Good afternoon. It is a pleasure to be here at this outstanding world congress.

My message today is this: the urgency for collaboration between carmakers and suppliers has never been greater. We have talked about collaboration until we are blue in the face, and the reality is that we lack a shared understanding of the attributes that characterize true collaboration.

There are three key points I would like to underscore as we consider the urgency facing the industry.

First: the industry, in the near term, is going to be a painful place to do business for many of us.

Right now there are too many suppliers. As we improve collaboration, the number of suppliers will decrease, as we move from a price-based OEM-supplier relationship to a collaborative partnership.

GM reduced its 3700 global supply base by 500 suppliers in 2005 as it moves toward more effective relationships with its suppliers. Ford has announced it will move from 2500 to 800 suppliers as it transforms its supplier relationships. Delphi is moving from nearly 4,000 suppliers to 700 to 900 suppliers in the next few years. Toyota has only 500 suppliers in North America, and enjoys a strong culture of healthy relationships with suppliers.

We will experience significant uncertainty and industry consolidation in the next few years. Suppliers will move from Tier 1 to Tier 2, acquire or be acquired, seek global alliances, and develop partnerships and innovations to meet customer needs. The strong survivors will be the top three suppliers in their areas of expertise. The survivors will serve multiple customers in a global environment.

My second point is: be your own industry catalyst. It is easy and in fact, irresistible, to point out the short comings of other companies. But often, the culture we really need to change is that of our own company. Make sure that your company is practicing collaboration, up, down and across the supply chain.

I found it interesting that a few months back, a Wall Street automotive analyst indicated that positive relations with suppliers are a significant factor in the financial performance of companies. While we have always said this, it makes a lot more impact when the statement is made by a credible third party who makes their livelihood understanding the financial performance of companies.
My third point is: hang tough, the industry has changed and will continue to change, and the rewards are worth the effort.

In 2005, positive progress was made in improving OEM – supplier relations with domestic OEMs. DaimlerChrysler has involved suppliers earlier in the vehicle development process and focused more on target pricing with fewer suppliers.

Ford announced the Aligned Business Framework model that will require new commitments from both Ford and suppliers to “raise the nature of the Ford-supplier relationship to an entirely new level.” I believe Ford is making a strong commitment to improving the relationship with its suppliers in order to improve the bottom line, quality and vehicle launch.

The state of our North American automotive industry varies significantly. Several car companies and suppliers face high legacy costs, excess capacity and market share declines. A significant percentage of suppliers are struggling to survive as a result of price reduction pressures, increased material costs and intense global competition.

The pressure to produce innovative products is enormous and the questions are clear: How can we work together to produce “must have” products? What do we need to do differently? What are the characteristics of the business relationship between carmakers and suppliers that lead to success? How can we as an industry continue to survive when so many of the stakeholders are at risk? And, how can we affect change in a way that adds value for both carmakers and suppliers?

Our industry has been analyzed and surveyed almost to death, especially in recent years. The answers to our challenges seem clear. We can and must work together as a total supply chain to reduce cost, improve efficiencies and increase the speed of innovation. We must communicate. We must collaborate during the earliest stages of vehicle development, pre-production, production and warranty. We must recognize our mutual interdependence. Only then can we effectively address our many challenges.

In summary, I believe it is critical for the leaders of the automotive industry to provide a positive model for collaboration in all of our companies – our profitability, and in fact our very survival, depend on the success of our efforts. Over the past seven-plus years, OESA has worked to put the tools and building blocks in place that suppliers can leverage to improve collaboration. We have made small but meaningful gains, and will continue these efforts with your help and support. Thank you.

Thank you.