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GM: Hybrid cars make no sense

GM executive Lutz argues critically acclaimed hybrid compacts like Toyota Prius are bad business.

January 6, 2004: 5:21 PM EST

By [Chris Isidore](#), CNN/Money Senior Writer

DETROIT (CNN/Money) - General Motors Corp. has no plans to try to answer the success of the Toyota Prius, the critically-acclaimed gas/electric hybrid car, said Robert Lutz, GM's vice chairman of product development.

It just doesn't make environmental or economic sense to try to put an expensive dual-powertrain system into less expensive cars which already get good mileage, Lutz said at the North American International Auto Show.



Photo: Toyota

The Toyota Prius

The Toyota Prius, now in its second generation, can get 55 miles out of a gallon of gasoline. It has won several awards including North American car of the year at the auto show, Motor Trend's 2004 car of the year as well as making Car & Driver's top ten list. Toyota sold 24,627 of the vehicles in 2003, a 24 percent increase from 2002 sales.



Photo: GM

The hybrid version of the GMC Sierra.

GM started selling its first hybrid vehicles, versions of its Chevrolet Silverado and GMC Sierra pickups, late last year. So far, they are available only to fleet customers. GM won't start selling the hybrid pickups to retail consumers until the third quarter of this year.

Toyota insists the Prius will be profitable, but Lutz said he believes the only way a company can

shoulder the extra cost of a hybrid system is by putting it on a higher-priced, higher margin vehicle such as a pickup or sport/utility vehicle. He argues that developing hybrid SUVs and pickups will have a great positive environmental impact because those vehicles can save more fuel with hybrid technology than can already fuel-efficient small cars.

Lutz also argues that it doesn't make economic sense for consumers to pay several thousand dollars more for hybrid cars that get up to 30 percent better fuel economy.

"Hybrids are an interesting curiosity and we will do some," he said. "But do they make sense at \$1.50 a gallon? No, they do not."

He said it would make some sense for automakers to use the pricey hybrid systems in light trucks to help their sales in that segment meet federal fuel economy regulations. And he said that's why GM will concentrate on hybrids in the light truck models in coming year.



From: Toyota

The hybrid version of the Toyota Highlander.

Sunday Toyota Motor Corp. introduced its first light truck hybrid, a version of its Highlander SUV, due out this fall. On Tuesday, its luxury Lexus brand introduced its first hybrid, the RX400h SUV. While Toyota executives wouldn't give numbers for average fuel economy of the hybrid SUVs until testing is completed, they predict these vehicles will get better mileage than the average gas-powered compact car.

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Lutz did concede it may be more difficult to get an environmentally-conscious buyer to look at a hybrid light truck rather than a hybrid compact. That's part of the reason both Toyota and GM will be emphasizing the additional power available on a hybrid light truck, rather than simply better fuel economy.

"It adds a new performance dimension to the traditional hybrid advantage of high mileage and low emissions," said Denny Clements, Lexus group vice president, when introducing the RX 400h Tuesday.

And Lutz did concede that Toyota has won the public relations battle with the Prius, even if it followed a business strategy he does not endorse.

"For Toyota, it was a huge, huge, immeasurably valuable PR coup," said Lutz. GM's decision not to pursue a hybrid car "was a mistake from one aspect, and that's public relations and catering to the environmental movement." ■



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