

Ram ProMaster City: Competent Cargo Van Tells Global Trade Story

Jerry Hirsch

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The Ram ProMaster City cargo van's curious history highlights a quirk in U.S. trade policy and at the same time serves as an indicator of where the economy is growing.

This is a competent small cargo van from Fiat Chrysler Automobiles. It is experiencing some of the fastest sales growth among all vehicles in the U.S. market. Sales soared 151 percent to 11,438 vans through the first eight months of 2016 compared with the same period a year ago.

Purchases by small service businesses – including florists, caterers and electricians – have combined with a growing demand for delivery services to give traction to small commercial van sales, which have risen 16.5 percent so far this year. Total U.S. auto sales, by comparison, rose less than 1 percent during the same period, according to industry research firm Autodata Corp.

These companies are growing at a faster rate than in recent years, according to the most recent data from the Bureau of Labor Statistics. The number of U.S. small businesses – those with up to 99 employees – rose by 3 percent to more than 9.2 million in the first quarter of this year compared with the first quarter of last year, the agency reported. That was more than double the rate of the previous year.

According to an August report from the National Federation of Independent Businesses, 30 percent of small businesses plan to make capital outlays over the next three to six months, a recent high. Vehicles are expected to account for nearly a quarter of that spending.

The ProMaster City is riding that wave. However, its assembly and export to the U.S. is an odd story that demonstrates the trade hurdles automakers sometimes jump, even in a modern global economy.

The van, a modified and rebadged Fiat Doblò, is built at a Fiat plant in Bursa, Turkey. This version is the third generation of a vehicle that has sold 1.5 million units in Europe since its introduction in 2000. This type of van essentially fulfills the work role of a pickup truck in Europe. And that's where the trade problem starts.

In 1963, the U.S. and the European Economic Community nations entered into a trade war. Europe slapped tariffs on U.S. chicken exports. The U.S. retaliated with a 25 percent tariff on all imported trucks and vans. At the time, the U.S. auto industry was worried about Volkswagen, whose tiny Beetle sedan proved that American consumers would purchase foreign-built vehicles, according to Daniel Ikenson, an economist and trade expert at the Cato Institute.

Most other tariffs resulting from the trade battle disappeared over the last 50 years, he said, but the so-called chicken tax remains.

“The U.S. auto industry wanted to keep the 25 percent tariff because they were worried about the Japanese exporting trucks here,” Ikenson said.

The trade barrier is why Toyota now builds Tundra pickups in Texas and Nissan produces Titan trucks in Mississippi, even though the Japanese brands still import some passenger car models to sell in the U.S. The U.S. imposes a much smaller 2.5 percent tariff on imported passenger vehicles.

With the Ram, FCA – built from a merger of Chrysler and Italian automaker Fiat – has a European van that fits an important U.S. market niche. However, it knows that paying a 25 percent tariff to bring the vehicle to the U.S. would make it a money loser. Instead, FCA builds the vehicle as a passenger van, complete with seats and carpeting, and ships it to the port in Baltimore. There, workers remove the seats, carpeting, and the headliner at the interior roofline and turn the Rams back into cargo vans.

“They save a big chunk of change” Ikenson said.

Let’s say the vehicle configured as a passenger van is valued at \$20,000 for import duties. FCA pays a \$500 tariff. If it were imported as a commercial vehicle, FCA would pay a \$5,000 tariff.

The automaker’s challenge is make sure that the cost of labor and wasted equipment such as passenger seats is still low enough to make a profit.

“There is a lot of transformation that goes on in U.S. foreign trade zones so that products can qualify for a lower tariff when it leaves the zone and officially enters into commerce in the U.S.,” Ikenson said.

The ProMaster City’s base price is \$24,440, including a \$995 destination charge. The vehicle we tested had options such as navigation, rear hinged doors with windows, and other features that pushed the price to almost \$28,000.

Why, then, does the truck tariff still exist in the heavily internationalized auto industry? The proposed Trans-Pacific Partnership trade agreement would end the chicken tax. But there’s no assurance it will ever be approved given that presidential candidates Hillary Clinton and Donald Trump both say they oppose it. Even if it did get signed, the current proposal phases the truck tariff out over 30 years. This is an anomaly, even for the trade pact.

“Most tariffs in the TTP go to zero in 10 years,” Ikenson said.

The tariff would remain because U.S. automakers figure it is better to reconfigure thousands of vehicles at U.S. ports in order to evade high tariffs rather than to open up the market to a flood of imported trucks and vans from foreign rivals. FCA may have sold more than 11,000 ProMaster City vans so far this year, but it has also sold 311,000 of the far more profitable Ram pickup trucks.

Notwithstanding the extra reassembly work, FCA’s strategy is working.

While Ford’s Transit Connect leads the small commercial van segment with 48 percent of the market, the Ram is gaining quickly. It has about 18 percent of the market and is closing in on the 20 percent share held by Nissan’s NV200, the No. 2 player in the segment. This includes the Mercedes-Benz Metris, a slightly larger and more expensive van that still competes in this class.

During our weeklong test, we found that the ProMaster City is nimble. The handling has a Euro feel, the seats are comfortable and the ride is smooth for a cargo van. FCA engineers have smartly traded the typical, layered leaf springs in the rear suspension of most commercial vehicles for an independent, coil-spring rear suspension that does a better job of buffering bumps.

The van has a peppy 2.4 liter, in-line four-cylinder gasoline engine. The engine’s 178 horsepower and 174 pound-feet of torque provide enough power to traverse freeway onramps and pass slower traffic. At times it had a noisy idle. The engine is mated to an efficient smooth-shifting, nine-speed automatic transmission.

Most operators will likely use the front-wheel-drive van for shuttling around urban areas, transporting goods and making sales. Tradespeople will be visiting worksites. This is where the van shines. The van handles effortlessly in traffic, and in congested parking areas, it is easy to slant and to parallel park.

In more than 150 miles of mixed highway and city driving that at times encountered heavy traffic, the van averaged 21 mpg at an average speed of 25 mph. That slightly underperformed the Environmental Protection Agency’s rating of 24 mpg in combined highway and city driving. The rear cab window and another in the rear doors give the driver some visibility behind the vehicle. The van also has a back-up camera.

The ProMaster City cargo has a surprisingly large capacity for a small van. Its 131.7 cubic feet of cargo volume and 1,883-pound payload capacity. That is best among the smaller vans that compete in this segment, but not the Metris. The rear doors split 60 percent/40 percent, which eases loading and unloading the van. Sliding doors on either side create a 26-inch opening to access the cargo compartment.

However, perhaps because of its European roots as a utilitarian work vehicle, the Ram lacks technology that would give it a leg up in the U.S. market. FCA offers a navigation system –

something that is handy for a delivery vehicle – but the TomTom-supplied unit is far from state of the art.

FCA should skip the embedded navigation program and the inadequate 5-inch display screen. Instead, it should offer a 7- or 8-inch touch screen equipped with the Apple CarPlay and Android Auto systems. Then, drivers could use phone-based navigation apps that provide real-time traffic and are generally more effective than the embedded TomTom system.

The smartphone-based systems allow drivers with a USB cord to use voice commands and the touch screen to make phone calls, listen to text messages, get navigation directions and link to their music and podcasts. It really is just plug and play, which is an advantage for fleet operators that have drivers shuffling between vehicles daily.

Cargo vans have solid side panels that restrict visibility, so they are hard to back up. A cross-traffic alert would warn drivers of other vehicles intersecting their path. Similarly, while the ProMaster City comes equipped with dual-angle mirrors that provide the driver with a view of traffic on either side of the van, a blind-spot warning system would still be helpful

Commercial vehicles such as the Ram should also come equipped with a front-collision warning system. A system without automatic breaking reduces front-to-rear crashes by about 27 percent and injuries by 20 percent, according to the Insurance Institute for Highway Safety. The crash-reduction rates for systems with automatic breaking offer double the safety improvement, according to the insurance industry trade group. This is good risk management.

The ProMaster City does have a couple of minor irritants. The mirrors are manually adjusted with knobs. The van should have an automatic on-off system for the headlights, which is not advanced technology. Additionally, the side-view mirrors should be motorized with controls by the driver's left hand. Say a driver makes a sidewalk delivery and jumps back into the van, only to realize blocks down the road that the passenger side mirror was bumped out of adjustment.

There's no safe way to make an adjustment without parking and leaning over the passenger seat.

These improvements would make what looks to be the best small cargo van far superior to its rivals. For now, though, businesses and fleet operators can purchase the ProMaster City knowing they are getting an extremely capable commercial van and work tool.