



Weekly Car Dealers Newsletter

June 7, 2010

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

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**TESLA MOTORS NOW A FINANCIAL CAR WRECK
WE STILL LOVE SUVs, JUST SMALLER ONES
GM RETURN TO VEHICLE LENDING IS 'CRITICAL,'
2011 CHEVROLET CRUZE STARTS AT \$16,995**

TESLA MOTORS NOW A FINANCIAL CAR WRECK

The romantic notion of starting a car company in your garage is a folly from a bygone era. Even when the government is handing out billions of dollars to help electric-car startups get off the ground, the costs can be overwhelming. Just ask Elon Musk, the founder of Tesla Motors. His company, which sells the \$100,000 battery-powered Tesla Roadster, is probably the best-known of a crop of fledgling electric car companies including Fisker Automotive, Coda Automotive and Aptera Motors that are looking to reinvent the auto industry.

But Musk, who sold his previous company, PayPal, to eBay for \$1.5 billion, now says he's broke. "About four months ago, I ran out of cash," he wrote in a court filing dated Feb. 23, and first reported by VentureBeat, a Silicon Valley blog. Musk, whose other business interests include SpaceX and SolarCity, said he's been living off personal loans from friends since last October. Of course, Musk's disclosure came in a filing as part of his divorce from novelist Justine Musk, so perhaps it is advantageous to be out of money at the moment. His personal money troubles raise questions, though, about Tesla's ability to continue financing its aggressive growth ahead of a planned IPO. The share offering has not yet been scheduled. A Tesla spokeswoman did not return a phone call for comment. Until his recent liquidity problems, Musk had been pumping much of his personal wealth into Tesla, whose investors also include the founders of Google. According to documents filed with the Securities and Exchange Commission, Tesla burned

through \$37 million in cash in the last three months of 2009. In the first quarter, it slowed that burn rate to \$8.4 million.

Tesla has incurred about \$261 million in net losses since its inception in 2007, including \$55.7 million last year, according to the registration documents. Designing and manufacturing automobiles sucks up capital like no other business. "Developing competitive cars for global markets costs several hundred million dollars, no matter how you cut it," Fisker Automotive founder Henrik Fisker told Forbes. "Incorporating the latest technology, meeting crash and emissions regulations and providing a solid warranty program are just a few things to be factored in."

Says David Cole, director of the Center for Automotive Research in Ann Arbor, Mich: "People have tended to underestimate the complexity of doing a car. This has been true for the ages." Indeed, there's a long history of failed entrepreneurs in the automotive business, including Preston Tucker, John DeLorean and Malcolm Bricklin. Ray Lane, managing partner at Kleiner Perkins Caufield & Byers, an early-stage investor in Fisker, told Reuters that given the capital required to mass-produce automobiles, he expects a shake-out among the small EV companies. What's different now, however, is that the U.S. government is offering a helping hand, with \$25 billion available to help both large and small companies develop more fuel-efficient vehicles. Last June, Tesla received a \$465 million loan from the U.S. Department of Energy to fund development of its next car, called the Model S, and to manufacture battery packs for Tesla vehicles and others. And last week, Tesla got a shot in the arm from Toyota Motor, which said it would invest \$50 million in the company when it goes public. Tesla also agreed to buy a former General Motors-Toyota joint venture factory in California for \$42 million.

"He's trying to set the table (for an IPO) by saying we've got money. We've got this government loan. We've got a big investor in Toyota. He's trying to get the white knight to stand beside him to give legitimacy to the concept he's talking about," says Cole.

"A lot of folks have tried this. He'll be lucky if he succeeds." *Source: Forbes.com*

WE STILL LOVE SUVs, JUST SMALLER ONES

SUVs moved off dealer lots faster than any other type of vehicles from April 1 through May 19, according to the latest analysis by J.D. Power and Associates.

"Seven crossovers (CUVs) and three traditional utilities were the 10 models that sold



in the fewest number of days, on average, during the past 7 weeks," reports the Power Information Network.

That doesn't mean they are racking up the biggest sales numbers, only that they are so popular dealers can barely keep them in stock. Helping drive the embrace of SUVs: More models in the market, such as Kia's 2011 Sorento (which just got high marks from Consumer Reports), Hyundai's freshened Santa Fe, Honda's updated CR-V and the like. Plus, of course, the discounts that accompany increased competition.

Despite a tsunami of bad publicity for unintended acceleration, Toyota's had the lead with four fast-moving SUVs -- RAV4, Highlander, 4Runner and Lexus LX series. Those barely had time for the dealer-prep wash job before buyers grabbed them. They were on lots an average 13, 14, 16 and 15 days, respectively. Toyota's offering generous incentives to attract buyers wary of its vehicles because of the acceleration issue.

Even though Detroit automakers pioneered the SUV segment, only one domestic -- Chevrolet Equinox (15 days) -- was on the PIN list of 10 fastest sellers. Illustrating, perhaps, American buyers' real preferences -- that is, when the economy seems somewhat better than terrible and fuel prices don't threaten to top \$3 a gallon the next 24 hours -- Audi's big Q7 SUV was on this year's "fast" list, taking just 15 days to turn. A year ago, it took an average three months to unload one, PIN says.



A year ago, in fact, SUVs weren't the hot sellers at all. Chevy's Camaro was the fastest to fly off dealer lots -- a stunning 7 days, on average. Now, PIN says, Camaro takes an average 31 days to sell. *Source: USA Today*

GM RETURN TO VEHICLE LENDING IS 'CRITICAL,'

Returning General Motors Co. to the auto lending business is a critical part of the company's efforts to boost sales, said Kevin Williams, president of GM's Canadian operations.

A return to auto lending would help the company reach more retail and fleet customers and offer more leasing options, Williams said in an interview at GM's plant in St. Catharines, Ontario. GM sold 51 percent of GMAC Financial Services in April 2006.

"That's a critical element of our success going forward," Williams said. "Our ability to not only sell at retail as well as our fleet vehicles but is able to provide financing and leasing options that allow us to penetrate the market and to support what the customers want."

Chairman and CEO Ed Whitacre would like to get back into auto lending before GM begins an initial public stock offering, and it may hire a lead bank to underwrite its IPO as soon as this week, people familiar with the company's plans said.

The Canadian government, which helped pay for GM's restructuring in bankruptcy last year, wants to exit its investment in the automaker as "quickly as possible," Industry Minister Tony Clement said Tuesday at the factory. Canada holds 11.7 percent of GM's equity, while the U.S. has about 61 percent. *Source: Bloomberg*

2011 CHEVROLET CRUZE STARTS AT US\$16,995

The 2011 [Chevrolet](#) Cruze, the next significant salvo into the small-car segment, will arrive in September with a base price of just \$16,995. The Cruze, which rides on General Motors' global small-car underpinnings called Delta, is the company's most important small vehicle in years. It features a fuel-efficient powertrain, a relatively handsome appearance and long option list. The car ultimately replaces the Cobalt in [Chevy's](#) lineup. Production of



that model ends in June. It starts at \$14,990. The base price is for the 1.8-liter Ecotec four-cylinder with a six-speed manual transmission. Electronic stability control, power windows and locks and traction control are standard. It also comes with six months of OnStar service and a three-month XM satellite radio subscription.

The LT, which upgrades to the 1.4-liter Ecotec turbo with a six-speed automatic and 16-inch wheels, is \$18,895. For the same price, buyers can also opt for the Cruze Eco model, which GM says can get up to 40 mpg on the highway. It pairs the 1.4-liter turbo engine with a six-speed manual and features 17-inch alloy wheels, low-rolling-resistance tires and an enhanced aerodynamics package.

The LTZ trim is \$22,695 and adds leather, a six-way power driver's seat, Bluetooth, automatic climate control and 18-inch alloy wheels. Power is drawn from the turbo unit working in tandem with the six-speed automatic.

All prices include destination charges. The long list of options includes a 40-gig hard drive, heated leather seats, upgraded audio and an RS appearance pack. *Source: Autoweek.com*
