GOODBYE, SOUTH BEND

Feelings of Foreboding Over a Flight to Canada

FROM ONE VIEWPOINT, anyway, the Studebaker upheaval made sense. That was from behind the horn-rimmed glasses of the stock market player. He wasted not a moment in showing his approval: As soon as the Dow Jones ticker tapped out the news-beat that Studebaker was throwing in the automotive towel in the United States, stock prices started moving up and made gains as high as \$2 (ending the day, however, up ⅞ths and the most active issue on the board).

But that was the only angle from which the light of events produced a pleasant image. Those investors, like the management group in control at the moment, were interested in a diverse holding corporation rather than an auto producer. Whether Studebaker built cars was just incidental—and it was preferable if it didn't.

The sight from some other directions wasn't quite as attractive. It was particularly ugly from the viewpoint of the enthusiast car buyer, from whose corner of the market we can speak with feeling and some authority.

As is too-well-known by now, a rapid-fire series of events during late November and early December culminated in reducing the five major car producers in this country to four and the relegating of Studebaker to the ranks of the imports. Automotive assembly operations at South Bend were stopped by mid-December and moved to a smaller plant at Hamilton, Ontario. The venerable, long-lived Hawk and the production-problem-plagued Avanti were immediately killed; in the case of the latter, production actually had ceased much earlier in the wake of a shortage of body parts from strike-bound Molded Fiber-Glass Products Co. in Ashtabula, O.

And, not incidentally, some 7000 employees—whom Board Chairman Randolph Guthrie pompously characterized as having "bled us white"—were thrown out on the streets. Of these, some 5400 workers were bounced to niggardly state unemployment handouts; this after years of a company loyalty which must set some sort of industry standard, after consistently accepting less than industry standards in pay and fringe benefits, after a heroic gesture once of foregoing a guaranteed wage increase to help the management out of a financial bind.

It of course took no particular genius to close the South Bend plant and skip to Canada as a way to solve the auto division's problems. But then the company was back in the hands of mediocre management. Sherwood H. Egbert, the dynamic executive with a demonstrated capacity for leadership and innovation, had been forced out by this group with two years remaining to meet the five-year goals of his contract.

There has been no accurate statement of the conflict that Egbert lost with the board of directors and so far he hasn't discussed it. There have been rumors: One, that the board was infuriated that he had approved the purchase of the Novi racers for Indianapolis (on a \$58,000 budget, not \$250,000 as reported by some less-than-well-informed publications) without consulting them and, two, his insistence on spending heavily to re-engineer the passenger cars for 1965 in view of the obviously poor sales performance of the heavily restyled 1964 models. Both were undoubtedly factors in his "differences in opinion" with the directors, just as was the fact that he was cut of a different quality cloth than they. Often called an egoist, Egbert does have great confidence in his capabilities and the fact remains that he did manage to get Studebaker more legitimate public notice than it had had since the days of Loewy's "European style" sports coupe, thereby keeping the company from sinking sooner into oblivion.

It is still as surprising in retrospect as it was at the time, that Egbert didn't sweep out some of the intellectual deadwood when he arrived at South Bend. And, while he was proud of the teamwork of the old hands and new talent, the fact remained that precious little new blood was brought into the organization. Yet his dynamic spirit permeated the plant; old buildings and machines were repaired and painted and a feeling of optimism began to replace those forebodings of disaster. But that still wasn't enough to unseat entrenched mediocrity, typified by one top level executive with horizons only as wide as the single convention he once had attended in Detroit—a vision of an unknown world which he repeatedly recalled for us on our last trip to South Bend.

Egbert knew, as do the shrewd managerial giants throughout industry, that money is not made without the expenditure of money. The new corporate president, 63-year-old Byers A. Burlingame, a financial executive who started with now-defunct Packard, claimed that the corporation had lost \$40 million since 1959, its last profitable year. It was losing over \$1 million a month during the first nine months of last year, all in the automotive division. However, since Egbert took over in January, 1961, the corporation diversified into 13 divisions—the other 12 all money-makers and accounting for some 50 per cent of total income.

The move to Canada had been proposed a year earlier, but Egbert firmly rejected the thought. During the past decade, any retrenchment has been tantamount to demise for companies that have tried it. Modern times are such that merely keeping pace with progress is to fall behind, a fact of which Egbert was well aware.

Studebaker's basic problem, which continued to remain unsolved, was sales. Unlike the dealer bodies of other successful makers, few of Studebaker's 1800 franchise holders had any interest in being competitive. Many refused to make deals, holding out for full gross when some interested buyer insisted on signing an order, and sold less than 20 cars a year. Others, who operated dual dealerships, showed more interest in the non-Studebaker lines. Even worse, some 70 per cent of the country was bereft of Studebaker dealerships, including several major metropolitan markets. This handicap alone spurred Egbert into establishing company stores in some two dozen large cities.

Owner loyalty resources diminished rapidly as Big Three dealers made "conquest sales" to Studebaker owners at trade-in time. Throughout 1963, even after the extensively restyled 1964s were introduced, Studebaker sales totaled a piddling 65,000 cars—roughly the production total for Chevrolet during an average week.

In the absence of hustling dealers, it is perhaps academic whether inspired and visionary company policies would have accomplished much anyway. (Many dealers were quite vocal in blaming Studebaker's problems on what they considered "bad publicity," although evidence of any particular sales effort was hardly overwhelming.) It was perhaps an unrecognized portent when a statement was made to stockholders by a Studebaker official last April, in reference to *Car Life*'s special Studebaker report (June '63), that the "Plan For The Future" article "does not represent any of our thinking."

Even so, there were many avenues which an alert management would have investigated. There was one suggestion that Studebaker could have negotiated the purchase of the forthcoming A-body frames and understructure from GM, perhaps the modern, lightweight 289 engines from Ford, designed and fabricated its own exterior sheet metal and interior appointments, and assembled a really "all new" car for the crucial 1964 marketplace with all the quality workmanship for which the company is justifiably famous. Such "blue sky" thinking is unfortunately alien in South Bend and what may have been—and still could be—a good idea died.

So what does the future hold? Burlingame frankly admits that it doesn't hold anything newer than the 1964 car line ("few major styling changes are planned during the next few years") which will be supplied from the Hamilton, Ont., plant. That plant, built for war production in 1941 and purchased by Studebaker in 1946, has employed some 700 workers for a production of about 8000 units during 1963. It houses some 350,000 sq. ft., compared to the 5.7 million sq. ft. at South Bend, and is located on the St. Lawrence seaway near Buffalo, N.Y. On a full 2-shift basis and with some expansion, Burlingame estimates an annual production of 30,000 cars.

All regular passenger cars except the cheapest Challenger were being built in Canada. The South Bend foundry and press shops, described in our "Build-It-Yourself" article last month, continue to operate, supplying parts for the Canadian assembly (and American Motors V-8 engine blocks under contract). Studebaker dealers throughout the country have been "encouraged" to stay with the franchise, but cancellations have occurred.

The company has obviously managed to reduce its break-even point to well below the 110,000 annual production it had dropped to under Egbert. It still produces cars which should be salable, to a demand that may be greater than the supply despite the damaging upheaval. The greatest task before the management is to rebuild public confidence in the corporation and its cars, certainly a difficult enough assignment in an era of hidden persuaders which obviously have eluded South Benders. Does not the name Studebaker itself have an archaic sound for a car?

Excitement, as much as anything else, is what sells modern automobiles. It has to be transmitted by the dealers, through advertising, and into the minds of the car buyers. The question then becomes: Can Studebaker sedans, as imports, be as exciting as domestically produced Avantis and success on Bonneville's Salt Flats?

—Gene Booth