



## *Weekly Car Dealers Newsletter*

August 29, 2011

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This information that follows is taken from sources including *The Carconnection*, *Autoweek*, and other industry sources.

# Week of August 29, 2011

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### **LEXUS REVAMPING PRODUCT LINE IN HOPES TO MAKE UP LOST SALES**

Toyota Motor Corp.'s Lexus, set to lose its position as the top-selling U.S. luxury car brand after 11 years, is revamping its line to regain sales lost to Daimler AG's Mercedes-Benz and Bayerische Motoren Werke AG's BMW.

The 2013 Lexus GS 350 goes on sale in February with a new look, larger interior, and better handling and acceleration, said Mark Templin, head of U.S. Lexus sales, following the sedan's debut at Pebble Beach in California. The car has a 306-horsepower, V-6 engine, with optional "F Sport" high-performance and hybrid versions also due next year, he said. "It's the first of many models that will change the game for Lexus," Templin said. The new GS has sportier performance than past versions and "is leading us into a whole new territory," he said.

Toyota is struggling to restock U.S. Lexus dealers left short of inventory after Japan's record earthquake and tsunami in March. That contributed to a 19 percent drop in sales

for Lexus this year through July, putting it behind BMW and Mercedes. Lexus probably won't be the top-selling luxury car brand in the U.S. this year, a position it held from 2000 to 2010, Templin has said.

Deliveries of Lexus cars and light trucks in the U.S. totaled 102,549 so far this year. BMW's sales rose 13 percent to 135,114 in the same period, and Mercedes rose 7.3 percent to 129,932, according to figures the companies reported this month.

"Our vision is that Lexus becomes the best, not the biggest, the best, most innovative, progressive luxury brand that delights customers from all around the world," Akio Toyoda, Toyota's president and chief executive officer, said in a webcast speech from Pebble Beach.

Including the GS, Lexus will release nine new or refreshed models in 2012, Toyoda said. The GS, a rear-wheel-drive model that competes with BMW's 5-Series, "had to be improved much more," Toyoda said. "It needed to be designed, engineered and manufactured without compromise," he said. "I told our engineers that we are not moving ahead unless we do it right from the start."

Toyoda, the grandson of the company's founder, said he is personally overseeing development of Lexus models.

While U.S. dealers aren't yet fully restocked, they will have "really healthy inventory" in the final three months of 2011, Templin said. As a result of increased vehicle supplies and new models, "we expect 2012 to be a very good year," he said, without elaborating. Lexus didn't immediately provide pricing or volume goals for the GS. U.S. operations for Lexus are based in Torrance, Calif. *Source: Bloomberg News*

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### **[CITING A LACK OF USAGE, COSTCO REMOVES E.V. CHARGERS](#)**

Costco, the membership warehouse-club chain, was an early leader in offering electric-vehicle charging to its customers, setting an example followed by other retailers, including Best Buy and Walgreen. By 2006, Costco had installed 90 chargers at 64 stores, mostly in California but also some in Arizona, New York and Georgia. Yet just as plug-in cars like the Nissan Leaf and Chevrolet Volt enter the market, Costco is reversing course and pulling its chargers out of the ground, explaining that customers do not use them. "We were early supporters of electric cars, going back as far as 15 years. But nobody ever uses them," said Dennis Hoover, the general manager for Costco in northern California, in a telephone interview. *Source: [The New York Times](#)*

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## **SHELBY COBRA TO HEADLINE 2012 ROLEX MONTEREY MOTORSPORTS REUNION**

The Shelby Cobra will be honored at the 2012 Rolex Monterey Motorsports Reunion. We're only one day out of the Pebble Beach weekend, and already Cobra enthusiasts are sharpening their fangs for next year's event.

Announced on Sunday, Cobras from all over the world will rally in [Monterey](#), Calif., next year as the featured marquee on Aug. 17-19 for the 2012 Rolex Monterey Motorsports Reunion. The selection was revealed after the closing awards ceremony by Gill Campbell, CEO and general manager of Mazda Raceway Laguna Seca.



Carroll Shelby created the Shelby Cobra in 1962 to battle in the World Sports Car Championship with the likes of Ferrari and Lotus. The car narrowly missed winning the World Sports Car Championship in 1964 and took the crown in 1965.

Shelby chose Ford engines to power the car, using the 260-cubic-inch Windsor V8 for the first batch of sports cars followed by the 289 V8. Later, a 390 was installed, then the famous 427 side-oiler.

Next year will be the 39th year of historic racing at Laguna Seca and the first time the Shelby Cobra will be celebrated. Carroll Shelby was honored in 1997 at the event, then called the Monterey Historic Automobile Races *Source: Autoweek.com*

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## **FERRARI 250 TESTA ROSSA SELLS FOR \$16.4 MILLION AT PEBBLE BEACH AUCTION**

This 1957 Ferrari Testa Rossa sold for \$16.4 million at Gooding & Co.'s Pebble Beach auction.



Ferraris are used to taking first, and another iconic example set what's believed to be a world record last weekend for cars sold at auction. A 1957 Ferrari 250 Testa Rossa went for an eye-popping \$16.4 million at Gooding & Co.'s [Pebble Beach](#) sale.

That breaks a record believed to have been held by another superlative Ferrari—and also a 1957 250 Testa Rossa. That one sold for \$12.4 million in May 2009 at an RM Auctions event.

The first bid for the Gooding Ferrari was a jaw-dropping \$10 million, and subsequent bids of \$12 million, \$13 million and \$14 million were registered en route to the record.

The car has pontoon fenders and a Scaglietti body. The right-hand-drive car competed at nearly all of racing's touchstone events, including Sebring, Le Mans, Targa Florio and the Nürburgring. It draws power from a 12-cylinder engine and has been restored to its 1958 NART livery and condition. It wears chassis No. 0666, and began life as a test bed for the rest of the Testa Rossa race-car line. This example has also won two best-in-class titles at the Pebble Beach concours. It's had two owners in 40 years. A who's who of drivers also have piloted this Ferrari, including Dan Gurney, who had the car up to fifth place at the '58 Le Mans before teammate Bruce Kessler's crash with a Jaguar. Phil Hill, who tested the car in prototype form when he was a factory driver for the Scuderia in the late '50s and Count Wolfgang Von Trips, who took third place with this racer at the season-ending Venezuelan Grand Prix in '57, which helped secure the manufacturer's title for Ferrari that year.

The names of the buyer and seller were not immediately available.

The Testa Rossa race cars have been credited with helping to establish the image and allure of Ferrari the world over. The words translate into “red head,” and are in reference to the car's familiar color. *Source: Autoweek.com*

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### **TOYOTA'S FUTURE RIDES ON THE NEW CAMRY**

Toyota is expected to officially unveil a new version of America's best-selling car [today] and the new Toyota Camry has a lot to carry, even before anyone's loaded the trunk. For Americans, the Camry essentially defines Toyota. "Camry is their heart and soul," said Ed Kim, an industry analyst with Autopacific. The Camry has been the best-selling passenger car in America for 13 of the last 14 years. In fact, said Joe DeMatio, deputy editor for Automobile magazine, it has pretty much become America's default car. That's because, not too long ago, the Camry and its main Japanese competitor, the Honda Accord, were simply the best mid-sized cars going, offering buyers safe, comfortable, reliable transportation. But now, the new Camry has to be flawless, said David Champion, head of auto testing for Consumer Reports. "This car has to be excellent in every way," he said, "and it has to be reliable." *Source: [CNNMoney.com](http://CNNMoney.com)*

### **AUDI DEFIES MARKET SLUMP WITH 57% BOOST IN A8 PRODUCTION**

Audi AG is hiring staff to increase car production, including a 57 percent capacity boost for the 69,600-euro (\$101,400) A8 flagship sedan, on expectations that the luxury-auto industry will weather the stock-market slump. "We're extremely busy at the moment and have every reason to believe this uptrend will continue for some time, certainly through next year," Albrecht Reimold, head of the carmaker's factory in Neckarsulm, Germany, said in a telephone interview. Audi is adding 1,200 technicians, engineers, and other skilled workers this year to bolster its challenge to BMW. "The plant is buzzing," said Reimold. "There's no respite even though we're in difficult times." Source: [Bloomberg](#)

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### **NEW 2012 TOYOTA CAMRY DEBUTS**

#### ***Automaker cuts price on some models to fend off rivals***

Toyota Motor Corp. expects its Camry sedan to remain the most popular car in America after rolling out a new, seventh-generation model offering more technology and equipment for less money. Toyota revealed the new Camry on Tuesday at simultaneous events in Dearborn, Hollywood, and at the Georgetown, Ky., plant where the car is built. "The launch of the new Camry is very important to our company," said Toyota President Akio Toyoda, who drove a Camry off a line at the Georgetown factory. "The vehicle has become a symbol of Toyota's success over the years," said Toyoda, the grandson of the automaker's founder. "This is an opportunity to show the world again what Toyota is all about." Source: [The Detroit News](#)

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### **WHY ARE CANADIANS MOVING AWAY FROM SMALL CARS?**

We may seem like the small-car nation we've almost always been, but don't be fooled. While eight of the top 10 best-selling passenger cars are fuel-sipping grocery getters -- compacts or subcompacts -- four of those eight are actually in a sales slump this year. What gives? Fuel prices remain high, in the \$1.20-range a litre for regular across Canada. That's more than twice what gas was a decade ago, according to DesRosiers Automotive Consultants. So if fuel is pricey and the economy is a little rocky -- as economists keep telling us -- why are so many affordable small car models struggling to find a happy home?

First, let's have a look at what's going on here. A DesRosiers Automotive sales chart of Canada's Top 10 Best Sellers through the end of July shows the extent of the problem.

- Honda Civic (No. 1 in 2011 so far), Canada's best-selling car for 13 straight years, down 5.2 per cent.
- Mazda3 (No. 3), perennially among the best selling cars in Canada, down 28.9 per cent.
- Toyota Corolla (No. 3), last year's No. 2 best-selling car, down 9.2 per cent.
- Hyundai Accent (No. 8), another regular sales leader, down 18.6 per cent.

On the other hand, it seems that if you build a little winner of a car, it really scores. The all-new Hyundai Elantra (No. 2) is up 40.7 per cent on the year and threatening to unseat the Civic as Canada's best-selling car. The Volkswagen Jetta (No. 6), with sales up 145.7 per cent, is a stunning success. VW Canada cut the price and stripped out content, making the car bigger along the way, and now the Jetta is the darling of many small-car Canadian shoppers.

The Ford Focus (No. 7) is an interesting story, too. Ford added content, dramatically improved ride, handling, styling and everything else in an effort to get buyers to pay more to go small. Voila! They have. Focus sales are up 6.1 per cent this year and Ford is commanding healthy transactions prices. Not to be forgotten in this mix is the Chevrolet Cruze. The replacement for the old and lamentable Chevy Cobalt is a vast, vast improvement over its predecessor. While year-over-year comparisons are impossible because there was no Cruze for sale in 2010, it's fair to say General Motors is thrilled with the Cruze.

Here, in fact, are the details of Canada's Top 10 Best-Selling cars through the end of July:

<b>Passenger cars</b>	<b>2011</b>	<b>2010</b>	<b>Per cent gain/loss</b>
1 Honda Civic	29,974	31,604	-5.2 per cent
2 Hyundai Elantra	29,051	20,645	40.7 per cent
3 Mazda3	22,069	31,034	-28.9 per cent
4 Chevrolet Cruze	21,696	Same	NA
5 Toyota Corolla	21,574	23,762	-9.2 per cent
6 Volkswagen Jetta	16,391	6,672	145.7 per cent
7 Ford Focus	15,409	14,522	6.1 per cent
8 Hyundai Accent	13,638	16,753	-18.6 per cent
9 Ford Fusion	12,618	12,902	-2.2 per cent
10 Hyundai Sonata	10,429	8,390	24.3 per cent

One number on that list surely jumps out: 24.3. That's the percentage increase in sales of the revamped Hyundai Sonata, a midsize sedan. It's a hit thanks to a) a fuel efficient four-cylinder engine b) aggressive styling c) good quality d) excellent pricing. The only

other midsize in the Top 10 is the Fusion, which is priced exceptionally well and finding a home with many fleet buyers. What is tougher to explain, says Dennis DesRosiers, president of DesRosiers Automotive, is the slump being suffered by so many small cars. "I've sent this chart out many times over the last decade and the story was always the same," says DesRosiers in a note to clients. "Gas prices go up and market share of entry level vehicles goes up with them. "And the reverse was true as well: gas prices go down and so does the market share of entry level vehicles. A decade of this trend led me to believe that these two variables were highly interconnected and that gas prices could be a powerful tool to move consumers to more fuel-efficient vehicles." Apparently not so much any longer. "In a very interesting twist of economic factors," he continues, "gas prices have skyrocketed and market share of entry level vehicles has actually gone down or at the very least have stabilized."

Why? DesRosiers suggests one or all of three factors at play.

First, the economic downturn that started with the economic meltdown of 2008 has hit the least wealthy hardest. They're primarily buyers of small, affordable cars and DesRosiers suspects they have simply not been in the market for a new car. "We know that the market is operating at least 200,000 units below its potential and it would follow that many of these lost consumers would be in the core entry level segments when they return to the market," he notes. "This is the good news part of this story since they will eventually return and this would push up the market share of these products at that time."

Second, to generate cash coming out of bankruptcy, GM and Chrysler "have been in an all-out war to find profits and Ford has had no choice but to follow." Thus, the pickup truck incentive war that has been going on for the better part of a year or more. "In the meantime, these incentives have artificially pushed up the market share of pickup trucks to all time record levels in Canada," DesRosiers note. "There have been months where pickup trucks have accounted for as much as 18 per cent of total sales where as longer term they usually account for about 13-14 per cent of sales."

DesRosiers predicts that when pickup pricing become more "sane," pickup truck sales will moderate and mathematically result in higher shares elsewhere in the market. Finally, DesRosiers suggests that the share of small cars in Canada is now stable. That is, the percentage of buyers who are going to buy something little and affordable has found its natural level at 45-50 per cent of the market. "There is a large swath of the market that CAN'T move to a smaller platform because of the fundamental need for a larger vehicle," he notes. "If we are pushing the upper limits of this market position then even higher gas prices will not move the market to smaller vehicles." Even with high gas

prices, better products, more products in these segment and more, there could very well be little room to grow the small car side of the Canadian marketplace. One key part of the story, then, is that the best small cars will very likely take sales away from lesser models.

We're not just small car nation here in Canada -- we're a picky small car nation. And that means the best products, the newest ones selling at the most attractive prices, win.

And for the record, here is the list of Canada's Top 10 light trucks through the end of July:

<b>Light trucks</b>	<b>2011</b>	<b>2010</b>	<b>Per cent gain/loss</b>
1 Ford F-Series	55,390	56,011	-1.1 per cent
2 Dodge Caravan	36,098	34,612	4.3 per cent
3 Dodge Ram	34,324	31,746	8.1 per cent
4 Ford Escape	27,506	26,682	3.1 per cent
5 GMC Sierra	26,043	26,626	3.1 per cent
6 Chevrolet	22,729	24,103	-5.7 per cent
7 Dodge Journey	19,192	12,792	50.0 per cent
8 Hyundai Santa Fe	15,591	15,767	-1.1 per cent
9 Chevrolet Equinox	13,936	11,105	25.5 per cent
10 Honda CR-V	13,666	15,249	-10.4 per cent

Source: CTV News

### **2012 FORD EDGE, EXPLORER ARRIVING TO DEALERSHIPS**

Versions of the 2012 Ford Edge and Explorer are arriving at dealerships this week with smaller engines and big sales expectations. The utility vehicles for the 2012 model year have direct-injection turbocharged four-cylinder engines — part of Ford Motor Co.'s EcoBoost strategy to improve the fuel economy of its lineup. The Edge and Explorer are the first Ford vehicles to get this engine in North America. The four-cylinder is proving popular in Europe. Ford is also working on a small 1-liter engine that is an EcoBoost candidate for a future vehicle. Source: [The Detroit News](#)

### **SAAB TO SEEK COURT PROTECTION FROM CREDITORS**

Troubled Swedish carmaker Saab, owned by Dutch group Swedish Automobile NV is to apply for court protection from its creditors, public radio quoted sources as saying on Friday. Amsterdam-listed Swedish Automobile said in a statement on Friday it was aware of the reports, and said it was "evaluating all available options." Saab, rescued from bankruptcy last year by Swedish Automobile as former owner General Motors Co prepared to shut it down, has struggled to raise funds to restart production, pay wages and settle suppliers' bills. Public radio on Friday quoted what it called several different

sources as saying the company would apply for court protection from creditors. It did not say when this would happen. Source: [Reuters](#)

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### **GM CUTTING TRUCK PRODUCTION NEXT MONTH**

General Motors Co. is cutting its production of pickup trucks next month, a sign that truck sales aren't as robust as the company had hoped. Spokesman Tom Wickham said Thursday that GM cancelled five scheduled overtime shifts on Saturdays in September and October. Full-size pickup truck sales were up 9 percent for the year through July in the U.S., compared with a year earlier, according to Autodata Corp. But that increase was smaller than the industry saw as a whole. At the end of July, GM had 115 days' worth of pickups to sell. Source: [The Associated Press](#)

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### **GM, LG TO JOINTLY DEVELOP ELECTRIC CARS**

General Motors Co. and LG Corp have struck a deal to develop electric cars together, a first-of-its-kind alliance between the top U.S. automaker and a leading Korean conglomerate that represents a major bet on battery technology. LG Corp's LG Chem Ltd currently supplies the lithium-ion batteries that power GM's Chevrolet Volt and Opel Ampera plug-in hybrids which debuted in late 2010. Under the agreement signed on Wednesday by GM Chief Executive Daniel Akerson and LG President Juno Cho, the two companies said they would design a range of electric vehicles that would be sold in markets around the world. Source: [Reuters](#)

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