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January 2015

TWICE KILLED, TWICE SAVED

PART 2

Fresh out of bankruptcy, GM once again cancels the Corvette

| BY GARY WITZENBURG | PHOTOS COURTESY GM |

Even if you haven't read "Twice Killed, Twice Saved - Part I," from our previous issue, you likely know that the Corvette has survived close calls with cancellation numerous times throughout its up-and-down six-decade history. But did you know that the car was actually, seriously, totally killed by GM management—then miraculously brought back to life—not once, but twice?

The first time came in the early '90s, when GM vehicles were generally uncompetitive, sales were sinking and the company was going broke, all largely due to a decade of poor product leadership by financially driven CEO Roger Smith. Smith's "car guy" successors, CEO Bob Stempel and president Lloyd Reuss, were forced to delay some vehicle programs and cancel others, including Corvette, to save money—and, they hoped, the company. Not long after, both were ousted by GM's board of directors.

How Corvette was saved by then-Mid-Size Car Division VP Joe Spielman, Chevrolet General Manager Jim Perkins and Corvette Chief Engineer Dave Hill—and how it ultimately became the game-changing 1997 C5—forms the basis of the story we told in our previous installment.

The Corvette's next death sentence was handed down in 2008, when GM finally went broke during an epic financial crisis and was embarrassingly bailed out by U.S. taxpayers. As you'll see, the tale of how Chevrolet's iconic sports car was once again coaxed back to life is another good one.

SPIRALING DOWN

It was 2005 when engineer/racer Tom Wallace was chosen by GM Product Vice Chairman Bob Lutz and the retiring Dave Hill to succeed Hill as Corvette's top engineer. The job would be just one of his many responsibilities as Vehicle Line Executive (VLE) of GM Performance Cars. Wallace told us then that his most important Corvette priority was "Don't screw it up!"

Wallace's previous job was mid-size-truck VLE, but due to his driving skills and passion for high-performance cars, he had a great relationship with Hill. "We bounced ideas off of each other," Wallace says, "and he sometimes asked me to drive one of his development cars and give him my opinions. Even before I got the job, he had me driving a Z06 because he knew I would drive it hard."

He adds that the Corvette assignment was his dream job: "Corvette has always been the ultimate American sports car, and I was finally getting to work on it. I'm a little rebellious and don't like rules, and Corvette was great because it was different. We were a little island inside GM, a very big company that could get bureaucratic, and they recognized that we needed to be different and left us alone. We were like a bunch of rebellious teens. It was okay to do...things that you probably couldn't do anywhere else at GM. Try doing the ZR1's carbon-ceramic brakes on any other GM car, for example. So it was fun, the car was great, the team was great and working for Lutz was great."

Corvette's fourth chief engineer also had at least two things in common with its first, Zora Arkus-Duntov: big-picture vision and a burning desire to do a mid-engine Corvette. He also had a knack for recognizing and rewarding talent, and within his first six months on the job, he realized that Assistant Corvette Chief Engineer Tadge Juechter was clearly the technical brains behind the car.

"Tadge was awesome," Wallace says, "and it soon became apparent to me that he was due for a promotion and recognition for

Though Lutz (shown here at the C6 intro in 2004) was a strong supporter of the C7 program, even he had doubts about the feasibility of a mid-engine model.

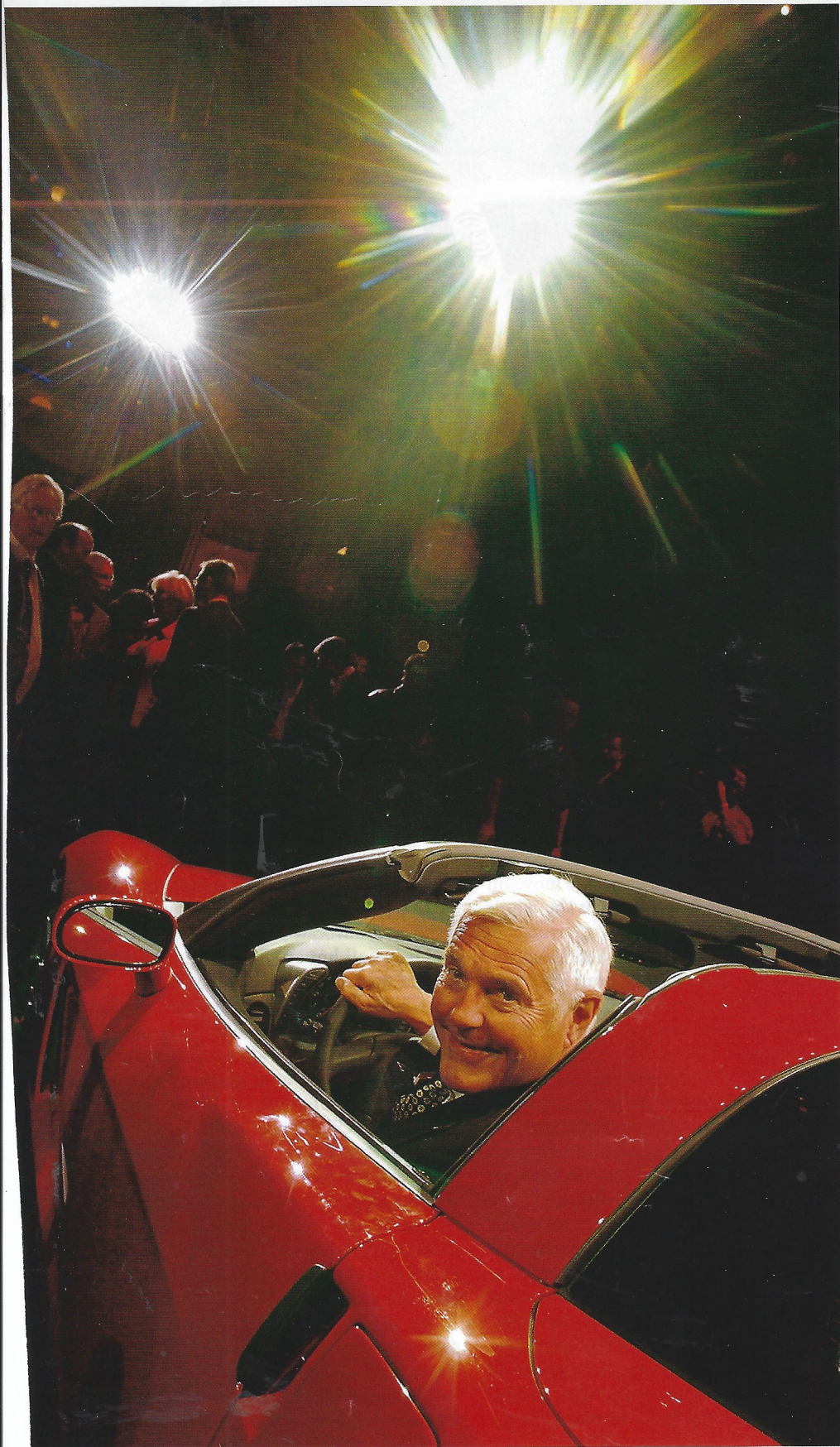
the job he was doing.” He recommended naming Juechter chief engineer, but Lutz initially refused. He wanted Wallace to wear that title and knew the media wouldn’t understand having two Corvette chiefs. But he finally relented on the condition that the move would not be announced.

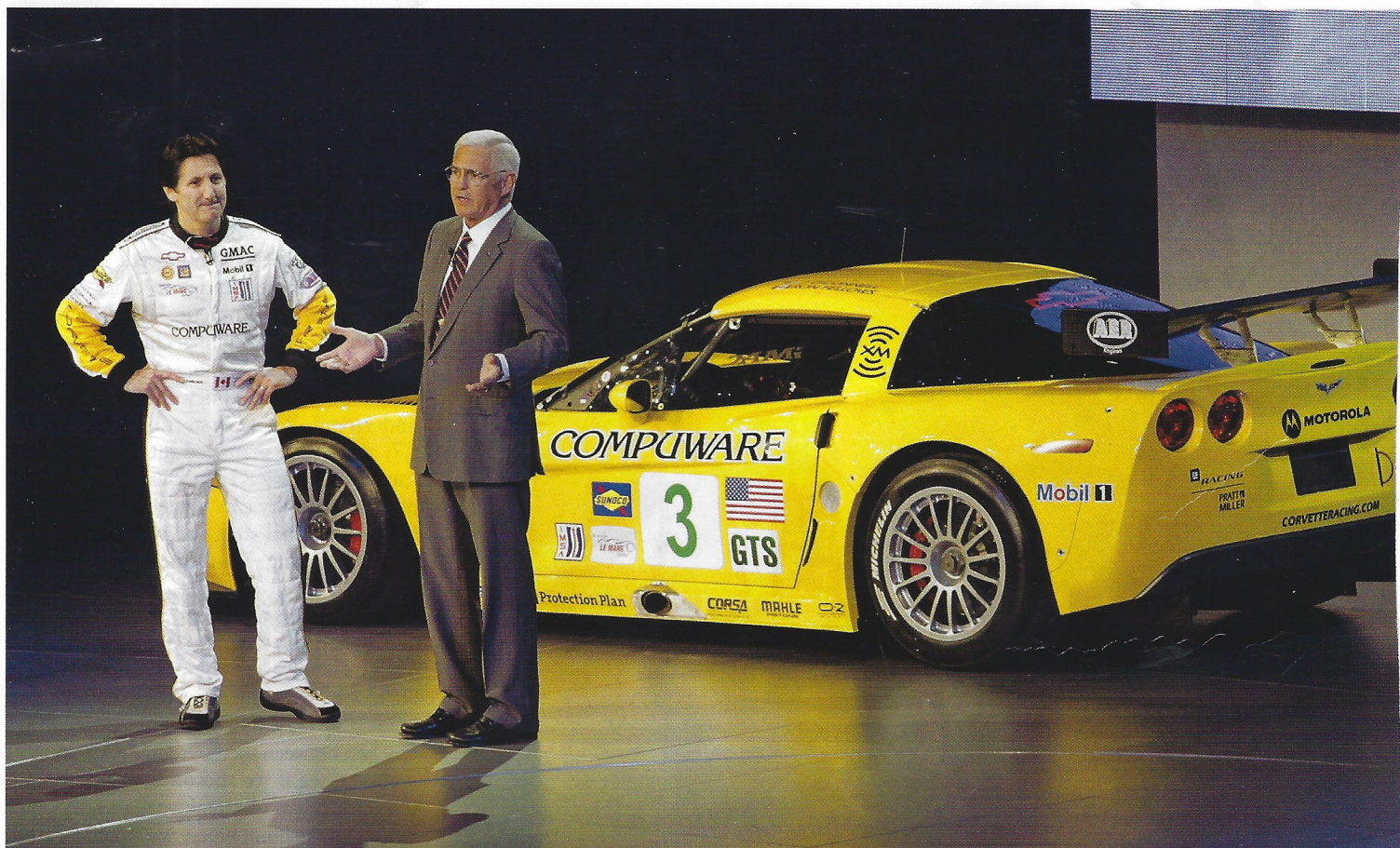
“We promoted Tadge to chief engineer, North American Corvette,” Wallace relates, “reporting to me as global chief engineer and VLE. It was the right thing to do, but we lowballed it because we knew the press wouldn’t understand. We were starting to talk about C7, and Tadge managed the team that was engineering the ZR1, pace cars and a couple of other specialty cars while working on C7. I handled global stuff and was the interconnect with racing. That’s the way we split up the work.”

Juechter also wanted to explore mid-engine designs and was working on designing a viable ME prototype, but he never had the budget to build one. “We were *that* close,” Wallace says, holding up his thumb and index finger with a tiny gap between them, “to approval to build mules to see if we should do a mid-engine Corvette. It was all skunkworks, pretty quiet, but got to the point where we rented a Ferrari and a couple of other cars and had a big ride at Road Atlanta...to get a feeling for mid- vs. front-engine—serious stuff. We had architectural studies and a clay model of what it might look like.”

Wallace held clandestine meetings with enthusiast-magazine staffers to run the mid-engine idea past them: “What do you think about the next Corvette? What should we do to drop the median age of buyers by 10 years—and don’t tell me, ‘Charge less for the car,’ because that’s not possible.” That led to interesting discussions. “At one magazine,” he says, “I started a fight among the staff. The older guys said, ‘[It has to be] V-8, front engine, rear transaxle.’ The younger guys said, ‘Then I’d never buy one.’”

He adds that Chevy marketing was “scared to death,” because they didn’t know how to get 45-year-old dot-com types to buy front-engine Corvettes. Wallace knew it was highly unlikely that he could get nearly \$1 billion from the cash-strapped corporation to do a mid-engine car. Still, he believed it was possible to build one that could be sold for a reasonable price. “We were clicking off the technical challenges one by one, but not the investment challenge,” he says. “Program after program was being canceled, and the cash hemorrhaging had people saying, ‘Don’t even talk to me about a new Corvette, let alone a mid-engine [one].’”





As time went on, GM's financial situation kept getting worse. The company had a dozen VLEs at the time, and the oldest six were pressured to take early retirement. "Bob [Lutz] didn't want me to go, but HR did. I kept saying, 'No, no, no! I've got the best job in the world. I'm not going.'"

But the U.S. economy was plunging into a deep recession, vehicle sales were cratering and GM was spiraling toward insolvency. A deadline of November 1, 2008 was set for the company to shed six VLEs and 10,000 engineers. New-vehicle programs were being delayed or killed, and the last two on the block were full-size trucks and Corvette. Wallace told Lutz, "If we're going to do a C7, I'll stay. I think I can do a really good C7, and it's fine if it's not mid-engine. But if you want me to put decals and paint stripes on the C6 for another three or four years, I'm not going to do that."

Going into the October board of directors meeting, Lutz informed Wallace that while he planned to fight for the truck and C7 programs, the Corvette would be an especially tough sell. He called the next morning with grim news: GM's flagship sports car had officially been killed. Wallace retired soon after.

REBIRTH

Wallace was gone, and the C7 was offi-

cially dead, but Juechter and his team kept working. "We still had a car to produce day in and day out," he says. "That's the way it goes in the ebb and flow. You work your butt off, you get a new car, you put it into production, then you babysit it for a while, and your team shrinks down as people move off to work on other products. But the whole time, you're scheming on what you would do for the next generation. We had ideas and development mules to try out different things. There wasn't a whole lot of work going on, but there was some percolating in the background."

Then General Motors declared bankruptcy. The team feared there would never be another Corvette. "We were really worried about GM collapsing in a quick liquidation where we would just be shut down, and the Bowling Green plant and the tools and the brand would be sold at scrap value," Juechter recalls. "That would have been a nightmare scenario. Or maybe [there would be] a 'quick rinse' as part of the bankruptcy, where Corvette would get rinsed out of the portfolio. We were fielding calls from outside parties interested in buying Corvette and running it as an independent enterprise. We even put a Corvette 'phonebook' together with [team members'] home numbers, so if the worst did happen and

everything collapsed around us, if someone wanted to buy Corvette and Bowling Green, we had a team ready to...go to work for that buyer to keep it going."

One day Juechter was participating in a conference call with the consultants hired by the U.S. Treasury Department to consolidate GM's manufacturing operations, and he was planning to advocate passionately for Corvette and its small but special plant: "We went around the room introducing ourselves, and when I introduced myself as the Corvette chief engineer, one consultant said, 'What can you tell me about the C7?'"—the same question we were getting from our customers. I thought, *Wow, this guy knows the lingo and wants to know about C7. He may 'get' it.*

"And they did get it. They got into our books and saw that Corvette made money, so getting going on a new one was on the to-do list coming out of bankruptcy. It was spared as an extremely valuable brand that is known globally, and the Bowling Green Assembly Plant was also spared."

Yet as GM was emerging from its government-guided bankruptcy, nothing was happening on the C7 program. "It was still beyond the planning horizon," Juechter continues, "so we were scheming Grand Sport variants and whatever else we could do with the C6."

Then he saw Fritz Henderson, who had succeeded Wagoner as CEO, on "Autoline Detroit" TV program. "People were phoning in questions, and one customer asked, 'When are we going to get a new Corvette?' Fritz said, 'We're working on one right now. We're doing an evolutionary but major change off the C6.' Which was wrong. He was either misinformed, or wishfully thinking."

The very next day, a friend of Henderson's decided to buy a Corvette and e-mailed him with some questions. Henderson passed the e-mail along, and when it got to Juechter, it gave him an opportunity to answer the questions...and add that he had seen Henderson on "Autoline Detroit," and they were *not* working on a new Corvette." Henderson responded, "Well, we'll see about that."

Less than a week later, direction came from GM Product Planning to get the C7 cranked up.

While Henderson's tenure as CEO was short, Juechter credits him as a major influence in Corvette's resurrection: "He understood Corvette and took time to give it a personal review -- both the C7 plan and our business case. And he often said, 'Corvette pays the rent.' He saw it as a bread-and-butter car for Chevrolet, and if it makes money, why would we not do it?"

While Juechter really wanted to continue studies on a mid-engine car, he seems quite pleased with this one: "We're always looking at different architectures and have considered mid-engine almost every time," he says. "We did studies on it, and we'll go to mid-engine when that will make the whole car better.

"We have a unique solution in the marketplace now of an extremely stiff structure, very light weight and 50/50 weight distribution. If you look at our track lap times vs. mid-engine competitors, we usually smoke them, and the critique comments are usually that our car handles more comfortably. In terms of luggage room, occupant packaging and efficiency, if you go down the list of things that are important to customers in a high-volume sports car, as

opposed to a low-volume exotic, the architecture we have now is outstanding. So when we can figure out a mid-engine solution that beats our front-engine solution on not just one thing -- looking cool -- but also on enough of those factors that we can consider selling it as a high-volume vehicle, that's when we'll consider switching."

Of what aspect of this car is he most proud? "The bandwidth. Having a car that is so fast, so capable, so efficient, so comfortable -- all the things it does well and does better in combination than any other Corvette has before it. It hits on all cylinders: interior, exterior, functionality, human factors. Plus it's just a pure joy to drive. People who have driven it just love it. No matter how long and hard they have worked all day, they get in it, and it's a joy to drive and to be seen in. It makes their day.

"Yet, to me, it's just the next step. In my 21 years on Corvette, we've never been satisfied. I've got my to-do list on making it better, and setting the organization up to do an even better C8. The organization has financial and technological constraints, so it's a question of balancing all those constraints and opportunities to come to the best possible combination for the car. This one is reflective of the team's and General Motors' capabilities, what we are capable of doing, at this point in history."