BMW NA 50th Anniversary | 50 Stories for 50 Years

Chapter 23: "Activity, Not Utility: The X5 is Born"

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While BMW of North America was busy fending off its new premium-class rivals Lexus and Infiniti, the company found itself challenged by yet another new rival: Ford, whose Explorer had become an immediate sensation following its 1991 introduction.

Conceived as a modest redesign of the long-running Bronco II, the Explorer lured American drivers from their sedans and minivans into what Ford dubbed a Sport Utility Vehicle—a station wagon-style body atop a four-wheel drive truck chassis. When Jeep followed a year later with its luxurious Grand Cherokee, it solidified the hold of these high-riding SUVs on the car-buying public.

BMW's own lineup was limited to sedans and wagons, but the company had already recognized the need to diversify its offerings with new body styles. The Z3 roadster was under development in Munich, but BMW preferred to get on the SUV bandwagon via a different route: by purchasing Land Rover, a company well known for its off-road vehicles. Brand acquisition was a common theme in the early 1990s. Ford acquired Volvo, for example, while Chrysler took on Jeep and Dodge, General Motors purchased Saab, and Volkswagen acquired a slew of brands including SEAT and Skoda.

Not to be left behind, BMW did the same. Led by a new chairman of the board—Bernd Pischetsrieder, who replaced longtime chairman Eberhard

von Kuenheim in May 1993—BMW offered British Aerospace £800 million for its 80 percent share of the Rover Group on January 26, 1994. Shortly after, BMW would acquire the remaining 20 percent from Honda, and with that BMW became the owner of 15 British brands including Rover, Mini, MG, Triumph, and Riley, the latter a particular favorite of Pischetsrieder.

The Rover acquisition would allow BMW to sell off-road capable vehicles under the Land Rover nameplate, competing with Ford and Jeep while preserving the purity of the BMW brand for use on sporty, high-end passenger cars.

Land Rover had introduced its P38A Range Rover in September 1994, but the car was outdated even before it launched. In 1995, BMW began designing its replacement, the L322. The initial phase of that project would take place in Munich at the Special Vehicles department led by Dr. Burkhard Göschel.

Göschel was well aware of the burgeoning popularity of SUVs, and he believed he could build one that embodied BMW's traditional virtues of high performance and agile handling. While working on the L322 Range Rover, Göschel decided to build an off-road capable BMW alongside it. "Mr. Pischetsrieder was totally against this," Göschel said, "but I told him there is a difference between both brands that you can realize."
Within BMW of North America, president Vic Doolan was already asking Munich for a BMW that could complete with the Explorer and Grand Cherokee, and so was Rich Brekus, who'd been hired as head of product

planning in June 1994.

“When I was being interviewed for the job,” Brekus said, “Vic asked me one critical question, and I still don’t know if it was a serious question or if he was testing me. He said, ‘Munich is thinking about doing a minivan. Do you think we should do a minivan?’ I said, ‘You’d be out of your mind to do a minivan, but you need to do an SUV. Not an off-road SUV, but an on-road SUV. That’s where the market’s going.’ You could see it at the time, with the Cherokee and Explorer selling like crazy but never going off-road.”

In meetings with Munich executives, Doolan presented photos of what he called The BMW Garage, with a 3 or 5 Series sedan parked side-by-side with an Explorer. “They were photos of real garages,” said Brekus. “We said, ‘We want to own the garage,’ and that became a mantra. Why should we let anybody else in the garage?”

Ford was hardly a rival for BMW’s sedan business, but Mercedes and Lexus certainly were. As was well known within the automotive business, both companies were developing their own SUVs for release in 1997: Lexus the RX, Mercedes the M-class.

“Owning the garage was paramount to us, and I saw a real risk to BMW if we did not enter the [SUV] segment,” Doolan said. “If our owners could add a competitive vehicle to their multi-vehicle garage, that would give Mercedes dealers access to our owners. As the M-class was near launch,

we changed the renderings to show a 7 Series and a Mercedes ML next to it, illustrating the risk that the 7 Series would be replaced by an S-class."

Doolan and Brekus put Bert Holland in charge of strategy for a BMW SUV project. Holland assembled the necessary data and analysis, product attributes, and the visual materials needed to make NA's case for an SUV. Doolan told the board that BMW had two choices. "We had two choices. One, we could combine BMW and Land Rover dealerships, so each marque could retain its identity and create a cross-sell opportunity," Doolan said. "The alternative was to introduce a BMW SUV."

Doolan met with BMW board member for research and development Wolfgang Reitzle and Land Rover's John Russell shortly after Thanksgiving 1995. At a Marriott hotel near New York's LaGuardia airport, Doolan presented an artist's rendering of the combined BMW-Land Rover facility. "Russell dismissed that with the phrase, 'Over my dead f*ing body,'" Doolan said. "Reitzle called an immediate end to the meeting, and he, Helmut Panke, [BMW NA chief financial officer Dr. Karl] Sommer, and I went to dinner. I again pushed for a BMW SUV, and Reitzle said, 'You will get it.'"

In his own discussions with BMW management, Brekus had insisted on specific attributes for such a vehicle. "I told them I didn't want a truck. I wanted the form factor of an SUV, but I wanted it to drive like a car," Brekus said. "This was all about on-road performance, and I didn't care about off-road. They said, 'Mercedes is looking at this, too!' I said, 'Yeah, but they're going about it all wrong. The M-class is body-on-frame with a two-speed transfer case. Nobody wants that.'"

In other words, Brekus wanted an SUV that would fulfill the promise of The Ultimate Driving Machine. "Reitzle began to see that, and maybe became intrigued by the technical question of how to build an SUV that drives like a car," Brekus said.

At Special Vehicles, Göschel was trying to answer the same question. Having handed final development of the next-generation Land Rover over to his counterparts in Solihull, England, he experimented with SUVs based on BMW's 5 Series wagon. "Everybody thought BMW was going to do a high-roof wagon, and all the BMW enthusiasts were appalled," Brekus said.

Indeed, the idea of a BMW truck was considered heretical by BMW traditionalists, who underestimated Göschel's ability to turn an SUV into an Ultimate Driving Machine. Toward that end, Göschel borrowed chassis elements like the MacPherson strut front/multilink rear suspension from the 5 and 7 Series sedans, executed in steel rather than aluminum for added durability. He also borrowed a crucial piece of technology from Land Rover: Hill Descent Control, which used the car's anti-lock braking system to limit speed while going downhill. HDC allowed Göschel to eliminate a four-wheel drive's heavy transfer case, with the low range normally used for that purpose. In a further stroke of genius, ABS could replace the usual locking differentials at the front and rear axles, saving still more weight and eliminating mechanical complexity in favor of electronic control through the ASC+T (Automatic Stability Control + Traction) and DSC 3 (Dynamic Stability Control) systems.

Doolan had insisted that the SAV be not only a great-handling vehicle, but a good-looking one. At Designworks/USA, Chris Chapman penned stylish bodywork that combined elements of the then-new E39 5 Series with attributes of an SUV. In the modeling phase, Frank Stephenson contributed a BMW-esque interpretation of the C-pillar. "Both Chris and

Frank made scale models and went to Italy to develop the full-sized model at G Studio, pairing off on the sides," said Chris Bangle, then head of BMW Design. "As time went on, the command of the design went to Chapman, but the major contribution of Frank—the station wagon-styled C-pillar with the BMW dogleg—remained. Chris's original design had a more classic SUV C-pillar known as a '6,' but his had the overall balance and surfacing the car was born with."

As designed, however, Doolan identified a flaw that would be corrected for production. "We fought hard to expand the rear luggage space, which was far too small in the first iteration," he said. "The X5 wasn't designed to cart stuff, but to enable our owners to enjoy their activities. Therefore I thought it logical to call it a Sport Activity Vehicle rather than a Sport Utility Vehicle."

Doolan's phrase proved a stroke of marketing genius, but the X5 still needed a compelling business case to be approved for production. "The eventual deciding factor was providing a volume vehicle for the Spartanburg plant," Doolan said. "Z3 sales were easing, and building the 3 Series there would demand investment in additional tooling. The X5 was the solution."
By the spring of 1998, BMW had confirmed its plans to assemble a Sport Activity Vehicle in South Carolina, and spy shots were circulating in the press. Pischetsrieder said the vehicle would be built on the basis of the 5 Series wagon, and that it would have the tall ride height and ample cargo space of a typical SUV while handling more like a passenger car than a truck.

On January 9, 1999, BMW unveiled "the world's first Sports Activity Vehicle" at the Detroit motor show. In its press release, BMW said that the X5 "is characterized by those well-known BMW features typical of the brand: aesthetic design, dynamic styling and performance, and superior safety. In addition, the X5 is characterized by a completely new sense of driving, especially by the high seating position and the exceptional

handling on roads of any kind throughout the world."

At the urging of Doolan and Brekus, the X5 was introduced with a 286-horsepower, 4.4-liter V8 engine, which allowed the 4,828-pound SAV to scoot from zero to 60 mph in 7.5 seconds. A 3.0-liter inline six was also available, including a diesel version for markets outside the US, and either of the smaller engines could be paired with the five-speed manual transmission that wasn't offered with the V8.

Along with the manual transmission, the six-cylinder X5 3.0i was available for a much lower price than the V8-powered X5 4.4i, which was offered for $49,400 at its launch. "The initial pricing was critical in ensuring the success of the X5," Doolan said. "Our proposal was $38,900 for the six-cylinder. The finance people wanted the price to be significantly higher, but thanks to a powerful argument delivered in English by Dr. Reitzle, we prevailed."

In the fall of 1999, BMW introduced the X5 at an international press launch in Spartanburg, South Carolina. After driving the X5 4.4i (the 3.0i wouldn't go into production until April 2000) on the street, journalists tested the vehicle's off-road capability on the muddy dirt trails and steep inclines of Little Creek Farms. "It had been an off-road site for testing Land Rovers, and the Germans were concerned that the X5 wasn't strong enough to handle it," said Kenn Sparks, who began working in the BMW Manufacturing press department the week of the launch. "Well, it handled it phenomenally! I remember driving through mud so deep we just knew it was going to sink, but it kept going,

even in reverse. Then, while the journalists were having lunch, the vehicles were washed, and we drove the very same vehicles to Road Atlanta. After doing this pretty serious off-roading, the next thing you know you're racing through the chicane at Road Atlanta. That blew everyone away."

Shortly after the X5's launch, two of its biggest champions left BMW. As the purchase of Rover was proving so disastrous as to threaten BMW's autonomy, Bernd Pischetsrieder was ousted as chairman, replaced by production director Joachim Milberg. Having been passed over for the top spot for a second time, R&D chief Wolfgang Reitzle resigned from the BMW board. He was quickly picked up by Ford, which then purchased Land Rover from BMW for $2.9 million—Rover itself was sold to the Phoenix consortium for the nominal sum of $16—and tapped Reitzle to run it as part of Ford's new Premier Automotive Group that included Lincoln, Jaguar, Aston Martin, Jaguar, and Volvo. Reitzle, in turn, hired BMW NA president Victor Doolan to be the Premier Automotive Group's executive director. The X5's engineering mastermind, Burkhard Göschel, ascended to the board in 2000, responsible for research and development.

BMW's first Sports Activity Vehicle went on to become a huge success, with 616,867 examples of the first-generation E53 X5 assembled in Spartanburg between September 1999 and September 2006. Of those, more than half were exported, helping BMW Manufacturing become one of the largest automotive exporters in the NAFTA region, and the largest overall in terms of value.

"The X5 transformed BMW," Doolan said. "It facilitated the growth of

Spartanburg into the largest plant in the BMW world, spawned a complete range of SAVs enabling tremendous growth of the BMW range globally, and enabled the sale of Land Rover to Ford, generating much-needed cash and getting rid of the albatross that was Rover."

Now in its fourth generation, the X5 remains the centerpiece of BMW's X-vehicle lineup, which ranges from the compact X1 through the full-size X7 and high-performance XM—all Sports Activity Vehicles, not SUVs.

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