



Weekly Car Dealers Newsletter

November 9, 2009

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

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[U.S. TURNS SCREWS ON BAILED-OUT GMAC](#)

For GMAC, getting rescued by the federal government has been no picnic. In the 10 months since the consumer-finance company received its first dose of rescue financing, it has wrangled repeatedly with the FDIC over its turnaround plans. Currently the company is locked in debate with the Federal Reserve about the adequacy of its capital levels, with the Fed pushing GMAC to take billions more in federal aid from the Treasury Department. *Source: [The Wall Street Journal](#)*

[NADA CHIEF ECONOMIST ESTIMATES CLUNKER COST PER INCREMENTAL VEHICLE SOLD AT AROUND \\$4,600](#)

Describes Edmunds.com Clunker Estimate of \$24,000 as "Overstated and Misleading"

McLEAN, Va. – After a thorough review of the Cash for Clunkers program, the chief economist of the National Automobile Dealers Association (NADA), Dr. Paul Taylor, determined that the cost of each incremental vehicle sold was around \$4,587. An incremental sale is a sale that would not otherwise have occurred without the Clunkers program.

His findings bring into serious question the methodology behind the \$24,000 estimate promoted last week by the car-buying web site Edmunds.com. "It's really not that hard to determine a credible cost estimate for the Clunkers program," says Taylor. "You subtract projected sales versus actual sales for July and August when the Clunkers program was operating, and divide

the program's \$3 billion by that number." Taylor says that, based on sales volume for previous months, a realistic projection of auto sales for July and August would be around 1,600,000. Actual sales for those two months totaled 2,253,963. The difference is 653,963. That's the number of incremental sales generated by the Clunkers program. Divide the program's \$3 billion by that number and you get \$4,587, the average cost per incremental Clunker sale.

Taylor says the methodology used by Edmunds.com in its analysis of the Cash for Clunkers program is "fundamentally flawed." "The analysis by Edmunds.com is wrong on the two main points that it tries to make. First, because of its flawed methodology, the study can't form the basis for measuring the program's impact or costs. Secondly, and more importantly, the analysis clouds understanding and misleads rather than clarifies the true state of auto sales and the economy," Taylor added.

Edmunds.com says it came up with its estimates by examining the sales trend for luxury vehicles and others not in Cash for Clunkers, and applying the historic relationship of those vehicles to total SAAR (Seasonally Adjusted Annual Rate). Taylor says this method virtually assured that cost estimates would be "overstated and inflated." "Historically, over the past 20 years, auto sales have been lower in July and August than in June, in the absence of strong incentives. Edmunds ignores this," says Taylor. "The Dow Jones and broader market indexes made strong recoveries over the summer, assisting luxury light vehicle sales. But there is a fundamental difference between what drives luxury car sales and non-luxury sales," says Taylor. "An improving stock market, for example, may boost luxury car sales but it has little effect on non-luxury sales. Job growth, income growth and housing affect non-luxury vehicle sales. And in each of those categories the numbers are not good. Unemployment is up. Income is down. And housing prices continued to fall through July. This has not been the kind of economic environment that encourages a purchase by the average car buyer."

Taylor says that Edmunds.com also painted a too-rosy picture for auto sales for the rest of the year. He points out that the Conference Board's Consumer Confidence Index actually dropped to 47.7 in October from 53.4 in September. "This does not support a dramatic increase in non-luxury car sales for the final months of 2009, as suggested by the estimates in the Edmunds.com analysis," says Taylor. "Edmunds.com has obviously underestimated just how much the Clunkers program stimulated car sales," says Taylor. "The Clunkers program lit up the market. Auto showrooms went from almost empty to overflowing. It's hard to imagine how anyone who takes an objective look at the Cash for Clunkers program can reach any conclusion other than it gave a dramatic boost to retail sales and manufacturing output."

Source: [NADA Newswire](#)

GM THROWS OPEL DEAL INTO REVERSE

In a dramatic change of course, General Motors Co. backed out of a deal to sell the company's European operations to car-parts supplier Magna International Inc., and now plans to spend billions to restructure the money-losing business itself. GM's change of heart reflects the car maker's increasing confidence about its outlook as well as the direction of its aggressive new chairman, Edward E. Whitacre Jr. The former AT&T Corp. chief ... Opel also is a key supplier of car designs for GM operations in the U.S., including the underpinings of the strong-selling

Chevrolet Malibu sedan and small-car technology that could be important as U.S. fuel-economy standards are tightened. Source: [The Wall Street Journal](#)

TOYOTA POSTS PROFIT, RAISES OUTLOOK

TOKYO — The maker of the Corolla, the Prius hybrid and the upscale Lexus brand reported a net profit of 21.84 billion yen (\$241.1 million) in the fiscal second quarter ended Sept. 30, down 84% from 139.81 billion yen a year earlier, as the yen's strength and slack sales in most major markets dented its bottom line. Still, Toyota managed to finish the quarter in the black despite market expectations of a quarterly loss. The company attributed the profit to reduced provisions for its car leasing business. Source: [The Wall Street Journal](#)

GM LIKELY TO OUTPERFORM VIABILITY PLAN ESTIMATES, HENDERSON SAYS

DETROIT -- General Motors Co. is outperforming the targets set in its earnings viability plan outlined in April, CEO Fritz Henderson said (Thursday). The plan assumed GM would have a 19.5 percent share in 2009, with that share stabilizing in the 18.4 to 18.9 percent range in subsequent years. The viability plan also assumed that due to cost cuts, GM's North American structural costs would decline 25 percent from \$30.8 billion in 2008 to \$23.2 billion in 2010. "We didn't know what was going to happen when we went into bankruptcy," Henderson said. "Some might argue that we set the bar exceptionally low."

Source: [Automotive News](#)

KIA MOTORS AIMS FOR 17% U.S. SALES GROWTH IN 2010

Kia Motors Corp., South Korea's second-biggest carmaker, aims to increase U.S. sales as much as 17 percent next year as it rolls out new models and predicts a recovery in industry-wide demand. The automaker is targeting 350,000 retail sales of models including the Forte and Soul small cars in the U.S. on a preliminary basis, compared with a projection of about 300,000 for 2009, said Executive Vice President Thomas Oh, who heads Kia's business in the Americas. "Kia far outpaced the auto industry in terms of sales this year," Oh said ... "We turned the economic recession into an opportunity to sell more cars. We're very much prepared to grow and expand not only in the local market, but also overseas." Kia aims to increase its U.S. dealerships 15 percent from last year to 715 in 2010. Source: [Bloomberg](#)
