

Auto Show: Some see sales slowdown; fuel economy quandary

January 12 2016, byDee-Ann Durbin



In this Sunday, Jan. 10, 2016, file photo, journalists look over the Mercedes-Benz new E-Class sedan during a preview night for the North American International Auto Show, in Detroit. The Mercedes-Benz E-Class can change lanes by itself and maintain a safe distance from the car in front of it at speeds up to 130 miles per hour. (AP Photo/Carlos Osorio, File)

The North American International Auto Show opens to the public Jan. 16 in Detroit. Here are some of the things we learned at this week's media preview:

SALES PLATEAU

The auto industry set a record for sales of 17.5 million in the U.S. last year, capping six straight years of growth. Now, industry insiders say the U.S. market is starting to plateau, with many forecasts calling for a similar level of sales this year.

Mike Jackson, CEO of AutoNation, the country's biggest dealership chain, is one of those saying sales will flatten out. He looks at the high levels of inventory and the incentives being offered to car buyers and sees signs of a slowdown. Jackson is already reducing his new vehicle orders and cutting back on marketing.

He says a plateau with sales at record levels isn't a bad thing. The issue is how automakers deal with prosperity. If, for instance, they don't control production, they could build too many cars that people don't want and then have to discount them.

"We won the Super Bowl. We can be here for a while. You just have to manage it differently," Jackson said.

FUEL ECONOMY

U.S. fuel economy standards—or CAFE standards, for corporate average fuel economy—are scheduled to rise to a fleetwide average of 54.5 miles per gallon in 2025. The regulations, which were put in place in 2012, call for a review that begins this year and ends in 2018.



In this Monday, Jan. 11, 2016, file photo, the 2017 Chrysler Pacifica minivan is unveiled at the North American International Auto Show, in Detroit. The Pacifica is Chrysler's first new minivan in eight years. (AP Photo/Tony Ding, File)

Some automakers are starting to question the standards. They were put in place when gas prices were steadily above \$3 a gallon. Now that gas is hovering around \$2 per gallon, car companies are having a hard time selling fuel-efficient small cars, hybrids and electrics. Sales of the most popular hybrid, the Toyota Prius, fell 11 percent in 2015.

"I think we need to take a step back and say, 'OK, here's what the assumptions were, and how have the assumptions now changed, as we go forward?'," said Jim Lentz, Toyota's U.S. chief. "If they haven't changed, we ought to leave the standards where they are. If there are material things that have changed, we should look at what impact that has on consumer behavior, and then decide if the standards need to change."

Nissan-Renault CEO Carlos Ghosn says the technology to meet the mandates already exists, but not at a price consumers are willing to pay. Fiat Chrysler will spend \$10,000 more per vehicle to make the plug-in hybrid version of its new Chrysler Pacifica minivan, AutoNation's Jackson said, but he's not sure the company can convince buyers to pay that much more for it.

"This is a debate we have with regulators all over the world," Ghosn said.



In this Monday, Jan. 11, 2016, file photo, Raj Nair, Ford Motor Co., executive vice president, talks about the Ford Fusion hybrid at the North American International Auto Show, in Detroit. Ninety-five percent of vehicles sold in the U.S. are gas-powered. But with stricter fuel economy standards looming, and memories of \$4 per gallon gas not so long ago, automakers continue to develop alternatives to gas-powered cars. (AP Photo/Carlos Osorio, File)

GAS ALTERNATIVES

Ninety-five percent of vehicles sold in the U.S. are gas-powered. But with stricter fuel economy standards looming—and memories of \$4 per gallon gas not so long ago—automakers continue to develop alternatives to gas-powered cars. Audi and Lexus both showed zero-emission hydrogen fuel cell prototypes; Lexus said it could build the LF-FC sedan as early as 2020. Volkswagen showed a plug-in hybrid Tiguan SUV concept in Detroit after unveiling the all-electric Budd-e concept van at last week's CES show in Las Vegas. Fiat Chrysler's plug-in hybrid version of the Pacifica is a first for the minivan segment. And Chevrolet showed the all-electric Bolt, which can go for 200 miles on a charge and will cost around \$30,000 when it goes on sale later this year.

Ford showed updated versions of its Fusion hybrid and plug-in hybrid cars. Executive Chairman Bill Ford said there's less demand for alternative-fuel vehicles when gas prices are so low, but automakers should still make them.

"It's still a cost to people, fuel is, and I think anything we can do to bring the cost of owning a vehicle down is the right thing to do. Clearly in an era of high [gas prices](#) it's more dramatic, but it still makes sense," he said.



In this Monday, Jan. 11, 2016, file photo, Nissan Motors Chairman and CEO Carlos Ghosn talks about the new Infiniti Q60 sports coupe behind him on stage at the North American International Auto Show, in Detroit. The Associated Press takes a look at some of the things learned during the week's media preview. (AP Photo/Tony Ding, File)

LUXURY

Luxury sales made up about 13 percent of the U.S. market in 2015, up 1 percent from five years ago. Daimler AG Chairman Dieter Zetsche said he expects a little more growth this year, partly because of the huge number of millennials entering the market and also because luxury makers like Daimler's Mercedes-Benz are offering lower-priced models. But the growth will be modest, he says. That means luxury makers will be duking it out to get noticed and buyers will likely see some deals on luxury cars.

More than a dozen new luxury vehicles were introduced at the show, including the Mercedes-Benz E-Class midsize sedan, the Lincoln Continental and Volvo S90 full-size sedans, the Lexus LC500 and BMW M2 coupes and the Porsche 911 Turbo. There were also concept cars from Buick, Acura and Audi.

Hyundai is even launching its own luxury brand, Genesis, with the G90 sedan. Hyundai Motor America CEO Dave Zuchowski says the G90 is one of six new models Genesis will launch by 2020, directly into an already competitive market.

"Everybody thinks luxury is easy and fun and simple and high margin. In reality, it's a bloodbath," Zuchowski said.

AUTONOMOUS CARS

Completely self-driving cars are still years away. Ahead of the Detroit show, Tesla CEO Elon Musk predicted that cars could drive autonomously across the country in two years' time. But others point out that even if the technology is here, regulations will take much longer. New York state, for example, still requires drivers to have at least one hand on the wheel.

"Because you hear about it so often, you expect to see it next week," said Karl Brauer, a senior analyst with Kelley Blue Book. "That's just not the case."

But lots of cars at the show are taking steps toward autonomy. The Mercedes-Benz E-Class can change lanes by itself and maintain a safe distance from the car in front of it at speeds up to 130 miles per hour. Volvo's new S90 sedan has standard semi-autonomous technology that

lets the [car](#) accelerate, decelerate, come to a complete stop and steer on a road with clear lane markings at speeds up to 80 miles per hour. And numerous new vehicles, including the GMC Acadia and Lincoln Continental, have pedestrian detection systems that brake automatically before a collision.

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