

*Stefan Jacoby
President and
CEO of VW
Group
North America
calls for
innovation and
responsibility
as the auto in-
dustry con-
fronts a rocky
future.*



HARD TIMES BRING INNOVATION LEADING THE NEW CLEAN ENERGY ECONOMY

The annual WAPA/Wanada luncheon was toned down to a box lunch in line with the bleak economy, but the speaker quality was unaffected with Stefan Jacoby, President and CEO Volkswagen Group of America, addressing the assembled media.

“Our industry changed the world by offering mobility to rich and poor alike. Mobility brings freedom, opportunity and economic development. It enriches the human experience. It breaks down barriers. It opens new possibilities. However, those positive changes have come at a cost to our environment. Our industry has been part of the problem; now we are determined to be part of the solution,” Jacoby said.

The task means reinventing the auto industry. To survive the current climate, the auto industry must, “be on on the leading edge of the new clean-energy economy,” Jacoby said.

Volkswagen and Audi plan to sell a million vehicles in the U.S. by 2018, Jacoby said. Moving the automaker’s corporate headquarters to the Washington area last year signaled a change in strategy and the corporate environment to encourage innovation, creativity and collaboration. VW is opening a billion dollar plant in Chattanooga, TN which will create 2,000 jobs at the factory and another 10,000 among suppliers.

Jacoby is confident the auto industry will survive the current economic tsunami. “Hard times have accelerated innovation throughout our industry. You can see the change at this year’s auto show. There is a new focus on fuel efficiency, alternative fuels and sustainable mobility. There has been a lot of talk about how the auto

See Jacoby page 2

Jacoby

(cont. fr. page 1)

shows this year lack the PR gimmicks and lavish events of previous shows. To me, that is a good thing.”

Jacoby said consumers needs have changed and the industry must listen to its customers. “Our Volkswagen and Audi brands are expanding the range of fuel-efficient options for American customers. We introduced nine new products in 2008. For Volkswagen — the Tiguan, Routan, Jetta TDI, Jetta SportWagen and CC. For Audi — the A4, A5, TTS and a refreshed A3. Our direct injection diesel technology — TDI clean diesel — dramatically reduces vehicle emissions when compared to traditional gasoline engines. We will soon be introducing TDI versions of the Touareg, the Rabbit and the Audi Q7 and A3.”

The VW Bluesport concept introduced at the Auto Show averages 55 miles per gallon and goes from zero to 60 in 6.2 seconds. Clean diesel will be offered on 30 percent of VW diesel models. They are refining the Golf Turbo-Diesel Hybrid. VW is also working on second generation biofuels, and have developed an all-synthetic SunFuel, that cuts greenhouse gas emissions by 90 percent.

Turning to the dismal situation in the industry, Jacoby as chair of the Alliance of Automobile Manufacturers, said the industry is important to the fabric of American life but that in the words of President Barack Obama, “... everywhere we look, there is work to be done.... We will harness the sun and the winds and the soil to fuel our cars and run our factories.”



Stefan Jacoby outlines the future of the auto industry standing beside the new VW Bluesport which achieves 55mpg with the power to zip from zero to 60 in 6.2 seconds.

“Our alliance supports a nationwide program on fuel economy and carbon dioxide standards that bridges state and federal concerns. Uniformity would move all stakeholders forward. A patchwork approach makes a difficult job even more complicated,” Jacoby said. He added that automakers must work together on alternative fuels on both technology and infrastructure. He added that the recent drop in fuel prices complicates the situation and that tax incentives are needed to continue the shift to alternative fuels.

“Our industry has changed many times over the course of its 120-year history. We are in a period of profound change now. And we will emerge better for it. The economy will rebound. That is a fact. And when it does, the winners will be the companies that stay focused on the basics — innovation, creativity and listening to customers.” he concluded.

2009 Auto Show

Reinventing the Auto Industry

Surrounded by a crush of photographers, Carol Browner, special assistant to President Barack Obama for energy and climate change, toured the decidedly green 2009 Washington Auto Show on Public Policy Day February 2. Back at the office, Browner penned an enthusiastic entry on the White House Blog.

"I found the (Chevy) Volt to be very comfortable - and surprisingly simple. You plug it in and you can get 40 miles on a single charge! Because nearly 80 percent of Americans commute 40 miles or less a day, this car could potentially provide 80 percent of Americans with a zero-emissions option for their commute."

"This kind of innovation and shift in design is key to the renewed success of the American auto industry," Browner blogged. "We saw the new Ford Fusion," she wrote. "This is another example of a technology that will benefit from funding for battery investments in the American Recovery and Reinvestment Act - the kind of forward thinking that we ought to be encouraging and supporting."

Sweet words for an industry that pleaded for loans a short three months ago and was roundly denounced by Senators for poor management and vision.

Although there seemed to be more free space on the Convention Hall, there were more hybrids, electric vehicles and fuel sippers on display.

Saving a key American industry, and reinventing the automobile was the unofficial theme of the show, while the official theme was "The Automotive Seat of Power."

Media Day kicked off with a breakfast presentation at the Mazda venue by former DOT Secretary Norm Mineta, who warned against competing voices in the fuel economy standards. He said there are three different voices on fuel economy and emission control--NHTSA, EPA and state legislatures. Mineta said what is needed is a single national standard and that the California standards must be married to Federal standards.

Representatives from AIAM, Auto Alliance, MEMA, NADA, NAMAD and AIADA presented a panel discussion of the state of the auto industry. The panel echoed the need for a national standard for fuel efficiency and emission control and sug-



gested convening a fuel economy summit including automakers, unions, dealers and state officials. Tax breaks to prime the consumer pump, they said could stop the free fall in auto sales. (the Mikulski provision to allow car buyers to claim a tax deduction for sales taxes paid on new autos and interest payments on car loans was added to the stimulus bill late that evening) The financial situation of dealers is critical, they said. Minority dealers said the regional banks have retreated from lending and the SBA will not allow them access to capital. Floor plan lending has dried up and even the most prosperous dealers can't last more than a few days without it. The auto suppliers are in crisis due to frozen capital markets and the downturn in the industry. Last June they employed 730,000 people and last month they employed 590,000.

At the Chevy venue Ed Peper, North American Vice President of Chevrolet accepted the 2009 Green Car Vision Award for the Chevrolet Volt. The award recognizes the most important vehicle in an award year that best envisions the road ahead, but is not yet on sale. The Volt beat out the Fisker Karma, Honda FCX Clarity, Mini E, and Mitsubishi i-MiEV.

GM announced that the Chevrolet Volt, will go on sale first in Washington and San Francisco by late 2010. D.C.'s relatively high concentration of hybrid vehicles suggests Washingtonians may be willing to pay more for a vehicle with better fuel economy. GM must also consider policies and infrastructure,

such as carpool lane access for Volt drivers and charging stations at work, to facilitate the transition from gas to electric.

GM has been working closely with the Electric Power Research Institute and a coalition of 40 utilities -- including Dominion Virginia Power of Richmond -- to solve development challenges of plug-in vehicles. And it aims to reach out to other utilities in the Washington region to ensure they can handle the surge of people plugging in their cars. GM hopes governments will become early adopters through fleet purchases.

Ford announced it has partnered with Johnson Controls-Saft, a joint venture between U.S. and French companies to provide lithium-ion batteries for Ford's plug-in hybrid due out in 2012. The agreement will provide 5,000 battery packs per year with the option to increase volume to meet market demand. Mary Ann Wright, the former Ford engineer who helped bring the Ford Escape Hybrid to market leads the joint venture.

Lou Rhodes, president of Chrysler's ENVI group, said it will produced 100 all-electric vehicles by year's end, and last month said it plans to have four electric models on the road in 2013. The company says it expects to have 500,000 electric vehicles on the road in four years.

"Chrysler's internal ENVI organization is focused on electric-drive as a mass-market, clean-vehicle technology," said Rhodes. "We are committing our

resources and funding on electrifying existing models, such as Chrysler's Town & Country minivan, to achieve speed to market, in addition to exploring all new vehicle concepts, such as the Chrysler 200CEV.

With 40 miles of all-electric range, Range-extended Electric Vehicles(ReEV), such as the Chrysler 200C EV concept, can be capable of a 400-mile total driving range. The interior is free of

Auto Show (cont. from p. 3)

switches and levers. All vehicle functions, settings and uconnect(R) features are managed via a panoramic multimedia touch screen, a passenger-dedicated "techno-leaf" and a stowable tablet PC.

As a pure electric model, the Dodge Circuit EV boasts a range of 150-200 miles with zero gasoline consumption and zero tailpipe emissions.

Tom Baloga, vice president Engineering for BMW of North America, spoke of the company's "footprint" in the U.S., which includes it's New Jersey headquarters, three design and technology centers in California and a manufacturing plant in South Carolina, as well as the \$1 billion it is investing to "further our commitment to the U.S."

Premium car makers like BMW "can independently innovate and first bring technologies into production that quickly migrate to the entire mass market," he said. The near term focus will be to gain greater efficiencies from internal combustion engines through integrated technologies called Efficient Dynamics and the development of a new generation four cylinder engine. Hybrids will follow in the 7-Series and X6 as well an electric MINI E, which is

due to be leased to customers in Los Angeles and New York City this spring. Hydrogen engines are still under development but will depend on the infrastructure to support it.

Irv Miller, Toyota Group Vice President, Environmental and Public Policy said in the next 10 to 20 years, we will not only reach peak oil, we will enter a period where demand for all liquid fuels will exceed supply. Before that occurs the auto industry must move ahead with vehicle technologies, the urban environment



(From Top) EPA Administrator Lisa Jackson and Transportation Secretary Ray LaHood tour the show on Public Policy Day. The Chevy Volt won the 2009 Green Car Vision Award. The Fisher Karma shows the possibility of Extended-drive Electric vehicles.

Auto Show (cont. from p.4)

where they operate and the energy to fuel them. Last year, we an-

nounced that we would deliver lithium-battery-powered plug-in hybrid vehicles to global lease-fleet customers in early 2010. Toyota moved delivery date to December 2009. They will deliver 500 next-generation Prius plug-in hybrids powered by lithium-ion batteries, with 150 of these initial vehicles placed with U.S. lease-fleet customers.

Miller said Toyota plans to introduce 10 new gas electric hybrid models in the next decade which will not be next generation models but all new hybrids like the new Lexus LS250h, or all new hybrid versions of current gas engine models.

Electric vehicles are now in the spotlight and Miller said Toyota will bring a lithium-ion battery-electric vehicle to market in 2012. He hinted that it might resemble the Toyota FT-EV concept on display at the auto show.

At the "Technology Theater" hosted by John Davis of MotorWeek, Scott Atherton of American Le Mans announced Michelin was partnering with American Le Mans to present the Green X Challenge award at each 2009 American Le Mans Series race to the best GT and prototype teams showing best overall performance and fuel efficiency with the least environmental impact.

During a panel discussion with representatives from the Energy Department and the EPA, Atherton said green racing could educate consumers to the benefits of green technology and "return racing to its roots--improving the breed."

Margo T. Oge, Director of Transportation and Air Quality for the EPA said: "You know, when racing was first brought to me as an opportunity to expand our important



message of sustainable energy, I said, 'Racing? Are you serious? But I now understand. The American Le Mans Series showcases how advanced technology can be sustained under very extreme conditions in racing and help to explain to consumers and the public how, if these technical advances in fuel efficiency and emissions can be successful under extreme driving conditions, then they can be equally successful for the morning commute.'

"Because our racing series is an incubator of relevant innovation, it has been recognized by the EPA and DOE as the only green racing series," said Atherton. "We have created a platform that has resulted in the R&D divisions of many of the world's top manufacturers working tirelessly in the most demanding and technically innovative environment possible - world-class auto racing."



Reporters cruise the Green Pavilion, stopping to check out the solar concept car.

WAPA Honors Purves, Fisker, Penske

Forsaking fancy duds, (not a very big sacrifice for the press), WAPA celebrated its 22nd Annual Awards during a luncheon at the National Press Club February 6. Even in these tough times WAPA was able to rely upon the generosity of AIAM, Audi, Fisker, Ford, GM, Honda, Hyundai, Mazda, National Press Club, Nissan, Subaru and Toyota to sponsor the Association's annual celebration of automotive achievements in the media and the industry. As WAPA President Joe Phillips said WAPA turned many lemons into lemonade this past year. Both the Web site and the Directory were produced internally to save costs, but both were refined and developed even as costs were cut.

The first presentation was the Golden Quill. The Award was established to encourage tough, objective reporting of the auto industry. The award comes with a check for \$500 for an outstanding piece of journalism in print, broadcast or the Web.

This year, David Press, the Golden Quill Judge, said the entries were the best he had ever received in his five year tenure. In that tough field, Yolanda Vazquez, reporter/producer for Motorweek MPT won for her FYI segment on Automotive High School in Brooklyn, New York, a unique program that combines the best vocational training in the auto industry with an academically rigorous curriculum.

"Most of these kids come from single family homes and read at a third grade level when they enter the school," Vazquez said. "I wanted to share the fantastic spirit at the school and what is happening there for the students. The students choose to go to this high school and for many of them, if they do not get some kind of training, they have nowhere to go. Given the current economy we, as automotive journalists have many important stories to tell." For a link to the story go to: www.motorweek.org She thanked Motorweek for giving her the chance to report on automotive issues and trends, even though she admitted she was not a "gear-head."

This year, WAPA combined the Golden Gear and John Lynker Awards in order to honor three different achievements: automaker vision, auto design breakthroughs and lifetime achievement in the auto industry. The first award for automotive vision was awarded by James Healey USA Today to Tom Purves who launched the Mini brand in the U.S. in 2002. At that time, BMW had Mini and if BMW wanted to expand it had to move down in size and price, Healey said. A BMW survey showed that only 2 percent of Americans knew what a Mini was. Tom Purves Chairman and CEO of BMW gave the "green light to a 12-foot car at a time of 20-foot trucks." Saying yes to a premium price small-car brand in a "country that not only didn't much care for small cars and darn sure wouldn't pay extra for them," Healey



(Top photo)WAPA President Joe Phillips (left) presents the 2009 Golden Quill Award to Yolanda Vazquez (center). David Press Golden Quill Judge (right) said the entrants were the best ever. (Bottom photo) James Healey (right) presents the Golden Gear/John Lynker Award for automotive vision to Tom Purves. The Award was accepted by Jim McDowell (center) while Joe Phillips looks on.

said. This year Mini sales soared 29 percent while the rest of the industry stumbled. Hindsight is 20-20. Today, Mini looks like no brainer. But when Tom Purves had to give the "go" signal, it had to seem like the riskiest, maybe even dumbest, idea around. "They say the bold car executives have vanished. No more Lee Iacoccas or Henry Fords or Preston Tuckers. We have strong evidence that's not true. We can salute Tom Purves for imagination and bravery. For putting onto American roads a delightful driving alternative, and for setting a small car standard others still are trying to match," Healey said.

Mini's Jim McDowell accepted the award for Purves who was in the UK and unable to personally accept

WAPA Awards

(cont. from p.6)

the award. "When we understood that the company wanted to sell 20,000 Minis in the first year, we thought, That's pretty aggressive," McDowell added in an understatement. To date, Mini has sold 275,000 units in the U.S..

Mini entered the U.S. market knowing the Mini is not the car for everyone, but it is the perfect car for some people. "And those people," McDowell said, "won't cross-shop anything else."

"Tom Purves was very smart," McDowell said, "he didn't ask how many cubic feet you can get for \$19,000. He rather asked, how much joy can you bring to your daily life for the mere price of a car." Through the magic of video, Purves made a brief appearance from the UK to thank WAPA for putting him in the company of Roger Penske and Henrik Fisker, "for whom I have a very high regard. We were told we couldn't sell a small car, a British car or a hatchback in the U.S. And, of course, the Mini has been hugely successful in the U.S."

Rick Trawick, the new 2009 WAPA president introduced the second Award winner for automotive design, Henrik Fisker who designed the BMW Z8 roadster, the Aston Martin DB9 and V8 Vantage. In 2005, he started his own company, Fisker Coachbuild with Bernard Koehler. Their first production car, the Karma was on the floor at the Washington Auto Show.

In accepting the award, Fisker said getting an award from folks who actually get to test drive all the makes and models was particularly gratifying. Fisker added that his very first project at BMW in 1999 was an electric car aimed at California standards, which did not go into effect.

"When you reach a dream," Fisker said, "you need to set a new dream, and that was the birth of the Karma." In 2007, Fisker was shown a Delta Force

vehicle built by Quantum Tech and was impressed by the power of its hybrid technology. Although everyone is interested in green technologies, Fisker said he could not imagine a world without sexy, fast cars. The Karma is a range-extended electric vehicle. It has a 300-mile driving radius, the first 50 miles powered solely by electric. Most Americans drive less than 40 miles per day, which means that the "Karma could really lower our emissions in urban areas. A normal driver could easily get 100 miles to a gallon as an average over a year," Fisker said.

Starting a new car company, Fisker said meant changing the business case in order to be successful. Under his business plan, Fisker said he only needs to sell 4,000 Karma's to be profitable. Fisker has a stake in the Canadian company that produces the lithium-ion batteries. They have tested the batteries for two and one-half years. The trend toward environmentally responsible vehicles, Fisker sees as a spring board for interesting new concepts that will still include the sexy, fast cars that he loves.

As his final act, 2008 WAPA President Joe Phillips presented the first Lifetime Achievement Award to Roger Penske for his contributions to the auto industry. Robert Kurnick accepted the award on his behalf.

Most people equate Penske with winning the Indy 500 a record 14 times, Kurnick said. But Penske retired from driving in 1965 to focus on his business, a car dealership in Philadelphia, where Penske learned the basic principles that built the Penske family of companies. Penske Corporation is a diversified transportation services company with revenue of \$18 billion with 1,700 locations and 40,000 associates.

Penske believes the downward spiral in the auto industry today is due to credit panic and zero consumer confidence. The auto industry that accounts

See Awards, page 8

(From left to right) WAPA President Joe Phillips (left) presents the WAPA Golden Gear/John Lynker Award for Lifetime Achievement to Roger Penske. The Award was accepted by Robert Kurnick on behalf of Penake. Henrik Fisker (center) accepts the Award for Auto Design from incoming WAPA President Rick Trawick (right) while 2008 WAPA President Joe Phillips looks on.



WAPA Awards

(cont. from p.7)

for 20 percent of total retail sales is down to the lowest level in 26 years. In the fourth quarter, traffic in the Penske dealerships has declined more than 30 percent.

However Penske believes in the resiliency of the market and the innovative designs that are coming from all over the globe. The hybrid technology, he believes, is on the edge of making a meaningful impact on the environment. Although 2009 will be a “tough” year, the ingenuity of the auto industry is up to the challenge.

As a grande finale, WAPA awarded its first ever “Gotcha” Award to Les Jackson, a member for over 20 years, a past president of the Association and Rally Master for too many years to mention. Jackson is leaving the Washington area in the Spring and as Roaster Vern Parker said “We will have less of Jackson and unfortunately New York will have more.” Jackson, very uncharacteristically was “at a loss for words” but thanked his peers for honoring his



Les Jackson (left) accepts the “Gotcha” Award from Vern Parker



Rick Trawick
2009
WAPA
President

President's message...

We are entering a critical time in the automotive business. Not since the 70's has the industry been under this much pressure, even threatened with its very extinction. We all know, have heard or have written stories of one manufacturer after another's financial problems,

sales declines and other troubles. Even Toyota is having trouble celebrating taking the total sales crown from General Motors.

But this is also an exciting time. More and more folks that are not normally interested about the latest road test or industry event are exceedingly concerned with the health of the car business. At the same time, our media industry is undergoing a revolution as the Internet and electronic media move into print's turf.

WAPA fits into this upheaval by providing resources for our members, industry leaders and government officials. We want to be the go-to place for the information you need or to help locate someone who knows the products, the business, the his-

tory and possibly the future of the automotive landscape.

We look forward to an exciting year ahead.

Enjoy your ride!

Rick Trawick

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