

ED WALLACE

Don't Know Squat

BY ED WALLACE
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Fast Company magazine recently carried an article by Mark Wilson, whose bio says he has contributed columns to the publication for 15 years. As do so many who write about the automobile industry without the benefit of knowing how that industry actually works, Wilson goes breathless about how car design is about to change forever, this time because of an Israeli startup firm named Ree. The first line of his column reads, “The car of the future is a skateboard.” You’ll need to remember that for reference in a moment. Wilson adds that electric cars are incredible, are whisper quiet, and accelerate faster than gas cars — and Ree is going to revolutionize the industry with its electric skateboard.

In fact, Ree has designed nothing more than an undercarriage for an electric automobile. That so-called skateboard contains the battery pack, framing, suspension, wheels, and steering, so all that’s left to be done is drop a body on top of it and bolt it down. Wilson seems to suggest that producing the undercarriage and simply dropping a car or truck body on top of it would simplify the 20 – 30,000 parts needed to build the average vehicle. Not to put too fine a point on his mindset, but pickup trucks are built on so-called skateboards; that’s what a “body on frame design” for vehicles entails. Cars were once built the same way, until unibody construction became the industry norm. But that so-called skateboard has loads of parts to assemble, like any other vehicle, and the body one “drops on top of it” is also requires assembly of loads of parts. Any reduction in overall parts used for Ree’s particular vehicle lies in the engine, torque converters, and transmission.

But that's not the real rub. Apparently, Wilson didn't attend the 2002 Detroit Auto Show, where General Motors unveiled its Autonomy chassis. That's right, Autoblog first wrote, "Behold, the billion-dollar skateboard!" This chassis, as GM designed it, was for a hydrogen fuel-celled vehicle or an electric car; and, like the Ree design, it put electric motors in the wheels to save space. GM claimed it would change car manufacturing and design forever, because once you bought this GM design, you would buy the vehicle's body separately and simply add it to their skateboard. The ultimate "some assembly required."

One wonders how Wilson thinks Ree owns the patents for this idea, when it's a fair bet GM patented all of this 18 years ago. In any case, it's not a new idea. It's a rehash of something GM publicly displayed decades ago.

Then Rolling Stone magazine did an exceptional article on General Motors' decision to shutter the Lordstown factory outside of Youngstown, Ohio, and that decision's impact on families — although the writer's take is that some of the factory workers felt betrayed by President Trump. He tells the story of Dan Aurilio, who first went to work at Lordstown in his late twenties, in spite of the fact that his father had worked there for 30 years and "hated every day of it." But the crux of the story is that Trump went to that area during his first campaign and promised a revitalization of American manufacturing. While Hillary Clinton went there and said everyone needs to be retrained for the future of work.

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I hate to be a cynic, but if one's best hope for their future is what a political candidate promises them before an election, it's highly likely they are going to be disappointed.

However, the article goes on to describe how the autoworkers of Lordstown liked Trump's message and didn't care for Ms. Clinton's observation. But who wouldn't go in that direction? It's within our comfort zone as humans; we crave security and stability, particularly those with young families. Trump said he would bring back manufacturing; if true, you could keep your job, your home, your local friends, and your bank account intact. While Clinton's vision, "you need to be retrained for future jobs," sounds like the train you're already on is coming off the tracks.

Keep in mind that the city of Dayton, Ohio, was once the center of American high tech. It's where National Cash Register was born — Thomas Watson of IBM worked there — the Wright Brothers and their aircraft, and Charles Kettering, who gave GM Delco Laboratories. At one point and for decades, inventors in Dayton held more patents than in any other city in America. So when was the last time you heard the terms, "new high tech" and "Dayton" in the same sentence? Exactly.

That story continues to discuss Lordstown's death by a thousand cuts, and it does point out that many moved to other GM plants once that factory closed, including Aurilio and his family. But what does an auto plant closing have to do with the President of the United States? Absolutely nothing.

Here's the tragedy: Lordstown built the finest compact car General Motors had ever created, the Chevy Cruze. This was not a Chevy Cavalier, or the only slightly better Cobalt, this was a world-class compact car the equal of or better than any of its better known competitors. And if gasoline were \$5 a gallon or more, it's a fair bet Lordstown would still be open and running 24 hours a day, building the Cruze. But that's not the market today. This isn't 1988, when 28 percent of all new vehicles sold in America were compact cars and shopping malls were restriping their parking lots because of that shift in automobile purchasing. Moreover, Ford built the best midsized sedan in its history, the Fusion, and it suffered the same fate. We could go on with the Chrysler 200, also exceptional and cancelled. It wasn't that long ago that "the best-selling car in America" was always a shootout between the Ford Taurus, Honda Accord, and Toyota Camry — and it typically took over 400,000 sales to take that title. No more. We're a nation of SUV, truck, and crossover owners today, a desire fueled and fed by years of cheap gasoline.

\$2 for 2 months

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So neither political candidate designed those cars that failed; nor did they have anything to do with cheap gas — and certainly they have zip to do with what American consumers want in their next vehicle. Of course, Rolling Stone asserted that if Trump had not rolled the CAFE standards back, GM might have been forced to keep Lordstown and the Chevy Cruze alive lest it incur mileage penalties. But that's supposition. That's an accounting function, and it would take GM's audit departments months to run the numbers to see which would be cheaper: just pay the government fines and keep the Cruze in production in Lordstown, ship production overseas, or import new fuel-efficient models from overseas to sell here for offset credits.

At the end of the day it's the consumer who decides what lives and dies. No matter how exceptional the product is, including the best compact car in GM's history.

But as a reminder, LBJ campaigned saying he would not send American boys to do what South Vietnamese boys should do for themselves. Richard Nixon said he had a secret plan to end that war and would be the law and order president. Jimmy Carter said he would bring respect and dignity back to Washington. Ronald Reagan said he would cut down the size of government and end the deficit spending. George Bush I said, read my lips, no new taxes, while Bill Clinton said he would never cheat on his wife again. Oh, and he was going to get tough on China. George Bush II said we should be a kinder and gentler nation and not throw our weight around in the world. And Barack Obama said, change you can believe in, but left out what kind and when.

So the real question is, why does anyone ever believe anything anyone says when they are running for the presidency? That is every campaign I remember since 1964, and once in office every one of those candidates did the opposite of what they had promised. But we've been closing down car factories for the past 40 years, so why is Lordstown the only one that seems to have a political angle to it? Ok, I got it, Trump said he would make America a manufacturing giant again. And once the factory closed, he told them to not sell their homes because the jobs are coming back. That's just political rhetoric. Just as when Clinton said they needed to be retrained, she didn't add they would have to give up their \$85,000 1,900-square-foot homes in Youngstown and buy a \$1.2 million 1,200-square-foot home in San Jose; yet that's what you'd have to do if computers were your future.

Last week we covered international trade and pointed out that today manufacturing is just 11.5 percent of our total Gross Domestic Product, down from 16 percent 20 years ago, although output has gone up. But healthcare costs in America have gone from 5 percent of GDP in 1960 to 17.7 percent now. There's your new high-paying jobs. Forget Make America Great Again; it should be Make America Well Again: At least until you realize we now spend 53% more on health care than all of the combined manufacturing output of America.

Ed Wallace is a recipient of the Gerald R. Loeb Award for business journalism, bestowed by the Anderson School of Business at UCLA, and hosts the top-rated talk show, Wheels, 8:00 to 1:00 Saturdays on 570 KLIF AM. Email: edwallace570@gmail.com

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BY ED WALLACE
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It never occurred to me that one day I might be at a loss for words, but here we are. This will be my last column for the Fort Worth *Star-Telegram* after nearly 20 years, almost 1,000 columns and of those only six were rejected.

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