



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 November 23, 2009

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SAAB DEALERS RUNNING OUT OF CARS AS PLANT CUTS OUTPUT
FORD AMONG SAFETY LEADERS
CHRYSLER MAY DROP 145 DEALERS ON LACK OF INVENTORY FINANCING
CHRYSLER COULD LOSE MORE THAN 100 U.S. DEALERSHIPS
AUCTIONEER DEAN KRUSE'S MONEY WOES CONTINUE

GM GENERATES \$3.3 BILLION, WILL START REPAYING LOANS

General Motors Co., signaling confidence in its recovery from bankruptcy, said it generated \$3.3 billion in cash in the third quarter and plans to start repaying government loans early. Cash on hand was \$42.6 billion at the end of September after a restructuring engineered by the Obama administration, and GM reported progress in cutting jobs and shutting dealers. The loss since leaving Chapter 11 on July 10 was \$1.15 billion, [GM said today](#). The results offered the first glimpse of Detroit-based GM's financial performance since shedding the remnants of the old [General Motors Corp.](#) on July 10 under Chairman [Ed Whitacre](#) and Chief Executive Officer [Fritz Henderson](#). "The numbers are encouraging," [Maryann Keller](#), president of consultant Maryann Keller & Associates, told Bloomberg Television. "What it demonstrates is that the government gave GM a reorganized balance sheet that made them more competitive." GM's 8.375 percent bonds maturing in 2033, which will convert into equity in the new company, jumped 2.63 cents to 20.3 cents on the dollar at 9:14 a.m. in New York, according to Trace, the bond-price reporting system of the Financial Industry Regulatory Authority. A closing price at that level would be the highest since January.

Cash Drain

Headwinds this quarter will include a cash drain as the loan repayments begin and from a U.S. auto market that will be 8.5 percent smaller than in the previous three months, GM said. The U.S. government is owed \$6.7 billion and also owns a 61 percent stake in the biggest domestic automaker, which said it still expects an initial public offering in 2010's second half. Third-quarter revenue was \$28 billion, including \$26.4 billion for the post-bankruptcy period. GM reported unaudited data for July 1 through July 9 for General Motors Corp., and for the period since July 10. "We are ahead of the bankruptcy plan, not only in operations, but with some

contingencies we provided for that we have been able to manage,” Henderson, 50, said in a Bloomberg Television interview. GM’s results don’t compare directly with year-earlier data because of the bankruptcy. The pre-Chapter 11 GM lost \$2.54 billion in 2008’s third quarter, its best three-month period last year. GM amassed \$88 billion in losses from 2004 through the first quarter under former CEO [Rick Wagoner](#), who was asked by the government’s auto task force to step aside in March.

Repaying Loans

Borrowing from the U.S., Canadian and Ontario governments will be repaid in quarterly installments from escrowed funds, beginning in December with an initial \$1.2 billion payment, GM said. GM filed for bankruptcy on June 1, and the loans had a scheduled maturity date of July 2015. “This is as much about management confidence as it is about consumer confidence,” Henderson said. “I’ve been asked probably a hundred times, ‘When are you going to start paying back the taxpayer?’ The answer is now.” The repayment pledge was telegraphed last week by Whitacre, 68, who raised the possibility in an interview. Named by the auto task force to lead GM’s revamped board, the former [AT&T Inc.](#) chairman and CEO said he has been prodding executives to “hurry every chance we get” to fix GM.

‘Fire Lit’

“This company does seem to have a fire lit under it and is making decisions faster,” said auto consultant Keller, who is based in Stamford, Connecticut. Henderson said it was “my mission” to disprove a Sept. 9 government report predicting that the Treasury would be unlikely to recover all of the estimated \$85 billion in federal aid provided to GM and Chrysler Group LLC. GM would need to reach a market value of about \$68 billion, more than its \$57 billion peak in 2000, to fully repay the government, the Congressional Oversight Panel said. “Our objective is to be ready to go in the second half of next year” with an IPO, Henderson said, adding that all of GM’s shareholders want to sell their stakes. Besides the U.S. government, the stockholders are the governments of Canada and Ontario, a union retiree trust and the old GM.

Fourth-Quarter Outlook

Cash on hand at the end of the fourth quarter will be “materially lower” than on Sept. 30 because of costs that will include \$8.3 billion to help cover the loan repayments and \$2.8 billion for the settlement of the bankruptcy of former parts unit [Delphi Automotive LLP](#), GM said. Debt totaled \$17 billion at the end of the third quarter, including the U.S. government loans and \$2.7 billion owed to the Canadian and German governments, and \$7.6 billion in other debt. The amount doesn’t include \$12.2 billion in notes or preferred stock that will be owed to union retiree health care funds in the U.S. and Canada, GM said. The automaker had \$94.7 billion in debt as of July 9, before emerging from bankruptcy. After getting an emergency loan from Germany to prop up the Opel unit in Europe, GM decided this month to keep the division, and the automaker is repaying those funds as well. The European business lost more than \$400 million last quarter, while “Asia-Pacific, Latin America, Africa and the Middle East were solidly profitable,” Henderson said on a conference call.

Employees, Dealers

Employment fell 14 percent to 209,000 globally at the end of September, from 243,000 at the end of December, GM said. The U.S. salaried workforce was cut 7 percent to 27,000 in the same period and hourly employees declined 23 percent to 48,000. GM also said it spent \$132 million related to 1,700 employees accepting early retirement in the U.S., Germany and Australia.

GM has reached closure agreements with 2,042 dealers as of the end of October, the automaker said. In the July 10 through Sept. 30 time frame, GM reported charges of \$320 million related to its plan to thin the ranks of its franchisees.

Global production fell 17 percent to 1.7 million cars and trucks, from 2.04 million a year earlier, as a decline in North American offset a gain in the rest of the world. Third-quarter revenue was less than the \$30.9 billion of [Ford Motor Co.](#), the second-biggest U.S. automaker by unit sales.

Source: Bloomberg.com

SAAB DEALERS RUNNING OUT OF CARS AS PLANT CUTS OUTPUT

Saab Automobile AB dealers in the U.S. are running out of new cars after the Swedish carmaker cut production to conserve cash and prepare for its first new model in seven years. Saab, which General Motors Co. is selling to an investor group led by Swedish sports-car maker Koenigsegg Automotive AB, has slowed assembly to retool its Swedish factory to build the new 9-5 sedan starting next year, spokesman Eric Geers said. The company said last week it will eliminate more than a third of its U.S. dealers. *Source: [Bloomberg](#)*

FORD AMONG SAFETY LEADERS

WASHINGTON -- The Virginia-based Insurance Institute for Highway Safety awarded its "top safety pick" on Wednesday to 19 passenger cars and eight sport utility vehicles for the 2010 model year. Ford Motor Co. and its Volvo unit received the most awards with six, followed by five awards apiece for Japanese automaker Subaru and German automaker Volkswagen AG and its Audi unit. Ford's recipients include the Ford Taurus and Lincoln MKS passenger cars and the Volvo S80 and C30 passenger cars and the XC60 and XC90 SUVs. *Source: [The Detroit News](#)*

CHRYSLER MAY DROP 145 DEALERS ON LACK OF INVENTORY FINANCING

Chrysler Group LLC may have to terminate as many as 145 more U.S. dealers unless the retailers can find lenders to finance their new-vehicle inventory. If dealers can't get the financing from GMAC, they may lose their franchise agreement unless they can find another lender, said Kathy Graham, a Chrysler spokeswoman. GMAC said it has asked some dealers for more collateral as a condition for financing. *Source: [Bloomberg](#)*

CHRYSLER COULD LOSE MORE THAN 100 U.S. DEALERSHIPS

More than 100 Chrysler Group LLC U.S. dealerships face possible closure if they cannot reach new financing deals with GMAC Financial Services or another lender, people involved in the process said on Thursday. Still, the automaker was "optimistic" all or nearly all of the dealerships would find financing for vehicle inventories and other expenses by the end of November whether through GMAC or other lenders, Chrysler spokeswoman Kathy Graham said. Graham said Chrysler had no plans to end franchise agreements with the dealerships, but the automaker could do little to save them if they could not find financing.

Source: Reuters

AUCTIONEER DEAN KRUSE'S MONEY WOES CONTINUE

Auctioneer Dean Kruse has been ordered by a local court to pay more than \$1.3 million to an Indiana bank, and a leasing company has asked a federal judge to repossess Kruse's 1985 Cessna jet, which had been insured at \$3.5 million. These two recent events are on top of several months' worth of financial woes for one of the classic-car world's best-known auctioneers.

AutoWeek reported in August that people from across the country were complaining that they had not been paid for cars sold at various Kruse International auctions. Some who finally received checks say those checks bounced. Some people have retained attorneys; several have complained to state attorneys general. The Arizona Department of Motor Vehicles issued a "cease-and-desist" order against Kruse International, and the state's inspector general office is investigating complaints.



Dean Kruse, who launched his auction company in 1971, cited the economy and cash flow for the slow payments. "We auction 11,000 vehicles a year," said Kruse. "Our receivables usually run \$300,000 to \$400,000. Now, they're \$6.5 million," he said back in August.

In the most recent court cases, a bank near Kruse's operation in Auburn said the classic-car auctioneer's \$4.5 million loan taken out in 2005 was due to be repaid by Aug. 31. According to Fort Wayne newspaper the *Journal Gazette*, nearly \$1.2 million remained unpaid on the loan by the end of July, and the note continued to accumulate interest of more than \$223 a day. DeKalb Superior Court Judge Monte L. Brown ruled last week that Kruse must pay \$34,325 in attorney fees, plus court costs and more than \$1.2 million.

But it doesn't stop there for Kruse. According to the newspaper, two foreclosure lawsuits against him are pending. Kruse and his wife allegedly owe more than \$6.5 million in unpaid loans, and the company holding the mortgage on Kruse's auction park says another loan is in default for \$7.8 million. FCOF Midwest Credit LLC filed for foreclosure on that property in May.

Kruse was not available for comment. *Source: Autoweek.com*