

POSTCARD from DETROIT

Story and photos: Joe Sage



If you've never been to Detroit, you should go. Home to the US auto industry, Motown and the Koney Island diner, even in tough times Chevy had it pretty well pegged years ago with its *Heartbeat of America* slogan. If you're lucky enough to live in Arizona, then why not sacrifice a few days and go to Detroit in January, when it's 9 degrees? The North American International Auto Show gave us the opportunity to do just that.

For 2009, with the economy in a tailsip and the automotive segment bearing challenges beyond the rest, there was great apprehension about this year's show. Several carmakers pulled out completely this year; a couple were replaced by last-minute efforts on the part of their dealer groups, to fill their familiar spaces with showroom stock.

In addition to the Cobo Hall displays, the NAIAS media days generally include educational opportunities and a variety of festivities. Two we attended were the "What Drives Detroit" conference by the Foundation for American Communications (FACS) and a Mercedes-Benz reception and reveal.

MERCEDES-BENZ: The Mercedes event was held at the newly renovated historic Westin Book Cadillac Hotel downtown, where Daimler AG Chairman Dieter Zetsche gave a sneak preview of the new E-Class, officially not being revealed until the Geneva show, as well as the Mercedes-Benz/McLaren SLR Stirling Moss roadster and the new BlueZERO series of concepts, a near-fully-developed electric lineup that will comprise three vehicles/technologies: the BlueZERO E-CELL with battery-electric drive has a range of up to 200 kilometers (120 miles) using electric drive alone; the BlueZERO F-CELL (fuel cell) has a range of well over 400 kilometers (240 miles) incorporating electric drive; and the BlueZERO E-CELL PLUS has electric drive and an additional internal combustion engine as a range-extending power generator, for an overall range of up to 600 kilometers (360 miles) or up to 60 miles using electric drive alone.

By the way, the Chinese were showing electric concepts claiming ranges up to 600 miles on a charge. Believe it when you see it. Anecdotally, customers at the souvenir stand out front were complaining that their flashing logo show pins had given up in less than a day. Yep, from China.

FACS: The FACS conference is worthy of a book, but in brief, this seminar, held at the offices of the Detroit Free Press on a snowy Saturday morning, took a comprehensive look at the current financial crisis, the state of the automotive industry, and a deep look into the crystal ball. We shared our table with John Reed from the *Financial Times*, London, and Jean Jennings, President/Executive Editor of *Automobile* magazine. Frank Langfitt of NPR's Washington bureau was in front of us, producing a feature broadcast. This was a seriously focused presentation.

David Cole PhD, Chairman of the Center for Automotive Research (CAR) in Ann Arbor, dis-



FACS presenters included David Cole and Sean McAlinden of the Center for Automotive Research (CAR) in Ann Arbor and dealer consultant Sheldon Sandler of the Bel-Air Group.

Hospitality awaited the media at the Westin Book Cadillac hotel, courtesy of Mercedes-Benz. Tony Award-winning singer Audra McDonald headlined the entertainment before a presentation by Daimler AG Chairman Dieter Zetsche, here conferring with Roger Penske. Broadway dance troupes launched a look at the new SLR Stirling Moss roadster, the Concept BlueZERO eco-lineup and a pre-introduction look at the new E-Class.

cussed the current "perfect storm," a confluence of capacity being withdrawn, the US being the only industrialized nation with no industry policy (and a poor understanding of the role of manufacturing in the economy), and the multiplier effect: whereas the loss of a Wall Street job may have a multiplier of two, a manufacturing job represents an economic multiplier of 8-9-10. Cole noted that, as in Kenya, you should not try to run unless you're faster than the zebra or impala, i.e. someone will get caught, and you must be better than the best. Have dinner before the vultures arrive, Cole says. As he noted, last summer when gas was \$4-5 a gallon, Toyota couldn't make Priuses fast enough (and ramped up capacity). Now, with oil dropping from \$150 to \$35/barrel (at press time), they can't sell them. Energy policy can't be ignored, but neither can economics, and they are both in extremely unpredictable flux. Referencing lithium and biofuels challenges to date, he reminded us that just because an invention is here does not mean it's ready to implement. As another example, the stampede to plug-ins, while admirable in its own right, must stand up to the fact that not everyone has a garage.

Sean McAlinden PhD, Chief Economist at CAR, says GM should be an easy company to solve: their fixed costs are so clear, they've known since November exactly what they need for survival and when they need it. McAlinden states that GM and Chrysler "are bankrupt," as they are insolvent and clearly *would* be, without assistance. He points out that the unions never give away anything in negotiations and that freezes on wages and benefits are not a concession. Job creation is great, but what, he asks rhetorically, would California do if offered the relocation of all the big-SUV plants? The industry's economy must simultaneously recognize the realities of global

warming and customer demand, marketwide. McAlinden proposes the concept of hibernation. Chrysler could be able to do it, he insists, reminding us that Henry Ford used to hibernate a company for a full year at times. But back to those legacy costs: Toyota has 1000 retirees; GM has 365,000 in the US. To keep everyone working per union demands, the US auto industry has 25% "skilled workers" versus 12% at Toyota or Honda, which means, according to McAlinden's analysis, that US manufacturers have only half their "skilled" workers actually working with their skills, a big US inefficiency compared with the Japanese. At the same time, the Japanese companies manufacturing in the US are receiving state subsidies to locate locally, amounting to \$94,000 per worker over 18 years. One audience member raised a hand to say, "What you're presenting is really pretty depressing." "Oh, really," replied McAlinden, "well, what do you expect in a depression?" McAlinden displayed a cost-versus-price chart comparing GM and Toyota average transaction prices which showed that even if workers cost the same, even if dealership numbers were the same (there are far more dealerships for the domestics), and even if interest obligations were the same, the market itself seems to think Toyota is worth more, leaving GM amazingly at the Kia level.

Sheldon Sandler, head of the Bel-Air Group, a dealership consultancy, picks up the theme of wildly varying oil prices, saying again that Priuses are now stacking up unsold and Hummers are selling again, somewhat, leaving dealers "whip-sawed." Not only is it hard to plan inventory (although all are overloaded with past inventory already), but credit issues are severe. Sandler states that credit is a deal-



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GIRLS: They are everywhere at a show like this.

GUYS: Rick Wagoner, Chairman and CEO of General Motors, and Bob Lutz, GM Vice Chairman, Global Product Development, were on hand to showcase the company's latest offerings, concepts and technologies, as well as to spend significant time in front of microphones and cameras, reprising their recent Senate performances in search of vital time-bridging financial support.

CARS: At left, the Audi Sportback concept and Lincoln C concept, a 43 mpg EcoBoost effort that brings Lincoln way down in size and way up in sport and style. At right, the Cadillac Converj concept, an electric coupe based on the almost-production-ready Chevrolet Volt, and the Volvo S60 concept, surely cooler than the real thing will be.



Rick Wagoner, GM

Bob Lutz, GM



Audi Sportback concept

ership's liquidity; for inventory, for financing customers, for real estate and for acquisition of other dealerships. Now, however, customers can't get loans, while manufacturers, strapped for cash as they are, are paying dealers months behind schedule, not only for vehicle sales but even for warranty work. This has dealers cutting inventories (if they can), laying off personnel, canceling capital expenditures, renegotiating leases and mortgages, and generally minimizing non-essential variables. Real estate is so important to a dealership owner's assets and investments, that if sour economic conditions force closures, they stand to lose enormously on that front. (And as a multiplier of that, traditionally a former dealership might be perfect for the likes of a home improvement big-box store, but those are closing in droves now, too.)

Yes, indeed, it can be pretty depressing.

CONCEPTS always abound at the major auto shows. This year, there were a great many electric concepts and plug-in hybrid concepts from many brands. Since concept cars rarely are built to actually run, but rather are style and content studies, it was a pretty simple matter to slap a nice "electric" logo on a car, create a plaque describing the concept, and there you have it. And many did.

The show is also an opportunity to introduce new production models, such as the all-new Ford Taurus and the highly refreshed Ford Fusion (see Auto News Update in the front of this issue).

But the automakers had been legitimately busy with real concept development for some time, too, and there were many standouts among them. Here are a few of our favorites:

Audi Sportback concept: Anticipated to be a new A7 model, this slots next to the A6 sedan in the lineup, a step in size and luxury toward—but sportier than—the A8, much as the A5/S5 coupe complements the A4 sedan lineup now, a sportier step toward the A6.

Volvo S60 concept: With rear-hinged rear

doors, thin-shell sport seats, styling details from grille to lights to vents to glass amped up beyond your father's Volvo, this concept challenges the Audi Sportback for showstopping quality.

Lincoln C concept: Peter Horbury, Lincoln's Executive Director of Design for the Americas, says younger consumers with iPods and pocket-cameras have grown accustomed to the notion of premium quality in a small package. "The same philosophy can be applied to the automobile," he says. "People will be happy to buy a smaller car that is better for the environment and more maneuverable in the city, as long as the vehicle has all the attributes they want." The Lincoln C concept's small size, lightweight construction and use of sustainable materials combine with a 1.6-liter EcoBoost engine and dual-clutch six-speed for 180 horsepower and 43 mpg on the highway.

Cadillac Converj concept: We don't vote for a favorite, but this gorgeous electric-powered Cadillac luxury sport coupe is the one we came back to see again several times. Though based on the Chevy Volt, which is slated to soon to be in showrooms by hook or by crook, apparently these tough economic times are working against the Converj coming to fruition. Call your congressman.

GREEN: There has been much buzz about "green" alternatives, including increasingly familiar hybrids, hydrogen fuel cell and other quasi-exotic projects in development, all-electric vehicles and all sorts of combinations of the above, particularly the plug-in hybrid. The extra space created by manufacturers who pulled out allowed the Chinese automakers, new to the show and relegated to the basement last year, to move upstairs. And the basement became the Michigan Economic Development Corporation (MEDC) EcoXperience, where consumers could take a lap on a one-eight-mile forest-and-waterfall-lined track, in a variety of alternative fuel vehicles. (If the near absence of exhaust fumes was a benefit, it was made up for by the pungent aroma of mulch for the trees and gardens along the track.)

To start planning your trip to the North American International Auto Show in Detroit next winter, visit www.naias.com.



Cadillac Converj concept



Lincoln C concept



Volvo S60 concept