

MARCH-APRIL 2011

The Star

Mercedes-Benz Club of America



The Cars
and the
Companies
1909-1925

125! years of innovation



The Boys Are Back in Town

After a decade of unprecedented downsizing, the automobile manufacturers entered 2011 and the North American International Auto Show (NAIAS) with a sense of enthusiasm not seen recently.

Mike Jackson, former president of MBUSA, was quoted as saying that he has been at funerals where the mood was better than at 2008 and 2009 NAIAS gatherings. A bit of hope peeked through last year, and this year the stars were burning bright once again. The boys were indeed back in town.

While other articles in this issue focus on the new cars and announcements from Mercedes-Benz at NAIAS, I was asked to offer my views on the overall auto industry, where it is today and where it is headed. Quite simply, both GM and Chrysler sought relief from the bankruptcy courts, while Ford mortgaged nearly everything it owns, including its world headquarters, to survive to this point. Although the American automakers were hardest hit, other similarly drastic measures took place around the world as auto manufacturers fought for their survival.

The double whammy of a recession and a credit freeze, combined

Below: The Ford 4-cylinder EcoBoost engine and, right, the C-Max compact multi-activity vehicle, indications of future directions for the automobile industry



with the Detroit Three's production-push system, had brought the domestic automakers to a very perilous position. In a production-push system, auto manufacturers run their plants around the clock in an effort to offset their extremely high fixed costs. These same automakers "then offer costly incentives that reduce transaction prices, hurt residuals, and betray existing customers," Jackson added.

The renewed sense of optimism in the auto industry this year is partly fueled by U.S.-based companies shedding the burden of legacy employee wage and pension costs. While there were indeed sacrifices, the simple matter is that the ridiculously high legacy costs were unsustainable, and they would have forced the automakers to fail eventually if they were not addressed now.

Nothing less than a complete overhaul was going to save the auto industry from itself. Fortunately, the government realized that saving the domestic auto industry was the lesser of two evils and offered a government bailout in 2009 that allowed GM and Chrysler to shed their too-expensive overhead. The federal automotive task force also spurred automakers to offload brands and cut back on production as part of the reorganization plan. Looking forward, it is apparent that the Detroit Three, and other automakers around globe, finally get it.

Surveying the new products on display at NAIAS absolutely confirmed that all major automakers are taking very seriously the 2016 U.S. Corporate Average Fuel Economy goal of 35.5 mpg. While there was no shortage of hybrid and alternative-powered vehicles on display, the simple truth is that vehicles propelled by fuel-efficient, internal-combustion engines hold the upper hand for the foreseeable future because of their lower original purchase cost and already installed refueling infrastructure.

While traditional internal-combustion engines continue to be the mainstay of the industry, that doesn't mean it will be business as usual. Instead of the cars and trucks that we are familiar with, a new generation of smaller vehicles with smaller gasoline or clean-diesel engines will be the norm. Just as Mercedes has reduced the displacement of its AMG engines and added twin turbochargers to recover the lost power, other manufacturers can be expected to follow suit.

Also on the horizon is a new line of compact people movers, like the Ford C-MAX introduced in Detroit. This new compact, multi-activity vehicle introduces a host of unique features, including an industry-exclusive hands-free power-operated rear lift gate, a versatile 5+2 seating configuration with five seats in the main cabin and two smaller seats in the third row, twin sliding doors, and active park assist, an advanced new system that automatically steers the vehicle into parallel parking spaces.

The new C-MAX also heralds the arrival of Ford's first application of its all-new 1.6-liter EcoBoost inline 4-cylinder engine in its North American C-Class vehicles. The EcoBoost engine delivers the unique combination of responsive performance with improved fuel economy and reduced CO2 emissions.

Developed for global applications, the lightweight, all-aluminum 1.6-liter Ford EcoBoost engine combines high-pressure direct injection, low-inertia turbocharging, and twin independent variable camshaft timing (Ti-VCT) to achieve fuel economy results up to 20 percent better than naturally aspirated, larger-displacement gasoline engines with similar power output. This new engine is expected to deliver the best available highway fuel economy for a seven-passenger vehicle and is mated to Ford's 6F35 6-speed automatic transmission.

While hatchbacks and mini-minivans have been generally ignored in the past by American buyers, the new government regulations ensure that they are part of the driving future in America. Kia, Hyundai, and others showed future compact people-mover concept vehicles as the industry moves in that direction.

As we've read in The Star, Mercedes-Benz is heading in the same direction with the new vehicle that will replace the B-Class, expected to be introduced in North America in 2015-2016.

With a new lease on life and a second chance at hand, American automakers, as well as others from around the globe, finally seem to realize that the future depends on their success, and in turn the application of wiser business fundamentals.

