



## *Weekly Car Dealers Newsletter*

August 10, 2009

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[CHRYSLER DEALERS' GOOD PROBLEM: A CAR SHORTAGE](#)  
[TOYOTA'S U.S. DROP EASES ON 'CLUNKERS'; HYUNDAI GAINS](#)  
[TOYOTA RESTRUCTURES, TOO, BUT AT ITS OWN PACE](#)  
[GM HAS SOLD THE MOST CARS UNDER 'CASH FOR CLUNKERS' PROGRAM](#)  
[VOLVO CARS SALE LIKELY LATER THIS YEAR, SWEDEN SAYS](#)  
[CFO SAYS FORD PLANS TO REFRESH 90% OF ITS CAR LINEUP BY 2012](#)

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### [CHRYSLER DEALERS' GOOD PROBLEM: A CAR SHORTAGE](#)

On July 25, Philadelphia Chrysler dealer Dave Kelleher did something he hadn't done in ages. A customer was bargaining hard on a 2009 Dodge Grand Caravan, Kelleher recalls. The customer wanted the vehicle for \$1,500 below invoice. Kelleher says he took a deep breath and told the customer: "I don't want to lose you as a customer, but if you can find that vehicle somewhere else, go ahead. I cannot give up that unit." Other Chrysler dealers are in a similar predicament. Long accustomed to being choked with too many cars, they now can't find enough of several key models, including minivans and the Jeep Wrangler. Source: [Automotive News](#)

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### **TOYOTA'S U.S. DROP EASES ON 'CLUNKERS'; HYUNDAI GAINS**

[Toyota Motor Corp.](#)'s sales in the U.S. dropped at the slowest pace this year and the carmaker outsold [Ford Motor Co.](#) for the first time in three months as government-backed rebates helped Asian auto brands beat estimates in July. The so-called cash-for-clunkers program raised overall sales to the highest level this year and slowed Toyota's decline to 11 percent, compared with June's 32 percent drop. [Honda Motor Co.](#)'s sales fell 17 percent, [Nissan Motor Co.](#)'s declined 25 percent and [Hyundai Motor Co.](#) had a 12 percent increase. The results may signal the start of a recovery for the industry, which has been in the worst slump in demand since at least 1976. Automakers have struggled as average [U.S. gasoline](#) prices surged to a record \$4.11 a gallon in mid-2008 and tight credit and unemployment sapped vehicle demand. "Things are looking a lot better. There was increased activity from 'cash for clunkers,' but we're also getting into the car-buying season," said [Jessica Caldwell](#), director of industry analysis for Edmunds.com in Santa Monica, California. "People have been on the sidelines this year. There's pent-up demand." Combined market share for Japan- and South Korea-based brands

was 48.7 percent, down 0.3 point from a year ago, according to Woodcliff Lake, New Jersey-based Autodata Corp. Total sales fell 12 percent to 997,824 vehicles, the smallest drop since May 2008, according to Autodata. The annual sales pace was 11.2 million units, the highest this year.

#### Government Program:

The government incentive, which offers as much as \$4,500 for trading in older, less fuel-efficient vehicles, ran through the \$1 billion available in six days. The U.S. Senate this week may consider adding \$2 billion to the program, a move passed by the House last week. Ford, the second-largest U.S. carmaker, had a 2.3 percent sales increase, its first monthly gain since November 2007. Toyota sold 174,827 Lexus, Scion and Toyota brand vehicles, led by a 30 percent gain for the new Prius, the world's best-selling gasoline-electric hybrid. [Bob Carter](#), vice president of Toyota's U.S. sales unit, said "cash for clunkers" may have added sales of between 30,000 and 32,000 additional vehicles in July.

#### Corollas, Camrys:

Corolla and Camry cars, Prius, RAV4 sport-utility vehicles and Tacoma pickups are the main Toyota models benefiting from the U.S. rebates, Carter said. The company since June has made "incremental" increases in supplies of RAV4s, Tacomas and Corollas by adding back some production that had been cut at North American plants, he said. That will continue through September, Carter said. Toyota's U.S. market share was 17.5 percent, up 0.1 point from a year ago, according to Autodata. The company's 11.4 percent sales decline beat the 20 percent average forecast for the company of three analysts surveyed by Bloomberg.

#### Honda, Nissan:

Honda sold 114,690 cars and light trucks. The Tokyo-based company's 17 percent drop was better than the average estimate of 19 percent decline forecast by three analysts. Sales of Civic compact cars gained 3.1 percent and CR-V SUVs rose 9.9 percent. Honda sold 2,295 [Insight](#) hybrids, designed as a lower-cost competitor to Prius. Honda's market share was 11.5 percent, down 0.7 point from a year ago. Yokohama-based Nissan sold 71,847 vehicles, a decline of 25 percent, compared with an average drop of 29 percent forecast by three analysts. Declines for most of Nissan's models were moderated by the addition of the Cube mini-wagon, which sold 3,293 units, and a 3.8 percent gain in sales of compact Rogue crossovers. Honda rose 0.3 percent to 3,080 yen in Tokyo and Nissan fell 2.3 percent to 709 yen. Hyundai Motor rose 2.9 percent to 92,900 won as of 12:07 p.m. in Seoul.

#### Stabilization:

"Since May we have seen stabilization in the marketplace and a much healthier sales rate," [Al Castignetti](#), U.S. vice president for Nissan, said in a telephone interview. "August historically is the best month of year." Nissan's market share fell 1.2 points to 7.2 percent. Hyundai, South Korea's largest automaker, sold 45,553 vehicles. The Seoul-based company's 12 percent gain exceeded the 8 percent increase that Santa Monica, California-based auto-research company Edmunds.com expected. [Kia Motors Corp.](#), Hyundai's affiliate, had a 4.7 percent increase. Hyundai and Kia "have a good value proposition, and incentives have helped that out a lot," Caldwell said. "They're really trying to move the needle in this market, and have looked at the

recession as an opportunity.” Subaru, the auto brand of Japan’s [Fuji Heavy Industries Ltd.](#), had a 34 percent gain last month, the market’s biggest. [Mazda Motor Corp.](#)’s sales fell 15 percent, [Mitsubishi Motors Corp.](#)’s were down 50 percent and [Suzuki Motor Corp.](#) had a 57 percent drop. *Source: Bloomberg.com*

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### **TOYOTA RESTRUCTURES, TOO, BUT AT ITS OWN PACE**

General Motors, Ford and Chrysler are not the only ones working through wrenching restructurings. Toyota is, as well, though with a much lower profile. Still, its new president, Akio Toyoda, has moved quickly since taking charge in June, when he declared his dismay at the company’s financial crisis. Toyota dealers and employees, many of whom know Mr. Toyoda from the years he worked in the United States, are eager for a shot of adrenalin from their new boss, the grandson of Toyota’s founder. “He knows the business,” said P. Compton Cramer Jr., the owner of Cramer Toyota of Venice, Fla., who first met Mr. Toyoda a decade ago. *Source: The New York Times*

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### **GM HAS SOLD THE MOST CARS UNDER ‘CASH FOR CLUNKERS’ PROGRAM**

[General Motors Co.](#), the largest U.S. automaker, has the most sales under the “cash-for-clunkers” program, according to Transportation Department data released today. Detroit-based GM sold 18.7 percent of the cars purchased under the plan. [Toyota Motor Corp.](#), based in Toyota City, Japan, had the second-most sales with 17.9 percent and Dearborn, Michigan-based [Ford Motor Co.](#), was third with 16 percent. The agency released data on the each automakers’ share today, a day after providing a list showing that four of the top five models sold were made by foreign automakers. Toyota’s Corolla is the top model purchased by “cash-for-clunkers” buyers through today, surpassing Ford’s Focus, which had been number one, according to the data.

The U.S. Senate is considering injecting \$2 billion into the program, which exhausted its initial \$1 billion in funding. The plan gives consumers rebates up to \$4,500 for trading in a car and purchasing a more fuel-efficient model. The program is intended to revive the auto industry. The top three U.S. automakers had 45 percent of the sales so far, with the Focus being one of four vehicles made by U.S. automakers in the top 10 types sold. Some vehicles from foreign automakers are manufactured in the U.S.

Ford’s Explorer was the most popular trade-in vehicle, followed by Ford’s F150 pickup and Chrysler Group LLC’s Jeep Grand Cherokee. All of the top 10 trade-in models are made by the top three U.S. automakers.

The average fuel economy of the vehicles purchased is 25.3 miles-per-gallon, a 60 percent improvement over the 15.8 miles-per-gallon average of the trade-ins. One of the program’s intents was to improve fuel-efficiency of cars on U.S. roads *Source: Bloomberg.com*

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## **VOLVO CARS SALE LIKELY LATER THIS YEAR, SWEDEN SAYS**

Ford Motor Co. will likely complete the sale of its Volvo Cars unit in the latter part of this year, Swedish Industry Ministry State Secretary Joeran Haegglund said. Ford is not in the same rush to dispose of the unit as General Motors Corp., which is in the process of selling Saab Automobile to Koenigsegg Automotive AB, Haegglund said. "We're in touch with Ford and note all rumors," Haegglund said. "Ford has a slower pace than GM and Saab and we expect a sale will be completed in the latter part of the year." Source: [Bloomberg News](#)

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## **CFO SAYS FORD PLANS TO REFRESH 90% OF ITS CAR LINEUP BY 2012**

Ford Motor Co. plans to refresh up to 90 percent of its vehicle lineups in North America, Europe, Asia Pacific and Africa by 2012 to help it increase sales. "In the worst of economic times, we are taking the actions necessary not only to strengthen Ford's business but also to deliver world-class levels of product freshness globally," Ford Chief Financial Officer Lewis Booth said here Thursday. Booth told reporters that vehicles are like doughnuts -- they don't get better with age. "We're going to have fresh products," Booth said. "I don't know -- what's the world's best doughnut? (The vehicles) are going to be the Krispy Kremes of the world." By 2014, the average Ford vehicle's age will be shrunk by 20 percent, he said.

Booth said during his speech at the Center for Automotive Research's Management Briefing Seminars that the Dearborn automaker is on pace to reduce its structural costs by \$14 billion to \$15 billion compared with 2005. Ford has lowered new vehicle engineering costs by 60 percent and reduced new facility and tooling costs by 40 percent, he said.

Rod Lache, an analyst at Deutsche Bank Securities in New York told Bloomberg News that Ford was well-positioned to return to profitability sooner than expected, though Booth downplayed Lache's assessment and stuck to Ford's commitment to return to profitability in 2011.

Booth also said Ford expects to build 680,000 vehicles per core global platform within five years, up from 345,000 today. By 2012, 78 percent of Ford's global volume will be on core platforms, up from 29 percent in 2007. Source: *The Detroit News*