cards all went right to the safe, never to see the light of day. Are you seeing a pattern yet?

At the Porsche AG stockholders meeting, they announced their best year ever last fall. At the same time they outlined the difficulties facing them and all automobile companies in the near term. And since they own a majority share in VW, and plan to own 75% thereof, they are not merely concerned about cars nobody really needs, but which are purchased by people who are largely immune to the vagaries of a credit crunch (remember, they sell new ones to people OTHER than me ;-) And so they noted that they would be reviewing every non-essential for cutbacks. But they noted that “future essential business activity would go largely untouched”. You can read that to mean “development”, which has ALWAYS been the root of Porsche success and prosperity.

At Hyundai, the approach was different; recognize who our customers are and what they will need to offset waning consumer confidence, and find a way to do that. The result is the “three payments if you lose your job, or bring it back”, which has assured them an enormous increase in market share even if they have seen a total dropoff in sales. Another surprise, though, has been Subaru, which might have more to do with their timing to “right-size” their Forester by making it somewhat bigger than its last version (welcome to America, the land of short memories of \$4.50/gal gas) while retaining the reputation for solid return of value.

I have never been a fan of the absurdity to which the UAW drove the “Big 3” (a misnomer today, for sure ;-), but I am also fully aware of why the Taylor Law came to exist in the first place, the power of the industrialists who took advantage of the labor. If you want to see both the good and the bad of labor relations you need only look to Germany, where they are truly partners with management in a mutually sailing or sinking boat, but which tends to drive investors to lower labor cost market sourcing. Until that dries up, Germany will have a largely flat employment, simply because their laws for company closing are so onerous and costly (we could learn some things there as well, I think ;-).

Like almost everybody else, I have my blind side. I see things from a personal perspective which may not jibe with others’, including reality sometimes ;-). I learned a long time ago that the adage that the “Customer is always right” is a falsehood. The customer is NOT always right. But he IS always the CUSTOMER. Consider GM, and recognize that one must always ask pertinent questions in analyzing a situation. In the case of GM, whose Rick Wagoner was as much as anything a sacrificial lamb in the current environment, the question should be “if he is so valuable, why did they lose money when the market was doing great?”. Why did it take THIS long? I ask the same type questions re the “knowledgeable” people who created the derivatives which brought down AIG, but whose bonuses were justified on the basis that “these things are complicated, so we need people who understand them”. That seems to me to be analogous to paying MORE to a programmer who builds into the code “software bombs”, because he “knows where they are”. In MY world, personal integrity demands that if I did such a thing, even unintentionally, then I have an obligation to make it right.

But that is precisely my point (you knew I’d get here eventually, right ;-), the lack of integrity at these halls of financial power and other positions of strength. And Chase is merely a tip of the proverbial iceberg, but the lot of them are sinking our Titanic way of life.

Verizon, a wire monopoly for local phone service, sent a team around to sell FIOS, a high speed internet and phone over fiber optic cable, right after they installed it in my neighborhood. They made large of the fact that it was \$69.99 per month, and continue to do so. But I have dealt with such stuff before, so I sent them a notice that I understood my TOTAL COST was to be \$69.99 per month for the services, and that their showing up to install the system was their agreement to that pricing. You can figure what happened; they showed up after no acknowledgement of the email (which gave me a date-stamp; I know what I am doing), installed and then billed me for \$83 per month. When I called them, they said the microprint said “plus fees”, as if another 18% was “full disclosure” covered by that. So, when I paid exactly \$69.99 each month on time, they eventually shut off my long distance phone service. Then they compounded that by having an accounts manager leave me a message to “call her at 716...”. How? I can’t make long distance calls. Needless to say, my business could not continue that way. So I complained to the PSC, since the law says they cannot change the service over a disputed bill amount as long as I pay the undisputed amount. And I got another provider.

Yesterday I received the ultimate insult – they think I am going to pay not only the differential they claim I owe, plus the “late fees” they assessed my account, they have now added an “early withdrawal penalty”. Apparently, that is as far as they read in our “contract”.

The biggest problem our country is facing today is NOT the healthcare, financial crisis, war, global warming nor anything else in the news. It is that we are no longer dependable for ANYTHING, because our word is worth squat. And the people who are being paid the MOST, seem to have the least integrity of all. What was the last euphemism you heard instead of TRUTH?!

Would YOU buy a Porsche were it not for the fact, as detailed in Karl Ludvingsen’s history of Porsche, “Excellence was Expected”? It has been precisely the dependability of Porsches which has led them to so many race wins, and why we advocates think little of taking them to the track and driving them to the limits of the laws of physics. Let me tell you; integrity and reputation are not built overnight. But they can be destroyed in a heartbeat. And having once done so, they are even HARDER to recover. JUST ask GM. ;-)

