

Getting in the Fast Lane

Here's the inside track on how
the auto industry is engineering
a renaissance in the U.S.

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After a brutal stretch of bankruptcies, layoffs, bailouts, wind-downs, sell-offs, shutterings and cash for clunkers (whew!), the auto industry is finally back to talking about the buying and selling of cars. Much of that renewed manufacturer vigor is the result of industry-wide wakeup calls, shakeups and cut-backs, which claimed as victims their fair share of factory workers, suppliers and dealers. "Through industry-wide inventory management, manufacturers are showing impressive restraint in not overproducing," says Jeff Schuster, executive director of global forecasting at J.D. Power and Associates, the global marketing information services company renowned for auto industry forecasting and research.

While carmakers aren't overproducing, they are producing. J.D. Power reports that, through July, North American vehicle production was up 67% year-to-date, a remarkable number given the shape the industry was in just a year ago. Additionally, J.D. Power expects a 41% increase in planned launches for 2011–12 compared to 2009–10, and, according to its Automotive Performance, Execution and Layout Study, released in July, domestic auto brands have collectively surpassed import brands in vehicle appeal for the first time since 1997. "Domestic automakers have performed three important actions during the past two years that have led to their gains," explains David Sargent, J.D. Power's vice president of global vehicle research. "They have retired many models that demonstrated low appeal, introduced new, highly appealing models to their lineups and improved their existing models through freshenings and redesigns." Goodbye clunky Hummer and Pontiac, hello sexy in-car tech—like GM's next-gen OnStar; Ford's SYNC enhancement, MyFord Touch; and Chrysler's Uconnect comprehensive entertainment-navigation system.

At press time, 2010 domestic sales were on the rise, with each month from

January through July showing single- to double-digit percentage increases versus 2009. Despite a dip in year-over-year sales in August (a drop attributed to the cash-for-clunkers surge in the dog days of '09), J.D. Power expects a 27% surge in total sales from 2009 through 2011. Over the summer, Ed Tonkin, chairman of the National Automobile Dealers Association (NADA) and a multi-franchise dealer in Portland, Ore., said, "The industry has started to stabilize, and I'm optimistic about our future." Simply put, a comeback is underway.

What the Tech Is Going On?

Next to price, no small factor in challenging economic times, technology is

the driving force behind consumer interest in new cars at the moment—innovations beyond headline-grabbing EVs (electric vehicles), lithium-ion batteries, plug-in/gas-electric hybrids and charging stations. Vehicles such as Toyota's Prius, GM's Chevy Volt, Nissan's LEAF, Ford's Transit Connect electric van and the Ford Focus Electric deserve the ink, because they do, indeed, represent the biggest shift in 100 years in how vehicles are powered. But what car shoppers are really getting hooked on are the technologies and cutting-edge mash-ups that are radically transforming the car and driving experience affecting the very ways we drive, park and see the road, to how we communicate and

entertain and inform ourselves on the go. Buyers are smitten by how we can save time, money, fuel and the environment while behind the wheel, how we can improve safety inside and outside the car *and* on the roads themselves.

Fresh, free-range auto tech is awe-inspiring when you consider the state-of-the-art, dynamic technologies and top-shelf electronics already in play (and in cars). Dashboard drummers are rockin' and rollin' with MP3 players, SIRIUS XM satellite radio, 10-speaker Bose surround sound and 480-watt audio systems. The chattering class is taking advantage of Bluetooth hands-free phone and audio capability, voice recognition for dynamic navigation, real-time

traffic, weather and vehicle information systems, and multifunction LCD display screens and message centers. Tech is taking over with keyless entry and push-button engine startup, smart tires, rain sensors that trigger wiper blades,

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A CHRYSLER JEEP SUV STRUTS ITS STUFF AT AN L.A. DEALERSHIP. CHRYSLER CAR SALES FOR AUGUST WERE UP 7% YEAR-ON-YEAR.

MARK RALSTON/AP/GETTY IMAGES

intelligent, adaptive headlamps and advanced climate-control systems that monitor and control odors and humidity. Whether you love a USB port in your dash or console, the latest shows on your new FLO TV™ or the most sophisticated GPS tracking recovery system on the market, the technology to inform, entertain, communicate and guide you on your way is here right now.

"The age of personalization of your vehicles is here. Customers come into the showroom asking about all this technology because they're reading about it everywhere," says Scott Wood, an Arkansas car dealer who sells both GM and Chrysler and was the national TIME Dealer of the Year for 2010. For all the excitement over EVs, Wood, a small-town dealer, says they appeal primarily to urban customers, and that it's the new infotainment, communication and safety technologies that are driving real interest and action from border to border across the country. "All the new technology is rather amazing," Wood says, "and it really does affect the market more than the electric vehicles do because these technologies can be in every car, whether it's new or an after-market retrofit."

Safety Is No Accident

Imagine a world without accidents or fender-benders, no matter the conditions. That's the utopian vision of forward-thinking carmakers, and they seem to be on target. "We are continuously taking new steps toward our vision that nobody should die or suffer serious injuries in a new Volvo car by the year 2020," says Thomas Broberg, senior safety advisor at Volvo.

As prevalent as the bells and whistles of the auto tech revolution are, some of the most vital technology systems already in place and under development focus on safety. Drowsiness-detection systems help keep you alert and lane-drift and lane-departure warning systems bug you, tug you or audio-blast you if you shift lanes without intending to or signaling. Radar-equipped blind-

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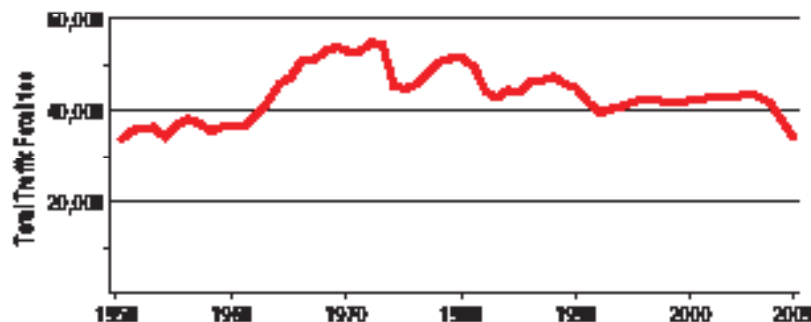


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U.S. Highways: Safer Than They've Been in Decades



Source: U.S. Department of Transportation

zone alert systems send a visual alert to adaptive cruise control sensors that detect objects in your vehicle's path and slow it down to avoid a collision.

Volvo hopes to realize its 2020 goal with enhanced safety features and technologies, like its optional pedestrian safety system that identifies up to 10 people in your path and brings the car from 25 mph to a dead stop. Similarly, the new Night View Assist PLUS system from Mercedes-Benz illuminates the road with invisible, nonreflective infrared light. A windscreen-mounted camera picks up precisely this type of light and converts what happens in front of the car to a grayscale image display on the dash that clearly highlights pedestrians, cyclists and obstacles at an early stage.

Veteran North Dakota car dealer and 2010 TIME Dealer of the Year finalist Kathy Gaddie says, "Safety is always a subject of concern for the consumer, and is an extremely high priority with women consumers. Consumers who are interested in safety are purchasing cars, vans or crossovers. They are asking about side airbags, antilock brakes and OnStar. We are seeing a huge interest in the back-up camera and the back-up sensors. All of this is protecting the consumer and making new vehicles more desirable."

As if on cue, in early September, U.S. Transportation Secretary Ray LaHood released updated 2009 fatality and injury data that showed highway deaths falling to their lowest number since 1950.

This record-breaking decline occurred even while estimated vehicle miles traveled increased compared to 2008. In Just-Auto's *Global Market Review of Driver Assistance Systems*, published in March, Alf Liesener, manager of global marketing services for SMR Automotive Services, international experts in rear-vision systems, put the future of safety in sharp relief: "If you have just once driven a vehicle with a reverse- and side-facing camera, you ask yourself: 'Why is this not legally demanded?' If you've

ever picked up little children from a kindergarten, you know that you can't see small kids behind your vehicle. Once the regulations are modified accordingly, cameras will be a success like airbags."

Caution: Future Ahead

Cars without steering wheels? Road trips without drivers? These aren't high-end concepts for some farfetched reality TV show—they're real-world considerations for the future of road and car transportation. As you read this, automakers, governments and technology, software, data, radar and mapping firms around the world are working together to develop even more highly advanced and integrated driver assistance systems (DAS) than currently exist. Telematics—utilized in new devices that realize the confluence of GPS, WiFi, cellular communications, Bluetooth and video, plus geographic, road and weather data, and more—is a rapidly expanding field. Developmental DAS platforms and in-car convenience technologies are targeting some of the most sophisticated systems imaginable: cars completely controlled

The Cure for Hidden Costs

Vincentric (vincentric.com), an automotive data compilation and analysis firm, crunches eight cost factors to determine the total cost of ownership (TCO) of a given vehicle. Vincentric president David Wurster says, "We provide details on costs of car ownership that help consumers when purchasing a new or used vehicle. Because many costs are hidden, by

considering depreciation, insurance, repairs, maintenance, financing, fuel, fees, taxes and opportunity costs, a consumer is empowered to make a smart decision. There are many vehicles that cost less than other vehicles 'out the door' but cost more over time to own and operate."

Consumers have become more aware of TCO data and are using it "to select vehicles that cost less to own and operate," says Wurster. "Or they

can use it to decide if the features of a luxury car are worth additional ownership costs." And the dealers? "If you're selling a vehicle that has a higher purchase price but lower ownership costs, the data can help close the deal without dropping the price. You can also compare cost-to-own versus competitors, and lower your price just enough to win the TCO battle and redirect buyers from focusing on the selling price." ●



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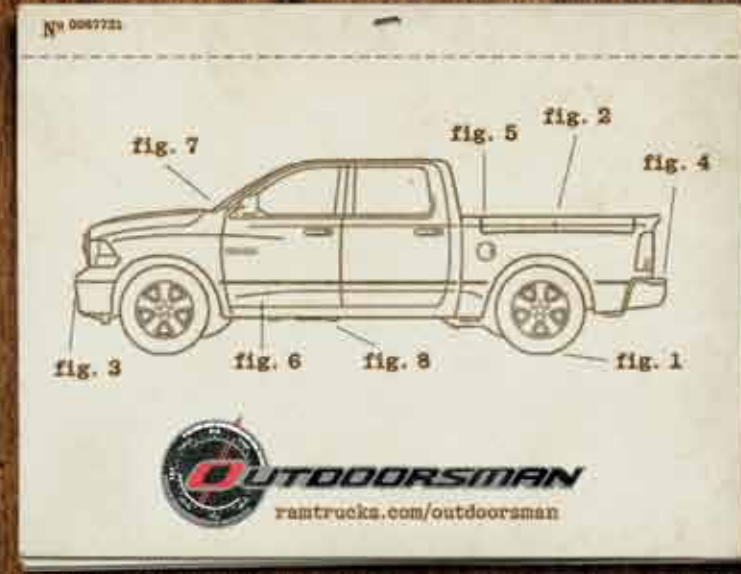
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A REAR-VIEW CAMERA IN THE 2011 CHEVY EQUINOX DISPLAYS IMAGES ON A MONITOR CONCEALED IN THE REAR-VIEW MIRROR.

by their systems rather than the driver, last-resort automatic steering intervention, cars that see the future (or at least the bend in the road that you can't yet see), vehicle-to-vehicle and vehicle-to-infrastructure communication (like traffic-sign recognition and more), fully automated parking functionality and much more. The real shocker is that these sorts of uber-sophisticated technologies don't feel like much of a reach anymore.

For GM, Cadillac has long been an innovator in safety technologies, and John Capp, director for global active safety at Cadillac, says future technologies could include in-vehicle Doppler radar to spot obstructions or traffic jams ahead. Looking even farther into the future, Capp sees autonomous vehicles that can communicate with each other, traffic signals and buildings, pointing to a world where cars may actually drive themselves. Inspired by these ever-developing, advanced safety technologies, Capp says, "We see things moving toward a point in the future where perhaps vehicles won't crash."

"If you have driven a vehicle with a reverse- and side-facing camera, you ask yourself: 'Why is this not legally demanded?'"

A Good Year for Tire Innovation

It's simple—the rubber of innovation meets the road in tires—and that road is both smart and crowded. The July/August 2010 issue of *Tire Technology International*, the industry quarterly published in England, declared, "There has never been a more exciting time in the tire mold industry," and the latest tire innovations range from advances in run-flats to the first truly green tire, to a world of intelligent tires and a new, crucial area of study: tire-pavement interaction.

In fact, *Tire Technology International's* annual awards for 2010 demonstrate that the future of tire tech is on a roll, with three of its five annual awards spotlighting tech innovation: run-flat tires featuring new thermal control technology; concept demonstration tires made with Biolsoprene technology, a breakthrough alternative to a petrochemically produced ingredient in the manufacture of synthetic rubber; and dual-layered tread patterns and sidewall designs with dramatically improved aerodynamics. When you consider the head-to-toe technology improvements in vehicles, it's clear that from road to roof, we're smack in the middle of a golden age of change in automobiles. ●

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DEALERS WHO MAKE A DIFFERENCE

WINNER:
Scott Wood, Batesville, Ark.



Wood's small-town work ethic and selfless efforts to better his community earned him the 2010 TIME

Dealer of the Year award. Wood serves on the Batesville School Board and is involved in school district athletics and community arts initiatives. His recent experiences offer valuable lessons for managing a small business through a downturn. "My greatest asset was the people who worked at the dealership," says Wood, "but I had to trim staff and expenses to perform profitably at our 'new normal.' Those who remained took on extra tasks, and we're getting the job done." Wood's back-to-basics selling strategy includes following up on every lead and working every angle. "Stay educated on finance in this market, because it changes so rapidly," he says.

FINALIST:
Kathy Gaddie, Minot, N.D.



Gaddie sits on her state's Centers of Excellence Commission, which funds industrial and scientific re-

search at 11 colleges and universities. "Students graduating from high schools and universities in North Dakota are high-caliber, and we want them to stay in the state," says Gaddie. The commission recently earmarked \$1 million for technology-based entrepreneurship. "We can help people find good jobs and raise families right here. That's the motivation for me." ●

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