



Weekly Car Dealers Newsletter

November 13, 2007

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**SPECIAL REPORT: THE STATE OF PERFORMANCE
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SPECIAL REPORT: THE STATE OF PERFORMANCE For automaker performance divisions, things are looking up - Times keep changing, but the demand for performance cars remains constant.

From the earliest days of the automobile, leadership has been measured in terms of vehicle performance. Whether the yardstick was [horsepower](#), handling, racing victories or aerodynamics, an automaker's prestige--and the ability to sell more cars or command higher prices--went hand in hand with performance.

Regulatory and marketplace pressures to address issues of safety, pollution and fuel efficiency took priority and commanded most of the OEMs' engineering resources in the 1970s and '80s, though. These were the nightmare years for performance enthusiasts. Dismal prospects in the showrooms opened the door for the rapid expansion of the aftermarket performance industry, which became a gigantic business that gathers annually at this time of year under the banner of SEMA, the Specialty Equipment Market Association.

But OEMs couldn't abandon the segment. Sales and image demanded that they have their own high profiles. So they acquired big aftermarket companies (as Mercedes-Benz did with AMG) or developed their own skunkworks and marketing arms (such as BMW M Sport or Ford SVT) to stay

in the game.

Today, the OEMs are again under pressure, with the accolades that used to come with performance cars going to pioneers in alternative drivetrain technology and high fuel efficiency. Toyota's halo car is now neither a luxury nor a performance model but the Prius hybrid. An energy bill now wending its way through Congress almost certainly will demand steep increases in fuel efficiency.

Will stricter regulations and the greening of the market bring a new dark age for performance-car lovers?

AutoWeek surveyed the performance divisions of top automakers. The results indicate the state of performance is good. Rather than a new dark age, makers foresee a surge in the segment.

"We are at the dawning of a second muscle-car war," says Jamal Hameedi, chief engineer of Ford's SVT. He points to the Ford GT500, Chevrolet Camaro, Nissan GT-R and Dodge Challenger. Ford, he says, is "completely focused on staying on the top of that mountain."

Beyond that, automakers are seeing growth in their own parts operations. "People want that anodized cold-air intake that matches their car and gets them 15 more horsepower," says Kevin Miller, senior manager of Mopar brand marketing and performance at Chrysler. "We see the trend growing and increased spending on customized vehicles."

Some of the newest technology isn't easily translated into the aftermarket. Toyota has tried applying hybrid technology as a performance factor, treating the electric half of the powertrain like a supercharger to boost power. The electronic sophistication required doesn't lend itself to an aftermarket retrofit, and other makers are not impressed by the results.

Gerhard Richter, head of development at BMW's M, says his company is looking at such advanced technologies but that existing hybrid systems are too heavy and compromise weight distribution too much to be considered as a way to boost performance, at least for now. "If there is a breakthrough in weight with the batteries, then it may become attractive."

Other advanced technology stands ready to maintain the performance segment even if more stringent regulations quash the current rash of large-displacement engines making 500 hp or more. Direct gas injection, forced induction and electronic control of everything from valve timing to

gearshifting have proven beneficial to both performance and economy.

"There's no doubt in my mind that there will continue to be performance vehicles," says John Heinrich of General Motors Performance Division. "The emphasis might change--they'll be lighter weight with less power--but the power-to-weight goal will be the same. There will always be a small number of people who will buy in that performance niche."

Adds Bob Kruse, GM North America executive director of vehicle integration and performance: "The heyday of performance is far from over."

MAZDA CELEBRATES ITS FOUR DECADES OF ROTARY POWER - 40 years of hmmm

Felix Wankel was a dreamer. Specifically, in 1919, at age 17, he dreamed that he invented an engine. While it took him 38 more years to produce a working rotary powerplant and still more to perfect it for production, the Mazda faithful are still living the dream today.

Wankel's first working rotary went into an NSU 50-cc motorcycle. It worked so well NSU claimed a world speed record of almost 120 mph with it.

An agreement in 1961 allowed Mazda to develop a rotary based on Wankel's ideas. After working out technical problems in the early prototypes, including unusual wearing on the rotor walls and rough performance at low engine speeds, Mazda launched its first rotary-powered car, the Cosmo Sport, in 1967. That makes this year the 40th anniversary of the Mazda rotary engine.

To celebrate, we first got a 2007 RX-8 and drove it from Los Angeles to Carmel and back. With the RX-8 in 2003, Mazda introduced the Renesis rotary, with intake and exhaust ports moved to the side for better combustion and cleaner exhaust. Ours had 232 hp and 159 lb-ft of torque. The best part of the whole car was its perfect 50/50 weight balance in a superbly tuned chassis, making it perfect for hundreds of miles of curvy roads. While naysayers claim the rotary has no torque, we never really wanted for more the whole time, staying in third gear through many a turn that would have had a last-generation RX-7 looking for second. It did get appalling gas mileage, somewhere around 15 mpg or so, but one does pay a price for power.



Felix Wankel

Once in Carmel, we got to drive a 1967 Cosmo Sport, one of two that Mazda owns. The perfect balance from the RX-8 felt as if it were already in place 40 years before. While the engine didn't launch with the same authority, it did rev freely up to 7000 rpm. Likewise, brakes in 1967 were nowhere near what we're used to now, and the steering did wander just a bit, but it would be hard to name a competitor of the age that was more fun to drive. Next for the 40th celebration was a 10th-annual gathering of the rotary faithful called SevenStock. This year, there were 5000 people and 525 rotary-powered cars, running the gamut from Cosmos to RX-8s to rotary-powered pickup trucks and motorcycles. Who can explain the attraction? Is it just that the piston engine goes *boing, boing, boing*, while the Wankel goes *hmmmmmm*? "There are no words for this, but Mazda got it right when the little kid, who looked like one of the Munsters, whispered, 'Zoom zoom,'" explained rotary enthusiast David Hall. "It's that quality in a car that makes you want to take the long way home. It's what makes you

look at a twisty road and wonder what would happen if you tried it just a little bit differently this time." It's all of the above. And it's only been 40 years.

**2007 RX-8****1967 Cosmo Sport**

2009 KIA BORREGO PREVIEW - NEW SEVEN-SEATING COMING TO DETROIT SHOW

Kia says its new seven-passenger, body-on-frame sport-utility vehicle will make its world debut at January's Detroit auto show wearing the nameplate Borrego.

The new ute will be built in South Korea, not in Kia's new factory in West Point, Ga. It will share some styling cues with the Mesa concept shown at previous auto shows. This teaser photo is all that's been issued thus far.

The Borrego is larger than the existing Sorento and will sport a third-row seat, unlike the mid-size sport-ute already on sale. It will not replace the Sorento in the Kia lineup. It will offer a V-6 engine or, as an option, Kia's first V-8.

The new vehicle, code-named HM, will go on sale in late spring as a 2009 model and will be shown in production form at the Detroit show, which opens to the media on January 13, 2008.

2009 CADILLAC ESCALADE HYBRID PREVIEW - TWO MODES AND BATTERIES - IN A BIG UTE?

Cadillac has revealed the first of GM's big SUV hybrids, the Cadillac Escalade Hybrid. The new hybrid goes on sale in the summer of 2008.

Cadillac says in a press release that the Escalade Hybrid is the first large SUV to get gas-electric technology. And it's not just off-the-shelf hybrid tech here: the Escalade also is the first application (along with the Dodge Durango) of the new two-mode hybrid system engineered jointly with GM, Daimler, Chrysler and BMW. GM estimates that the new hybrid version of the big SUV will deliver 50 percent better [fuel](#) economy in city driving.

In the flesh, the Escalade Hybrid is based on the standard-wheelbase Escalade, not the longer-wheelbase ESV model nor the truck-bedded EXT version. The Hybrid comes in either rear- or four-wheel drive, and can tow up to 6000 pounds. A touch-screen navigation system is included, and has a display showing information on the hybrid system's action.

The hybrid system itself can operate in battery-only mode at low speeds, but when power needs increase, the [vehicle's](#) 6.0-liter V-8 is also called into action. The V-8 has cylinder-deactivation technology. Regenerative braking recharges the 300-volt battery during braking and coasting. Hybrids also get a new exhaust system, electrically driven air conditioning and power steering, and a quieter fan.

Stay tuned for more Escalade Hybrid pictures and info as TheCarConnection.com reports from the Los Angeles [auto](#) show next week.

GM GOES A GENERATION AHEAD - THIS ONE'S LOST—BUT THE NEXT ONE IS INTERESTED

Trust is probably the single most important factor in any relationship.

I thought about trust as Gary White, GM Vice President and vehicle line executive for full-size trucks, told a group of journalists that it was time to *transform* GM's image.

Transforming their image isn't exactly a new thought for GM people. They have been saying this for a decade. For GM, building a new [car](#) or new truck is relatively easy compared to restoring trust. I asked White how General Motors was going to get back the faith they have lost through years of wrong product, recalls, dealer transgressions, bad press. How do you transform a situation that has gone on for decades?

White, who is one of the best at GM, father of the T800 and T900 platforms—the great pickups and SUVs that still sustain the company—was there to show off GM's 2008 vehicles, which will include those great GM trucks in hybrid form this year (they're on show this week in Los Angeles).

"I'm not sure what you can do about people who will never come back, says White. "People who have left you are gone."

They won't come back

It's that simple. While GM spent years in the woods, getting its business hacked into better shape, competitors were putting out excellent product. And they lost a generation.

"But Gens X, Y, Z don't even know who General Motors is. There's a new opportunity with the upcoming generations who don't carry all the baggage about the company," he explains. "I work on college recruiting for the company. And we talk to the students about the new challenges all

companies face with fuel economy, emissions and safety. These kids are focused on fuel cells and hybrids and alternative fuels. They don't have preconceived notions of who we are."

White makes a fair point. Younger people will be buying cars for fifty years. And students are a great place to build image because students today are passionate about alternatives like the plug-in hybrid Chevrolet Volt.

Any psychologist will tell you, perception lags reality. It may not even matter that GM's winning awards and consumers are giving them high marks in J.D. Power surveys-higher than Toyota and Honda in many cases. But Gen X, Y, and Z start fresh. They don't even remember the Aztek.

No looking back

GM has made enormous strides in product and product is the business. Who would have thought three years ago that Buick would be leading the comeback? The Enclave has caught on. There's a waiting list of 3000-for a Buick! Each one stays on the showroom floor for about five days. That's far shorter than a Corvette-or a Toyota Highlander.

The new Malibu is going head to head with the gorilla of all mid-size sedans, the Camry, and looks like a winner. The revamped Cadillac CTS scores rave reviews from most everywhere, including here at TheCarConnection.com. Saturn dealers finally have some good cars to sell, with the Vue, Aura and Sky.

Most important of all in changing image is the promise of the Chevy Volt, that 100-miles-to-the-gallon hybrid electric car that GM talks about. If it comes on in three years, as the executives say, the image will be reborn. If they don't build it, their credibility will sink. But for now, it's a brilliant PR exercise.

No one else is sitting back. Chrysler has new management. Ford has new management. Toyota is always coming out with new product-a new Corolla, Matrix and Sequoia are on display this week in L.A. I'm driving the head-turning four-door Honda Accord this week and loving it.

White is right to focus on younger people as the customers to win. And the way you win is with products like those coming out of GM today. Forget rebuilding trust-just build great vehicles.
