WHY GM MATTERS: INSIDE THE RACE TO TRANSFORM AN AMERICAN ICON

Why GM Matters

[As I indicated yesterday in the post "Why American Industry (And Its Future) Matters", we have the privilege of having author William J. Holstein today at Emptywheel and Firedoglake. Mr. Holstein has a long and rich history as a journalist and author. Most importantly for today, he has plunged into the history and ethos of General Motors and produced an incredible work detailing just how critical General Motors, the American auto industry, and American industry itself is to the United States economy and way of life.

As Michael Fitzgerald observed at bnet.com, "Holstein is using GM as a symbol for whether it makes sense for the U.S. to bother with manufacturing. That might sound odd for a country that for now probably remains the world’s largest manufacturing economy. But Holstein argues that our political and financial leaders don’t get manufacturing, and don’t think it’s important. This is the crux of the Main Street vs. Wall Street debate, and it is shaping up as the core fight of economic policy over the next few years: do we get a justifiable return if we invest in making things, or should we focus on information-driven innovation?"

I think that is right. Since we cannot layout the entire book in the intro here, Bill and I decided to focus on the emerging technology, and specifically battery/electric technology, and the new product lines, that GM is producing. With that said, what follows are prepared remarks in that regard by Bill Holstein. Take a look, and then join us in discussion. I am

looking forward to the best and brightest that inhabit our little corner of the world participating in and driving this. Oh, and visit Bill anytime at his blog WilliamJHolstein.com Also, I heartily recommend purchasing his book, it is a fascinating look into a critical issue of our time, not to mention a great read. – bmaz]

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By: William J. Holstein:

It's time to cut through all the nonsense about General Motors "not making cars that Amrericans want to buy." The truth is that GM has seized design and performance leadership over its longtime nemesis, Toyota. Toyota's cars these days resemble appliances, i.e. refrigerators on wheels. They don't break, but they hardly inspire.

In terms of their physical appearance, GM vehicles have real attitude. The new CTS has a very bold and aggressive front end that designer John Manoogian came up with at the last moment. He and his team decided to take the V-shape that used to stop at the bumpers and let it plunge below the bumpers toward the ground. They also inserted grilles on the right front panels merely for decorative purposes. That nearly drove the engineers crazy because of the challenge of stamping a piece of sheet metal with an odd hole in the middle of it. But they did it. At first, the competition could not believe that GM had figured out how to achieve that.

GM's design revival started in the late 1990s with the new creased look of the Cadillac. But it accelerated with the arrival of Bob Lutz in 2001. Lutz is the quintessential "car guy" and he took responsibility for product development. He acknowledges, and Chief Executive Officer Rick Wagoner acknowledges, that design got lost at GM for at least two decades. The flamboyant designers of the 1940s and 1950s faded away and were replaced by engineers and bean-counters who

relied on “clinics,” or panel sessions with consumers, to decide what the market wanted. This was a disastrous way to design cars—consumers can only respond to what they see on the road. They can’t anticipate the new and exciting.

Lutz helped allow the designers, led by Ed Welburn, to once again take risks and insist that the engineers and metal stampers and accountants let designers pursue their dreams. Designers have to play. They have to tinker. They have to reach into history to identify the themes and motifs that turn Americans on. That’s exactly what GM’s designers are doing these days. For my book, I walked through GM design studios in the United States, Germany and China. They are filled with young people from all over the world who are excited about working for GM. That could never have been said 10 years ago.

Not enough Americans understand why General Motors’ effort to develop the Chevrolet Volt with a lithium ion battery is so important. Here’s why:

Alliance Bernstein estimates that lithium ion batteries could be a $150 billion a year industry by 2030. It is a new industry waiting to be born. It’s a perfect example of the so-called “green industries” that President Obama says he wants to see in America.

But right now, the Americans are lagging behind Japan, China, South Korea and the French in developing these batteries that are considered more efficient and longer-lasting than previous generations of batteries, such as the nickel metal hydride battery that is in the Toyota Prius.

GM has invested $1 billion so far in this battery project and has tapped LG Chem, a unit of the LG group of South Korea, to develop a particular variety of the lithium ion batter. LG will make the battery cells in Korea and bring them to Michigan where they will be packagd into systems that can actually be built into the

Volt.

It’s true that the Volt will be relatively expensive when it comes out by the end of 2010—somewhere in the $35,000 to $40,000 range. But what GM hopes to do is introduce the lithium ion battery into other models and into other geographic markets like China so that it can drive down the costs. It’s much like gearing up the semiconductor or flat panel display industries. Once you can achieve scale, you can drive costs way down.

If GM can get momentum with the lithium ion battery, it’s likely that more and more of the “value added” elements of making the batteries will end up on American soil. This is great from many different perspectives—it creates jobs, it eases our dependence on foreign energy sources and it will diminish emissions. In fact, if you operate the Volt for only 40 miles, there will be zero emissions. That’s because the Volt will go 40 miles between charges. If you go further, a gasoline turbine kicks in to recharge the battery. At that point, the driver would be consuming gasoline and emitting carbon dioxide. But 78 percent of Americans drive 40 or fewer miles each day. So most people who own a Volt will not be emitting anything during the course of their daily lives.

That’s different from the way the Prius works. It has a gasoline engine and a battery-powered engine. When you accelerate the vehicle, the gas engine is doing the work. But when you are idle, or when you are coasting or braking, the battery takes over. But it is not possible to operate the Prius in the battery-only mode for any extended period of time. This difference in how the Volt is equipped is another part of the breakthrough that GM is on the verge of achieving.

This is another element of why GM is important to America’s future. If the government forces GM into bankruptcy or other downward spirals, the Volt program almost certainly would be delayed—and with them, America’s hopes for being

a player in the lithium ion future.

So let’s dispense with this myth that “GM only makes gas-guzzling SUVs.” GM is back in the car design business, and back in style.