



Weekly Car Dealers Newsletter

October 2, 2009

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

Week of October 5, 2009

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THE OTHER SIDE OF "CASH FOR CLUNKERS"

By now, the high-profile casualties of cash-for-clunkers are well documented: a Bentley Continental R and an Aston Martin DB7 Volante from 1997 and a 1985 Maserati Quattroporte all perished under the government-funded incentive program. But scratching beneath the surface reveals that scores of everyday enthusiast rides such as Mustangs, Camaros and even some Corvettes met ignominious endings by having their engines destroyed and their bodies crushed. While it's likely that many of the nearly 700,000 clunkers turned in actually were at the end of their roads, the final report released by the government reveals the demise of plenty of affordable, likely still-fixable cars that could have been enjoyed by collectors of all ages.

Ford's sales were boosted considerably by the clunkers incentive, and the Focus was the fourth best-seller among new cars bought under the program. But many of its favorite cars of yesteryear were scrapped--most notably, the stable of Mustangs on the nation's roads is considerably smaller. A total of 1,611 pony cars from 1984 to 2008 were turned in, including--surprisingly--one '08 model. Yes, many of these were the forgettable rides of the 1980s and '90s, before the car was remade similar to its original iconic form earlier this decade, but it's still a considerable figure of sportier-than-average cars taken off the road. The Blue Oval also saw the end of 107 Taurus SHOs from 1993 to 1999, and a whopping 3,061 Thunderbirds from 1984 to 1995. Stunningly, a 2005 T-Bird, one of the 1950s-styled coupes Ford brought back on a limited basis, also was slated for scrapping.

Luxury cars were not immune to the crusher, either. A 1999 Mercedes C43 AMG, a 2000 Jaguar XK8 convertible and a 1998 BMW Z3 Roadster will not be buffed or polished again. Additionally, two 1991 BMWs, a M3 and a M5 never again will be ultimate driving machines, and a slew of 7-series, including 100 from 1988, are done. The Continental R was perhaps the

single most infamous car taken off the road. In addition to its inglorious clunkers ending, the car also is notable because 70 percent of all Bentleys ever built are still in existence, though that's a pre-clunkers figure released by the company. Other top-shelf rides that saw the reaper included a 1989 Maserati 222E and four 1985 Biturbos.

The Cadillac of clunkers was the Escalade, as 72 copies of the hulking, fuel-hungry luxury ute are toast, with 68 of those from the 1999 to 2000 model years. More than a little surprising: a 2006 STS sedan also received a death sentence.

The General Motors brands also lost plenty of rides favored by car guys and gals. Corvette fans will miss 131 versions the sports car from 1984 to 1995, including 34 convertibles. And though the Camaro crowd rejoiced at the car's return this year, 1,007 of its predecessors are now history, including at least eight from every year from 1984 to 2000. The early '90s were particularly brutal, with 127 from 1991 and 116 from 1992 getting handed a blind fold and cigarette. One Camaro sibling, a 1989 20th Anniversary Trans-Am, also a bit unexpectedly was on the list, as was a 2002 Firebird. They're joined by a 1987 Buick Grand National GNX, an intercooled, turbocharged marvel highly sought after by collectors.

Perhaps a bit less iconic, 61 Pontiac Fieros from 1985 to 1988 were turned over, and one of the ultimate beater cars, the 1986 Oldsmobile Cutlass Supreme, was trimmed by 185 models.

The third Detroit-based automaker, Chrysler, was the victim of four of the newest clunker trade-ins. One 300 all-wheel-drive model from 2008, two from 2007 and a Hemi-powered '05 all won't live to see what plans Fiat has in store for their maker.

One owner of a 2006 Nissan 350Z also turned over the keys, as did those of two 2006 Roush Stage 3 F-150s. Two 2008 Foose F-150s also were among the customs that had a date with the crusher.

Thirteen Porsches and 28 Alfa Romeos also are off the road.

All told, cash-for-clunkers resulted in almost \$2.9 billion in rebate claims and boosted the economy considerably this summer. The nation's fleet is undoubtedly more fuel-efficient, but fewer Mustangs, Camaros and even the random Bentley means it's also a bit less fun.

Source: Autoweek.com

BUYING A CAR GETS PRICIER AS GM, FORD CUT INVENTORY

Buyers who have been waiting for better deals on new cars may be disappointed. [General Motors Co.](#) and [Ford Motor Co.](#), bucking decades of tradition, are weaning themselves from dependence on profit-sapping discounts after factory shutdowns curbed dealers' supply of cars and trucks. Incentives on GM, Ford and [Chrysler Group LLC](#) autos plunged 26 percent to \$3,278 in August from a March peak, while discounts industry-wide fell 22 percent to \$2,474, according to researcher Edmunds.com. The U.S. automakers' vehicles sold for an average of \$2,000 more in the second quarter than a year earlier, said researcher J.D. Power and Associates. "As we suffered through the worst automotive recession in our lifetimes, the lesson automakers learned was to stay under control and not bloat inventory, which you have to follow

with huge incentives to move the metal,” said [Jeff Schuster](#), an analyst at J.D. Power. “From now on, we’re going to see a more cautious approach to incentives.”

Boosting the price paid by buyers, not just the number on the window sticker, is pivotal. Ford, alone among the domestic trio in avoiding bankruptcy, lost \$30 billion in the past three years, while GM and Chrysler relied on \$65 billion in U.S. loans to reorganize in court. Ford buyers paid an average of \$2,000 more for each vehicle in the second quarter, according to the automaker. That translated into a \$900 million increase in net pricing in North America during the period, Ford Chief Financial Officer [Lewis Booth](#) said July 23. Researcher Autodata Corp. estimated that Ford pared spending on discounts 27 percent this year. The average price per vehicle commanded by GM, Ford and Chrysler in the U.S. rose 7.8 percent to \$27,571 in the second quarter, from \$25,567 a year earlier, according to J.D. Power. Industrywide, average vehicle prices rose to \$26,921 in the second quarter from \$25,954 a year earlier, Westlake Village, California-based J.D. Power said.

Extended summer plant closings at GM and Chrysler halted the flow of new autos amid sales at the worst levels in almost 30 years, while Ford cut inventory in half since the start of the year. The U.S. cash for clunkers program shrank supplies to the lowest since at least 1985, according to researcher Ward’s AutoInfoBank of Southfield, Michigan.

A lack of cash also crimped U.S. automakers’ discounting, J.D. Power’s Schuster said. Japan’s two biggest automakers, Toyota Motor Corp. and Honda Motor Co., have long championed limiting inventory to curb incentives, he said. Toyota offered discounts averaging \$1,584 on each vehicle this year and Honda’s figure was \$1,567, according to Woodcliff Lake, New Jersey-based Autodata. GM’s spending averaged \$3,418 through August, while Dearborn, Michigan-based Ford’s was \$2,811 and Chrysler’s was \$4,407, Autodata estimated.

With assembly lines cranking up again now that inventory is depleted, the incentives restraint at GM, Ford and Auburn Hills, Michigan-based Chrysler may be tested, Caldwell said. “Automakers have to pull the lever and increase production in an unknown market,” she said. “They could find there are no buyers out there and have to raise incentives again. It’s a vicious circle.” September U.S. sales probably will run at an annual rate of 9.34 million vehicles, 34 percent lower than in August when the clunkers program was in place, Edmunds said Sept 24.

Ford, which posted its first sales gains since 2007 in July and August, said Sept. 16 it expects to boost 2009 market share while keeping inventory and spending in check. “We’re not just chasing market share blindly

Toyota’s plan to spend \$1 billion on fourth-quarter advertising, incentives and other marketing support is “larger than average,” [Irv Miller](#), group vice president for Toyota’s U.S. sales unit, said in a Sept. 16 interview.

Gordon Stewart, a Toyota and Chevrolet dealer, said he hopes the ad blitzes from the two automakers will stimulate sales that have fallen to “the slowest ever” since the end of the clunkers discounts. He isn’t counting on big incentives. “We’re in a transition period where people are waiting for the next deal and it’s just not coming,” said Stewart, who owns a Toyota store in Alabama and four Chevrolet outlets in Georgia, Florida and Michigan. “We’re just not going to buy business anymore.” *Source: Bloomberg.com*

LARGEST U.S. RECALL IN TOYOTA'S HISTORY AFFECTS 3.8M CARS

Toyota says it will recall 3.8 million vehicles in the United States to address problems with a removable floor mat that could interfere with the vehicle's accelerator and cause a crash. The company says it will be the largest recall in its history. Owners could learn about the safety campaign as early as next week. Toyota and the government warned owners of Toyota and Lexus vehicles about safety problems tied to the removable floor mats. They say the mats could interfere with the vehicle's accelerator and cause a crash.

The recall will affect 2007-2010 model year Toyota Camry, 2005-2010 Toyota Avalon, 2004-2009 Toyota Prius, 2005-2010 Tacoma, 2007-2010 Toyota Tundra, 2007-2010 Lexus ES350 and 2006-2010 Lexus IS250 and IS350.

Owners should take out the floor mats on the driver's side and not replace them. Toyota's previously largest recall was about 900,000 vehicles in 2005 to fix a steering issue
Source: The Associated Press

TOYOTA SAYS COMPANY IS 'GRASPING FOR SALVATION'

Toyota Motor Corp. President Akio Toyoda said his money-losing automaker is "grasping for salvation" as it struggles to return to profit

The world's largest car company was once targeting annual sales of 10 million vehicles but now expects sales of 7.3 million this year, down from 8.97 million in 2008, Toyoda said today at a news conference.

Citing the five stages of corporate decline outlined by Jim Collins, author of *How the Mighty Fall*, the Toyota chief warned that his company has slumped to stage four, which Collins calls "grasping for salvation."

"We are grasping for salvation," Toyoda said, adding that the company already has spiraled through the first three stages: (1) hubris born of success, (2) undisciplined pursuit of more and (3) denial of risk and peril. His self-admonitions echoed the apologies commonly made by Japanese executives who take responsibility for financial turmoil or corporate scandal.

Grim assessment

While Toyota is far from entering the fifth stage--capitulation to irrelevance or death--Toyoda's grim assessment was clearly meant to underscore the challenges he faces after only three months as president. They also seemed aimed at ensuring customers that he grasped the



severity of the situation and was committed to reversing Toyota's malaise. "Toyota has become too big and distant from its customers," the grandson of the automaker's founder said as he prepares for a second-straight year of substantial financial and unit-sale decreases.

In the United States, Toyota's sales fell 13 percent in September from a year earlier as the market suffered a sharp letdown after the government-funded cash-for-clunkers program ran out. Total U.S. sales tumbled 23 percent. Toyota is down 28 percent for the year.

Separately, Toyoda called the current dollar-yen rate "very tough," saying the weak U.S. currency made it difficult to return to profit on an unconsolidated level. "When you get to this level, it makes it difficult to return to profit on sales growth alone," he said. Toyoda repeated Toyota's aim to return to profit at the parent level "as soon as possible," even as it expects global sales to fall 18 percent from 2008 to 7.34 million vehicles this year. That would leave about 30 percent of the company's production capacity unused.

Toyoda took the helm in June as the world's biggest automaker faced one of its biggest crises in history amid a global credit crunch and an industrywide sales slump that forced General Motors and Chrysler into bankruptcy.

For the financial year to March, Toyota has projected a consolidated operating loss of ¥750 billion (\$8.4 billion), assuming a dollar rate of ¥92. It has forecast a parent-only operating loss of ¥600 billion.

Recall regret

Presenting a further challenge, Toyota said this week it would recall 3.8 million Toyota and Lexus models in the United States--its largest-ever recall--because of a risk that a loose floor mat could force down the accelerator. The problem is suspected of causing at least one crash that killed four people.

"We would like to pay our deepest condolences for the loss of four precious lives," Toyoda said. But because an investigation into the problem is still under way, he said, he could offer no further details about plans to address the issue.

"Customers who chose Toyota and Lexus cars because those brands are safe and secure are now beset with anxiety. I regret and apologize for this development," said Toyoda, who took office in June.

The Prius has helped fuel sales growth at Toyota especially in Japan, where the government is offering two sets of incentives to promote more fuel-efficient cars.

Toyoda said he would welcome an unlikely extension of Japan's cash-for-clunkers program beyond March, while adding it would not be prudent to keep depending on the government for help. *Source: Automotive News*