



Weekly Car Dealers Newsletter

November 1, 2010

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

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HONDA RECALLS 528,000 VEHICLES WORLDWIDE FOR BRAKE DEFECT

CHICAGO – Japanese automaker Honda Motor Co. announced the recall of nearly 528,000 vehicles worldwide Friday due to a defect with the cylinder that holds brake fluid. The recall comes a day after Toyota announced a safety recall of about 1.5 million vehicles worldwide to fix a brake fluid leak that it warned can gradually diminish braking performance. The defective cylinders were built by the same Ohio-based supplier, ADVICS, a Honda spokeswoman said. "Our supplier is the one who actually notified us of the issue," Honda spokeswoman Christina Ra told AFP. Honda said its recall was to "prevent the unlikely failure of a seal in the brake master cylinder." The seal could fail if factory-installed brake fluid is replaced with substandard brake fluids that have "reduced lubrication properties." If that were to happen, the low brake fluid warning lamp would light up, Honda said. *Source: Agence France Presse*

FLEET SALES BUOY BIG 3 COMEBACK

Mixed blessing for automakers can hurt profits, resale values

Fleet sales made a comeback this year for Detroit's Big Three, but it's not a trend the automakers are trumpeting. As the industry continues this year's slow retail recovery from last year's dive, fleet sales have rebounded more strongly, helping bolster overall sales numbers for automakers, especially in the first half of 2010. Car rental companies, businesses and government agencies have helped drive the uptick in fleet sales, as they look to replace aging motor pools after postponing purchases last year due to the recession. Even so, the stepped-up buying of fleet vehicles has tapered off since summer. And that's actually good news for automakers that have struggled for years to keep fleet sales in check. "They're really trying to turn the page, of course," said Jessica Caldwell, senior analyst at Edmunds.com. "But it's really hard in an economy that's down not to use fleet as a sales booster." J.D. Power and Associates, for instance, expects fleet sales to hit a year low in October, representing about an 18 percent share of all light-vehicle sales industry-wide. [Source: The Detroit News](#)

BIG TRUCKS MAY FACE FUEL CONSUMPTION REGULATIONS

The government on Monday proposed the first regulations limiting fuel consumption of work trucks — from big-rig trucks to concrete mixers, buses, even heavy-duty pickups — saying the rules finally address the thirstiest and most-polluting vehicles on the road. The proposal, which would take effect with 2014 models and ratchet up through 2018 models, requires a public comment period and other procedures, and wouldn't be final until next year. The rules would raise the cost of trucks and the diesel engines most of them use, but the government says the payback in fuel-cost savings would be as fast as one year for heavily used over-the-road trucks. Even so, "We are concerned that this could price some buyers out of the market," says Kyle Treadway, chairman of the American Truck Dealers and owner of a Kenworth dealership in Salt Lake City. Lower fuel consumption is good, he agrees, but the federal proposal "is expected to add thousands of dollars to the cost per truck." Though the emphasis is on semi-tractor rigs and other big trucks, the regulations would apply to vehicles as small as those with an 8,500-pound gross vehicle weight rating (the safe weight of the truck and cargo combined) — a Ford F-250 pickup or equivalent. [Source: USA Today.](#)

See related stories:

- [Big Trucks Face Fuel-Efficiency Standards](#) (*The Wall Street Journal*)

- [Feds Set Big Truck Emission Cutbacks](#) (*The Detroit News*)
 - [EPA Rules Target Truck Emissions, Fuel Efficiency](#) (*Los Angeles Times*)
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BMW RECALLING 130,000 CARS FOR PROBLEMS WITH ITS TWIN-TURBO ENGINE

BMW is recalling about 130,000 2007–10 vehicles because of emissions problems involving the twin-turbocharged 6-cylinder engines used on many of its most popular models. The automaker said it had informed the Environmental Protection Agency of the problem, which could require the replacement of the high-pressure fuel pump or changing computer software. But the automaker is not conducting a safety recall through the National Highway Traffic Safety Administration. “We don’t believe it is a safety issue at all,” said Thomas Plucinsky, a BMW spokesman. “When the high pressure pump fails completely it is driveable under less power. It is essentially a pretty good driving mode. It reduces the power.” Source: *The New York Times*

VW PASSES TOYOTA TARGET AS FORD SURGES AHEAD IN PROFIT RACE

Volkswagen AG, the world’s third- largest carmaker, passed Toyota Motor Corp.’s full-year profit target in the first nine months of the year, as a resurgent Ford Motor Co. soared ahead in the auto industry earnings race. VW’s nine-month net income jumped fivefold to 3.78 billion euros (\$5.2 billion). Toyota said Aug. 4 the carmaker is targeting net income of 340 billion yen (\$4.16 billion) for the fiscal year ending in March. Ford earned \$6.37 billion in the first three quarters to become the most profitable carmaker. VW expects 2010 global sales to be “clearly” above last year’s record of 6.29 million cars and sport-utility vehicles. “VW is closing in on Toyota on profitability targets,” said Tim Schuldt, a Frankfurt-based analyst at Equinet AG who recommends buying Volkswagen shares. “What matters now is to keep expanding the product portfolio to underpin the positive trend on deliveries. Source: *Bloomberg.com*

CADILLAC TO MAKE SMALL CAR

General Motors Co. will build a new small Cadillac sedan in Lansing, Mich., adding about 600 jobs as the auto maker looks to bolster fuel-efficient offerings in its lineup, people familiar with the plan said Wednesday. GM Chief Executive Dan Akerson will announce the plans Thursday at the Lansing factory, which builds the sedan, coupe and wagon versions of the Cadillac CTS alongside the brand’s SRX sport-utility vehicle. The new

Cadillac ATS will be a smaller version of the CTS. GM's new vehicles are part of a strategy by the government-controlled company to shift its focus away from pickup trucks and SUVs. In coming years, it plans to roll out a pair of small Chevrolets to replace the subcompact Aveo and even smaller Spark. *Source: The Wall Street Journal*

GE TO PLACE ORDER FOR 'TENS OF THOUSANDS' OF ELECTRIC VEHICLES

General Electric Co. may jump-start the electric-vehicle industry with an order that Chief Executive Officer Jeffrey Immelt said will be the largest in history. GE, whose power-generation equipment provides a third of the world's electricity, will order "tens of thousands" of the vehicles in about a week, Immelt said yesterday in a speech in London, without giving a total or identifying a manufacturer. "This is a huge step up," said Brett Smith, a vehicle technology analyst at the Center for Automotive Research in Ann Arbor, Michigan. "It's the biggest order to date I'm aware of, by a lot." Expanding the world's fleet of electric vehicles would bolster GE as it expands so-called clean-energy technology such as car chargers, solar panels and wind turbines. For every dollar of electric-vehicle sales, GE estimates it may get 10 cents in revenue, said Gary Sheffer, a spokesman. GE is investing \$10 billion over the next five years in clean energy across its business lines, including power- transmission software and so-called smart-grid technologies. Its products include lithium-ion batteries for cars and trucks via a venture with A123 Systems Inc. and sodium-based batteries for use in large vehicles such as locomotives. *Source: Bloomberg.com*

GM MOVES TO SHORE UP FINANCES AHEAD OF STOCK SALE

DETROIT -- General Motors Co. moved to strengthen its finances ahead of an initial public stock sale, announcing plans on Thursday to cut debt and pension obligations by \$11 billion. The moves, including a big payment to U.S. taxpayers, are aimed at making the automaker's balance sheet look more attractive to potential investors who might buy GM stock in an offering expected next month. The debt repayment is a huge milestone in GM's comeback from a financial calamity that began in 2008 after years of billion-dollar losses. Thursday's plan is another sign that GM has begun rebuilding itself and wants to cut ties with the government, its largest shareholder. GM CEO Dan Akerson told employees at an assembly plant in Lansing, Mich., on Thursday that the company wants the government to get its money back. "Over the coming months you'll see that GM is, indeed, a resurgent company," he said.