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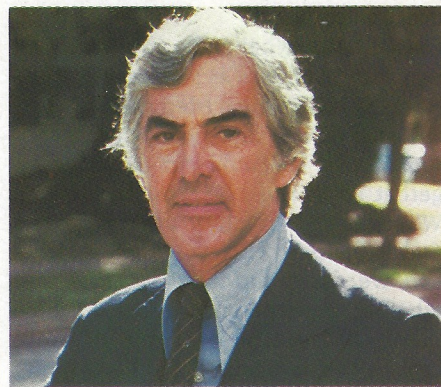
Neo-Classic Automobiles

Crossroads Interview: John DeLorean

By Gary Witzenburg



DeLorean Sports Car



John Z. DeLorean

John DeLorean is used to making news. Since taking over as general manager of General Motors' Pontiac Division (as a GM vice president) sixteen years ago, he has been one of those people who, like it or not, can't escape the public eye. Unlike most who attain true celebrity status, he is not an entertainer, author, or politician, but rather an engineer turned auto executive and entrepreneur.

Born and educated in Detroit, he joined Pontiac in 1956 as director of advanced engineering following brief service at both Chrysler and Packard. He soon rose to assistant chief engineer under Elliott M. ("Pete") Estes and then to chief engineer when Estes succeeded Semon E. ("Bunky") Knudsen as Pontiac general manager.

These were exciting times in Detroit, when the "youth market" dominated design and the horsepower race ruled engineering. Under the leadership of first Knudsen and then Estes, Pontiac's once-stodgy image was fast changing to one of excitement, innovation, and leadership, buoyed by under-the-table racing activities and such trend-setting new products as the muscle car GTO and the personal luxury Grand Prix. Soon the division stood proudly in third place in domestic sales behind only gigantic Chevrolet and Ford.

DeLorean was instrumental in developing such products and programs and in fact was awarded some forty-four U.S. patents for product innovations, ranging from engine design to transmissions, suspensions, brakes, and body details. His reputation was growing within the industry, and when Estes was appointed Chevrolet general manager in 1965, the forty-year-old DeLorean took over Pontiac and became the youngest division head and vice president in GM history.

He continued to make news with exciting new products and sales records at Pontiac, then, following a divorce,

started acquiring a reputation as "a bit of a swinger." It was the era of long hair and changing social attitudes, and DeLorean often rankled his corporate superiors by looking and talking more like his division's youthful customers than a proper GM executive.

Given the much larger challenge of leading the massive Chevrolet Division when Estes was bumped up to corporate management in 1969, DeLorean's reputation and celebrity status continued to grow. He streamlined Chevy's management structure and improved the quality of its products.

Despite his controversial lifestyle and continuing differences with upper management, his exemplary performance at Chevrolet was rewarded in 1972 when he was appointed group vice president in charge of all GM's U.S. car and truck operations. At the age of forty-seven, John DeLorean had reached the seat of power of the world's largest corporation, and he was considered a sure bet to eventually become president.

Then, suddenly, he startled the automotive world by resigning in 1973. He said he was dissatisfied and frustrated with the job, and generally opposed to the corporation's management system. He compared the experience to becoming one of the guys who runs the stadium after getting accustomed to playing quarterback. A year later he formed the John Z. DeLorean Corporation, and soon after made news once again by announcing plans to produce a car of his own.

His gull-wing, stainless-steel-bodied, rear-engined \$25,000 sports car is in production at a seventy-acre plant near Belfast, Northern Ireland. The investment exceeds \$200 million, more than half of it in loans and grants from the United Kingdom's Northern Ireland Development Agency, the balance from private investors and the 350 dealers who plan to sell DeLorean cars.

We interviewed John DeLorean in his plush, high-rise Manhattan office, which exuded the confidence of a successful ongoing business—it was furnished with chrome, glass, and works of art. DeLorean seemed a bit tired...most likely from his globe-trotting travels. His rugged, handsome face was drawn, perhaps from the heavy responsibilities of en-

trepreneurship, but his athletic six-foot, four-inch frame appeared relaxed. His eyes sparkled with enthusiasm, and he spoke with the quiet confidence of a seasoned soldier who knows his toughest battles are now history.

CROSSROADS: What sort of carmaker do you want to be?

DELOREAN: If we're smart enough and

work hard enough, maybe fifteen years from now we are going to be another BMW. That is our dream, the image we want. We can't ever compete in the \$2-a-pound class; we're always going to be an \$8- or \$10-a-pound car. What we have to do, then, is find a bunch of people who believe in us, and the way we'll do that is to be what they expect. One thing I've learned in business, and

I think it is the primary reason I was successful both at Pontiac and at Chevrolet, is that you can't kid anybody. The American public are incredible judges of quality and value; just build a good product and they will knock your walls down to get it.

CROSSROADS: What made you think that you could succeed as a carmaker when so many others have tried and failed?

DELOREAN: At first I wasn't quite convinced that we could put the thing together, so we did a little market testing. We sent a little brochure to a few dealers and explained what we wanted to do, and we asked for their opinions and whether they wanted to invest. At some point, GM got hold of one of those brochures and decided that I was going to be a competitor, so they terminated my bonus. That really teed me off...but then I decided, well, if they think I can do it, maybe I ought to think I can do it. That's what convinced us to go ahead.

CROSSROADS: How difficult has it been to secure the necessary financing?

DELOREAN: It is the conviction of the financial community of the United States that no little guy has a chance to make it. The problem we've had is convincing the world that, in the little place in the market where we are trying to be,

there is an opportunity for a little guy. Our whole problem has been one of credibility, though no one argues about the qualifications of our organization. Everyone in it is very capable and experienced, and all of them have a lot of guts or they wouldn't be here.

The thing I found was that it was impossible to use any of the traditional investment banking techniques; it just couldn't be done. Yet, so far, we have raised about \$200 million. No bunch of guys ever had a better shot in their lives at getting this thing done.

We've got the support of a lot of very good people, especially the dealers, who were the first to believe in us and gave us the credibility to go on. When we got the dealers to invest their own money, \$25,000 each, and make commitments to buy the first 38,000 to 40,000 cars, then the financial community started to believe that we were possible...because the dealer is the most knowledgeable guy. He's the one who's out there on the street knowing that eventually he'll have to sell the car. So the fact that we had lined up a substantial number of dealers, each with a serious investment of his own, was what made the rest of our financing possible.

I finally got the financial community

to raise the \$20 million that we needed to trigger our financing with the British Government. Our credibility with them came from the fact that they went out and talked with about seventy-five of our dealers, and every single one of them said, "Yeah, we think this is going to be one hell of a thing. We trust that guy; he's never lied to us, and we have always had a lot of success with him."

CROSSROADS: How did you attract highly qualified, successful people to join you in what they surely must have seen as a pretty risky venture?

DELOREAN: We tried to explain to those people we were interested in exactly what we were trying to do, and if that didn't light a guy up, then he probably wasn't our kind of guy anyway. You don't have the option of having a bad day in this business. You really have to get your hind end in the air and your head down and keep charging. If you aren't that kind of guy, then you don't belong with us. And, every one left a pretty good job to come here.

We even went through a long period of time when we weren't able to pay anyone, and that was a pretty creative situation. They knew they'd get paid someday, but some went as long as a year without a check. Then when we'd

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get some money, we'd divide it up and make sure everyone got a little bit if they needed it.

CROSSROADS: Were there times when you thought that you wouldn't be successful with this venture?

DELOREAN: Oh, we've probably had five different times when it looked like we were in a tailspin headed straight into the ground, but we always managed to persevere somehow. The biggest thing in business, or in life, I believe, is staying power. If you don't believe in something enough to fight your way through the tough times, then maybe you shouldn't be trying to do it at all.

CROSSROADS: About the time you started trying to raise some money, Malcolm Bricklin's sports car company was going out of business with a similar venture. Did his failure dog you?

DELOREAN: It did in the beginning. The first thing everyone starts telling you is that no new company has managed to succeed in this business since Walter Chrysler in 1925 or something. What we had to do was convince them that we were different. Most of those who have tried and failed really weren't professionals, but we have an organization of seasoned professionals. Everyone who works for us knows what he is doing. I

don't think anyone has a better management team than the one we have put together.

CROSSROADS: How many cars will you build this year, and is there a breakeven point financially, a date when you expect to be making money?

DELOREAN: The 1981 production run is scheduled to be 11,000 cars, '82 is set for 20,000 cars, depending on demand, and our plans are to accelerate eventually to 30,000 sports cars a year. We will be making money by the last half of this year, but we won't have made enough until the end of the year to break even. In other words, we expect to be in the black by the end of June, but we have to then accumulate enough profit to make up for the losses. It will take us until the end of the year to do that, but by calendar year '82 we'll be in the black for the whole year.

CROSSROADS: I understand that your plant has a total capacity much greater than 30,000 a year. Do you plan to build some other products there?

DELOREAN: We're capable of building anything from 120,000 to 250,000 cars a year in that plant. Our dream is to add a sedan and we are now doing some preliminary work with (Italian designer) Giugiaro on that. It is going to be a dif-

ferent kind of sedan, pointed at a whole different place in the market compared to anything currently in production. It's going to be aerodynamically designed and a fine, fun car to drive, with exciting performance and handling...the same essential characteristics as our current car. It will be very strong but reasonably lightweight in comparison to other cars, and it will be designed to last forever without corrosion. It will have gullwing doors, probably four of them, and about the same interior packaging as a Mercedes 380 SEL, but with more leg room in the rear.

CROSSROADS: You were a strong advocate of racing during your GM days even though corporate policy was against it. Do you plan to promote your sports car through racing?

DELOREAN: We have no current plans to race our products; but yes, I have always been a strong advocate of motor racing for certain purposes. When I arrived at Pontiac Division and received a free car, I was embarrassed to drive it. I kept my old Chrysler. I thought the Pontiac was ugly.

But Knudsen understood that racing was important. So we got into it, even though it was sort of half illegal at GM at

(Continued on page 51.)

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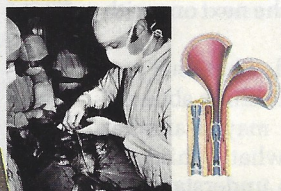
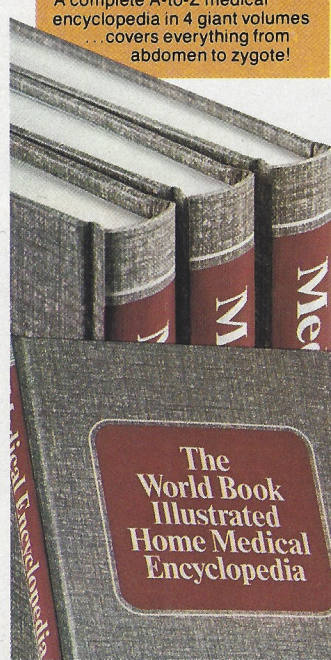
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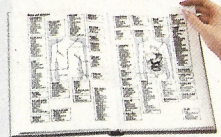
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INTERVIEW

(Continued from page 23.)

the time, and we became the best cheaters in the world. We were the only guys building all aluminum sheet metal for cars, aluminum bumpers, everything, it was amazing. I think (National Association for Stock Car Auto Racing chief) Bill France came out to talk to somebody one day, and he leaned on a fender and went right on through it. And then he started magnet tests to check the automobile bodies.

Still, the last year Pontiacs won something like forty-three out of fifty-two stock car races, and Chevy Division decided that it couldn't be coincidence. We must have been supporting somebody. They started to get aggressive, and when they did the corporation really laid down the law and said the next guy we catch helping anybody gets fired. Of course, that was a lot different from just saying "don't do it." We pretty much quit after that.

But it had served us very well in changing our image, and it actually was a benefit to Pontiac to have it shut off when it was because we had reached the point where we weren't going to be able to keep winning like that. All of a sudden we had really the big shooters in the game, and we couldn't have afforded to be competitive anymore. So thank God they did shut it off because that way we got to quit as winners.

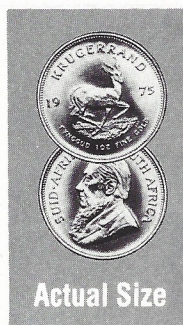
CROSSROADS: What do you think is the problem with America's auto industry today?

DELOREAN: They do all this talking about the Japanese, but I think their real problem has been that they just weren't building what the public wanted. They were not building the right size cars with the proper fuel efficiency and quality. When they do, and they are beginning to now, they should do very well again.

The problem I see today, however, is the other side of that equation. The American industry now is starting to put quality ahead of price for the first time, but they are still trying to make their old profit levels on the reduced volumes that they have now, and I think they are pricing some of these new cars too high. Even when the products are right, they are not going to be successful if they don't represent a good value.

Gary Witzenburg is a well-known magazine writer and is author of the book *Mustang, The Complete History of America's Pioneer Ponycar*.

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