

A MEETING WITH PETER SCHUTZ

By: Peter Sontag
Treffenmeister

On Friday, February 27, 1981, I met Peter Schutz in Stuttgart and found him to be an engaging, fascinating and dynamic person. At the end of our meeting, I invited him to visit with us here at the Nordstern Region.

My primary objective in inviting him was as follows: I wanted to give Peter Schutz an appreciation for the enthusiasm and support that he can expect from the "grass roots." Below is a transcript of his meeting with approximately 50 Porsche enthusiasts in the Gelco Corporation auditorium at Three Gelco Drive, Eden Prairie, Minnesota 55344, on Saturday, April 4, 1981, from 10:00 a.m. until Noon.

Prior to any introductions, Rick LeBurkien showed a multimedia slide presentation of Nordstern's 1980 activities.

PETER SONTAG: Thank you Rick LeBurkien. Outstanding job as usual. My objective in showing this presentation was, Peter (Schutz), for your benefit, to show you what we do on a local level. This is merely one of 110 regions in 11 zones and we wanted to convey the kind of enthusiasm and spirit that exists here.

I just want to introduce very briefly a couple of people. I want to thank those people that came from out of town, Joe and Molly Blackburn. Howard Shoemaker came up from Oklahoma as well as Sam Ancona and other people. I also have invited one of my cohorts that works with me. Andy Grossman is sitting over there smiling. My objective in having him here is that I hope to make a Porsche enthusiast out of him. He's one of those, Peter (Schutz), that could afford a 928, but he just needs a little nudge.

I met Peter (Schutz) approximately one month ago in Stuttgart. We had a two and a half hour conversation and I found him to be a very engaging and fascinating individual. Rather than spend a lot of time talking about him, I would rather have him talk about himself and tell you about how he views the future of the company and the product that we love so much. Peter would you please come up here.

PETER SCHUTZ: Thank you Peter (Sontag). Well, let me just say that I am really impressed with what I have learned thus far about the Porsche Club of America, an opportunity to meet with Betty Jo down in Atlanta and then with Hank out on the West Coast. We didn't have a two and a half, but a three and a half, hour breakfast, Peter. I guess that means it was better than the one I had with you by at least an hour.

I would just like to make a few comments and tell you some of the things I have on my mind and then I would like to take a little time and find out what you have on your mind, because that is probably more important. Let me just start off by saying that I consider it a privilege to be able to serve in the capacity of Chief Executive Officer of Porsche. It is something, frankly, that I had never really thought about until Dr. Porsche approached me and we started talking about a

lot of things. About what he felt he wanted this company to be when it grew up; and I think it is very much in a growing up process. What I found in the two months now that I have been with Porsche in conversations with various people, is that Porsche is really a very successful and, I must say, very well managed company. I mean by any quantitative measure this company, for example, has in the last eight years quadrupled its sales and activity. It has always operated in the black even in some years when, as you know, many companies in this industry have made a lot of red numbers. I think the company has an enviable reputation. I think in the main it has a product line that is pretty relevant to the times. I think something that you cannot say for all companies in this business, as a matter of fact, there are quite a few that have product lines that are really quite out of touch with their customers and what customers expect of them. So I would say a successful company.

A question you might ask then is: well, then why was a change made and why me? I mean you've all read I never drove a Porsche until the beginning of this year. I got many questions, how do you know, who really does not have any background in the automobile business, how does this fit and how does it all make sense? Well, let me share a couple of things with you that, as I told Peter (Sontag), really the individual who should be answering those kind of questions is Dr. Porsche and Ferry Piersch and Wolfgang Porsche and others who really made the decision to bring me in there, because I did not decide that I ought to have this job - they did!

I have a little story that might tell you I have been taking part in a series of dealer meetings. I have been in the country now since the middle of March and will not be back in my office until April 13th. Here I am gone a little over three weeks, which I gave a lot of thought to, because I do not know what is happening back in Stuttgart right now. I hate to think about it, but the reason I am spending this time in the United States is: the importance of the United States in the total Porsche picture. It is difficult to overstate, in that not only has it represented somewhere between 35 and 50 percent of Porsche business, depending on which year you pick, but I think beyond that, when you take a look at future opportunities for the company, let me just tell you the growth opportunities do not lie in Europe. Porsche has an enviable share of the sports car market in Europe, but I think the growth opportunities lie in the United States and to a somewhat lesser degree in Great Britain.

I have taken part now in seven dealer meetings in various parts of the country. I have two to go, Dallas, Texas and Portland, Oregon. We have been in Washington, New York, Atlanta, Chicago, Detroit, San Francisco, and Los Angeles up to now. I would just like to tell you a story that I have told those dealers in those meetings and that I will repeat again next week. You see, I think the perception that puts into perspective what the managers and owners of the company are seeing is a story I like to tell about a good friend of mine with whom I worked for many years who played some football for Vince Lombardi up in Green Bay. He learned his football in the state of Ohio, which means he sort of subscribed to the philosophy: the fullback-up-the-middle three yards in a

cloud-of-dust-kind-of-football. Jack Rowen also coached some football in high school in the state championship teams in Ohio, Michigan and in Indiana. He tells a story about one of these high school championship games where his team was behind by five points and it was late in the fourth quarter. They had a very important play coming up because they had the ball on the opponent's 25 yard line and it was 3rd down and 7 yards to go. Obviously, a key play was coming up and everybody in the stadium expected the kid quarterback to call time out and go over to the bench and talk it over with the coach. But he did not do that. He sort of flashed coach Rowen the "high sign," went into the huddle and sent the fullback up the middle, made the first down and went on to win the football game. After the game the press sort of descended on this youngster and asked him "tell us in that fourth quarter, that third down play, we expected you to call time out and talk it over"? He said "well, I did not have to do that you see, we have a game plan and the coach and we understand each other, he said." "Well but, we noticed you did have some signs or so. What do you have? Signals to send in the plays"? He said "no, just wanted the coach to know that I was on top of this thing. I went back in the huddle and said: alright gang same old shit on 2 and it got the job done."

I guess what we are more and more coming to realize and particularly in recent years is that SOS on 2 is not going to get the job done in the future. The old plays are just not going to work. And you know, a lot of people are finding that out the hard way. You know the philosophy that you do not have to be bad to get better, i.e. the company is in good shape. The question is: where does it go from here? And I think it was that train of thought that really brought Dr. Porsche into the conversations that he and I had over the summer before we decided that maybe we might get this thing to work.

So let me just share with you a couple of things out of the first six weeks. Naturally I am not in a position to go into a lot of quantitative detail, but I think maybe I can give you a view kind of through a frosted shower door. You know there is somebody in there but you cannot quite make out who it is. And that is about the way I see the business at this point. One of the questions that was put to me almost before I knew the address of where I was to be working by members of the press and by lots of friends of Porsche was: "Mr. Schutz, how do you expect a company the size of Porsche to survive as an independent entity in an industry of giant corporations"? That is a pretty good question. You see at the guts of this problem is the fact that the kind of technical effort that it takes to keep Porsche Porsche is escalating pretty rapidly for a couple of reasons. There is just so much new technology that is relevant to a sports car. There are new materials people are doing things with and engines that a few years ago were unthinkable. And there is lots more coming.

There are regulations which I must tell you are pretty important because I do not think any of us want to live in a world with polluted air. These things are necessary for society, but they are an additional new dimension. For example, today would you believe that Porsche produces 12 completely different headlamp arrangements in order to sell Porsches around the world. In France they have to

be yellow, in Germany they are not allowed to be yellow. In the U.S. they have to be sealed beams, in Germany sealed beams are not legal. 12 totally different arrangements of doing the same thing. Well somebody has got to be right and somebody has got to be wrong. It is not for us to argue with it but it is just an example of the kind of development effort you have to cope with.

Well the bottom line of all this is that the fixed expense to stay on top is escalating pretty rapidly. It has been for some years. Well how do you cope with that? There are a couple of rather easy and straightforward ways. Probably the easiest is you raise the price, right? You have higher costs, raise the price! That is pretty easy to figure out. I guess you know in connection with the SOS on 2 the growing perception is that we have gone about as far as we can go with that tactic. As a matter of fact, there is good reason to feel in many cases we have gone quite a bit too far. But the important thing is that we are not going to solve the problem of covering increasing fixed expenses by raising price. We are going to need a new play, we are going to need some rethinking.

Let me tell you something else that is not going to work. And lots of you are businessmen. How do you cover fixed cost? The old Sears Roebuck technique? You lose money on every item but you make up for it in volume, right? So you build more and you spread the overhead over a greater number of units. Now there are a couple of things wrong with that. First of all, many of us believe that there will always be a limited market for the kind of a product that we produce. So there is a question: how many horses could you really sell? If they are Porsches? If we start building rabbits, that is something else. That's not the business we are in. If you postulate how many cars you would have to sell in order to absorb the overhead and end up with a price that we would agree is where we want it to be, you could just back out how many cars you would have to build. The problem with that is you would have to build a pretty big new factory, and you would have to tool it. And since any company, I do not care who you are, has limited resources, if we attempted, in my opinion, to take that route to absorb the overhead, we would be in a position of a lot of other companies today that are investing all of their resources and new manufacturing facilities and new tooling. Then what do they do with their technical effort? See they must cut it way back because you simply cannot do everything. So you have companies like Ford who was just gutting the technical effort and pouring everything into building new capacity. Although we will build new capacity and I am sure the company will grow, I think as a strategy to say we are going to absorb this overhead by building more cars, I just do not think this is going to work.

Well there is another way you can handle the situation. One that I can tell you right now we have totally rejected and that is the alternative of simply cutting back, pulling in your horn saying "look we cannot afford to expand. We cannot afford to put in new test cells to develop all of this new fuel injection and computerized ignition and all this kind of stuff," we totally reject that because we think if we ever started down that road - that is a death sentence for the company. Then it is really just a question of time of how long can you hang on

before rigormortis sets in. And I think you have seen some companies who have gone that route.

Incidentally, just to circle back, the attempt to cover overhead with increasing volume is the way I see what Packard did in the 30's. They brought out the 120 and they just left the kind of car they had built. They said we are going to get into the volume market, we are going to build a lot of units in order to make this work. The whole company just went to pieces.

So what are we going to do?

What is really remarkable about this company is that I do not think there are many companies in this world that have as many resources as Porsche has, as many marketable resources. Now what I am telling you is we are going to start selling things like engineering to other companies. And although I cannot tell you the companies for whom we are now doing work because obviously that is confidential, but we are doing work for people in the aircraft industry, we are doing work for the government, we are doing work for a lot of other car companies.

Something I think I can tell you, because it is not in a very competitive business, but just the same I do not want to read about it in the New York Times tomorrow, but for example, Porsche just got a very nice contract to redesign the interior of the cockpit of the Airbus (AB 300) because the pilots are complaining the Airbus cockpit is designed like a military aircraft and that is fine if you fly two missions a week. But if you spend eight hours a day in the cockpit, especially in Europe, and that is a short-range aircraft, you do two, three takeoffs and landings every couple of hours, the pilots are saying the seats are uncomfortable, the controls are simply not in the right place, their back hurts at the end of the day and switches are not right. So we had a competition with Renault. Airbus is a French company. We won and that is tough to do in France, because you know the government owns both companies. So they say well why are you going to the Krauts to design a cockpit for the airplane? But the fact is our folks just demonstrated that they had the abilities. So that is just an example of what we can sell.

Now you might say "what is our objective"? I do not know how far we can go down that line, but I can tell you this, if we can say: ideally it might be possible to get pretty close to building a new Porsche for the variable cost of material and direct labor and that we absorb as much of the other corporate overhead as possible, with other activities so that that breaks even with everything else. If we can accomplish that, or the extent to which we can accomplish that, is the extent to which we will be able to offer Porsches at more affordable prices.

What I am telling you is that we are not going to cheapen the car because first of all I do not think that is going to get us a whole lot. The material in a Porsche does not cost that much more than the material in any other car. It costs somewhat more. The zinc plated steel, that is a couple of hundred dollars in a

car, but that is not the reason a 911 costs \$30,000 today. The direct labor in a car is 10% of the total cost of the car. We are going to zero in on the fixed expense that is allocated to each car. We will get rid of it by having enough other activity to absorb all that expense. You will be reading about it and I want you to understand what is happening. We are not going out of the car business. The reason you will see a lot of emphasis on that is so that we can stay in the car business!

Now let me tell you the second thing, and you know my background is not in automobiles, but I am an enthusiast so I try to go at this thing with a pretty objective view. I am getting emotionally involved. It is unavoidable. First of all it is my nature. The first decision I made when I joined the company probably the easiest decision I will ever make and simultaneously from all indications the most popular decision I will ever make: Now let me just tell you in all clarity that Porsche will continue to develop and build the 911 as long as there are people who want to buy it. There will be no other reason why we discontinue that or anything else we are doing because we are in business for you, we are in business for our customers, not for us.

We have increased production on the 911 this year by about 15%. In 1980 automobile sales were down, as you know, about 20%. Sales of the 911 in the United States last year were up 4% over 1979. And so far this year, the 911 business, well really the Porsche business, is up in general. The 911 is doing extremely well. You are going to see some new things. I met with Betty Jo/ and I met with Hank Malter and we talked about this. Of course they were very pleased and I am very pleased that they are very pleased. When I made that statement I just made at Purdue University for a group of engineering students, I got a standing ovation. And that is the same thing that happened when I said it inside the plant and out at Weissach. Well you know that that decision was easy to make.

Hank and Betty both asked me an interesting question. They said "Mr. Schutz, what can we do to help"? Let me tell you what I told them. I said "communicate to your friends and to your members that it is OK to like the 928 and the 924. That liking those cars will in no way endanger the 911. On the contrary, the more of all the cars we are able to sell, the easier the total job becomes of making the cars more affordable and of really hanging in there. If you go to Weissach today you will see lots of new construction." See the interesting thing is people who really love Porsches like my long-time and very good friend Matthew Juechter who drives a beautiful 911, has never driven a 928. Matthew, I do not know why you have never given yourself permission - because you are afraid you might like it? The point is there is no problem with liking a 928 and at the same time continuing to like the 911. Do you understand what I am trying to say? And we want to get that communicated.

Today Porsche has three cars in its product line. Let me tell you how I learned that. When I signed this contract to take this job, part of my contract, which is one of the best parts, says that I can drive any Porsche I want to. Now the

problem is I can only keep it for 10,000 kilometers because then they have to sell it. And the way it works is that that's the point at which they have found they can still sell the car for about the same price as a dealer pays for a new one. So for the company, that is a break-even proposition. You kind of hate to part with a car after only driving it 6,000 miles. But so then you pick out another one and try something else. So I was thinking which Porsche would I want to drive. Here I am like a kid in a candy store, right, and I cannot decide whether I want the jelly beans or the Gummi bears or all of these goodies. But the process I went through was like this: I could kind of half close my eyes and I could see myself on a weekend with quite a bit of baggage and going to visit my friends in Cologne which is about... depending on how you drive-it keeps getting closer all the time. But I picture myself in a 928 just cruising along listening to the tape player at 150 miles an hour or some such thing on the cruise control. Then in the next instant I say "well, but on the other hand if it is a nice sunny Sunday morning and I just want to drive into the Black Forest and up and down these roads, it sure would be nice to have a targa or maybe even a 930 turbo or something." So I was kind of on the horns of a dilemma. So I was sitting with Dr. Porsche one evening and I said: I got this problem of trying to figure out which car I was going to drive. I said "well tell me Dr. Porsche, which car do you drive"? Well he says "I have two." I said "you know you have just answered a lot of questions with that one statement." Because you see you cannot pick between the two. There is just no way. To me a 928 and a 911 and a 924 are three completely different statements for three completely different objectives and you know for me to ask do I think a 928 will ever replace a 911 is like asking me if a sale boat will ever replace an airplane. It depends on what you want to do. Now if it is a sunny Sunday afternoon I may want to go sailing but I sure do not want to sail to New York City. For that I want something else. So I just want you to understand that there is no decision pending about discontinuing anything until such time as people no longer want to buy it. That kind of gives you a glimpse of a big piece as to how we see the company going long-term and what we see happening with some of the pieces in the product line.

And Peter (Sontag) at this time I would really kind of like to start talking about the kind of things you have on your mind and I will try to respond. If I cannot I would like to take note and be thinking about it.

DICK GUTHART: Most of us who are enthusiasts in the club have grown up around 911 series and that is the topic of our greatest interest. I would like to ask you what future developments are in the works for the 911?

PETER SCHUTZ: Well now first of all, I hope everybody understands, you and I are not in cahoots right? You see, I am not going to answer your question because what I want to say is, what would you like to see us do on the 911? Let me just tell you something I told the dealers. What I told them is that "we need input." You see the problem that we have is that there are too many things that we could do, not only with the 911, but with all the other things. Our problem as a company is to decide which of all of the things we could do that are most relevant to the people who are going to buy and use the product. What I asked

our dealer organization and what I will ask you is, we need your input. I would like to tell you this, when we get your input, do not assume what Porsche can afford and do not assume what Porsche cannot do. Am I making any sense? In other words, we would like to have an opportunity to respond to what you think it is going to take to stay on top of this business and let us decide whether we can afford it or not. Now if you propose something that is either totally inconsistent with the business as we see it, or is beyond that which we feel we would like to afford, we will tell you. But assume: well they are not going to do such and such! They would never bring the turbo back, no sense of even talking about it and if you do not talk about it, there is no way anything is going to happen. So let me just turn it around. I would like to get your views on what you would like to see us do, not only with the 911, with anything.

DICK GUTHART: Well the 911 is in such a high state of development that it is primarily evolutionary things that I think we would just like to continue seeing. Such things as computerized ignition, anything else that would give the car more power still and we always want more and more and more (power).

PETER SCHUTZ: Well you see there are some things we can do pretty easily and some things that we are exploring right now. For example, you can take the crank case from the 930 and pretty quickly build a three-and-one-half liter version of today's engine, and that, in fact, is in the works. How much power would you like to see in the 911?

DICK GUTHART: Well I think I can sufficiently scare myself with about 230 horsepower.

PETER SCHUTZ: Well you are shooting low because we are going to have more than that.

DICK GUTHART: Are there ways to make the car lighter, using new materials?

PETER SCHUTZ: I am sure that is the case. I tell you, one of the things that I got is that people in Weissach are thinking about you and I am going to be talking about things now that you understand better than I do. There is only one thing wrong with the 911 today that I have been able to determine that keeps it from being the perfect machine, and that it is a little too light on the front end and it makes it a little skiddish. As a pilot (how many pilots have we got in the room, a couple?), as a pilot you can understand that I kind of get the impression that the 911 is a little like the tail-wheel airplane. You know, it is a little less stable in some circumstances than we would like to see it. So I have got the people really concentrating on that. That is not so much a question of reducing the total weight of the car, but if you could figure out a way to make the back end a little bit lighter. We have a couple of things working there that you will see. Let me just tell you that we just did a development job for Audi called a Quattro and another similar thing for the Audi 4000 and I will just let you read between the lines of what is possible with that kind of technology and I would say we are going to have a 911 like that running this summer and I have a hunch it is going

to show some people some new things about how a car can handle. But that to me is a weak spot technically of the 911. I think if we can overcome that characteristic we have got the perfect driving machine.

DICK GUTHART: I agree.

PETER SCHUTZ: What else would you like to see on any of the cars? Well I tell you, we do need a microphone I do not want these ideas to get lost. We are taping, because I want to have a record of your suggestions, otherwise I will forget them.

SAM ANCONA: My question does not relate itself so much to the technical design problems, but it relates itself to an everyday driving problem of weather conditions of high humidity and perhaps low temperatures which we encounter in the midwest and the east in the winter time. Having had five 911's, my chief complaint has been of the ventilation system. It is very inadequate and the second thing is that the ventilation, particularly as it applies to the side windows, needs some improvement. You are probably familiar with the new ventilation system in the Cadillac El Dorado where they have blowers coming out of the side panels in the front of the dash that ventilate the side windows and I think that this is something that is badly needed in the 911.

PETER SCHUTZ: I will have to tell you, I have not been in the new Cadillac El Dorado. Let me tell you something that is happening here. I met the day before yesterday with Jim McLernen who is the Chief Executive Officer of Volkswagen of America who, as you know, markets Porsche Audi in North America. It was a very good meeting. What you have mentioned is well recognized. The problem, you see, is that in Germany it never gets really cold and it never gets really hot. It is an amazing thing, when you live in Phoenix it is pretty hard to design car heaters, and if you live in Germany it is pretty hard to design air-conditioners. If you have never experienced 90 by 90 weather, you cannot understand what it feels like, and I think it is amazing that by the time December comes around we can hardly remember. You know, it is cold and you say "man, just cannot wait for warm weather" and boy when it hits, we say "my god, how could I have" you know, we forget.

Volkswagen has the same problem with their cars and so they have now set up a subsidiary in Fort Worth staffed with Americans to develop ventilating and air-conditioning systems for cars. Now the other problem here is the. . . (how many engineers do we have in the group)? I am an engineer. I think I understand the breed. They got a couple of characteristics that are tough to deal with and one of them is called N.I.H. (Not Invented Here). You ought to hear the horror stories at General Motors about their attempts to take a very nice little car called an Escort (no that is Ford), the Cadet. By the time the Cadet made it to the U.S. showrooms, it was a Chevette. So one of the problems is going to be to get the folks in Weissach to listen. But I can tell you, we are going to do it. I am going to get those folks over there and we are going to solve this. For example, I think a great market for a 928 is Houston, but then, if we do not air condition that car, you are not going to sell them in Houston.

MOLLY BLACKBURN: Its got good enough air conditioning for Houston. It is fairly cool.

PETER SCHUTZ: But it is not as good as it ought to be to our way of thinking in positioning our various products. Now I think we all know what a 911 is. But you see a 928, I think as far as I am concerned, has to be described with two words. A 928 is the best, period. Without compromise! The 928 and incidentally in the auto show in Geneva you would have been very proud because Jackie Stewart came around (television and all that) to our stand. I had a chance to meet him and, of course, there was a big crowd gathered. And Jackie Stewart told me in front of God and everybody else who was standing there, without any qualifications, that the 928-S is the best car in the world. So I said, "Jackie, would you repeat that for the crowd please"? You know, he did! Then something very interesting happened which tells you something about the way we sell cars and what the job is really all about. I said, "Jackie, why do you say that"? and he explained why he said it and I could not understand a damn word he was saying.

He was talking about handling, you know and that is my problem, not his. I mean, he explained exactly why he thinks it is the best car in the world, you know. Things about velocity and braking. Heck, he was using terms that I could not understand. I sat down with him in the corner later and I said, "now look Jackie, tell me one more time," and then, of course, he began to explain some of the terms. That is one of the problems we have selling a 928, you see, because there is a lot of potential 928 customers driving around in this world in a Mark V Continental and they think they got the best. These are people who say, I have made it in this world. Like Peter Sontag says, "I wear a Rolex watch. My wife has a mink coat." I keep explaining to people that there are more women who have mink coats to be kept quiet than warm. You do not buy a Rolex watch to tell time and a lot of people want to own a 928 because it says something about them. It says, "I have got the best." Now by God if they put their friend in the car and he's sweating and he says, "if this is the best, why am I so warm? You know, in my Mark V, I am cool." We cannot have that you see. So, I am glad to hear it is adequate and it gets the job done, but it has got to be the best. And if Cadillac blows air at your cheeks and it feels good and by God, that is what the 928 has got to do. And that is what we have to do if we are going to be Porsche. We have to be the best in all of these things that matter to our customers.

PETER SONTAG: Let us get controversial with the other spectrum. There is a prevailing view that the 924 is a dog. In fact, there is a prevailing view also that there is no longer an entry level Porsche and that the RX-7 is running circles around you, not only performance wise, but also price wise. Furthermore, if Porsche does not get off its duff pretty rapidly, the Japanese are going to conquer the entire country. What is your view on that?

PETER SCHUTZ: Well let me talk first to your comment about the 924 being a dog. The 924 is a 924. Not a dog. It is a piece of iron. So now you say, "well what is a 924"? We only talked about a 928. 928 is the best, you know. What is a 911? 911 is a living legend and 911 is a terrific handling sports car that is just

more fun to drive than anything else going. What is a 924? See when I ask that question, it gets a little more difficult. Here the 924 is a dog. Let me tell you something. In Germany, it is not. Let me explain the difference. In Germany the 924, and I am not talking about the Turbo now, I am talking about the straight 924, is a very successful car. You see the Germans cannot understand why the 914 was successful in this country because in Europe it was a total failure. Here it was a pretty successful car. You see the 924, when you compare it to an RX-7, you say, "well gee, an RX-7, you know," let me invite you sometime, and you really do not have the opportunity here, but get in an RX-7 and drive 500 miles at 120 miles per hour and then get in a 924 and drive back at a 120 miles per hour. If you do that, I think you will form some different opinions about those two cars, especially when you fill the fuel tank. You see the 924 is the world's fastest economy car. You can drive a 924 hour after hour at a 100 miles per hour for less fuel than any other vehicle you can buy in the world. Now in Germany, that is a pretty good thing where gasoline costs \$3.25 a gallon and where you can drive that way. So in this environment, the car is not a dog. Now unfortunately, those benefits are not particularly relevant in the United States.

So what do we have to do to that car? Now there are a couple of other things: that Spartan Interior which, again, seems to be less relevant in Germany. The one point I would like to emphasize is that the 924 is a very successful car. We built 100,000 of them in less than five years. Now the problem is that in the United States the car is not particularly relevant. I can tell you, we are hard at work on that. Not only on what the car does, but on what it costs. I would say within the next 12 months we will have this conversation again about how we are doing because I think you will agree we are doing better. Now I am not telling you what we can do in 12 months, but we are going to solve the problem. But I would say by the 1984 model year, your view on what that basic machine does and is will change dramatically.

But now let me address another thing you talked about and that is the so called entry level Porsche. I must tell you the entry level Porsche is a tantalizing problem and I like to think I am a pretty open kind of guy. I am not going to play any games with you and frankly, I am not letting the guys in Weissach play any games with me. I do not see any way today of achieving what you picture when you talk about an entry level Porsche. I just do not see any way to do it. Now I am confident that the gap in price between the lowest priced Porsche, which is what the 924 will be evolving into, that the gap in price between that and the Japanese cars is going to close. Now it is going to close by about a \$1,000 right now because the Japanese are raising their car prices. The newspaper says \$650, but by the time you get through, it is \$1,000 and we are not changing the price of the 924. Now that is a step in the right direction you see. The degree to which we are successful in covering our overhead with other means that I have mentioned, is a degree to which we are going to be able to continue to close that gap and I am also telling you that this company is prepared to bet on the come, which is to say that we are going to anticipate some success and really risk some profit, recognizing that that is not something you can do for any length of time,

but we are going to do all we can there. But the business of an entry level Porsche may be a myth and may not be doable. Maybe I see the RX-7 a little different from some other people. You see when I took this job as Chief Executive Officer, I probably thought some thoughts that are a little different from what you might have thought, and I am just presuming something. The first thought that came into my mind is if this company is going to endure, what is the most important thing of all. What does a company have to have if it is going to have any chance of making it.

ALL: Customers.

PETER SCHUTZ: Customers, right? The biggest problem I went through mentally in talking about strategy is: is there going to be such a thing as a customer for a sportscar? See, what is going to happen to the sports car as a concept? There are people in this world like Ralph Nader and others whose idea it is to take all the fun out of a car. Everybody in the world will drive a little electric deal down to the drug store. Do you understand what I am talking about? Now if that is right, then there is no point in talking about entry level or any other concept of a sportscar. There are two elements to any business. The size of your market and your share of it. We have got to make sure we know which it is we are talking about.

The motorcycle was almost extinct until the Japanese built a new generation of motorcycles. Now people like Harley Davidson are still in business. The Harley Davidson ones, I do not know, had most of the market, right? Today they do not but they are still in business. You know I will tell you something, if the Japanese had not come along and rebuilt the motorcycle business, they may not be in business at all today. Do you understand what I am getting at? The RX-7 has probably done more in the last 24 months to ensure the long term existence of a sportscar market in the United States than anything else that has happened. I would say thank god because if those youngsters who are buying RX-7's did not have an RX-7 to buy, they might be buying the kind of a car that will never get them hooked into the kind of thing that we love so dearly, which is a fun car. Now what is important is that the RX-7 is a good car. It has got to be a good car and what I am suggesting folks, is let us not be knocking it. People buy an RX-7, and let us say the RX-7 is a piece of junk. So here are some young people. They scrape together their life's savings, they buy a sports car instead of something that some folks think is more sensible, okay? What would happen if that is a big piece of junk? A big disappointment? They say, never again. Now do you see the picture I am trying to paint?

Now the next best thing, in my opinion to an entry level Porsche, is an RX-7. Let us get the sportscar population built up and then let us go after our share of it. In other words, let us not worry about making all the watches, let us make damn sure we make the Rolex. But if you expect people to buy a Rolex watch someday, the best thing you can do is get them used to wearing a watch you know so that when they do not have a watch on they feel naked. Now it is just a question of which watch can you afford. So my emphasis is, let us be sure we

have the technology that we continue to build the best sportscar because I do not think we can build the entry level car, as well as some other people. Now maybe we can, but I will tell you near term, I just do not see how we are going to get that done because the cruel truth is that Europe and the U.S. simply, today, cannot mass produce a car like an RX-7 as effectively like the Japanese.

I will tell you something else, the Japanese do not know how to build a 911 and you know how I know that? Because they are talking to me about engineering assistance and we are going to give it to them. We are going to give it to them because you can never succeed by holding somebody else back. Trying to make our competitors worse will not make us better and if we can get somebody into the sportscar business with an inexpensive but very satisfactory car that is Porsche engineered, I think we can then build for the day when they can afford the real thing. That is kind of how I see that. Near term, I really do not know that it would really pay for us to try. I think we could just bust our pick on that and while we are trying to do that, somebody else is coming in the back door and doing the thing that we should have been concentrating on, see. I go down to Sebring and there are 15 Porsches right on the front of the field and you got to get down to 16th place before you see anything else other than a Porsche, you know. Let us keep that up there. Yes Sir!

RICK LEBURKIEN: You might have answered this already. Or maybe I was not listening. The acquaintances that I have that are interested in the 924 are saying to themselves "well let us see, this is going to cost me \$16,000 to \$17,000." Now this is the first time they have owned a sports car and they are picking between a 924 and the RX-7. They drive both of the cars. Now they are not going to think about the variables you are thinking about. This is their first sportscar. They drive the RX-7 and they do not have any experience to go back on and say it does not handle right, oops the brakes fade here in the corner. They do not have any experience like that. So they get into their RX-7. Looks nice. Nice AM/FM stereo and you know, really good sounds are coming out of it. Nice five speed. I can get up to 100 miles per hour. Then they get into the 924. Little rougher to drive here. It is better around the corners, if they even know that. You know they say that something is wrong. Ooops, somethings wrong, it is going around to well and it is little stiffer. A little vibration here I feel. How are you going to market it? You do not have enough difference between the 924 to the first owner and the RX-7 for them to spend the extra money?

PETER SCHUTZ: No, I will repeat it. I think you are absolutely right and we certainly have no intention of doing it with mirrors. We are hard at work on the problem. You know, obviously I would get shot for any number of reasons if I told you exactly what is coming. But what I did say is that within the next 12 months you will see some changes and I hesitate to even call them evolutionary. The changes have to do with power. They have to do with the external appearance and you know what the Carrera is. That is the direction on which it is going and they are going to be dramatic changes in the interior.

RICK LEBURKIEN: That is the 944?

PETER SCHUTZ: That is what it is going to be called. So what I am telling you is you are right and we are doing something about it as quickly as we know how. One other thing. One of the very gratifying things, however, is the resale. You cannot keep a used 924 on the lot today and I am hearing that all over the country. Which really tells me that people are beginning to discover some of the merits in the car, although it is a disappointment in performance and in a couple of other areas and we are going to bring those up to a Porsche standard.

JOHN LONSBURG: I own a 924, so I look around and I see a lot of 911's. First of all, I agree, it is not a dog. In fact, I have taken the car completely apart and am in the process of putting it back together now. A couple of things that I have noticed with my friends who are the mechanics: Why didn't you put disks all the way around and why didn't you put springs instead of torsion bars in the back. I bought a used car. Your right. I love it. There is nothing wrong with it. It goes as fast as you can make it go around here and I have not gotten caught yet, but the car is wonderful. I am in advertising and image is something I deal in. I think that is really your problem. It is not the RX-7, you know, a car that can compete with the 924. It cannot. But the image that the 924 has tried to portray, at least recently, in their advertisements is that we are trying to make it compete and we should not. The advertisements that you are running now are talking to the people who already own the car. I read your ads and love them because I understand what you are talking about. The new owner is looking at these things and does not want that. I want to buy a Porsche because it is the best and the 924 is the best in its marketplace and I am wondering if your direction wouldn't be better placed, at least in our market, to be saying, "hey, this is a Porsche, and the Mazada's great, but this is a Porsche people, and if that is what you want let us talk benefit, let us not talk feature." And I would guess I would like your impression on that.

PETER SCHUTZ: Well let me tell you first of all, I think you are right on. Let me start with your first comment. Why didn't it have disk brakes all the way around and why didn't it have a couple of other things. I think it is pretty clear to me, reading between the lines, that at one time the 924 was envisioned as the entry level Porsche. I think at some point people let go of that string because they realize they were not going to make it with the price. And so then, really the product strategy began to evolve, although nobody said we were going to abandon the concept of the entry level Porsche, but as you know today there are disks brakes all the way around in that car, which is symptomatic of the fact that people are re-thinking. As I say, the next go around: 944 you will see a great deal more of that.

I share your thinking of the advertising. And we must not let the people at Volkswagen of America hear this tape because I have been listening to the statistics. My reaction was exactly yours. Exactly yours that I said it looks to me like this technical series is very good to reaffirm people who have already made the decision, but you are not talking the prospects with it. Now the statistical data that they have talks about the effectiveness of the ad, but does not discriminate between those two things. I think you are right and I think we

are going to do a little bit more looking under the sheets, instead of just looking at what is on top. The only other thing I can say is that the car has had a rough life. Any car, whether it has the name Porsche on it or not, that runs up against the 911, has got problems. As long as people present that car as the new generation Porsche. I say "well, if that is the new generation, what is the old generation? A lot of your so-called image has really positioned the car as a successor, as an alternative, as a modern "you know." People tell me the 911 is obsolete. I say what is it about the 911 that is obsolete? It has got four wheels, excellent suspension, it looks great, now tell me what is obsolete? Well, it has got an air cooled engine. I say well what is obsolete about air cooling? Well it might not make the omissions. First of all, that is a lot of bull. There is nothing about the air cooled engine that says it. But let us just postulate for a minute that the air cooled engine cannot make the omissions. So we will put a liquid cooled engine in it. We will put a water jacket around the cylinders and put a radiator in. That is no reason to say it is an obsolete concept.

The most popular model of all time, I think, is a human female and they have not had a model change in over 5,000 years, and they are going great. Now you dress them in different clothes and different things and hair styles change, but basically it is the same. Now let me just ramble about that for another minute. It is a very interesting thing. I worked for Cummins Engine Company and the first job I had with Cummins was in product planning. When I joined Cummins, the most popular truck engine in North America was a big old six cylinder, 855 cubic inch naturally aspirated diesel engine. It was obsolete in 1965. Its successor was a significantly lighter higher speed 903 cubic inch V-8, with thin wall casting, a lot of great technology. Today, that V-8 engine is dead, forgotten and buried. At that time, people were saying that the in-line engine would be out of production by 1970. Sounds familiar? A very interesting thing happened. You see what happened is the turbo charger came along and all of a sudden the six cylinder engine was a whole different thing because what we determined was that the six cylinder engine today is still number one and the design dates back to the early 1930's. The fact is, there is hardly a part in the engine today that is the same as it was 10 years ago. Some of them look the same, but the heat treatment is different. The parts are chrome plated. They are made to different tolerances. You know, there is very little about today's 911 that is interchangeable with the 911 of 16 years ago and people say the car is 16 years old! You know that really is not true. It is just the same basic concept. Just like this six cylinder Cummins truck engine is the same concept. You see the fact is that as an engineer what I think I have discovered is that there are some devices which are simply classics in that they are excellent, what I call "technology vehicles." They have a characteristic, that as you develop new technology, new combustion, new injection, new electronics, new drive concepts - four wheel drive, whatever you call it in a 911 to make a 930. They found there was a corner, no sweat. Do you understand what I am trying to get at? In my opinion, with everything I have seen so far, the 911 is probably the best automotive technology carrier I have ever seen. There is hardly anything you can picture that you cannot do to that car and that is what, in my opinion, makes it unique. And I think that is what it is going to take to succeed. Because you

come up with a new concept, I do not care if it is turbo charging or what, so you say, well boy, we got to bring that to the market. Now if you think you are going to design a new car, that takes seven years. What you need to do is you have got to have a vehicle so that if you come up with new materials or new technologies, new processes, you can incorporate them into that which you already have because otherwise you cannot get it to the market on time.

So now when you evaluate cars, and let us just take the 924, 911, 928, and you sit the engineers down and say: "look, I am going to give you a whole list of new things. Carbon fiber material technology, four wheel drive, you know, just list them." I said now the assignment is the following: "I want all of those things incorporated into one of the cars we have now in production. Which car do you want to work with?" It is no contest. The 911 absorbs all that stuff a heck of a lot easier than any of the others. So in my view, and this is my opinion today, the 911 is the world's best technology carrier that exists in the automotive industry today. There are several other designs that have managed to do that. Another example is the Boeing 727. That is a 25 year old airplane and they are still building it. The DC-3 was another example. The greatest automobile of all time, the Volkswagen Beetle. You know 20 million beatles have been built. The 20 millionth beetle was built in either Mexico or Brazil this year. You know what is the second most successful car of all time is? Right. 16 million Model T's were built. Nothing else even comes close. As a matter of fact, the people I know in the automobile business tell me that there will never again be a car, in their view, that will build 10 million copies. Today they still sell 16,000 Beetles a year in Germany, imported from Brazil or Mexico. Yes, it is a very active car. So there are examples of machines that simply seem to be ageless because of their ability to absorb new technology and that is how I see that machine today.

GORDON DOERING: I am Gordon Doering and I do not own the 924. I also do not think it is a dog. The road tests that I have read have always summarized the 924 comparing it with other cars in its so called class, in the last line is being the car of choice, compared with the RX-7 and the 280-Z and so forth. But in our Nordstern Region, sometimes called Nordstern Racing Society because of our interest in speed and performance, the car has not been very successful. In fact, some of the 16 and 17 year old 356's of 1,600 and 1,700 CC's on long tracks, have yet to be beaten by a 924. My question is, with the rumblings about the return of Tetraethyl gasoline and the fact the Porsche has a small production system, is there any thought to substituting say a small block V-6 for the Slant 4 and the Turbo charge model? In other words, make one 924 with greater performance capacity. A light weight V-6 or perhaps an Audi-like 5 cylinder, 2,500 CC engine, something on that order? What I am saying is, it is the performance, the acceleration and the speed of the car that I think makes it a so-called "loser" in our environment and it would seem to me that perhaps that kind of an approach of a V-6 would make it a splendid car!

PETER SCHUTZ: I think you are right on. Let me also submit that with most of what I hear, it is really as much a question of acceleration as the speed. You will see that car go in the direction of a two and a half liter Porsche engine,

which with turbo charging, I think, will clearly get up into the 240/250 horsepower range in the foreseeable future. I think we are going to pack enough punch in that car to achieve what you want to achieve. It is not too likely that we will do it with a V-6 engine. Simply because the car seems to be more amenable to a four or five cylinder in-line engine. With a V-6, you do have to contend with vibrations. It is not as nice as a flat six, so you are somewhat limited in V angles that you can use. The tooling for example for the 928, you say is there, well now make a V-6 engine out of what you know. A 90 degree V-6 is bad. It is just not a balanced engine. To build a V engine with a different bank angle, would mean a lot of very expensive tooling for a pretty limited application. So I would say we are certainly not excluding a V-6 engine, but it is not in the present plan. However, I think the performance that you are visualizing is in the plan.

GORDON DOERING: Well I was thinking in reference to the fact that you can get the performance in the Turbo charged model, but at a premium price. And my thought was to have a V-6 perhaps or some variation of it, might offer the increased performance, allow you to sell a single automobile that would have performance at a reasonable economical operation, instead of marketing two different cars, and forcing the buyer who wants that performance to spend \$28,000 some dollars to get it.

PETER SCHUTZ: Well first of all, let me just say, we are not going to force anybody to do anything because we do not have any mechanism by which to force people to do things. Your use of the word, however, is quite appropriate because I think you sometimes take a look at marketing strategies and that is exactly what people have in mind. We'll teach them, we will make them buy 928's! We'll discontinue the 911! You do not force people. You know, there are always other alternatives. I do not see any reason why turbo charging in the future needs to carry the premium it has in the past. In the case of the 924, you see, the premium price for the 924 turbo is only partly the turbo charge. The car really wasn't up to handling the additional horsepower. We had to put new brakes in the car. They had to beef up the suspension, you say well that should have all been done like that to begin with. You are right. So that turbo and the 924 brought a lot with it that was not directly connected with the turbo charger. But I would like to ask you a question. In our discussions about future products, there is a school of thought that says any sportscar that is not turbo charged, is simply not going to be competitive. How do you feel about that?

ALL: Yes sir.

RICK MOE: I would like to put some input into this whole thing on, I do not know, I may come from a small group of people, but originally Porsche was a basic high performance car and I am a mechanic and from that standpoint, what I see Porsche doing is going to a luxury market. It is a lot like a Mercedes or Ferrari. We have got power steering, power brakes, air conditioning, power seats, power everything. Is there a chance in the future that Porsche will bring out a 928 or a 911 or the 924 as just a basic performance car? Or less like the 73

RSR was just a performance car. It even had door handles on the inside. It was real stark, but fast.

PETER SCHUTZ: Well you know, that is precisely what I am talking about when I talk to our dealer organization now and when I talk to groups like you, we need a little guidance. You know, what is it that people want. Now I would say it is unlikely that we would build a 928 performance car because the 928 is simply a luxury car. I am just presuming, but I think both the 924 family and the 911 family, lends themselves to that.

RICK MOE: I think even the 928. I have heard a lot of comments down on my shop that, "I do not like the 928." It has got too much stuff on it and just maybe a basic one would catch the market that you are missing. I do not know, maybe at that cost of a car, you want all that luxury.

PETER SCHUTZ: Let me answer the question and this is kind of important. Is the motivation for that because that is the kind of a vehicle that is wanted or because we want to get some cost out of what is being sold? Or is it the lack of complexity and hence, the easier maintainability and the ability to work on the car? Which is the basic motivation?

RICK MOE: Selfish. I think you could get, say on a 911, more horsepower out of the car. If you took the air conditioning out, the power windows out, all of the little luxury items and gave just a basic package, you are going to lose a couple of hundred pounds and that is just as good as putting power into the motor, is losing weight in the car. It is an easy way of pickup performance.

PETER SCHUTZ: So the basic objective is more performance?

RICK MOE: I think so.

PETER SCHUTZ: If you excuse me, because this is kind of important, because you see the other dimension that I often hear is that the cars are getting too tough to work on. So another motivation in doing what you are suggesting in going back to a simpler car, is to just build a car that is easier to maintain and easier to work on. Let's say for an example, that just, you know, dreaming for a minute, that you could build a simple car, without power windows, without a lot of the luxury features and let's say that didn't save any weight, and didn't improve the performance, but just made a simpler car that is easier to maintain and less complicated, would that be worth doing?

RICK MOE: I think so.

PETER SCHUTZ: Okay.

RICK MOE: Yes. I bring a car into my shop. I spend a day with the car. Half that day is spent tuning the car. Servicing the parts that make it rotten. The other half of the day is figuring out the electrical system. And it seems that on the older 911's/914's, it never happened.

PETER SCHUTZ: You know Peter Sontag told me an interesting story there. You know they made a survey among 911 owners about whether they would like electric windows. He said, of course but what they didn't tell us is that the damn things weren't going to work, when they asked us that question.

Okay that is good input and I would say that is not inconsistent with what I have heard in some other places and, of course, that is eminently doable. I mean, how in the heck can anybody say that is not doable. The reason it has not been done you see, because too often when that suggestion is made it is then assumed that the reason for the suggestion is to reduce the price of the car. And, of course, if the price of the car is very largely due to this overhead for engineering, obviously doing those things, changes nothing at all. You see, now that becomes a bigger percentage and it seems to make the problem worse. So I think maybe one of the reasons that those suggestions have not been acted upon is that they have been misinterpreted. It had the wrong objective, because I say "well, heck we do all that and we take those electric windows out, hell that is \$2,000/\$3,000 in the cost of the car and that is not enough to make a difference." But the point is, that is not the difference you are looking for. That's the important part of it.

You see there is another problem I have. Communicating with engineers and perhaps with some of the people I work with, is the tendency to see things as either/or. You say "well, does that mean we have been going in the wrong direction?" No. It just means there might be another dimension to this business we haven't explored.

JOE BLACKBURN: My name is Joe Blackburn and I live in Houston and drive a 928 and my sweating palms would like to know when we are going to get a 928-S maybe in the U.S.?

PETER SCHUTZ: That's another very good question. I am not sure I understand why you haven't gotten one to this point. So that is a question. You listen to people and they say, "well people in the U.S. do not want that because they can only go 55 miles per hour anyway," that is the kind of thinking. But let me ask you this, why do want a 928-S? I mean I would just like to know what elements of the 928-S are the things that make it attractive?

JOE BLACKBURN: I think the acceleration speed is a little greater. The Suspension helps.

PETER SCHUTZ: How about the appearance? The spoilers?

JOE BLACKBURN: The only thing that is missing is the decal on the side of it that says 928 there. Just a joke. No, I really do not like the suspension so much, but another thing I would like to ask you about the 928 is they have the door locks back. Do you remember when the 911's started out with the door lock way back on the edge of the door, should possibly move those door locks up toward the middle of the door so you do not have to do a back bend to get to the door lock.

MOLLY BLACKBURN: Like in an emergency. You have to move way back to open the door. In other words, they should move those forwards.

PETER SCHUTZ: But the thing, the basic motivation is in the acceleration and the suspension.

JOE BLACKBURN: The speed limit is 55; there is a lot of different ways of looking to that!

JACK PALUMBO: My name is Jack Palumbo, and Rick Moe touched on the question I have for you. I own a 911 SC Targa and I bought it in 1973 and I think most of things on my car were optional at that time. Although, you couldn't find one without the stuff on it. They were all shipped in and I do not know whether that was because the dealers in this country thought that there was more money to be made on a car like that. These options seem to put more money into their pockets, but I do not mind it. I like all the stuff on it, but I had no choice really and I guess now, a lot of the things on my car are standard equipment and it would seem to me that the 911 model does lend itself to making these things optional again so a person can tailor order his car the way he wants it. More so than a 928. I would think that would be the place for these things as standard equipment.

PETER SCHUTZ: What I am hearing on the 928 from the dealers is they would like us to make everything standard except the transmission choice and the sun roof and of course color. The only mechanical difference that ought to be offered is either five speed or automatic and sun roof or no sun roof. Now, interestingly enough, that subject really hasn't come up in connection with the 911, so I think you are probably right that they feel the 911 ought to be a wide open choice because the type of individual that buys a 911 is simply. . . .

JACK PALUMBO: Yes, I bought my car because I felt it was unique. When I went to look at the 911 and I owned a 914 before that, which I also felt was unique, and I loved the little car, but when I went to drive something else to compare it to, there was nothing else to compare it to. So the choice was simple, I bought the 911 and have not been sorry, but the only choice I had, of course, was color and things like that and I kind of felt that maybe I wouldn't have put some of the things on it that were on it. I am not that hot, I really do not mind the stuff but I think I would have done it a little different had I had the chance. Thank you.

DAVE PRINCE: Peter, my name is Dave Prince, I, like Jack, have a 1978 911, although mine is a Coupe and a prettier color, I first have just a follow-up comment on the remark on the complexity point. It seems to me that Porsche's reputation is built on innovative technology and on high quality engineering design. High quality engineering to me, and I am not an engineer, moves in the direction of simplicity, not complexity. I think the 928 for example tends, in many ways, to be a departure from the kind of approach that has led to the high reputation Porsche has. Anything with 40 electric motors and one gasoline engine, that is a pretty complex piece of equipment.

PETER SCHUTZ: Does it really have 40 electric motors?

DAVE PRINCE: Something like that.

PETER SCHUTZ: I didn't know that.

DAVE PRINCE: So I think that I would lend my weight to the comments about picking a sound basic design, which is obviously something that was clearly done seventeen or eighteen years ago in the design department when the 911 was put together, building on it over the years, but basically keeping it simple. It seems to me that the continuation of small additional innovations in design, sticking with the same basic vehicle, is the kind of direction that I would like to see the company continue to move in.

You asked earlier about Turbo charging and that is really what I wanted to remark on. You also mentioned earlier that what you were going to do with the 924, you are not going to do with mirrors. To me, Turbo charging is doing it with mirrors. It seems to me that the kind of engine compartment engineering is becoming available now in the way of electronic ignition control, variable valve timing and that sort of thing, make it entirely conceivable that vast amounts of power can be produced out of a fairly modest displacement, normally aspirated engine. Turbo chargers add complexity, though it basically is a fairly simple machine in itself, it requires a lot of additional things being done to the engine. It wastes a lot of energy. There is a lot of waste heat, ultimately generated with the Turbo charger. My answer to the question about whether sports cars have to have a Turbo charger in the future is: no. And my response would be to throw them away. That maybe a little radical too, but it does seem to me that there are a lot of things that can be done and no doubt are being done with normally aspirated engines that are going to make people realize that the turbo charger was, I think in large part, a short-term answer to a power problem.

PETER SCHUTZ: Audi is going to run an ad campaign later this year about the Turbo Charge Audi 5,000 that I just simply love. The tag line is something like, "we know you will like this car as much in your rocky mountains, as we do in the Bavarian Alps because the Audi Turbo makes horsepower out of thin air." It is kind of a clever line. I have worked on Turbo charged engines for a long time. I feel I was one of the people who had the privilege of pioneering them in diesel engines and for trucks. There are some things a turbo charger does that are very difficult to do any other way and if you live in Denver or Albuquerque, you will learn to appreciate that.

You see the interesting thing about an automobile, and I am learning a lot about the automobile business in a short period of time, when I was with the Volkswagen people and I really yanked their chain and then I asked them to comment on the concept of a world car. You know, you hear a lot about that. The problem is, it does not work. People design... The only world car, in my opinion, the closest thing to a world car there's been up until now, has been a Volkswagen Bug. But what everybody else finds out is that the world, and Peter

(Sontag) and I were talking last night about MEGA developments, I think, there is a MEGA trend towards individualism in the world and that those people who worship the altar of mass production as a way to cost effectiveness, are repeatedly being disappointed. I think Detroit is part of that cult. What I am getting at is an automobile appears to be more and more like music. There's classical music, there's country-western, there's rock n' roll, there's guitar music, piano music, trumpet music, organ music, you name it, which is best? Just like you said, your color is prettier than his color. Well somebody says country-western is just one heck of a lot better than opera, isn't it? Well how do you compare the two? These are simply not two comparable things. I really feel that everything you said is right, except when you close the loop on the value judgment. People are just not going to see these things the same way. There are going to be some people for whom Turbo charging is a real benefit if they drive in the mountains. There is no way of getting around that. There are some other people who simply feel better knowing that there is one of those little dudes under the hood spinning around. There are other people who feel it is a needless complexity and they may be absolutely right.

I am a great believer in the fact that there's no substitute for a cubic inches, I do not care what you do. You start out with the maximum number of cubic inches you can accommodate. Now the problem with that, of course, is frequently fuel economy. Let me tell you, Porsche has got some answers to that and some of you know more about what the hell is going on in Weissach than I do, so I do not have to explain it to you. But, I think the Porsche engineers have found some very interesting ways to do exactly what you just said. Dramatically increasing the power that can be developed with a naturally asperated engine without sacrificing fuel economy at high, low and idle, but all of those things still do not replace what a turbo charger can do at high altitude. So to me, it is just a question of using all of these musical instruments. If somebody asks you what is better, a violin or a trumpet? It depends on what kind of music you intend to play, how many players and the final analysis, it may still get down to a question of taste, some people cannot stand the trumpet no matter whose blowing it. So I really think it is a question of not deciding on what is good and what is bad, but in what combinations do you offer it, so that you can get the maximum number of people next to the machine that makes them feel the way they want to feel when they drive it.

PETER SONTAG: From a time standpoint, I think we have time for two more questions, but please keep your comments brief.

MARK FISCHER: I am Mark Fischer and I would like to address what you said earlier about the 930. Do you foresee them coming back to the United States? And if you do, do you foresee them coming back in numbers that one does not have to pay a \$35,000 premium to own one?

PETER SCHUTZ: See now I got a standard answer for that. What would you like to see us do?

MARK FISCHER: I'd like to see one come back, of course, for myself.

PETER SCHUTZ: How many people would like to see the 930 back? Hands up. The company got itself in a jam with the 930. A lot of people bought a 930 and paid a lot of money because it was going to be discontinued. There is no way that I would be a party to bringing that car back, unless we have some way of taking care of those. . . . As a matter of fact, they would have us in court with good reason and there is no way that is going to happen. I would say that is a decision that was made. Reasons for it to date are irrelevant. There is no sense in going on a witch hunt. However, I think a car that does the things that a 930 did is definitely in the cards and is in our plans. But the precise combination of a 930, you know, that is a classic. A commitment was made and I think a company has to stand by what it says. So we will not bring the 930 back. But I think the technology in some elements, but not in a 930.

HANK GODFREDSON: I am Hank Godfredson. I would like to get back to one of your original questions on how we feel about where the Porsche is or where it is going and so forth; but before I get into that, I have another comment about the 928. I do not think the 928 should be compared with a Lincoln or a Cadillac. It is a sportscar. One of the reasons that it probably isn't as popular as a sportscar is for the next comment I am going to make about the 911. One of things that makes the 911 so popular is because of Porsche's racing experience. This is just about the only thing we haven't talked about. Everybody wants to go fast. Everybody wants to have a car that goes fast, but what makes the Porsche 911 so unique is it is the car that is being raced currently by the factory. They even stopped racing proto types. The 924 has just entered that market and I think, in the last two years, the racing of the 924 has changed the image of that particular car more than anything that you could have done to it. It is still basically the same car, but it is also available as a Carrera and it is now being raced. That four cylinder engine is running against six cylinders and is beating them, so my comment is on what you could do is to continue the racing. One of the things that will make the 928 more of a popular car is if someone says, "yes, my 928 was just run by the factory at La Mans" or something like that.

PETER SCHUTZ: Good point. I think you will see more activity in racing the 924 type of car. I do not know of any plans to race a 928, but I think that is something we ought to take a look at. Your comment about the 928 being a luxury car. I guess I happened to think that is what it is. Now maybe we think it ought to be something else, but until such time as we do something, I think that the 928 does represent the best in a sporty luxury car and I really do feel, from everything I have heard, that a lot of people who have driven Cadillacs and Lincolns, with the idea that they could afford and were driving the best, are potential customers for a 928. Now I just think that is the way it is whether we think that is the way it should be, is something else. It turned out that way.

PETER SONTAG: Okay, I would like to ask Dick to come up. I'm afraid we are going to have to conclude our meeting because Peter (Schutz) has a plane to catch and Dick Guthart, President of Nordstern, has a presentation to make. Dick, go ahead.

DICK GUTHART: Let me just thank you on behalf of Nordstern Region for joining us today. We certainly enjoyed the conversation and learned a great deal from you. We hope we left you an impression from the slide show of what the local chapters do during the course of our annual events. We also would like to make you an honorary member of our club and I would like to give you a couple of copies of our newsletter. If you look in the front page, it has a schedule of events so that you can decide which weekends you would like to spend with us at Brainard and whether you would like to do it your 928 or wait until you get an SC. We also would like to give you one of our Nordstern Car Badges. As you look outside today, you will understand why it is appropriate that this car on the badge is wearing ear muffs.

PETER SCHUTZ: Let me just say that I am very grateful for the opportunity to spend some time with you and, frankly, I am flattered at the invitation. If I find any way that I can be in the area, I will do it. I hope you understand with everything that I have told you, we have got a couple of things that we have got to get done back at Stuttgart. And I think there are a couple of people back there who think that that is where I ought to be today. I do apologize for the brief visit, however, I do consider it important and I am glad I have had the opportunity.

PETER SONTAG: Again, thank you also for accepting the invitation Peter (Schutz) and we do hope to see you again. Thank you Peter.