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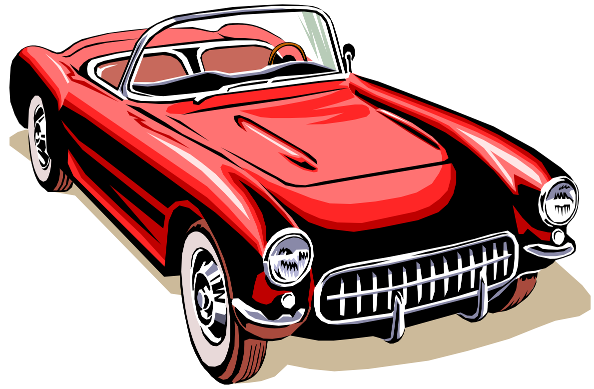

## *Weekly Car Dealers Newsletter*

April 5, 2010

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

# Week of March 29, 2010

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**GM BACKS MANDATORY VEHICLE 'BLACK BOXES'**
**GEELY CLOSES IN ON VOLVO DEAL**
**BMW ENTERS U.S. POLICE-CAR MARKET WITH ENGINE DEAL**
**HONDA'S HYBRID SHATTERS SALES TARGET IN FIRST MONTH**
***HONDA ENTERS PRICE WAR WITH TOYOTA***
**SPYKER AIMS TO INCREASE SAAB OUTPUT 18 PERCENT**


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### GM BACKS MANDATORY VEHICLE 'BLACK BOXES'

General Motors Co. supports legislation to require so-called "black boxes" in vehicles, to collect crash data, and it is willing to support additional "reasonable" auto safety legislation. In a roundtable interview with reporters today, GM's new vice president for government relations, Robert E. Ferguson, said the company backs legislation in the works from Rep. Gene Green, D-Texas, to mandate event data recorders. "I think EDRs ought to be in every car," Ferguson said. "Devices ought to be readily available so that law enforcement can find out what happen to vehicles involved in crashes." The recorders collect data for the last five seconds of a crash, including whether the drive is wearing a seatbelt, speed and whether the brakes were applied.

Not all automakers support a black box mandate. GM began widely installing the predecessor version of today's event data recorders in vehicles in the 1990 model year, and they became standard equipment in light duty vehicles in the 1995 model year. A device that allows for limited public retrieval of the data in GM event data recorders has been available since 1999. GM also supports wider availability of the crash data stored in EDRs. Green said that the devices are "essential to ensure consumers are being properly protected in their vehicles." He said the recorders will help explain why crashes occur. "There can be a discrepancy in what a driver claims happened and what NHTSA concludes happened. This would mandate equipment that would remove any human emotion or bias to provide much more precise data," he said. Ferguson said "the prospects that we end up with some additional safety legislation or regulation are very high." Several members of Congress are working on legislation that could be unveiled by month's end.

GM also thinks that mandatory brake-shift override systems that would allow the brakes to stop a car with an open throttle is "reasonable." He said the National Highway Traffic Safety Administration has "substantial" authority to make sure cars are safe, but said automakers must show good faith. If "a manufacturer takes a hide-the-ball, not transparent (approach), it's hard to design a system that gets around that," Ferguson said. Ferguson said he wasn't referring to any particular automaker. He didn't take any shots at Toyota Motor Corp., which has recalled 8.5 million vehicles over sudden acceleration issues."For the sake of the American driving public, I hope Toyota solves its safety issues quickly," he said. Ferguson said he has had more than 50 visits with members of Congress and said GM's new CEO, Edward Whitacre Jr., is planning a visit to Capitol Hill in April. Ferguson said GM still didn't know when it would be free from the pay restrictions imposed on it by the government as a company that received "extraordinary" assistance under the $700 billion Wall Street rescue fund. He also said GM hopes to soon receive a low-cost government loan under the $25 billion retooling program as the government's determination of GM's financial viability "is nearing conclusion." "They are important to us and an important part of our business plan," Ferguson said. He said he didn't have a great impression of GM before he joined the company. He joined GM in January from AT&T -- Whitacre's old company. "I thought GM was really struggling," he said. "I thought that Ford was on the rebound. I thought the Europeans made really good cars and that the Japanese were highly efficient, aggressive carmakers." He said he had a "very positive impression" of Toyota as well. Ferguson said he was now very impressed with many GM vehicles -- including the Camaro, Equinox, Buick Lacrosse and the Cadillac SRX. "Perception is lagging the quality of General Motors vehicles ... I think the quality of the vehicles is terrific and it's given me a sense of optimism about where we are going," Ferguson said. *Source: Detroit News Washington Bureau*

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## GEELY CLOSES IN ON VOLVO DEAL

Ford Motor will sign a deal to sell its Volvo cars business to Zhejiang Geely Holding Group as soon as this Sunday, three people close to the transaction said on Monday. The Chinese carmaker will pay $1.8bn for Volvo. Another $750m of working capital is being raised for the Swedish marque. About half of the financing for the overall deal is due to come from European banks and the other half from China, according to one of the people, who declined to be named because the announcement was pending. The deal will mark the biggest purchase of a carmaker yet by a Chinese manufacturer, and the first-ever of a premium brand. *Source: The Financial Times*

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## BMW ENTERS U.S. POLICE-CAR MARKET WITH ENGINE DEAL

Bayerische Motoren Werke AG, the world's largest maker of luxury vehicles, won a contract to supply engines for U.S. police cars that could be worth more than 1 billion euros ($1.35 billion). BMW will supply more than 240,000 six-cylinder diesel engines, cooling systems, exhausts and automatic transmissions to Carbon Motors Corp. of Indiana, the Munich-based company said in a statement. The order value will be measured in "billions" of euros, spokesman Mathias Schmidt said in an interview.

The contract is the largest since BMW announced plans to step up engine sales to other companies in 2007. The owner of the Mini and Rolls-Royce brands currently supplies engines for boats and exotic car manufacturer Wiesmann GmbH in Duelmen, Germany, and is seeking to boost revenue after profit fell to a 10-year low in 2009 because of a loss at the auto division. Today's agreement with Connersville-based Carbon Motors "marks an important milestone" in BMW's powertrain strategy and more deals will follow, Ian Robertson, the German carmaker's head of sales, said in the statement.

The BMW-built engines may cost more than 3,000 euros each, said Christian Mueller, an analyst with research firm IHS Global Insight. Other components will come from suppliers, with the European company integrating them for Carbon Motors, he said.

Emissions Funding

Carbon Motors, established in 2003, is developing the E7, billed as the first vehicle designed exclusively for U.S. police authorities. The company, seeking to capitalize on President Barack Obama's efforts to reduce law-enforcement costs and curb emissions, is applying for a $310 million loan from the U.S. Department of Energy. Tom Ridge, the former U.S. Homeland Security secretary, serves on its board. "Efficient BMW diesel engines will benefit not only the environment, but -- thanks to the fleet's lower running costs. *Source:Bloomberg.com*

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## HONDA'S HYBRID SHATTERS SALES TARGET IN FIRST MONTH

As Toyota Motor Co. attempts to rebuild its reputation around the world, Honda Motor Co. on Wednesday said orders for its new hybrid sports car exceeded its forecast by 10 times, quietly stealing the march from its main Japanese rival. Honda Motor Co. unveiled its CR-Z model in Japan roughly a month ago, making it the first mass-market hybrid sports car to hit dealerships. The company said cumulative orders for the car had exceeded 10,000 vehicles, far surpassing its monthly sales target of 1,000 vehicles. Honda said 90% of the orders had been placed by men, with most purchasers in their 30s and 40s. Honda has nearly reached its domestic annual sales goal of 12,000 in just under a month. *Source: The Wall Street Journal*

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## *HONDA ENTERS PRICE WAR WITH TOYOTA*

The auto price war is escalating with American Honda Motor Co. offering its biggest lease deal ever, a move analysts said was designed to offset aggressive sales incentives by rival Toyota Motor Corp. What's unusual about this price war is that it is being fought the hardest by Japanese automakers, which historically have resisted using large incentives to sell vehicles. Toyota fired the first volley when it announced a variety of discount financing and special lease deals this month in a move to regain market share in the U.S. after a series of embarrassing recalls. "There is an irony in the fact that you have a price war launched by Toyota, which has never been reactionary before," said James Bell, an analyst with auto information company Kelley Blue Book. "They are playing the game other brands previously had to play to keep up with Toyota."

American automakers, by comparison, are showing restraint, if for no other reason that they don't have a lot of cash to burn on incentives, said Aaron Bragman, auto industry analyst at IHS Global Insight. The discounting comes in the wake of a turbulent period of plunging sales for the automakers and bankruptcy restructurings for General Motors Co. and Chrysler Group last year.

The industry has been working to wean itself from stimulating sales with large profit-trimming incentives. "Any type of price competition hurts everybody's profits," said Shelly Lombard of Gimme Credit, a corporate credit research firm. But moves by manufacturers to close factories and reduce expenses last year should make the companies less vulnerable to the current round of incentives because they have learned to make money on a lower sales volume, she said.

Honda has to act because it has the most shoppers who also consider buying Toyota vehicles and faces the "most competitive pressure," Lombard said. GM also is vulnerable because it has been supplanted by Ford Motor Co. as the biggest auto seller nationally and is still working to gain sales momentum after its bankruptcy reorganization. Ford, which "is on a roll," would be less vulnerable because it has fewer cross shoppers with Toyota, Lombard said.

Honda is offering lease promotions across all of its models -- the first time the automaker has had such a large incentive program. These include no down payment or security deposit, no money due for a month and waiving of any fees when the agreement is signed, spokesman Kurt Antonius said. The program runs until May 3, about a month longer than the current Toyota promotion. "It just shows how slow the car business is," Antonius said. Analysts said Honda had lost the most sales to Toyota. "Honda needed to match [Toyota] to maintain its market share," Bell of Kelley Blue Book said.

Through mid-March, the Toyota incentives had allowed the company to build back market share lost to a continued recall and controversies over unintended acceleration in its vehicles, according to TrueCar.com, an auto pricing information company. Sales were running at about 15.5% of the market, the slice it held at this time last year. Prior to offering its own incentives, Honda saw its share drop this month almost a full percentage point to 9.4%, TrueCar.com said.

Toyota's incentives may haunt it in future months, Bell said. The company has seen sales soar as bargain hunters and loyal customers stream into showrooms to take advantage of the deals, he said. But once that traffic runs out, Toyota faces the daunting task of selling to "people who are not loyal or who are skeptical of the brand," Bell said. *Source: LA Times*

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**SPYKER AIMS TO INCREASE SAAB OUTPUT 18 PERCENT**

Spyker Cars <SPYKR.AS> said its newly acquired Saab unit expects to increase its output by about 18 percent this year, as it takes on the challenge of bringing an automaker many times its size back to profitability. Spyker also said that a final payment of 24 million euros to General Motors <GM.UL> for Saab due this summer would likely be paid out of its own funds "without attracting outside funding." Spyker spent $400 million buying the iconic Swedish brand last month and put it on an ambitious turnaround path but neither Saab nor Spyker has made any money in the last decade. Spyker reported a net loss of 22.9 million euros ($30.5 million) in 2009, the last full year of the tiny Dutch automaker's operations before its audacious takeover of Saab, compared with a loss of 24.8 million euros in 2008. It only produced 31 of its exotic 200,000 euro sportscars, down from 43 in 2008.

Saab plans to sell 50,000 to 60,000 Saab cars this year, Spyker said. The Swedish carmaker sold 39,903 cars in 2009 and 93,295 in 2008. Analysts have said Spyker must sell at least 75,000 cars per year to be cash flow positive.

Spyker shares, which have nearly doubled since talks a deal with Saab first emerged late last year, were down 3.3 percent at 3.19 euros in Amsterdam at 1005 GMT. With a free float of about 16 percent, most share activity is driven by retail activity. Spyker Chief Executive Victor Muller, a hard-charging former fashion executive, and mergers and acquisitions lawyer, has vowed the group will be profitable in 2012. "Many people ask us why Spyker thinks that it can make Saab profitable by 2012, when Saab was perceived to be loosing money under GM's stewardship for almost two decades," Muller said in a statement on Friday. Muller said many of Saab's profitable activities were not reflected in its operational accounting when it was part of GM, and it "did not lose money in all of those years." Muller and Saab's management are betting that a complete renewal of Saab's model range will help it return to full profitability and eventually reach 125,000 units in annual car sales.

Saab, which will be run as a separate standalone company, will focus on three to four models, including the 9-3 and the new 9-5 based on an Opel platform.

Spyker has said its has enough financing -- $1 billion -- to develop new Saab models. Saab aims to keep its operations afloat with its $200 million in the bank, a 400 million euro European Investment Bank (EIB) loan and the preference shares issued to GM -- which carry hefty dividend payments of 6 percent from 2012 and 12 percent from 2014. Saab also has a 150 million euro credit facility, but Spyker may still tap new investors for cash. Muller told shareholders in February that he would seek to list Spyker shares in London and Stockholm, and possibly delist from Amsterdam. Asked then whether that would make it easier to raise cash, Muller said the goal was "to be closer to investors." Sou*rce: Reuters*

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