



Weekly Car Dealers Newsletter

August 3, 2010

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

Week of August 2, 2010

[FORD ASKS BUYERS TO PAY MORE FOR SMALLER ENGINE IN NEW EXPLORER](#)
[GM DRAWS WASHINGTON SCRUTINY OVER PURCHASE OF SUBPRIME LENDER](#)

[2011 SHELBY GT350](#)

[VW SECOND-QUARTER PROFIT QUADRUPLES ON CHINA, U.S.](#)

[HYUNDAI MOTOR 2Q NET PROFIT SOARS TO RECORD \\$1.2B](#)

[FORD SAID TO COMPLETE VOLVO SALE TO GEELY NEXT WEEK](#)

[SURPRISE: SALES OF BIG SUVs SURGING FASTER THAN SMALL CARS](#)

[PENSKE 2Q PROFIT DOUBLES ON AUTO SALES RECOVERY](#)

[FORD ASKS BUYERS TO PAY MORE FOR SMALLER ENGINE IN NEW EXPLORER](#)

When Ford Motor Co. starts selling its re-engineered Explorer sport-utility vehicle, it will ask U.S. buyers to do something unusual: Pay more for less. Bucking an automotive tradition of charging extra for more horsepower, Ford will ask buyers of its redesigned 2011 Explorer to pay a premium for a small, 4-cylinder engine when the vehicle goes on sale in December. The Explorer's standard engine will be a 3.5-liter V-6 with 290 horsepower, 53 more ponies than the optional 4-cylinder. "We really want to make a statement that the old baggage on fuel economy with the Explorer is gone," Jim Holland, the Explorer's chief engineer, said in an interview. "To get great fuel economy it takes technology, and it's our view that people will pay for that." The Explorer's improved fuel



economy will be central to a marketing campaign that will reach more than 50 million people through social media such as Facebook, said Jim Farley, Ford's global sales and marketing chief. "Fuel economy is the core truth we have to get at," Farley said at a media briefing on the Explorer July 20. Many of the 140,000 Explorer owners who trade in their SUV annually are "disappointed and want more on fuel economy." *Source: Bloomberg.com*

GM DRAWS WASHINGTON SCRUTINY OVER PURCHASE OF SUBPRIME LENDER

General Motors Co., the automaker 61 percent owned by the U.S. Treasury, is facing criticism over its decision to pay \$3.5 billion to buy a lender that specializes in auto loans to shoppers with less than top-notch credit. While GM plans to use its new lending arm to write auto leases and provide a "modest" boost in subprime loans, U.S. Senator Chuck Grassley asked the watchdog of the government's bank-rescue program to investigate the purchase. "If GM has \$3.5 billion in cash to buy a financial institution, it seems like it should have paid back taxpayers first," Grassley, a Republican from Iowa, said in a statement on his website. Chief Executive Officer Ed Whitacre has been seeking to get GM into auto retail financing since May, said people familiar with the company's plans. Dealers have told GM they were losing sales for lack of financing options, and the automaker said it sells 7 percent of its cars with leases, compared with 21 percent for the rest of the industry. *Source: Bloomberg.com*

2011 SHELBY GT350

The overview in the press materials has a quote from Shelby, addressing the 102-pound weight savings from changing the block of the 5.4-liter V8 to aluminum: "Cutting weight to improve performance is a tradition among hot-rodders," said Carroll Shelby, founder of Shelby American. "It might not be as sexy as adding more horsepower or bigger brakes, but shaving pounds off of a car is the single smartest move you can make."



But that is the only quote from Shelby. All the rest come from Ford Special Vehicle Team people. That's because Shelby, now 87, and Shelby American didn't have much to do with the 2011 Shelby GT500, though to a person, they have nothing but good things to say about the car. "It's excellent," says Gary Patterson, vice president of Shelby American. "But I think we may have topped it." Here is where it might get a bit muddled. In January, at the Barrett-Jackson auction in Arizona, Shelby American, Carroll's Las Vegas-based company--not Ford--unveiled the 2011

Shelby GT350. What's the difference? The Shelby GT500 was built by Ford, under a licensing agreement. The GT350 was built by Shelby American, starting with a 2011 Ford Mustang GT, which is much modified into a GT350.

While Shelby no longer turns wrenches, the GT350 has his fingerprints on it. We drove the 2011 GT350 at the 32nd-annual Mid-America Ford and Team Shelby Nation-als in Tulsa, Okla., which migrated to the nearby Hallett Motor Racing Circuit, the 1.8-mile road course, for a couple of days. And Patterson might be correct. As good as the Shelby GT500 is--we spent a week in one immediately prior to the trip to Tulsa--the GT350 has a different look and feel and a much different price.

The GT350 begins life as a white 2011 Mustang GT that the customer buys and typically drop-ships to Shelby. There, the Mustang gets a major makeover—upgraded interior, a completely different front and rear, partly styled as an homage to the original 1965 Mustang GT350. While comparisons to the '65 aren't always apparent, some exist. The taillights lose the backup lights, which move to small twin lights low on the fascia, just like the 1967 model's, Patterson said. This car is considered the 45th-anniversary edition of the GT350. While much of this is cosmetic, much isn't. There are functional front- and rear-brake cooling ducts, Baer six-piston front brakes and an Eradispeed rear rotor upgrade, Shelby-Cragar 19-inch wheels, a substantially buttoned-down suspension and Borla dual exhausts that exit beneath the rear license plate through a pair of enormous chromed outlets. And the most important performance update is a Whipple supercharger.

That Ford Racing supercharger sits atop the new Ford 5.0-liter V8 and makes 100 hp more than the one that comes from the factory with 412 hp. Since it has a cubic-inch disadvantage to the GT500's 5.4-liter supercharged V8, the GT350's 512 hp won't top the GT500's 550 hp. And even with the weight savings of the aluminum-block 5.4, the 5.0 is still lighter.

Now, that money issue: Ford prices the GT500 coupe at \$49,495, plus \$3,495 for the “performance package,” which you want. The GT350 starts at \$33,995, not including the Mustang GT. A Premium-level GT costs \$33,695 retail--invoice is \$32,915, but don't expect a break--but you can option up a GT to more than \$46,000. We'd suggest calling Shelby American at (702) 942-7325 before you a deposit on a Mustang GT to make sure you order only what you need. Shelby gets to keep the parts it removes from the stock GT.

If this is too much, may we suggest Shelby's normally aspirated model of the GT350 for \$26,995, which includes everything but the supercharger? Unless you pop the hood, nothing signals whether the car is supercharged. And having driven that model, too, it's almost as much fun as the supercharged version, and it costs \$7,000 less. *Source: Autoweek.com*

VW SECOND-QUARTER PROFIT QUADRUPLES ON CHINA, U.S.

Volkswagen AG, Europe's largest carmaker, reported the biggest quarterly profit in two years on higher demand in China and the U.S. for the Golf compact and Audi A5 coupe. Second-quarter net income quadrupled to 1.25 billion euros (\$1.63 billion) from 283 million euros a year earlier, the Wolfsburg, Germany-based company said today in a statement. Chief Executive Officer Martin Winterkorn, aiming to surpass Toyota Motor Corp. in sales and profitability by 2018, is targeting a second straight year of record deliveries. "VW has a sound model mix and a solid footing in the growth regions of the world, that's why they had a strong quarter," Daniel Schwarz, a Frankfurt-based analyst at Commerzbank AG who recommends buying the stock. "VW's volume brands are selling well while Audi is benefiting from the reviving luxury market." *Source: Bloomberg.com*

HYUNDAI MOTOR 2Q NET PROFIT SOARS TO RECORD \$1.2B

Hyundai Motor Co.'s second-quarter profit soared 71 percent to a record high on a double-digit jump in global sales. South Korea's biggest automaker said it earned 1.39 trillion won (\$1.2 billion) in the three months ended June 30. It earned 811.9 billion won the same period last year. Sales revenue in the United States rose 72.3 percent in the first half from a year ago while the number of vehicles sold gained 84.3 percent. In China, sales revenue rose 14.9 percent and volume was up 27.9 percent. Sales revenue in India increased 11.2 percent while volume rose 19.7 percent. *Source: The Associated Press*

FORD SAID TO COMPLETE VOLVO SALE TO GEELY NEXT WEEK

Ford Motor Co. plans to complete its sale of Volvo Cars to China's Zhejiang Geely Holding Co. next week, finishing the U.S. automaker's exit from European luxury brands, according to two people familiar with the plans. Ford is selling Volvo to Geely for \$1.8 billion, less than one-third of what it paid for the Swedish automaker in 1999. "We expect to complete the Volvo sale in the third quarter," John Gardiner, a Ford spokesman, said in an e-mail. He declined to comment on whether the sale will close next week. Tim Burt, a London-based spokesman for Geely, declined to comment on the timing of the completion. *Source: Bloomberg.com*

SURPRISE: SALES OF BIG SUVs SURGING FASTER THAN SMALL CARS

Automakers are tantalizing the market with 40-mpg small cars and 30-mpg sporty cars. Electric cars from major automakers are due by year's end. Plug-in gas-electric hybrids are under development. But guess what? The full-size SUV market segment — the bane of mileage-

mindings — is where the action is. To be sure, small cars still vastly outsell big SUVs — 974,000 to 121,000 the first six months, Autodata reports. But their sales were up 14% in the first half compared with the same period a year ago, while the overall market was up 17% and SUVs beat them both with 19%. "Subcompacts and small cars aren't the hot segments anymore. Gasoline prices have come out of the sky, and we're moving back to something a little more normal" in fuel prices and buyer behavior, says George Magliano, director of North America auto forecasting for consultant IHS Global Insight. "The American consumer tends not to like small cars, despite what the government would like, and despite how much the manufacturers have committed to small cars," Magliano says *Source: USA Today*

VOLKSWAGEN'S AUDI FIRST-HALF PROFIT SURGES 46% ON Q5, A8 MODELS

Volkswagen AG's Audi luxury division said its first-half profit surged 46 percent as the Q5 sport-utility vehicle and A8 sedan won buyers in China and the U.S. Net income at the most profitable of VW's nine group brands was 978 million euros (\$1.3 billion), compared with 671 million euros a year earlier, Ingolstadt, Germany-based Audi said today in an e-mailed statement. Audi, which sold 554,939 cars and SUVs in the first six months, has a goal of dethroning Bayerische Motoren Werke AG as the world's largest maker of luxury cars by 2015. BMW, Daimler AG's Mercedes-Benz and Audi have boosted sales this year on surging demand in China, the world's largest auto market, and a rebound in the U.S. *Source: Bloomberg.com*

PENSKE 2Q PROFIT DOUBLES ON AUTO SALES RECOVERY

Auto dealership chain Penske Automotive Group Inc. said Thursday its second-quarter net income more than doubled on improving sales of cars and trucks. The recovery in new vehicle sales in the U.S. has lifted the bottom lines at major car dealership chains in the second quarter. Last week, AutoNation Inc., the country's biggest dealership chain, posted a 30 percent increase in second-quarter net income. "The improving retail environment and our premium-luxury brand mix helped drive double-digit growth in units, revenue, income from continuing operations and earnings per share in the second quarter," Chairman Roger Penske said in a statement. Penske, which operates 323 franchises around the country, said its net income rose to \$29.4 million, or 32 cents per share, in the April-June period. That compares with \$14.1 million, or 15 cents per share, a year ago *Source: The Associated Press*
