



Weekly Car Dealers Newsletter

November 8, 2010

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

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[FOR GM IPO, THE GOVERNMENT IS BACK-SEAT DRIVER](#)

Steve Girsky remembers sitting at his kitchen table in New York on the eve of President Barack Obama's election when he realized that General Motors was going to run out of cash. "I put down my pad," said Girsky, a banker brought in by the United Auto Workers union to report on GM's finances. "I turned to my wife and said, 'Remember this night. This is the night we figured out GM's going out of business.'" Two years after Girsky's kitchen table reckoning, the agenda for GM remains dominated by the U.S. election cycle as the automaker reaches the final stage of preparation for an initial public offering to pay some of the roughly \$40 billion it owes American taxpayers. The Obama administration and GM executives say the White House has stayed good to its pledge to refrain from meddling in the day-to-day management of this 102-year-old industrial enterprise with 600,000 American workers and retirees and 12 percent of the global car market. But a review of key events leading up to GM's IPO and interviews with people involved inside and outside the company show that the U.S. government has been running key aspects of the landmark stock deal and exerting tight oversight on management decisions seen as crucial to its success. *Source: Reuters*

OPINION: OBAMA'S ELECTRIC-CAR CULT

General Motors' Chevy Volt is finally here, heralded by a new TV ad. "This is America, man," the narrator purrs, as the sun rises over a solitary Volt tooling along a country road. "So doesn't it make sense that we build an electric car that goes far, really far?" The pitch is lyrical, almost religious. It asks consumers to make an economic and technological leap of faith - just as both GM and the firm's biggest backer, the Obama administration, have invested, financially, politically and psychologically, in plug-in hybrids and other electric vehicles. How else to explain the fact that both Washington and Detroit persist in their costly electric-car project despite mounting evidence that the vehicles serve no particular purpose, environmental or economic? Maybe it was karma, but the Volt's launch coincided with publication of a 72-page report by J.D. Power and Associates that confirmed, in devastating detail, what many other experts have found: Electric cars still cost too much, even with substantial federal subsidies for both manufacturers and consumers, to attract more than a handful of wealthy buyers - and this will be true for at least another decade. In short, the Obama administration's commitment of \$5 billion in loans and grants for electric cars is the biggest taxpayer rip-off since corn-based ethanol. It benefits no one but a few well-to-do car buyers and politically connected companies. Any "green" jobs these rent-seeking firms create will vanish when consumers reject their products and/or the subsidies cease. *Source: Charles Lane, The Washington Post*

FORD BETS BIG IN DIGITAL MARKETING DEPARTURE

Forget the Super Bowl: Ford's marketing chief Jim Farley says he can get more for less on Facebook, Twitter and YouTube. If Farley is right, millions of hits for Ford Motor Company on social media websites will dwarf the impact of ads broadcast during the National Football League's February championship game -- high-profile space selling for \$3 million for 30 seconds. "Customers are spending as much time with the mobile smart phone or online as they are watching TV now, so our advertising dollars have to flow to where the people are," Farley told Reuters in an interview. He is betting Ford can use Facebook and Twitter to accelerate the word-of-mouth recommendations long familiar to the auto industry and help the blue-oval brand connect with younger and richer people. Farley said he learned at Scion that the only way to push past consumer skepticism is "to break into their world." "You have to shove your way in there. The way we do that is to break down myths. The great thing about Americans is they are always hungry for something new," he said. *Source: Reuters*

IS GM REALLY WORTH AS MUCH AS FORD RIGHT NOW?

If investors pay what General Motors hopes to get for its stock in a planned IPO, they'll have to buy the logic that the company's stock-market value should be similar to its closest competitor, Ford Motor Co. But Ford is making far more money these days and its U.S. market share is rising while GM's is falling and its new management team has little auto industry experience. Ford's market value — calculated by multiplying its current share price by the total number of shares outstanding — is almost \$50 billion. GM's total would be close to that if it is successful in selling a portion of its shares in an initial public offering later this month somewhere between \$26 and \$29 a share. But is GM really worth as much as Ford right now? Ford has been working on a rebuilding plan for five years. It earned \$1.7 billion in the third quarter, its sixth consecutive quarterly profit. It also managed through the financial downturn without taking taxpayer money, a big plus in the minds of American car buyers who increasingly are choosing its new cars and trucks. General Motors Co. is still in the early stages of its restructuring, having emerged from bankruptcy protection just 16 months ago. The company has had four CEOs in less than two years, and still must find a way to pay back more than \$50 billion in taxpayer money it took to help survive the economic downturn. It has only posted profits in the last two quarters, totaling \$2.2 billion. *Source: The Associated Press*

MERCEDES, HONDA TOP PERCEIVED QUALITY SURVEY; TOYOTA REBOUNDED

November 1st, 2010 Toyota has faced a lot of blemishes to its reputation over the past year, but it's rebounding. Surprisingly well. So found ALG, in its Fall 2010 Perceived Quality Study (PQS) just released. Toyota, which had previously been first place in the study, dropped 20 percent from Fall 2009 to Spring 2010 because of its numerous recalls, including the highly publicized accelerator-related issues. "Honda still maintains a commanding lead over the once-infallible Toyota brand," ALG said in a release accompanying the results. Honda ranks at the top in perceived quality, though it's down three points from last year and two points from six months ago. The ALG survey is done in collaboration with Zogby International and includes between 3,000 and 4,000 U.S. consumers, to gauge perceptions on both mainstream and luxury brands. The perceptions are, in turn, used by ALG as one of many factors it uses to help determine its residual values. The company one of the foremost authorities for these, which predict a vehicle's resale value after several years. The numbers play an important part in determining leasing terms; in short, a strong residual value equates to a more affordable lease. Kia, Dodge (cars), Ford (cars), and Hyundai were most improved in the study, with

Kia and Dodge 9 points higher than a year ago. Dodge (cars) however was still tanked last place. Lexus Less Bruised Than Toyota Although Lexus had to deal with some of the same recall issues, its perceived quality has fallen far less. The brand remains in second place overall, second only to Mercedes-Bens, and its score is just six points lower than last year. Among luxury brands, Mercedes-Benz, Lexus, BMW, and Porsche rank highest, while Land Rover ranks at the bottom of the pack, near both Saab and Jaguar, but Jaguar has risen five points just in the past six months—thanks, perhaps to the introduction of the new 2011 Jaguar XJ. Mercedes-Benz was the highest-ranked of any single brand. Looking longer-term—since Spring 2008—ALG reports that Ford Cars have risen the most (36 percent in all, followed by Ford Trucks (up 27 percent) and Hyundai (up 19 percent). Toyota's the brand that has fallen the most during that time (down 17 percent), followed by Saab (down 11 percent). Perhaps a sign that Saab is starting to come back as well, it placed one point higher on this latest survey than six months ago. [ALG]

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