

HEADLINE: A Car Seller Who Favors Fuel Taxes

BYLINE: By KEN JAWOROWSKI

BODY:

Mike Jackson is saying things that some people may not want to hear.

He's calling for a significant increase in the gasoline tax. He's chiding American car companies for their sales strategies. And he's wondering when Washington will deliver a new energy policy.

Mr. Jackson's views on such matters are hard to ignore. As chairman and chief executive of AutoNation, he leads the largest auto retailer in the country, with 281 dealerships, 27,000 employees and over \$19 billion in revenue. Before joining the company, Mr. Jackson, 57, served as chief executive of Mercedes-Benz USA, overseeing its American sales operations.

Mr. Jackson spoke recently about the auto industry and AutoNation's business. Following are excerpts:

Q. Can you sum up your views on gasoline taxes and America's energy policy?

A. Any policy should address the supply side, address the technology side, but it also has to address the consumer side. The American consumer does have an addiction to cheap oil. It's almost as if it's a divine right.

There needs to be a signal to the American consumer that the party is over and that we're all going to have to be more responsible going forward, and that higher energy prices are going to support the technology that will give us significantly greater fuel efficiency.

We've called for a \$1-a-gallon increase in gasoline taxes, phased in over the next 10 years, so it's only 10 cents a gallon per year. But since purchasing a vehicle is a long-term decision, the consumer will factor it into his next purchase.

Q. What has been the reaction to your proposal?

A. If we called for this 5, 10 years ago, we'd be tarred and feathered. What happened this time is our research shows that the majority of the American consumers would support -- are you ready for this? -- an increase in energy taxes, if it was part of a comprehensive policy designed to address America's dependence on imported oil.

The American consumer has watched what's happened in the world globally, and is well aware of the exposure this is to the country, and is willing to do something. Now, whether anything will happen in Washington, that is another story entirely.

Q. What must American car companies do to stop losing market share?

A. There's some irony here in that the American car companies, the quality of their product is the best ever today. But they are paying for ignoring the consumer for quite a long time in the past. And that opened up the door to competition. And now the situation is if you want to win the American consumer back, it's not good enough just to equal the competition: you're going to have to surpass that, and then give them a reason to come back. And that's a very difficult thing to do.

I think a positive example is Chrysler. They've gone with dramatic, bold design that is polarizing: you either love it or hate it. But it certainly gives you a reason to buy. And I think G.M. and Ford have realized that they need to be more bold in design, and are moving in that direction. But the lead time is still two, three years.

I think the other issue for them is that their marketing strategy -- that is, namely, that they're in the business of selling rebates and discounts, not selling a product and a brand -- is at a dead end. And they've been slow to switch to everyday value pricing.

Q. Why should someone invest in AutoNation?

A. We have a very resilient and adaptable business model that generates tremendous positive cash flow, almost by definition, in that the foundation of our business is service and parts. We have 93 percent fixed coverage. That means the profits coming from our recurring service and parts business pay 93 percent of our fixed costs. Meaning before we go out and start selling cars and trucks, we are almost break-even. I'm 93 percent happy when I get up in the morning.

Q. What did you drive to work today?

A. I drove a Mercedes-Benz CLS55. Everybody knows I grew up fixing Mercedes and ended up the C.E.O. of Mercedes-Benz. I do own other vehicles. But at the end of the day, most of the time I'm driving a Mercedes-Benz.