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## **Huge, pricey trucks haul jobs and profits for the Detroit Three.**

**By: Nick Carey & Joseph White**

DECATUR, Texas/FLINT, Mich., Feb 5 (Reuters) - Mickey McMaster is on his 12th pickup truck. The 61-year old farm equipment dealer in Decatur, Texas, two weeks ago treated himself to a 2019 GMC Denali for around \$69,000 - a reward for long hours at work.

"For me this is the Cadillac of trucks, it's a real luxury vehicle," McMaster said. "I've worked my way up to afford a truck like this and it shows that I've earned it."

McMaster is the kind of customer General Motors Co ( GM ) is banking on as it plans to add 1,000 jobs at a plant in Flint, Michigan that will build a new generation of its largest pickups. Demand from Texas and other heartland states for big pick-ups is providing a lifeline to many workers the No. 1 U.S. automaker is laying off at plants elsewhere.

The Detroit Three automakers and thousands of their U.S. workers are counting on customers like McMaster to keep buying bigger and more luxurious pickup trucks even if overall U.S. vehicle demand weakens this year, as most analysts predict.

At Flint, GM will build a new generation of its heavy-duty Chevrolet Silverado and GMC Sierras, including luxury models that are some of the most profitable vehicles on the planet. GM, Ford Motor Co ( F ) and Fiat Chrysler Automobiles NV's Ram division own the segment and are each doubling down with new or redesigned models launching this year.

Sales of heavy-duty pickups in the United States have grown to more than 600,000 vehicles a year, up more than 20 percent since 2013, according to industry data. Prices for luxury models can easily top \$70,000.

GM on Tuesday will celebrate the launch of a new generation of heavy-duty GMC and Chevrolet pickups at the assembly plant in Flint, Michigan, that is now building all such trucks for the company.

At the same time that GM is laying off thousands of U.S. workers and planning to shutter five North American factories, Flint is hiring. The plant runs on three daily shifts, six days a week. As the new model's assembly system ramps up, the plant's capacity will increase by more than 25 percent, plant manager Mike Perez told Reuters. The Flint plant plans to add 1,000 workers, more than half of the 1,500 factory workers who have asked to transfer from plants GM has targeted for shutdown as part of CEO Mary Barra's restructuring plan. "We're bringing in 50 to 100 people every week," said Perez.

Workers last week were still finishing the job of retooling the Flint factory to build the new heavy-duty trucks as part of a \$1.5 billion investment project. A highlight of the new assembly line: two-story tall Fanuc robots hoist a cab and a bed for a truck from separate pallets, swing them in opposing arcs, then gently lower them onto a truck frame to be bolted together by different robots.

Detroit Three executives boast that the heavy-duty pickup market is protected by "moats" - a 25-percent tariff on imported trucks and decades of engineering that have yielded vehicles that haul 30,000 pound trailers, ride like large luxury sedans, and offer the same safety and connectivity technology as a BMW or Lexus luxury car.

Pickup trucks account for three-quarters of the 235 or so new vehicles Carey "CW" Williams sells each month at his Decatur dealership. And nearly half of those are higher-end, luxury models that can sell for \$70,000 or more.

Williams said he is not concerned about the new Ram trucks as competition for GM.

"Pickup trucks are our bread and butter, and we've got the new model to prove it with all the bells and whistles customers want," he said.

Mark Ary, 37, a second-generation owner of an HVAC installation/repair business, paid \$65,000 for a white 2019 Silverado High Country. He liked the air conditioning for the truck's rear seats, its 360-degree cameras, and hands-free technology that allows him to call and text.

“GM really stepped it up with the technology for the 2019 truck,” Ary said.

### **'MASSIVE' TRUCKS**

Ford, the leader in the heavy-duty pickup segment, will launch later this year versions of its F-series Super Duty pickups with a 7.3 liter gasoline engine - more than three times the displacement of the power-plant in a typical Ford Fusion sedan.

Fiat Chrysler's Ram brand is revving up a redesigned lineup of heavy-duty pickups offering optional 12-inch display screens and a 6.7 liter Cummins Inc ( CMI ) diesel engine that delivers 1,000 pound-feet of torque - enough to haul a 35,000 pound trailer.

GM's Silverado and GMC heavy-duty trucks will offer new diesel engines, 10-speed transmissions and trailer-towing capability “well in excess of 30,000 pounds,” said Tim Herrick, the executive chief engineer for GM's large pickup and SUV programs.

The new Chevrolet and GMC trucks coming down the Flint assembly line stand out from older models on the same line. They are taller and have more imposing hoods and grilles than the older trucks. “We wanted the truck to look massive,” Herrick said.

### **HEAVY-DUTY INVESTMENT**

Detroit automakers are investing heavily to expand their profitable heavy pickup franchises beyond commercial and work customers.

Each has luxury heavy-duty pickup models, such as Ram's Laramie Longhorn, Ford's Limited and Chevrolet's High Country. GM has developed a multi-model luxury truck sub-brand, GMC Denali. Now, 60 percent of GMC heavy-duty pickups sold wear the Denali badge, GMC global brand chief Duncan Aldred told Reuters. With a diesel engine, sticker prices top \$70,000.

Heavy-duty pickups are not subject to the same federal fuel economy rules as lighter trucks and sedans. They fall under less stringent standards applied to commercial trucks, where a vehicle's capacity for work allows for more fuel consumption. These pickups do not have mileage estimates on their price stickers as lighter trucks do.

The growing sales of heavy-duty pickups and their evolution toward luxury, personal use vehicles is drawing criticism from advocates of curbing carbon dioxide emissions.

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In Flint, the assignment to build GM's new heavy duty trucks is a lifeline for workers like Randy Randall, a 41-year GM veteran who said he has worked at several GM plants, moving when layoffs hit. Now, he checks trucks at the end of the Flint assembly line. Randall smiled as a screen in front of his GMC truck flashed a message that it had passed the tests. “It’s got a great future,” he said.

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