

RESIDUAL VALUES

Insights & Opinions from Automotive Industry Leaders



"We needed to create exhibits that were educational and entertaining, or people would come once and never come back."

- Terry L. Karges, Sr.

Executive Director
Petersen Automotive Museum
Santa Monica, California

Interview with Terry L. Karges, Sr.

What's your backstory, and how did your interest in cars begin?

I was born in Joliet, Illinois. My grandfather was an Oldsmobile man, and dad loved Buicks. They traded for new cars every two years. Growing up, we would attend the new car shows every year in Chicago, which was a really big deal for us. I helped my dad wash his cars; he was meticulous about keeping them clean. We also went to Midget races at a nearby track with my grandfather. Cars of all sorts have been a part of my life from an early age.

We moved to California in 1955, and my dad took us to the Torrey Pines Road Race, which in those days consisted of snow fencing and hay bales. Our family station wagon pulled trackside in between a Rolls-Royce and a Mercedes Gullwing. The owners had their fancy wicker baskets out on tables with gorgeous displays of food, it was all brand new. We walked through the pits with the smell of Castrol motor oil in the air, looking at the D Jags and other exotic cars, driven by racing legends like Phil Hill. In the very first race that day, on the first turn, a woman was killed.

Here I was, a 10-year-old at a car race at exotic Torrey Pines, with beauty and excitement combined with tragedy, and it created all sorts of mixed emotions within me. At the end of the day, as we were leaving the track, I remember being in the back seat and saying, "Dad! Dad! We've gotta do this!" That experience really moved me and nothing has ever replaced that.

So you witnessed the roots of the California car culture?

Growing up in southern California in the mid-50s, I had a front row seat. The cars were fast and fun, and the group I hung around with were all car guys. It was all about road racing or drag racing. There were drag strips everywhere, even out in the orange groves. There were road races at the airports in Santa Barbara and Palm Springs, and Riverside opened in '57. There were so many tracks and events that you could be at races with all kinds of cars and all types of drivers.



Terry enjoying the races in his earlier years



Premier Financial Services
Vintage and Exotic Motorcar Financing since 1997

You've had a long and varied career in the automotive business.

I started out in the theme park entertainment business, first working for Disneyland as a special events salesman, and then as director of marketing at SeaWorld, then Marine World, where I was Vice President of Sales and Marketing, but after 12 years in that business, I was burned out. I remember sitting on my porch one night and wondering what I should do. Then thought, okay, "If I died tomorrow, what would I have missed out on in my life?" It dawned on me that the only pictures I had on my office walls over the years were of racecars. I needed to be in racing.

I became determined to be involved in racing at the highest level. I started introducing myself to racing teams and ended up working with them and had a great time doing it. I wasn't making much money, but I was working with racing legends like Mario Andretti, Bobby Rahal and Dan Gurney. That led to a position as the track promoter for Budweiser, where I had the opportunity to work with future world champion Keke Rosberg, who was on the Newman-Freeman CanAm team. It was the experience of a lifetime.

I also spent 12 years with Roush Performance, a division of Roush Engineering and Racing, helping that company build and promote its line of high-performance components parts. While I was there, we built and sold about 15,000 high performance Mustangs. When the opportunity to

serve as the new Executive Director at the Petersen Museum came along in 2012, it was a great opportunity to use what I had learned in the theme park industry and the racing and automotive business. It was the perfect job for me.

You've made some significant changes at the Museum during your tenure.

The last thing my predecessor told me as he handed me the keys was, "You'll get a lot of requests to see "The Vault," but it's a waste of time." On my second day, during a tour of The Vault, I was looking at 250 incredible cars of the Petersen collection and thought, "Oh, my God. People need to see these cars." So as a test, we announced that we were opening The Vault for two weeks, for tours. I stood in admissions for two weeks during the Christmas holidays and watched as people flew in from all over the United States to see The Vault and knew that we were on to something. Today, tours of The Vault represent one of our most important

revenue sources. It's a special place, and people want to see behind the scenes. That was only the first of many changes we've made over the past 10 years to revitalize and maintain interest in the museum.

How has the Museum acquired cars over the years?

Originally, the Natural History Museum had a number of historically significant cars, and opened us as a car museum that ran from 1994 to 2000. The very successful automotive journalism executive Robert E. Petersen eventually took the Museum private as a nonprofit, educational organization. Mr. Petersen grew the collection, buying a number of interesting cars, including movie cars, cars owned by stars and famous people, funky show cars, custom cars, and performance cars. He probably acquired close to 100 cars. Over the years, cars have also come to us through donations. Donors receive a tax benefit. This year, for example, we've already had a good number of cars donated to the Museum.



Photo of the outside of the Petersen Automotive Museum



What cars are considered to be the most valuable in your collection?

The Shah of Iran's 1939 Bugatti Type 57C is one, which was purchased out of his collection in 1959 for only \$275, and today is considered priceless. Another crown jewel is our 1925 Round Door Rolls-Royce, which was owned by a wealthy Belgian who wanted to win Concours events, so he had it re-bodied with circular doors, and is extraordinary. I would also add Steve McQueen's 1956 XKSS Jaguar to this list. He sold the car in the 1970s, but bought it back and kept it until he died in 1980.

How do you keep people coming back to the Museum?

That's one of the most important issues for us. When I started, we were doing shows that were quirky and unique, but of limited interest to a broad audience. I came from a different world and felt we had to run the Museum like a business. You have to sell enough tickets to keep the doors open. We needed to create exhibits that were educational and entertaining, or people would come once and never come back. We changed our business model to operate like a business and created exhibits with broad appeal. We've made a profit almost every year over the past decade, which I'm told is considered extraordinary in our industry. We then invest that income back into keeping things exciting at the Petersen.

How does the Museum decide what shows to run?

We have 11 exhibits scheduled for 2023, and we strive to be relevant and play to our audience. For example, we have a Tesla exhibit that just opened based on all the Tesla prototypes that have never been seen before.

Because a significant portion of our audience is from the Los Angeles Latino population, we wanted to create a show that would appeal to them. We created an exhibition that was a tribute to low rider artists and builders. There were only three low rider cars in the show, and the rest of it was art. On the walls we had photos of the artists and all kinds of examples of low rider artwork. I told our crew, "This is not going to work. What are you thinking? We need more cars!!" But I was wrong, and the exhibit was a spectacular success. In fact, we're opening another Low Rider exhibit next year!

We currently have another art-related exhibit based on the commission that Andy Warhol was given by Mercedes-Benz to paint all their important cars over a hundred years. We have 40 original Warhol sketches and paintings on the walls, but the only thing I see when I'm in the Gallery are the cars, from the Indy Museum and Mercedes Museum; they're two of the most important and valuable cars in the world.

What impact did COVID have on the Museum?

Two days after COVID shut us down on March 15th, 2020, we were live streaming virtual tours of the Museum, and went on during the closure to get private collectors to give video tours of their collections. No one had ever done this before, and that series put us on the map internationally. Jay Ward from Pixar told me, "I used to travel the world and say, 'I work with guys at the Petersen.'" And they would reply, "Oh, that's nice." Now, when I say, "I work with the guys at the Petersen," they say, "Oh wow, the Petersen!"

The other great thing our team did during COVID was to open four new exhibits while the Museum and the world were closed. We wanted to remain relevant and let people know that we were still in business. In fact, we've seen a spike in physical attendance since the pandemic because of the higher awareness levels. Nearly 75% of our attendance used to be from right here in LA and Southern California, but now it's from California and the world.

What are some of the Museum's other audience demographics?

When I started at the Museum, our audience demographic was primarily aged 35 – 65. That was our visitor profile. All you hear in the last many years is that "kids don't care about cars. Kids don't want their driver's



RESIDUAL VALUES

Insights & Opinions from Automotive Industry Leaders

licenses.” But our number one customers right now are aged 18-45. In fact, because they have access to so much information online, they walk in, see our cars, and can tell you all the details on every one of them. They’re loving it, and so are we.

Does the Museum have a larger role, beyond showcasing unique vehicles?

Indeed, we’re involved in as many aspects of the automotive world as can be. For example, we established a world-class library and archive that never existed before. Collecting, preserving, and sharing historical information is just one important part of our responsibilities. We also consider automotive education a significant part of our mandate. The Museum has 150 employees, 44 of them work in our education department.

For example, we have a Pre-K program called Little Sparks, where kids design and make their own cars. We’re also launching a free, accredited design program – that will reach as many as 55,000 kids – to teach them about automotive design. We have programs that teach kids how to work on cars, where they might take a Mustang, and customize it with suspension and wheels, put a supercharger on it, or perform custom styling. Through our Bruce Meyer scholarship fund and intern program, we’re also giving kids direct exposure to the broad range of career opportunities that exist in the automotive industry.

What’s the best way to participate in the Museum?

Come in for the exhibits and shows. We showcase so many fascinating things here. The depth and quality of the exhibits that we create for the automobile, new or vintage or

whatever, is significant. For young people who are interested in cars, and for those who haven’t had much exposure, the Museum is an exciting experience. They’ll see things they haven’t seen before.

You’re exposing your kids to racing, just like your dad.

I sure am. Some of my grandchildren like it, some of them don’t. You can only lead a horse to water.

What you do when you’re not managing the Museum?

Between us, my wife and I have four boys, and 10 grandchildren. I’m one of the founders of a professional motorcycle road racing series, the AMA/FIM sanctioned MotoAmerica Motorcycle Road Racing Championship in the US. We’ve got 11 races a year. We just finished our eighth season, so I’m still doing what I love - every day.



Terry’s Biography

Terry Karges has served as Executive Director of the Petersen Automotive Museum for the past ten years, being instrumental in its transformation into the world’s best automotive museum. Mr Karges has extensive experience in the automotive, sports and entertainment industry. He has held key leadership roles at Roush Performance, Cord Automotive, Oakland Stompers/NASL Soccer Team, SeaWorld, San Diego Wild Animal Park and Disneyland to name just a few. Throughout his career, he has been sought after across industries for his impressive success record in building businesses, increasing sales, promoting brands, building strategic alliances and negotiating partnerships. His entrepreneurial talents were evidenced by the success of Karges Sport Marketing and the Karges Sport Formula Atlantic Racing Team.

Mr Karges’ interests and activities are just as varied and expansive as his career. He is a principal at MotoAmerica, The North American Motorcycle Road Racing Championship Series, shares 10 grandchildren with his wife Annie, and has enjoyed racing both automobiles and motorcycles. He considers golf a work in progress.