



## *Weekly Car Dealers Newsletter*

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

# Week of May 24, 2010

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US TREASURY TAKES LOSS ON CHRYSLER LOAN  
MERCEDES E-CLASS INVESTIGATED FOR FAULTY AIR BAGS  
MILEAGE STANDARDS ANNOUNCED FOR TRUCKS  
MCLAREN ANNOUNCES MARKETS FOR MP4-12C**

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## **TOYOTA HAS NO INTENTION OF RETURNING TO 'ELITIST' FORMULA ONE**

Toyota Motor Corp., which dropped out of Formula One racing last year, has no intention of returning because the sport is out of touch with the carmaker's customer base, the head of Toyota's global racing program says. The new priority is more grass-roots racing that allows closer connection with the fans, such as NASCAR in the United States and events such as the Nürburgring 24-hour endurance race in Germany, senior managing director Tadashi Yamashina said.



The change in thinking was introduced by Akio Toyoda when he took over as president last June, Yamashina said. It also coincided with the company's worst [financial](#) crunch in seven decades, and Toyoda soon jettisoned the Formula One program in a cost-cutting drive. Speaking on the sidelines of this year's Nürburgring race northwest of Frankfurt, Yamashina said the financial crisis only speeded up a decision that already was in motion. Said Yamashina: "It might not have been so abrupt, but it would have happened." "President Toyoda's stance on motorsports is

*A Member of the MacKay Network*

geared more toward the customer,” Yamashina said. “There is a big gap between Formula One and Toyota's actual [car](#) users.”

Formula One remains the pinnacle of auto racing, but its image grew too “elitist,” he said.

At races such as Nürburgring, Yamashina said, fans can get right into pit lane and mingle with the teams and touch the [cars](#). They can soak up the atmosphere and feel a part of the event. By contrast, average fans have no hope of strolling the paddock at a Formula One race, he said.

“For the fortunate few who can afford to do that, it's fine,” Yamashina said. “I think the best kind of races are those in which people can get in close to the race.”

Yamashina broke down in tears at the press conference last November when Toyota announced it was pulling out of Formula One. Toyoda himself has cited the decision to quit the sport as one of his toughest calls as president, partly because it involved cutting jobs. *Source: Automotive News*

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## **US TREASURY TAKES LOSS ON CHRYSLER LOAN**

The Treasury Department said Monday it will lose \$1.6 billion on a loan made to Chrysler in early 2009. Taxpayer losses from bailing out Chrysler and General Motors are expected to rise as high as \$34 billion, congressional auditors have said. Treasury said Monday that Chrysler repaid \$1.9 billion of a \$4 billion loan, which was extended before the company filed for Chapter 11. The government hopes to get another \$500 million from the company that emerged from bankruptcy, Chrysler Group LLC. Treasury officials said that the government had no plans to boost its stake in the new Chrysler to cover those losses. It also acknowledged another \$1.9 billion in potential losses from a separate loan that had been made to the company that went through bankruptcy proceedings. It indicated slim hopes of recouping much if anything from that separate \$1.9 billion loan.

The original \$4 billion loan was made in January 2009, when the Bush administration was scrambling to rescue Chrysler, GM and their auto financing arms. The Congressional Budget Office estimated in March that the government's \$85 billion bailout of the automakers would cost taxpayers \$34 billion. Much of it will depend on how much the government recovers from its eventual sale of nearly 61 percent of GM and about 10 percent of Chrysler. GM has said it could conduct a public stock offering later this year. Chrysler officials have said a public stock offering is not likely before 2011.

The Treasury Department made the announcement about the loss from Chrysler on a day when GM reported its first quarterly profit in nearly three years. That moved GM closer to a stock offering that would repay at least part of the \$43 billion it owes the government. Chrysler Holding is the parent company of the old Chrysler. It is owned by private equity firm Cerberus Capital Management. Cerberus bought Chrysler from Daimler AG in 2007. Chrysler came close to running out of money at the end of 2008, so the U.S. government stepped in, authorizing \$15.5

billion in aid and appointing Fiat SpA to run the new Chrysler after it emerged from bankruptcy protection. The old Chrysler's assets, along with its finance arm, became Chrysler Holding.

Treasury said it has received repayments of \$3.9 billion to date, including the \$1.9 billion repayment and a \$1.5 billion loan paid off by Chrysler Financial. Chrysler also assumed \$500 million of Old Chrysler's debt, reducing the debt to the government. *Source: The Associated Press*

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### **MERCEDES E-CLASS INVESTIGATED FOR FAULTY AIR BAGS**

Daimler AG's Mercedes-Benz E-Class cars are under investigation by U.S. regulators because air bags in the vehicles may not always deploy properly in crashes, the National Highway Traffic Safety Administration said. About 100,000 cars from the 2005 and 2006 model years may be affected, NHTSA said on its website today. The auto safety agency said it received four complaints about failures in the module-wiring harness of the steering column, which can result in air bags failing to inflate in frontal crashes. No injury has been reported. The issue arises when steering wheels are raised into a high position by the driver, said Robert Moran, a spokesman at the U.S. unit of Mercedes in Montvale, New Jersey. "If a customer puts that steering wheel at a very raised position, if your steering wheel is telescoped all the way up, the wiring harness may be a little too short," Moran said in a telephone interview. "It is the kind of thing if your light went on and you went to the dealer, they would be able to rectify that."

Daimler, based in Stuttgart, Germany, is the world's second-largest maker of luxury cars after Munich-based Bayerische Motoren Werke AG. The U.S. Congress has focused more on auto safety this year following Toyota Motor Corp.'s record recalls for defects that may cause unintended acceleration. NHTSA Administrator David Strickland is scheduled to testify tomorrow at a Senate Commerce Committee hearing on legislation to increase regulation. *Source: Bloomberg.com*

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### **MILEAGE STANDARDS ANNOUNCED FOR TRUCKS**

President Obama ordered the government on Friday to develop tougher fuel-efficiency standards for cars and trucks, advancing the fight against climate change without waiting for Congress. Mr. Obama announced the creation of a national policy that will result in less greenhouse gas pollution from medium- and heavy-duty trucks for the first time, and will further reduce exhaust from cars and light-duty trucks beyond the requirements he had already put in place. "Today's announcement is an essential part of our energy strategy, but it's not a substitute for other necessary steps," Mr. Obama said in a Rose Garden ceremony on Friday, flanked by auto and truck manufacturers. He repeated his hope that Congress would pass an energy bill by the end of the year. "In the meantime," he added, "I'm going to take every sensible, responsible action that I can take using my authority as president." Mr. Obama said that reducing fuel use would save money for businesses and consumers, and he linked his new policy to the enormous oil spill in

the Gulf of Mexico. "The disaster in the gulf only underscores that, even as we pursue domestic reduction to reduce our reliance on imported oil, our long-term security depends on the development of alternative sources of fuel and new transportation technologies," he said.

The executive memorandum the president signed on Friday orders the Environmental Protection Agency and the Transportation Department to develop new fuel and emissions standards more strict than those formalized last month, but the memorandum did not propose specific fuel-economy figures. Under last month's rules, new cars must get at least 35.5 miles to a gallon of fuel, on average, by 2016, in combined city and highway driving. The president's new plan would order further improvements in fuel efficiency for cars and light trucks made in 2017 and beyond, and in medium and heavy trucks made in 2014 through 2018.

In addition, Mr. Obama's directive orders more federal support for the development of new vehicles like advanced electric cars, and it instructs the Environmental Protection Agency to reduce emissions of other kinds of pollutants by motor vehicles, besides greenhouse gases.

Environmentalists hailed the move. "President Obama's oil savings proposal will reduce our dependence on oil," said Daniel J. Weiss, director of climate strategy at the Center for American Progress, a liberal research organization. "More efficient cars and trucks will help to protect families' budgets as well as America's shores."

Medium and heavy trucks represent only 4 percent of all vehicles on American highways, but they consume more than 20 percent of the fuel used in road transportation, according to the Union of Concerned Scientists, an environmental advocacy organization. Improving the average fuel economy of these trucks by 3.7 miles to the gallon would, by 2030, reduce American oil consumption by 11 billion gallons a year, the group said. Mr. Obama said existing technology could improve the fuel economy of tractor-trailers, as an example, by 25 percent. Over all, he said that within 20 years he wants the nation's vehicles to be using half the fuel and produce half the pollution they do today.

Building cleaner vehicles costs money, but may ultimately save consumers more through lower gasoline bills. The policy already enacted will add about \$1,000 to the cost of an average new car by 2016, but save about \$3,000 in fuel over the life of the vehicle, according to government officials.

Mr. Obama was joined on Friday by environmental leaders and representatives of major truck manufacturers who supported the new policy. Among them were the chief executives of Volvo, Daimler Trucks North America, Cummins and Navistar, the head of the American Trucking Association and a garbage-truck driver in his uniform. Manufacturers want a single national standard set over the long term because that is easier to comply with than the patchwork of state and national regulations that had been imposed in the past. Before the president's initial policy a year ago, car and light-truck makers were facing fuel-efficiency standards being developed by the National Highway Traffic Safety Administration in response to Congressional legislation; separate greenhouse-gas standards being developed by the Environmental Protection Agency under the

Clean Air Act; and the possibility of separate standards enacted in California and 13 other states. “The federal government is looking 15 years down the road and uniting all the diverse stakeholders to work towards the same national goal,” Dave McCurdy, president of the Alliance of Automobile Manufacturers, said in a statement. Noting the collaboration over the set of rules enacted last month, he added, “This approach achieved success once before, so we are optimistic that we can do it again.”

Allen Schaeffer, executive director of the Diesel Technology Forum, a nonprofit group, said the new policy would promote the use of clean diesel technology. “Diesel engines offer an unmatched combination of energy efficiency, work capability, reliability and now near-zero-emissions environmental performance,” he said. *Source: The New York Times*

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### **MCLAREN ANNOUNCES MARKETS FOR MP4-12C**

McLaren announced 35 markets where it will sell the Formula-One-inspired MP4-12C on Friday, including New York, Chicago, Los Angeles and Toronto. Ten markets in the North America will sell the ultra-light, high-performance sports [car](#) starting in the spring of 2011. Other global markets include London, Monaco, Paris, Frankfurt, Kuwait and Johannesburg.



McLaren will reveal its first 23 retailers when it shows the MP4-12C at the Goodwood Festival of Speed in July. Another 12 will be added throughout the year. The North American market will get 300-400 of the 1,000 [cars](#) to be made in 2011. It packs an estimated 592 hp *Source: Autoweek.com*

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