

ED WALLACE

2021: Best Guess

BY ED WALLACE
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It is said that with each new year, hope springs eternal. Certainly twelve months ago we could have said the same thing about 2020; however, within months so much of the world's economy was derailed by Covid 19. It's still with us today, and possibly the darkest days of this pandemic may be coming over the next month. As is the norm with the human condition, at first news of this event we were shocked, but within weeks we adapted and did our best to make the most of a truly tragic situation.

Microsoft founder Bill Gates seemed to have been the most accurate in his predictions on how this would go, but I'm guessing that's because the world's greatest medical minds will take his phone calls. And Gates was not held back on discussing what he knew for political reasons. His prediction is a tough winter and hope by spring as more vaccinations take place; but a complete return to normalcy might not happen until the summer of 2022. As one dealer recently told me — one who had a very good year in 2020 — his store was doing well, but the excitement and momentum seems somehow diminished. In essence, we are going through the motions of a normal life, but with more caution and less joy than in the past.

As for how 2021 will go? We can only report on what is already in place.

It starts with numerous warnings given about the shortages of semi-conductors and other electronic parts critical to automobile production. Volkswagen, in the middle of a palace coup it is trying to subdue, was the first to say that production will be affected in Europe, China, and North American factories. Others have also

warned of shortages for these parts. Keep in mind, parts suppliers have had a very difficult time keeping up with demand for new car production ever since the factories reopened last May. GM was hoping to build and deliver all 40,000 of their presold new Corvettes in the first year; production issues now suggest it will take two years to make that happen. As the head of Honda production once famously said, if you are missing just one part, you can't build the car.

The pandemic has shown the downside of just in time inventories for automobile manufacturing. Still, it is stunning how well the industry, dealers, and the public have dealt with production and sales over the past 9 months. Even more remarkable is how the American car-buying public has continued to purchase cars in surprising numbers.

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It appears that sometime in the next month or so, Chrysler will once again have a new owner, this time Peugeot Citroen. It's headed by Carlos Tavares, one of Carlos Ghosn's wonder kids from his days at Renault; Tavares booked because he saw no way to take over once Ghosn was gone. That was Renault's loss; Tavares, having taken Opel off GM's hands after 90 years of ownership, has already turned it around literally in the first year. That's something GM's management had been unable to do in the past two decades, although this company was run successfully by early GM management through the Great Depression, World War II, and the two decades of rebuilding Germany after the war. So, Chrysler — which was once dependent on Mitsubishi for small engines for many of its products for decades, then dependent on Mercedes, then ignored by Cerberus Capital Management, and finally dependent on Fiat to survive — has in fact become the money maker in that last venture. Ironically, one of Chrysler's best divisions is Jeep, which it got by purchasing American Motors from Renault, and now Renault's rival Peugeot gets it all. Of course, Chrysler's continued existence comes down to the public's love of SUVs and trucks and to its having a far superior dealer body nationally than Chrysler had in the Sixties and Seventies. One would expect Peugeot to be furnishing cars back into the Chrysler mix, but on that we'll see.

As I alluded to earlier, Volkswagen's new fuhrer, Herbert Diess, was frustrated with his lack of progress in moving his company into the electric car age. So he demanded a vote of confidence from both the supervisory board and the major stockholders in VW, which includes members of the Porsche family. Oh, and he wanted an early extension of his employment contract to show everyone at the company who's the boss. Now, in Germany labor is almost as powerful as management; and Volkswagen's workers keep their jobs longer than its CEOs. But in this case, everyone in the industry knows that once you're producing just electric cars you don't need nearly as many factory workers as before. And that's a sticking point for the IG Metal Union.

Likewise, electric cars require virtually no servicing, which is already becoming a concern for new car dealers globally; many have already spent decades improving and enlarging their service departments. However, stamping one's feet still gets results at German automakers. Diess got his vote of confidence and the union was thrown a bone: It was announced that the main factory at Wolfsburg will be turned into the world's greatest and most advanced plant.

Meanwhile, here comes a blast from the past: Bernd Pischetsrieder, the former head of BMW who purchased the Rover Group in England, apparently for no other reason than because his cousin was Alex Issigonis, who created the first Mini in the late Fifties. That cut off Honda's attempt to extend its 20 percent stake in the British automaker in the Nineties. Then the German automakers informed Honda that its presence was required in Munich to discuss the terms of its surrender in this takeover and that it had to quit building the Land Rover Discovery under patent license in Japan. Honda said, nah, you can come to Japan; and out of spite it built a handful of Discovery models the next year, just to tweak BMW's nose. Well, Rover didn't work out for BMW, so it was sold to the Phoenix Group in England — sans Mini, which we'll assume BMW kept for sentimental reasons — although Bernd was off to Volkswagen. And now, long after the smoke has cleared from that automotive fiasco, Daimler has chosen Pischetsrieder to become chairman of its supervisory board.

In Japan Toyota announced a breakthrough in creating a solid-state battery which has the potential to double the range of an electric car, takes only 10 minutes to fully recharge, has a lifespan of 29 years, and has no downsides like the lithium ion batteries used today have; and the company would put it in a prototype for testing this year. Immediately Akio Toyoda, head of the firm, raged against Japan's suggesting that it would ban gasoline-powered cars by 2035. Toyoda said it would cost too much to upgrade Japan's electric grid, it would create too much pollution with the country's coal-fired power plants, and millions of workers would lose their jobs. Wow; maybe that tirade could be worked into the ad campaign for Toyota's solid-state battery electric cars when they come to market in a couple of years.

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So, as 2021 starts we once again see another year of musical chairs in the automobile industry. Things that were once cold are now hot, people once swept into the dustbin of automotive history have been resurrected; and by the end of the year all of these positions will be reshuffled again.

But if I have one hope for this year, it's that it would be nice if every verified fact weren't politicized. A few weeks ago I was speaking with Dan Bennett, who runs our radio group, and he asked with some concern what I thought would happen with new car sales during the Biden administration. I simply stated, car sales grew seven out of the eight years of the Obama administration and retail new car sales have fallen in all four years of the Trump administration. (Overall car sales grew slightly in Trump's second year because of commercial fleet, but from 2017 to 2019 retail sales fell from around 16 million or so down to 13.9 million.) That was not a political statement, just a statement of fact about car sales under different administrations. But car sales also fell in Ronald Reagan's second term and Bush I's term; and they rose almost every year under Bill Clinton. Don't ask me why it's that way, I have no idea. It is certainly not anything any president does to promote or help new car sales.

Still, I mentioned the Obama-Trump new car sales statistic on my show, and I got a furious email in response, reminding me I'm doing a car show and I should stick to cars. First, it's not a car show; it's a show about the economics of the world as seen through the lens of the automotive industry. Second, I had no idea how to answer a guy telling me to stick to cars when I was discussing new car sales.

But for me, hope springs eternal that maybe this is finally the year when facts and truth again become the accepted way to plan our lives and future again. I'm just not going to bet money on it.

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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Driving Off into the Sunset

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. Those numbers meant a great deal to me; they showed the *Star-Telegram* and staff believed in my work, even when they probably weren't crazy about the column they were about to publish.

To explain why this column is ending, I must take you back to why it came to

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