



## *Weekly Car Dealers Newsletter*

June 21, 2010

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

# Week of June 21, 2010

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**SURVEY FINDS FORD IS TOP AUTO BRAND  
ELECTRIC-CAR MAKER TESLA TO SEEK \$178 MILLION IN IPO  
VW SAYS HYBRID JETTA IS ON ITS WAY  
BULLISH SIGNALS FROM G.M. AND TOYOTA**

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### **SURVEY FINDS FORD IS TOP AUTO BRAND** (From Automotive News)

LOS ANGELES -- Ford is riding sky high in terms of consumer perception, according to a market research firm that tracks how Americans view consumer brands. Toyota took a huge fall in BrandIndex's survey of consumer sentiment after its recall crisis this year. It still is dead last among auto brands, but it has started to make a comeback.

New York-based BrandIndex surveys 5,000 consumers daily on their opinions of more than 1,100 brands. It rates brands on a scale from minus 100 to 100. Zero means equal positive and negative perceptions. Generally, the highest score is around 60.

Last week, Ford's score of 40 was tops among all auto brands in the survey. Chevrolet was second at 22, and Honda was third at 20. With a score of minus 14, Toyota trailed all other auto brands. But that's a vast improvement from the minus 50 BrandIndex reported for Toyota on Feb. 4, just as the recall scandal was exploding.

Prior to June 2009, Toyota was consistently No. 1 among car brands, says Ted Marzilli, global managing director of the research firm. It peaked with a score of 44 in July 2008.

"The U.S. industry had been maligned for so long, but Toyota has tossed out the notion that the Japanese are superior," Marzilli says. "Ford caught up with Toyota in January 2010, when Toyota fell off the cliff. Honda suffered a little bit, probably due to the negative effect on Japanese makers because of Toyota." Toyota is slowly climbing back, rising from a minus 24 in early May to minus 14 on May 31. But some Detroit 3 brands are improving, too. Cadillac went from a score of eight in early May to 15.6 on May 31. Buick rose to its best score ever -- 14.6 -- as of May 31, from eight in early May. "Toyota still is in a negative position, and that's not a good place to be," Marzilli says. "They stumbled and proved they're human. That has benefited everyone, particularly the non-Japanese. The U.S automakers, led by Ford, have been on an upward trajectory for most of the year."

Sales results back up the brand perception. Toyota was the brand sales leader in 2009 for the second year in a row. But through the first five months of this year, No. 1 Ford's sales have soared 34 percent to 703,327 -- leading third-place Toyota by 104,749 units. Chevrolet, at No. 2, is up 31 percent and leads Toyota by 41,403 units. Toyota's sales were up 10 percent. Says Marzilli: "I believe it will be three to six months before Toyota gets into the positive category and two years before it maybe can get back to where it was."

<b>Good buzz</b>	
Top auto brands as of June 7	
	<b>Score</b>
<b>1. Ford</b>	40
<b>2. Chevrolet</b>	22
<b>3. Honda</b>	20
<b>4. BMW</b>	19
<b>5. VW</b>	18
<b>6. Mercedes</b>	15
<b>7. Cadillac</b>	14
<b>8. Nissan</b>	13
<b>9. Hyundai</b>	12
<b>10. Buick</b>	11
Source: BrandIndex	

**ELECTRIC-CAR MAKER TESLA TO SEEK \$178 MILLION IN IPO**

Tesla Motors Inc., the maker of electric sports cars that hasn't posted a profit since its founding in 2003, said it will seek to raise \$178 million selling a 12 percent stake in its initial public offering. The producer of the \$109,000 electric Roadster will offer 11.1 million shares at \$14 to \$16 each on June 29 and use the proceeds to pay for factories and possible acquisitions, a Securities and Exchange Commission filing and data compiled by Bloomberg showed. Tesla filed in January to raise as much as \$100 million without disclosing how many shares it intended to sell or the price range. The automaker is pushing forward with its sale even after the European debt crisis spurred at least 34 companies to postpone or withdraw IPOs since the start of May. Tesla, which has sold about 1,000 Roadsters while losing \$290 million, is using the share sale and a \$465 million loan from the government to help produce its second electric car, the Model S sedan. "Bringing a completely new type of vehicle to market can cost \$1 billion, and Tesla may be looking at that level of expense," said Eric Noble, president of The CarLab, an automotive consulting company in Orange, California. "The danger for the early investor is that if Tesla can't find the next section of funding, it's a bridge to nowhere."

Tesla hired New York-based Goldman Sachs Group Inc., Morgan Stanley and JPMorgan Chase & Co., along with Deutsche Bank AG in Frankfurt, to lead the sale

**CEO Musk**

Existing stockholders including Chief Executive Officer Elon Musk will sell 1.1 million shares. He spent more than \$70 million of his own money on Tesla before May 2009, when Stuttgart, Germany-based Daimler AG invested \$50 million. Musk, who co-founded PayPal Inc., the online payment company now owned by San Jose, California-based eBay Inc., is also the CEO of Space Exploration Technologies Inc., a Hawthorne, California-based company that builds spacecraft. Tesla has delivered more than 1,000 of its electric Roadster sports cars since 2008 and intends to fill orders for an additional 1,200. The Model S sedan is going into production in 2012 in a former Toyota Motor Corp.-General Motors Co. joint venture factory in Fremont, California, which the company is buying for \$42 million. Tesla won loans from the U.S. Energy Department in 2009 worth as much as \$465 million to get the Model S into production and expand output of battery packs the company assembles.

**Divorce Proceedings**

Under terms of the federal loan, Musk and certain affiliates must retain 65 percent of their capital stock in Tesla for a year after completing the Model S project. Musk's divorce proceedings won't result in him owning less than 65 percent or have a material impact on his ability to serve as CEO, according to filings. Toyota agreed last month to purchase \$50 million in Tesla shares. Toyota City, Japan-based Toyota and Tesla say they may cooperate on electric-vehicle development, though they haven't signed agreements to do so, filings show. "The Toyota connection may help," said John Wolkonowicz, an auto analyst at IHS Global Insight in Lexington, Massachusetts. "It depends on how involved Toyota becomes." Tesla is also backed by investors including Mountain View, California-based Google Inc.'s co-founders Larry Page and

Sergey Brin, the government of Abu Dhabi, and Daimler, the world's second-biggest maker of luxury vehicles.

#### Relative Value

At its midpoint price of \$15, Tesla is valued at 6 times net tangible book value, a measure of shareholder equity that excludes assets that can't be sold in liquidation. That's about five times higher than the median ratio of 1.21 for 45 automotive companies globally, data compiled by Bloomberg show. "The last America auto company started from whole cloth that had any record of success was Hudson Motors in 1909," Wolkonowicz said. "Maybe they've found a formula that works, but history would argue against them." GM of Detroit has also said that it may sell shares to the public this year, while Cambridge, Massachusetts-based Zipcar Inc., the car-sharing company that rents vehicles by the hour, filed this month to raise as much as \$75 million in an IPO. *Source: Bloomberg.com*

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#### **VW SAYS HYBRID JETTA IS ON ITS WAY**

The base model 2011 Volkswagen Jetta, with a gas engine, will cost \$16,000, about \$1,700 less than the current model.

The new 2011 Volkswagen Jetta [makes its global debut in New York](#) on Tuesday, with a new \$16,000 model and an emphasis on appealing to the entry-level market. A hybrid is on its way, too, though there's no sign of it today — it will appear in 2012. "If you did a search for cars under \$17,000 right now, no Volkswagens would show up," said Toscan Bennett, a VW product strategist. "With the new Jetta, we've kept everything people liked, but also made the car more accessible to the entry-level buyer in the compact segment. We want people who had considered Jettas too expensive to put us on their shopping lists."

The slightly larger and longer Jetta, with a 115-horsepower 4-cylinder gas engine, breaks no stylistic barriers. Even casual onlookers will recognize the new model as a member of the family and most likely will see it as a modest step forward in design. "Don't judge it until you see it in person," Mr. Bennett said. "It has a substantial presence that's difficult to convey in photos."



VW is still debating whether [to import an even more affordable car](#), the subcompact Polo, a staple of the European market. "There's a challenging business case with the Polo," Mr. Bennett said. "If we sell a small car for less than \$15,000, we'd have to find some way to localize it and produce it in a NAFTA country." There's no room now for the Polo in VW's new factory in

Chattanooga, Tenn., he said. "It's more a question of when and not if" the car will come to the United States.

The hybrid Jetta, on the other hand, is definitely on its way. "VW as a brand takes the electrification of the automobile very seriously, and we have a longtime strategy for growing that business," Mr. Bennett said. "The Jetta hybrid is our first entry in that strategy." Mr. Bennett described the hybrid as having "best in class" fuel economy, though that doesn't mean it aspires to the Prius's 51 city/48 highway miles per gallon. VW says it considers the Prius in a class by itself, so VW is likely to be aiming at a vehicle with fuel economy numbers similar to the Honda Civic Hybrid (40/45 m.p.g.). *Source: New York Times*

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## **BULLISH SIGNALS FROM G.M. AND TOYOTA**

Two of the world's largest automakers signaled confidence in the economic recovery on Thursday, with [Toyota](#) announcing it would resume construction of a long-delayed plant in Mississippi and [General Motors](#) increasing output at most of its American operations.

Toyota said it would hire 2,000 workers to start building Corolla compact cars at its \$1.3 billion plant in Blue Springs, Miss., by the fall of 2011. The plant was 90 percent complete when Toyota halted work on it 18 months ago amid slumping sales across the industry. G.M. said nine of its 11 assembly plants in this country would skip the regular two-week summer shutdown, which was to start later this month. The plants will remain open to build 56,000 additional vehicles, particularly new models that have been in short supply at many dealerships, the company said.

Analysts said the two announcements reflected the growing optimism among carmakers that the worst was over for the auto industry. Over all, car sales in the United States fell 35 percent from 2007 to 2009, with 10.4 million vehicles sold last year compared with 16.1 million in 2007. But in the first five months this year, sales showed the start of a rebound, rising 17 percent. "We have a long way to go," said John Wolkonowicz, a senior auto analyst with the research company IHS Global Insight. "But the level in the lake is rising, and most manufacturers are going to rise with it. You're going to see a lot more overtime and a lot of this standard vacation time not being taken." Toyota said its sales were improving both as a result of a strengthening economy and its efforts to overcome the damage done to its reputation by recalls of about nine million vehicles worldwide since November. "We're confident that we're seeing things improving," James E. Lentz, president of Toyota Motor Sales U.S.A., said on a conference call. "We're starting to see some bright spots in the economy," Mr. Lentz added, but cautioned, "It's not going to come roaring back."

The [Ford Motor Company](#)'s chief market analyst, George Pipas, said Ford had already increased output to meet demand and still had two weeks of down time scheduled at its United States plants, though not all plants would shut down at the same time or in consecutive weeks.

Ford, whose sales are up 30 percent so far this year, previously said it was increasing production by 42 percent in the second quarter and 16 percent in the third quarter compared with levels a year earlier. "The economy's recovering, but almost every day we get mixed signals," Mr. Pipas

said. "It seems like the economy takes a couple steps forward and then a couple steps backward." The summer plant shutdown is a tradition among the Detroit automakers, which in past years used the down time to prepare assembly lines to make the next year's models. Today the practice is more of a union-negotiated perk than a necessity; G.M. said its contract with the [United Automobile Workers](#) gave it the flexibility to cancel a companywide shutdown. G.M. said it might need to use some temporary workers as it operated the assembly plants for the two extra weeks. "Our manufacturing teams are taking creative approaches to increase production and reduce the wait times for our dealers and customers," Mark I. Reuss, president of G.M. North America, said in a statement. Toyota's decision to assemble the Corolla in Mississippi means it no longer has any near-term plans to build Prius hybrid cars in North America.

Since mid-2008, Toyota had been saying it would make the Prius at the Mississippi plant when it opened, but demand for hybrids has fallen sharply as gas prices have ebbed. When it was announced in 2007, the plant was to build Highlander sport utility vehicles. Mr. Lentz said Toyota had enough production capacity in Japan to meet demand for the Prius. Two years ago, many dealers had few Prius models, and some sold the car for thousands of dollars above sticker price. For 2010, Prius sales in the United States were down 31 percent through May compared with the same period of 2008. "As soon as global supply falls short of global demand, I'm sure we'll take a look at what we can do here in the U.S.," he said. "Today what's most important is that we bring North American production of the Corolla back." Toyota stopped building the Corolla in the United States in April, when it closed a plant in Fremont, Calif. That plant, known as New United Motor Manufacturing Inc., or Nummi, had been a joint venture with G.M. until it withdrew after filing for bankruptcy protection last year. Toyota now plans to reopen the California plant in partnership with another automaker, Tesla, to build [electric cars](#), but it will be a much smaller operation. The plan to move production of the Corolla, one of Toyota's top-selling vehicles, from the California plant, where workers were represented by the United Automobile Workers union, to the new Mississippi plant, where workers will not be represented by a union, drew harsh words on Thursday from the U.A.W.'s new president, [Bob King](#).

"It's outrageous. It's a terrible business decision and clearly to us an anti-union decision," Mr. King said at his first news conference since being elected on Wednesday. "They're running away from decently paid workers to much lower wages in Mississippi." Mr. King, who this year joined picket lines against closing the California plant, said he would discuss the matter with the Obama administration.

Mr. King is fighting to ensure that Toyota and Tesla rehire U.A.W. workers, and the labor secretary, [Hilda L. Solis](#), told delegates at the U.A.W. convention here that the laid-off workers should be given first priority for the new jobs. More than 4,500 workers lost their jobs when the California plant, Toyota's only unionized factory, closed. *Source: The New York Times*