

KEN FIREMAN: I'm Ken Fireman, managing editor of SAGE Business Researcher, and I'm speaking with Vickie Elmer, a Detroit-based journalist, who has written our report on the future of the auto industry. Thanks for joining me, Vickie.

VICKIE ELMER: Thank you.

KEN FIREMAN: Let me begin with this question. You quote in your report one executive that his industry is about to undergo a change as big as the one that created it, the one from the horse and buggy to the automobile. That sounds like a pretty big deal. What's the nature of this change?

VICKIE ELMER: The auto industry is really being hit by changes on many levels. One of them is, of course, the whole digital, the world is digitized now, and that applies to the auto sector, too, through Uber and Lyft. But there's also the whole move to autonomous vehicles, which changes everything about a car and the expectation that over time we may move away from diesel and gas engines. So they're all driving enormous change by the auto sector.

KEN FIREMAN: As is true in a lot of industries these days, a great deal of the disruption in the auto industry that you've just been talking about is being created by the evolving preferences of the millennial generation in the United States. What do millennials want, and what don't they want in their transportation?

VICKIE ELMER: Well, there's an interesting movement away from owning automobiles, and I think they still need transportation. They still want to travel. Many of them want to travel a lot. And maybe instead of spending the money on buying a car, they'd like to put it into making a world trip. So that's one part of it.

The other part of it is, honestly, like anything, transportation is available on your app now. So why have a car if you can just summons a car in five minutes? Those are two of the big trends, I think, that are driving millennials. Now, there are certainly exceptions. Some young millennials who live in rural areas, they'll want cars. They'll need cars. Some of them are even becoming car collectors of old cars, but by and large, the trend is away from ownership.

KEN FIREMAN: You write about a new entrant in the auto competition, a Chinese company called GAC. How would you assess its potential? Could China become what Japan became in the 1980s?

VICKIE ELMER: Well, I was very intrigued to see them at the Detroit Auto Show with a very large presence

there. I think they had about seven or eight vehicles on display right in the middle of the show. A few years ago, if any Chinese automaker would have been there, they would have been relegated to the side, and maybe had one or two vehicles. So to me, that was my first indication that they're serious about getting into the US auto industry.

They definitely are coming on strong here. They're recruiting for dealerships, and yes, I think the Chinese could have a transformative effect, especially on the electric vehicles, because that's where they are strongest. But they're also creating a lot of partnerships, and I think in five years, we will have a number of Chinese auto companies selling in North America.

KEN FIREMAN: Well talking about electric cars, you write about that a lot, and you point out that even while there's a lot of attention being focused on these kinds of cars, demand so far isn't that high, and also that the gasoline engine is becoming less polluting because of improvements that are being made. Is it possible that the traditional internal combustion engine isn't doomed after all?

VICKIE ELMER: I think it's possible that we could continue to have gasoline engines in some form in the future, and also in some markets, depending on the market. They will have to continue to become cleaner. They may become smaller and less powerful, but there's just so many evolutions going on right now, that even the best experts in the industry can't predict where we're going to end up.

One of the predictions, one of the scenarios that is being talked about and that you talk about in your report is that cars, as we know them today, could be replaced by what you call a autonomous modules. Could you explain what that future would look like if it comes about? Well, it's an interesting idea that instead of a car, you might just have-- I see as kind of a pod, a transportation pod that you may own it, or you may just have an ability to summons it to get you to work. And in some ways, they operate a bit more like a train, where they may operate on their own at first, but then quickly link up with a group of other of these modules all going to say downtown Detroit or midtown Manhattan or someplace else. And then they would spew you off and drop you out into wherever your final destination is and then pick up somebody else, go somewhere else.

And they will always be transporting people around. It's an interesting scenario that was laid out by Bob Lutz in an "Automotive News" essay. Some others also believe that the beautiful metal of the cars is going to disappear. I'm not sure. I think there are plenty of people who still love the look of the way cars look today.

KEN FIREMAN: Well, a lot of interesting possibilities, a lot of interesting futures out there, and Vicki, thank you very much for talking with us and for writing about it. I've been speaking with Vickie Elmer, who is the author of the Sage Business Research report on the automotive industry. Thanks again, Vickie.

VICKIE ELMER: Thank you.