

'People's car' could spell disaster; India's ultra-cheap Nano potentially a giant problem for the environment; MIRA KAMDAR The Washington Post.
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The most hotly anticipated auto show of 2008 isn't the one now underway in Detroit. It was the New Delhi Auto Expo, which managed to beat Detroit to the punch by a week -- and \$2,500.

That's the sticker price of the most eagerly awaited new car in decades: the Indian-made "people's car," dubbed the Nano. It's the brainchild of Ratan Tata, scion of the massive Indian conglomerate known as the Tata Group. He had long dreamed of giving middle-class Indian families a safer alternative to piling mom, dad and the kids onto the only motorized transportation they could afford: a motorcycle. True, the car doesn't meet North American safety standards. Still, by putting distribution in the hands of its dealers, taking advantage of cheap Indian labour and using lower-cost materials, Tata Motors has driven the price of a car down to levels never seen before.

This is good news for the millions of people in the developing world who never imagined that they could own their own car. But it's a problem for the rest of us.

It's a problem for Detroit, which is racing to enter India's booming small-car market but will now have to completely revolutionize its production and distribution to compete. It's a problem for North America's beleaguered auto workers, who will become even more expendable as Detroit moves its manufacturing efforts to India and other Asian countries. And it's a potentially gigantic problem for the environment. India's urban roadways are already choked with traffic, and the air quality of its major cities is ghastly. If millions of Indians and Chinese get to have their own cars, the planet is doomed. Suddenly, the cute little Nano starts to look a lot less winning.

So is there any way to steer out of the Nano's way? Unfortunately, shifting manufacturing and sales to rapidly growing Asian markets makes eminent business sense to the North American auto industry, and the Indian market is white hot. The country's economic boom has spurred a car-buying frenzy, and India is set to become the world's largest auto market within a few decades -- reaching as many as 600 million units by 2050. That's more than twice as many cars as are currently registered in the United States.

India isn't there yet, of course. Much as Tata would love to see the car become king, very, very few Indians can afford one. Even at \$2,500, the people's car costs 10 times more than the annual income of most Indians. At this point, there is only one car for approximately every 1,000 Indians. In the United States, the ratio is three cars for every four people.

But to the world's car manufacturers, this wild disparity suggests a market whose potential has barely been tapped. So to avoid being steamrolled by the Nano, a slew of auto industry leaders unveiled their own efforts at India's Auto Expo. Maruti Suzuki, an Indian-Japanese joint venture that brags that "more than half the number of cars sold in India wear a Maruti Suzuki badge," showed off a new "mini-car" of its own. And Ford tried to steal some of Tata's glory by announcing just days before the Auto Expo began

that it plans to invest \$500 million to develop a small car in India, in addition to similar sums Ford has committed to small-car production in China (as of 2006 the world's second-largest car market) and Thailand. General Motors has made India one of its most important design hubs and is investing \$300 million in a new factory there.

This is part of a massive shift in the industry. North American automakers are finding themselves less and less able to compete domestically with proven innovators such as Toyota, which just last year unseated GM as the world's biggest auto manufacturer and pushed Ford out of the No. 2 spot it had enjoyed in the United States for 75 years. So Detroit has staked its survival on Asia.

To make the move, North American automakers need capital. Maybe that's why Ford is selling off its prestigious Range Rover and Jaguar brands. Just a few years ago, these brands, which exude an oh-so-British sense of privilege, were part of a core strategy to capture a piece of the high-end luxury automobile market. But Ford is trading in prestige for practical global business realities. In one of globalization's supreme ironies, cash-rich Indian companies are snapping up the brands and companies left behind by the mad rush to profit from Asia's billions. The two top contenders to buy Range Rover and Jaguar from Ford? India's Mahindra & Mahindra and Tata Motors. Surely we are at a turning point when an Indian company -- in just one week -- unveils a car so cheap that U.S. manufacturers simply can't compete, for a market they've never tried to tap, and emerges as the likely buyer of two of the world's most expensive luxury brands owned by that most iconic of U.S. companies, Ford. And surely the glow of the American century is beginning to dim.

Remember, it was 100 years ago, in 1908, that Ford introduced its own people's car. The Model T revolutionized the auto industry and brought the world into the age of mass production and Big Oil. An assembly-line worker could purchase a new Model T with just four months' wages. Demand soared. Our love affair with the single-family car was born. Highway and road construction surged ahead of mass transit. City tramways were removed to make way for broad avenues carrying automobiles. If India is headed for a similarly dramatic transformation, we need urgently to think about what it would mean for an already overheating world.

No magic bullet can reconcile mass ownership of automobiles with global warming. More diesel-driven cars mean more greenhouse gases, and ultracheap cars mean cutting corners on emissions standards. Some environmentalists have high hopes about filling car tanks with biofuels, such as corn-based ethanol. But corn requires more carbon to produce than it saves as a fuel source. Others tout plug-in-and-go electric cars. True, they produce no carbon, but if the source of the electricity used to power the car is coal -- the most common source of electricity in the United States and the preferred fuel for the scores of new plants being built in China and India -- then the electric car won't save us. Hydrogen-powered cars still lie years in the future, leaving plenty of time for India and China to put millions of new diesel cars on the road.

On the upside, India has fewer bad habits to break than we do. Because India has lagged in improving and expanding its roadways, it has very little to undo. It doesn't have to completely change an economy

that runs on oil; most of its citizens consume very little, if any, of it.

As India becomes a car culture, it can find far better role models than North Americans. Rather, India should look to Japan and Western Europe, with their super-modern, super-efficient public transportation systems. India is blessed with an extensive rail network that can be upgraded and modernized. New Delhi, proud host of Auto Expo 2008, is also home to one of the world's most impressive mass-transit systems, the Delhi Metro.

But while other Indian cities have asked the Delhi Metro team to build mass-transit systems for them, the most visible pieces of urban infrastructure in India are all geared for the automobile. "Flyovers" carry cars above overcrowded city streets, and multi-lane highways cut through old neighbourhoods, sometimes literally slicing homes in half. Pedestrians sprint perilously across these new roads, which often lack crosswalks or overpasses. Millions of bicyclists, who have no designated lanes to use, weave dangerously in and out of stalled, steaming traffic or try to pedal ahead as best they can on pitted, crumbling shoulders.

In fact, India seems hell-bent on catching up to where the West was in the mid-20th century, rather than sprinting to where it needs to go in the 21st. Meanwhile, car-addled Western societies are starting to change their ways. Traffic-choked London is taxing cars to encourage drivers to use the Tube instead. Paris has introduced a charming, affordable new system of bicycle rentals. Even New York, home of honking gridlock, has pledged to add hundreds of miles of new bicycle lanes, tax cars along the lines of the London model and require all taxis to be hybrid vehicles.

We can only hope that India and other Asian countries emulate our good new habits rather than our bad old ones. India is a highly status-conscious country, and no status symbol is more exhilarating than a new car. (Sound familiar?) Its new middle class is eager to acquire the goods that only now are within its grasp, especially those that raise their eminence, and they don't want to hear from us gas-guzzling killjoys. As one college student told me last year: "Just when we can finally start to enjoy the things you people have had for decades -- cars, air conditioners -- you tell us, 'Sorry, too late, you can't now.' I mean, you created this mess. You won't reduce your consumption, but you tell us we can't increase ours."

She has a point.