

2011 OUTLOOK: The Market Looks Great!

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Speech to
Great Designs In Steel
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Blue Sky Productions

Global Sales

	2010	2011
JD Power:	72 Million	76.5 Million

Growth driven by BRICS, NAFTA, Mercosud (Brazil slowed last month). Western Europe weak; Japan down one-third.

Emerging markets now account for +50% of all light vehicle sales.

Automakers and suppliers should be doing well, especially if they supply the emerging markets.

U.S. Market

2009 = 10.4 million

2010 = 11.5 million

2011 = 13? million

YTD = +18%

Headwinds: oil prices, Middle East turmoil, state and municipal cutbacks.

But @ this rate = full recovery by 2014; 15 million, which is probably normal w/out heavy Detroit incentives, super low interest rates, lots of sub-prime sales.

OIL PRICES

So far, gas prices NOT much affect sales. Cars gaining share, trucks losing, but still up.

Prius only hybrid that sells well. This could change with April sales.

History shows oil prices will moderate again.

2008 = \$140/bbl

2009 = \$40/bbl

1999 = \$18/bbl!!!

Brazil, Iraq and fracking

NEW REALITY: DETROIT IS FULLY COMPETITIVE

Legacy costs hurt product = cheap, low-tech.

Did not invest in small cars. Why lose more money?

Only did it for domestic CAFE.

Toyota and others benefited from this approach.
Now, easy days are over.

Big Three impressively profitable

U.S. MARKET STILL MOST PROFITABLE IN THE WORLD

2011 Q1

GM International Operations 966,000 vehicles
(China, Korea, Australia, India)

GM North America 786,000 vehicles

GMIO = \$480 million

GMNA = \$2.2 billion profit

U.S. MARKET STILL GROWING

U.S. market will continue to grow;
only trails China and India for growth.

U.S. population = 308 million
By 2020 = 334 million; +26 million

Historically 6% of Americans buy a new car.
@6% in 2020 = 20 million
@5% = 16.7 million

WILL ALTERNATIVE CARS CATCH ON?

Beware of EV hype!

Hybrids: 29 models from 7 brands = 2.5%

EV's: more expensive, need \$2,000 charger, range anxiety, cold weather impact.

Will batteries be recycled?

What about life cycle energy usage?

If \$8/gallon solves everything, why isn't Europe covered with hybrids and EVs?

FUTURE TECHNOLOGY

FIRST: Make cars lighter, esp. for post 2015 CAFE

Laser welding's role:

- * Smaller flanges = lighter weight
- Or, eliminate flanges
- Eliminate access holes for welding tips = stronger sections = lighter weight + better designs
- Faster than traditional welders = ramp up line speed w/out building new plants

STEEL'S ROLE

- Hammer life-cycle energy use
- Carbon fiber is light, but expensive
- How do you repair alternative materials?
- OEM's can meet 62 mpg w/steel

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