



Weekly Car Dealers Newsletter

November 16, 2009

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

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MERCEDES-BENZ US CEO SEES BETTER SALES AHEAD

Daimler AG's Mercedes-Benz premium auto division expects year-on-year U.S. sales growth in the next few months and the potential to increase its U.S. market share next year, U.S. Chief Executive Ernst Lieb said on Monday. Mercedes, which has seen its U.S. sales fall 20 percent so far this year, posted a 21.3 percent rise in U.S. sales in October, its best month of the year so far. The results from Mercedes followed the industry's best monthly performance of 2009 outside of months in the summer that were boosted by the U.S. government "cash for clunkers" incentives program.

U.S. auto industry sales hit a 10.46 million unit annualized rate in October, the best monthly performance of the year outside of "clunkers" fueled July and August results. Lieb, in an interview, said the industrywide sales atmosphere seems to be improving though it may be too early to say whether the U.S. auto market has turned a corner. "I think it's too early to say it's turning," Lieb said. "At best I would say it's maybe some stabilization." "It (market) becomes a little bit more predictable, from a dealer perspective at least," he added. "There seems to be some traffic. People are a little bit more willing to look at a new car and spending money." Auto sales in the United States have been hurt in the past year as customers tightened purse strings amid a weak economy. The economic meltdown came on the heels of already-weakening vehicle demand amid record-high gasoline prices last year. Even luxury vehicle makers, who typically are more insulated from market volatility, suffered with the global credit crunch that has plunged the U.S. economy into recession and created a backlash against lavish and conspicuous spending. Lieb said the U.S. auto market is taking a step in the right direction

but is "certainly not in the clear yet." "We should be seeing a little bit of plus on November and most likely in December," he said of Mercedes' U.S. sales. For 2010, Lieb said the forecast for industrywide sales of 11.3 million vehicles appears "realistic" and Mercedes could potentially increase its market share next year, especially with its redesigned E class car. The luxury car maker said it is also getting ready to launch its hydrogen-powered fuel cell vehicles next year.

Lieb said the company will be launching only 50 such vehicles initially as it tests the acceptance for them. Mercedes is investing in a range of green technologies as the market for such technologies is still evolving and there has yet to be a consensus on what type of vehicles consumers would adopt, Lieb said. Fuel cells are not a new concept to the industry. Most major automakers have spent billions of dollars in researching a hydrogen-powered fuel cell for vehicles, tempted by the idea of a car that uses no gasoline and emits only water vapor. That research is now mostly on the back burner, given the expense, transportation issues and volatility of hydrogen gas.

Lieb said while Mercedes is experimenting with fuel cell vehicles, the technology "still has a long way to go." *Source: Reuters*

AUTONATION CEO SEES DEPRESSED SALES THROUGH 2011

U.S. auto sales should recover a bit next year but will remain at depression levels through 2010 until housing prices and job cuts stabilize, the CEO of the nation's largest auto dealer chain said Monday. AutoNation CEO Mike Jackson said in an interview that tight credit is holding down sales this year, but they will hit bottom in 2009 and start to increase next year, rising to around 11 million cars and trucks. Sales this year are running at an annual rate of around 10 million vehicles. "We still have more demand than credit," Jackson said after speaking to the Original Equipment Suppliers Association meeting in Detroit. "We see the credit environment ever slowly, gradually improving." Auto sales, he said, won't return to normal levels until job losses and housing prices begin to stabilize. He predicted improvement in 2011 and 2012, and a return to more normal sales after that.

Earlier this decade U.S. auto sales exceeded 16 million vehicles a year, although industry analysts caution that those numbers were artificial because automakers were producing more vehicles than the market would buy. Jackson said banks have not recovered from last year's Wall Street meltdown and the collapse of the auto loan resale market. Before the fall of the Lehman Brothers investment bank in September of 2008, banks frequently bundled auto loans and sold them as securities to investors. But since many of those loans went into default and investors lost money, the market has dried up for the securities and banks have to wait for people to pay off loans to get more money to loan to others, Jackson said. As a result, he said, many banks have kept credit standards extremely high for car loans, costing the industry sales despite government money designed to ease the credit crunch. "They simply don't have the money to lend. So, of course, they make the standards unreasonably tough and unreasonably difficult, because they just want to say no. They don't want to say yes," Jackson said.

The Richmond, Va.-based AutoNation, Jackson said, continues to look for opportunities to buy Chrysler dealers after seeing the company unveil its five-year business plan last week. He said Chrysler had the biggest challenge and was in the riskiest situation among Detroit automakers. But he said even if Chrysler can't double its sales as predicted in the plan, it still

will survive under leadership of Fiat SpA CEO Sergio Marchionne. "Even if things are much worse than what they're forecasting, they'll still make it," Jackson said. "They've stemmed the bleeding and they have a good cash position. They'll make it through the turmoil, and that's what we really care about."

In presenting the company's business plan last week, Marchionne said Chrysler had \$5.7 billion in cash at the end of September, up \$1.7 billion since it exited bankruptcy protection this June. As recently as December, though, the automaker was practically out of cash. But Marchionne said its operations broke even in September because of savings from job cuts and factory closings. *Source: Yahoo News*

CHAIRMAN TIGHTENS GRIP AS GM REBUILDS

The government-appointed chairman of General Motors Co. gave fresh signs that he is tightening his control over the auto maker, saying Tuesday the board isn't comfortable with management's forecasts for 2010 and indicating the chief executive's timetable for an initial stock offering could be too optimistic. (Chairman Edward E. Whitacre Jr.), the former AT&T Corp. chief, said instead the company aims to repay a \$6.7 billion debt it owes U.S. taxpayers to prove it is making progress. "Right now we're focused on paying back the debt portion" of the bailout, he said. Mr. Whitacre said GM could start repaying the loan in 2010 "if not sooner," but the company needs to "be showing a lot of positive financial progress" to begin the process. *Source: [The Wall Street Journal](#)*

VOLKSWAGEN TARGETS SALES OF 130,000 NEW U.S. SEDANS

Volkswagen AG is targeting annual sales of as many as 130,000 of the new mid-sized sedan it's developing for the U.S. beginning in 2011, when the world's biggest auto market may rebound from recession. The car, which will be produced at VW's new plant in Chattanooga, Tennessee, and be priced at about \$20,000, may help Europe's largest automaker become profitable again in the U.S., where it has been unprofitable since 2002, said Stefan Jacoby, chief of Volkswagen's North America division. "Car markets will return to growth, and we're getting ready for it," Jacoby said by telephone from the division's headquarters in Herndon, Virginia. *Source: [Bloomberg](#)*

VOLKSWAGEN-PORSCHE OVERTAKES TOYOTA AS WORLD'S LARGEST CARMAKER

Volkswagen-Porsche has overtaken Toyota to become the world's largest car manufacturer as the German group benefits from state-backed stimulus packages around the globe. The maker of the Golf, Polo and Boxster brands has produced 4.4 (million) vehicles so far this year, outstripping its Japanese rival which has seen 4 (million) cars roll off production lines since January. However, IHS Global Insight said Volkswagen's ascent to the top of the manufacturing league was aided by Toyota's decision to halve its output in the first quarter of the year. *Source: [The Guardian](#) (Manchester, U.K.)*

AUTO LEASING RETURNS AS U.S. USED-CAR PRICES REBOUND

General Motors Co. and Chrysler Group LLC resumed offering leases to buyers in August and September through their shared financing arm, GMAC Financial Services, after halting the practice as car demand fell in 2008. Ford Motor Co. plans more leasing promotions this year, while Toyota Motor Corp. makes it part of a \$1 billion fourth-quarter marketing push. "Leasing is really a critical piece of the business because people who lease have much higher loyalty to your brand," Jim Farley, Ford's group vice president of marketing, said in an interview. "This is something the dealers have been asking for for a long time." *Source: [Bloomberg](#)*

GM EXCHANGES CAR

GM is currently offering all buyers the right to return a vehicle within 60 days if the buyer is not happy. So how many cars have been returned so far? According to GM just one car. That vehicle was a 2009 Corvette equipped with a 6 speed manual transmission, the buyer returned it a took delivery of the same car equipped with the 6 speed automatic. *Source: [Autoweek.com](#)*
