

Notes on the Final Years of Studebaker

by Stu Chapman, former Director of Advertising and Public Relations Studebaker of Canada

The following article is reproduced from the "Stude Examiner" (Studebaker Owners Club UK) and was from a speech given by Mr. Chapman at the European International Meet in May, 2015. Thanks also to Vista of the Vancouver Island Chapter where this article appeared recently.



It has indeed been an honour for Thelma and me to have spent these few days with you this week. And for those who have purchased a copy of my book I hope you will enjoy reading it. For those who were unable to get a copy, you can still do so on line from the Studebaker National Museum.

Before I begin my message, I must recognize our twenty-five year friendship with your Greg Diffen. It was at the Studebaker International Meet in Worcester Massachusetts in 1990 when, during the Concours, this sharp young Aussie introduced himself to me. Little did I know that Greg would become a transplanted Canadian for a number of years before he married one of our young ladies and took her to England. But enough of Greg.

Fifty-two years ago, two young men joined Studebaker with the expectation each could make a difference to the company. But each was brought in for an entirely different reason.

Ed Dunbar came over to Studebaker in South Bend from Curtiss-Wright, where he was a financial wizard, to take over the position of Corporate Controller. Ed was 38 years old.

I joined Studebaker of Canada after several years of automobile marketing, including the launching of Volvo in Canada, just in time to oversee the introduction of the new *Different by Design* 1964 Studebakers. I was just 29 years old.

Two young men in senior management. Each with a different objective. On the marketing side, we were tasked to drive Studebaker to new heights, after at least three survival scares in less than three decades. But unknown to us in Canada, Ed Dunbar's primary assignment was *divestment*. Yes, the decision had already been made. Studebaker's best kept secret in 1963 was the planning of its demise, while Canada was striving for success.

Today, Ed Dunbar and I, at 90 and 81 years of age respectively, are the only surviving members of Studebaker's senior management team. We have maintained contact with each other these five decades and even lunched together a little over three weeks ago in South Bend.

But before 1963, other things were happening. Studebaker Corporation, at the beginning of the second half of the twentieth century, was diversifying in order to ensure its future financial prospects were very secure.

As you will remember, Studebaker and Packard became one in 1954, and Mercedes-Benz of North America was taken over in 1958. Obviously sensing the internal turmoil, Mercedes-Benz decided to go its own way in 1965. For two short years, I was also responsible for advertising support for the German manufacturer.

An eerie sidebar to my Mercedes-Benz association came on November 22nd 1963 when we were launching the Mercedes-Benz S600 Grand Pullman in Toronto. I think everyone remembers that day. Lee Harvey Oswald assassinated United States President John F. Kennedy. One week later, Mercedes-Benz General Manager Herman Beckmann flew to Montreal for the launch there. He never made it home. He perished in the crash of Trans Canada Airlines Flight 831 shortly after take-off. But the story doesn't end there.

There was always the suspicion of a second shooter in the Kennedy assassination. The suspect was identified as Walter Ohlinger, a German national. His movements on November 22nd took him to Montreal by car. He presumably boarded TCA flight 831 and perished with the other passengers, since his car was found abandoned in the airport garage. But his name was not on the passenger manifest. Was he the second shooter? We will never know.

But back to Studebaker and its diversification. Did you also know that Studebaker acquired many other companies in a ten year time frame?

One of our acquisitions was Onan Generators, now part of the Cummins Group.

And Studebaker owned STP, which stood for *Scientifically Treated Petroleum*, a company noted for its colourful management by the always interesting Andy Granatelli.

There was Gravely Lawn Equipment, now an Ariens Company, still well known for its line of riding lawn mowers.

Studebaker also owned Clarke Floor Equipment which manufactured floor maintenance products and now continues as Clarke Parts, a division of Wholehogjanitorial Group, the largest floor equipment parts provider in the United States. Yes, that really is its name.

We also owned Paxton Products, manufacturers of superchargers used by Studebaker on their high performance cars. Paxton was managed by another of the Granatelli brothers and is now an ITW company, a premier global manufacturer.

Our Franklin Manufacturing Division produced private branded household appliances for the chain store market.

And Studebaker even owned an airline. Trans International Airlines, a contract carrier for the military air transport service, was acquired from the eccentric entrepreneur Kirk Kirkorian in 1962. Studebaker sold TIA back to Kirkorian in 1964.

Also in 1964, Studebaker entered the tire stud industry with the establishment of its Stude-Grip Division, manufacturing not only tungsten carbide tire studs, but also tire studding installation equipment.

Studebaker Corporation was producing a good return on investment for its shareholders in general, but its Automotive Division in the United States suffered from outdated manufacturing facilities, less than aggressive management, along with a declining dealer base. This resulted in a total lack of confidence in Studebaker automobiles by our New York based Board of Directors led by prominent attorneys Randolph Guthrie and Richard Nixon. Yes, *that* Richard Nixon.

Guthrie and Nixon were senior partners in the New York City law firm of Nixon, Mudge, Rose, Guthrie, Alexander & Mitchell. The "Mitchell" was John Mitchell of Watergate notoriety.

And you'll remember the involvement of Richard Nixon in that event which led to his resignation as President of the United States of America.

When Studebaker of Canada was handed the challenge of saving the Automotive Division, while at the same time our demise was being plotted by the Guthrie/Nixon group under the direction of Ed Dunbar, we had many irons in the fire to save our souls. One involved an association with Volkswagen.

At the time, Volkswagen was bringing its cars into Canada from Germany, and paying a significant duty on them. With the benefit of the Canada/U.S. Auto Pact, we were able to import vehicles duty-free. Studebaker Canada President Gordon Grundy ingeniously used this pact to our advantage and made a deal with Volkswagen to take over the importation of its cars. As a result, 31,600 Volkswagens were brought into Canada, at a profit of \$165.00 each. We reimbursed VW \$15.00 per unit, which netted them \$474,000.00 while we made \$4.74 million.

Earlier, we had worked out a deal with Volkswagen, whereupon we would handle their Canadian distribution. This would have been a wonderful opportunity for both companies, but the Guthrie/Nixon-led Board said no.

Obviously it would have interfered with their plans to quit the automotive business. Studebaker and Volkswagen had originally been associated in South Africa.

But Nixon wasn't done yet. Gordon Grundy had discussed preliminary plans with the President of Nissan in Japan to acquire rights to sell Datsun cars and trucks in North America, even badging some models as Studebakers. Datsun cars would have been assembled in our Hamilton Ontario manufacturing facility. Yet again, Richard Nixon interfered and directed Grundy to break off negotiations with Nissan as he preferred a deal with Toyota. But Toyota wouldn't talk because they weren't approached first. Of course, Nissan wouldn't resume talks when they found out what was going on.

Realizing there just might be an ongoing roadblock in our way, we decided to pursue another line of strategy. I reminded our senior staff of my previous involvement with Volvo and its President Pat Samuel, who was now the principal of Canadian Motor Industries, the distributor of Toyota. Knowing that Samuel was planning on building an assembly plant in Nova Scotia to build Toyota cars, it made sense to work a deal that would allow Studebaker to be the bridge needed to establish an instant North American manufacturing and retail operation serving both companies.

After all, Samuel had a twenty year agreement with Toyota that covered all of Canada, the United States eastern seaboard, as well as the Pacific sector. He also had the rights to Isuzu so acquiring Studebaker would have been the pathway to his dreams. And such a deal would provide Studebaker with a line of sub-compact cars.

We actually came close to saving Studebaker's life in the automobile business. Even our uncooperative Board could see the possibilities. The proposed deal with CMI would see them receive all the assets of Studebaker's Automotive Division, including the manufacturing facilities, for just \$1 million. This would release the Board from the huge contingent liability with its dealers which they would have had if the Corporation simply stopped building cars. Even Guthrie and Nixon could see this made sense.

For those who don't understand how contingent liability works, let me explain. Had Studebaker stopped manufacturing, the liability to its dealers would have been about \$40 million. If Canadian Motor Industries took over and continued to supply cars there would be no liability. CMI would really end up owning Studebaker for nothing because they would now own \$300 million in production equipment, as well as all the facilities and parts.

The CMI group also included a Canadian entrepreneur by the name of Peter Munk, who later became CEO of Barrick Gold Corporation, reputed to be the world's largest gold mining operation. Unfortunately, Samuel, Munk and partners pulled out of the deal at the last minute. That was in September of 1965. The handwriting was now definitely on the wall.

When the deal collapsed, Mitsui Corporation, then owners of 30% of CMI, added more investment and took over control. Mitsui then sold CMI's holdings to Toyota and within three years their annual profit in Canada rose to \$20 million.

Shortly after, our Marketing Vice President, Bob Orr, decided to leave Studebaker and return to university to study law. He went on to be a highly successful attorney in Vancouver, British Columbia and ended up representing Nissan's legal affairs.

Manufacturing Vice President Bill Moeser resigned his position to become General Manager of Ford of Canada's Ontario Truck Plant in Oakville. Studebaker did not replace either Orr or Moeser. Only our Purchasing Vice President Ralph Wilson was left. Just more indications the end was near.

But the Corporation executives were smart. With all the turmoil generating, dealers were relinquishing their franchises everywhere, thus releasing Studebaker from much of its contingent liability and in the days leading up to March 4th 1966, about five of us in Canada were told to prepare for the end. Studebaker could now afford to quit manufacturing cars.

Those were a tough few days. On that fateful day in March, President Gordon Grundy had to tell the staff we would no longer build cars, and I had the unpleasant task of telling the media the sad story. And on March 17th 1966, St. Patrick's Day, the last Studebaker rolled off the line. It's now on display for all to see in our historical collection in South Bend, Indiana where it all began.

So here we are now, nearly fifty years later, and Studebaker is still very much alive. The Studebaker Drivers Club has nearly 12,000 members in over 40 countries throughout the world, and is probably the largest automobile club for a single marque. Studebakers are still relatively easy to collect and restore, thanks largely to the many enterprising Studebaker parts vendors.

If you ever get a chance to visit the Studebaker National Museum in South Bend, Indiana you will realize that Studebaker can never die.

Having been one of the original Board members of our Museum, I am proud to continue to represent the marque as a Life Trustee. I also cherish the fact I served SDC as its International President from 1984 through 1986.

Our historical collection now comprises well over 100 vehicles, with usually about 70 rotating on display at any one time on its three levels. The Museum is truly a world-class facility and is one of only three accredited automobile museums in the United States.

Our Board raises hundreds of thousand dollars annually through an endowment program and multiple fund raising projects to ensure its ongoing success. Of course, memberships are an integral part of our mission and if you're not yet a member, please go on line and join us.

An interesting aspect to my story involves Mercedes-Benz. Even though Mercedes-Benz was an integral part of Studebaker for seven years, the marque has no presence in the Studebaker National Museum.

But earlier this year, AM General Corporation, South Bend/Mishawaka manufacturers of the military Humvee vehicle, received a contract from Mercedes-Benz of North America to build their "R" Class SUV for export to the Orient, beginning in October of this year. So Mercedes-Benz returns home where it was part of our family many years ago. I might add that AM General is a staunch financial supporter of the Studebaker National Museum.

Prior to leaving for our trip to Warwick, I began negotiations with Mercedes-Benz of North America to participate in the Studebaker National Museum, both financially and with display vehicles from the Studebaker/Mercedes-Benz era. Hopefully this will come to pass.

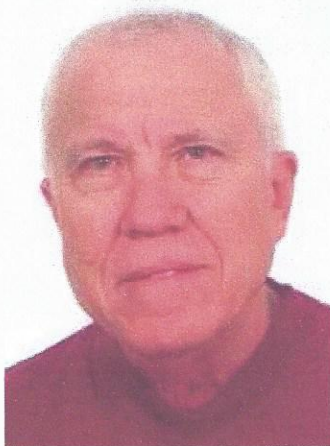
For me, Studebaker has been an integral part of my life for fifty-two years, and hopefully will continue to be for a few more years yet. I have at least one more major project on my plate with the Museum, that being the commemoration in March next year of the fiftieth anniversary of Studebaker's last car off the line. In conjunction with both our Curator and Archives Manager, we'll commence plans for that event later this year.

As a further point of interest, following the closing of Studebaker in 1966, my department associate, Lillian Morris, and I founded Chapman Morris Advertising Limited in Hamilton, Ontario. Interestingly, our first client was Studebaker and we prepared advertising nationally for the sale of its several properties.

Our original client base developed significantly through our Studebaker contacts. We sold the Chapman Morris firm thirty years later, as retirement was beckoning. Besides, it allowed more time for my Studebaker interests.

By the way, Chapman Morris Advertising was affiliated with Bond Publicity Services located in Swindon. Their now retired President, Reg Mann, has kept in touch with us these many years. He will be picking us up tomorrow morning for a few days' visit at their home in Bideford.

There are many more stories that can be told about our favourite subject, but it's time to close for now. Thank you so much for your hospitality, friendship and attention. I hope we'll all meet again. I know we'll certainly see the Diffen family either in Hamilton or South Bend. Happy Studebakering!



Stu Chapman



Stu and Thelma in their beautiful '64 Daytona Convertible