

Under the Hood May 2021

In general auto manufacturers and dealers had a terrible first half of 2020. US sales picked up in the second half of the year, but overall sales for the year were only 14.6 million vehicles. For the 5-year period from 2015-2019, annual sales exceeded 17 million, so even a 15% decline in total sales is dramatic. Internationally, Volkswagen sales also dropped about 15%. VW still had rather dramatic international sales of over 9 million vehicles. The problem is not limited to VW or the US. Both Ford and GM had closed their plants in Australia in 2017, leaving every car sold in that country as an import. Ford had established South American plants in the 1920s. Ford has announced they will close their Brazil plant, which is reported as a money loser since 2013. Other manufacturers have hinted that they might also be closing plants. Brazil's auto makers have a plant capacity of about 5 million vehicles/year, but only sold 1.9 million vehicles in 2020. Ford will still have a truck plant in Argentina. It is not just jobs that are lost, but also national prestige. There is still a lot of chatter in Australia about the loss of national prestige with the loss of vehicle manufacturing. I suspect the same will happen in Brazil.

Alternative fuel update: Continental Refining is spending \$25 million to convert an idled petroleum refinery in Kentucky to processing soybeans into biodiesel. The plant will crush the beans, extract the oils and refine into biodiesel. Consumed will be 3 million bushels of soybeans per year producing 5 million gallons of ultra-low sulfur diesel with the residue of high fiber meal for animal feed. I suspect there are a lot of happy farmers waiting for the opening of this refinery. On a much larger scale, Ultium Cells LLC (joint venture of GM and South Korea's LG Chem) is spending \$2.3 billion on a huge battery cell manufacturing facility in Lordstown, Ohio. You might remember that Lordstown was the site of a large GM vehicle manufacturing plant. The plant opened in 1966 building Impalas. In 1971, large vehicles were moved to other plants to allow the Lordstown plant to be converted to building the Chevy Vega. Management and labor were at odds over the entire manufacturing line at Lordstown which resulted in a very contentious strike in 1972. During this period, cars were coming off the line with defects that every consumer could see. To make matters worse, the Vega had been introduced with a unique all aluminum engine that immediately started to fail. GM switched to a cast iron engine which was called the Iron Duke (a nod to tough guy John Wayne?) to imply durability, but it was too late. Ultimately, Vega was named one of the worst cars of all time. The GM Lordstown plant had a history of labor/management disputes and finally shut down in 2019. Later that year the plant was sold to Lordstown Motors, with the planned production of the Workhouse electric pickup. We can all hope that GM has better luck with the new battery plant. Lordstown Motors is not having much better luck, with this plant than did GM. The SEC has launched an investigation of Lordstown over its public claims and there have been several lawsuits filed over misrepresentation and the suits are seeking class action status. Lordstown originally promised that their electric truck would be introduced in 2019, currently have committed to the fall of 2021, yet former employees have testified that they believe the truck will be at least 3-4 years away. Stay tuned to this unfolding drama. This is another example of overpromise and under delivery of electric vehicles that hurts the entire electric vehicle industry.

Some of you have had the opportunity to tour the Larry Carrell auto collection in Montana. I never got to see the collection in person, but I have heard about it for some years. Larry was primarily a Ford fan and his collection was housed in two shops on his property. In addition to being a Ford performance fan, he was also a big collector of a Ford regional special from the Kansas City area decaled as the "Twister". Basically, the Twister package consisted of a tornado decal on the side of the car but for some reason, not clear to this writer, they are coveted by the Ford faithful. Larry brought 32 of his

vehicles to the Florida Mecum auction in January. Auction results for the Twisters were \$215K for a 70 Torino, \$195K for a 70 Mustang Mach 1, \$220K for a Mustang Boss 429 and the hardest to understand was \$40K for an 85 Mustang GT Twister. I owned an almost identical 85 Mustang GT (except mine was missing the twister decal) and I watched this auction with amazement. Larry also had some other rather unique cars including a 70 Plymouth Superbird and 56 Chrysler 300B. The total selling price for the 32 vehicles was \$2.85 million. The auction was rather sad in a way. Larry was a petroleum engineer, and I suspect he made a bunch of money in oil. He got serious about his car hobby upon his retirement in 2004. He and his son were devoted to acquiring some of the best Ford performance cars available. Then his son died about 1.5 years ago. Larry also turned just turned 80. He said that he just didn't have the energy to keep the collection going without his son's help. At this same auction was a 30-car collection from another collector from Virginia. Both collections were listed as no-reserve, which meant they were going to sell no matter how low the bid. It didn't appear that Larry had any worries on the no-reserve score. One final note on this Mecum auction. A 1965 427 Cobra was on the block. This Cobra was originally personally owned by Carroll Shelby and had been with several owners since. It had just undergone a complete restoration back to the 1965 condition. Bidding was fast and furious with the winning bidder having bid \$5.4 million (yes, you read that right).