

# The Automotive X PRIZE:

## Now is the Time and Here is the Place

---

The time for the launch of the Automotive X PRIZE is *now* (early in this new millennium) and the place is *here* (in the largest automotive market on earth, the USA). This prize will be awarded to cars that are both commercially viable *and* ultra-efficient in their use of energy.

All the arguments in favor of more fuel-efficient vehicles are well-known to everyone reading this document: they can even be cited from memory, as the litany is that familiar. Reduce our dependence on foreign oil. Clean up the environment. Cut back the rate of global warming. Learn to conserve.

But these arguments have been around for years, if not decades, so that the real questions we address today are “Why now?” and “Why a prize?”

“**Why now?**,” in the first years of this new millennium, is because there is a confluence of forces that in the past had never intersected. Environmentalists cared little about foreign policy. Politicians saw only a weak link between national security and the kinds of cars we drove. Automakers knew they could build more efficient cars, but couldn’t see the demand for them. And consumers thought that “efficient” meant only “small and unsafe.” But today, in 2006, the connections among these concerns and constituencies have finally become clear. Unlikely coalitions of conservatives worried about national independence and environmentalists concerned about green-houses gasses have formed. Automakers that were unsure if fuel efficiency would ever really sell have seen an upsurge in demand for high-mpg cars. And consumers have started to see that these vehicles do not have to be either small or unsafe, and in fact can carry some cachet and style.

So now is the time. The forces at work are more aligned than ever before, and ready for a catalyzing event, a demonstration of a way forward.

“**Why a prize?**” It’s simple. There is no stronger catalyst, no clearer depiction of the possible, no more energizing event in American – or any – culture, than a competition leading to a winner. Whether it’s the Oscars for movies or the Pulitzer Prize for journalism or any number of Stanley Cups and Superbowl rings in various sports, Americans want to see the best man, woman, book, film, team or would-be pop star *win*. Winning a fair and open competition confers on the victors and their ideas a legitimacy that no amount of argument, endorsement, data, or regulation can achieve. Lindbergh crossing the ocean showed that airplanes could do much more than carry the mail; America getting to the moon ahead of the USSR validated the capability of our political system in a way that little else could have, and the race for the Golden Spike spurred the railroads to unite our country in record time.

American drivers will not be cajoled or lectured into buying more efficient vehicles – but they will drive a winner!

# The Automotive X PRIZE:

## Now is the Time and Here is the Place

---

The auto industry is no stranger to competition, of course, and not just in the narrow sense of racing for its own sake. Early car competitions helped the industry persuade the public that the horseless carriage was more than just a toy for the wealthy, but a viable and reliable tool for the masses.

Henry Ford himself knew the value of competing, in terms of wrenching the public into a new mindset. He famously said “If I had asked people what they wanted, they would have told me... faster horses!” Ford demonstrated his better alternative, the Model T and its successors, in numerous competitions. Within a few months of founding his car company in 1903, he had set a land speed record on the frozen surface of Lake St. Clair, outside Detroit. He went on to send ace driver Barney Oldfield around the country to demonstrate Ford products, and was an early backer of the Indy 500, again for the demonstration possibilities as much as for the excitement of the race itself.

The auto industry in this country is just about a century old. It is high time for another competition, one echoing Ford’s intent, to demonstrate a new kind of transportation, one that meets social and environmental needs as well as the fundamental human desire to move. The Automotive X PRIZE will be that competition.

There are any number of barriers facing the eventual winners of this competition. If there weren’t obstacles, frankly, it would not be much of a race. Car companies and their suppliers have billions if not trillions of dollars sunk into investments into existing vehicle types. Regulatory authorities are worried that greener cars might come at the expense of other goals. Inventors of new technologies feel overwhelmed by the considerable cost of getting a new car on the road (gone are the days when a hobbyist could drop a motor in a carriage and start the next Olds or Pontiac car company). And drivers, customers, are set in their ways as well, whether through force of habit or as the result of decades of advertising exposure.

Yet there is always the possibility of change. Several decades ago Detroit resonated with the mantra “Safety doesn’t sell.” Crash-testing was unheard-of and in the public mind, well, “Real men don’t use seat belts.” By the 1980s, however, a sea change was under way, and first seatbelts and then airbags and ABS and now stability control and anti-rollover technologies have proliferated. Safety now very emphatically *does* sell.

As the forces mentioned above have come into alignment, we believe that greener, more fuel efficient cars will sell, too – especially if a competition showcasing their features and style can publicize and legitimize their advantages.

The Automotive X PRIZE is that competition.

# The Automotive X PRIZE:

## Now is the Time and Here is the Place

---

### *About the author, Glenn Mercer*

Glenn is a Senior Practice Expert in the Cleveland Office of McKinsey and Company. Since joining the Firm in 1985, he has primarily served clients in the automotive industry, and has been specialized wholly in that field for the last decade. As a Senior Practice Expert he helps shape the Automotive Practice's research agenda, actively maintains the Firm's external profile in the automotive arena, and assists 200-250 McKinsey teams annually with research, information, and insights into automotive topics.

Glenn's automotive expertise is broad and as such includes the following industry segments:

- Suppliers of parts and assemblies to the car companies and to the aftermarket
- Automotive financing and insurance firms
- Automotive OEMs (Original Equipment Manufacturers)
- Vehicle distributors and retailers (dealers)
- Aftermarket parts and accessory retailers
- Aftermarket service firms such as chains of garages shops or collision repair shops

Glenn is based in Cleveland but has a global scope of responsibility (matching the global nature of the automotive industry), and in support of this mission has lived in several European countries on assignment for McKinsey, and has served clients out of no less than 50 of the Firm's offices in Europe, Asia, and the America's.

As part of his reputation-building role, Glenn has written over 100 articles for various publications, contributed chapters to several books on the automotive industry, and has given dozens of speeches to industry audiences around the world.

Prior to joining McKinsey, Glenn worked in a variety of positions at British Petroleum, after a period of government service in the Central Intelligence Agency. Glenn holds an MBA from the Tuck School, an MA in Soviet Studies from Yale, and an AB from Dartmouth College. He is married to a cellist and has four children. He is currently driving a modified Acura NSX Zanardi Edition.

Glenn can be reached at [glenn\\_mercer@mckinsey.com](mailto:glenn_mercer@mckinsey.com).