



Weekly Car Dealers Newsletter

September 21, 2009

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

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G.M. RESCINDS WHITE-COLLAR PAY CUTS

[General Motors](#), in an effort to keep employees happy as it tries to climb back to profitability, has rescinded white-collar pay cuts it made last spring, when it was working to conserve cash and avoid filing for bankruptcy protection. The struggling automaker was losing staff members because its pay scales were no longer competitive with other automakers and manufacturing companies, a spokesman, Tom Wilkinson, said Friday. He said he did not know how many workers had left or exactly how many were affected by the cuts.

G.M. is trying to lure buyers back to its brands and fix its image after filing for Chapter 11 earlier this year. This weekend it will introduce a new advertising campaign that offers to buy back cars and trucks within 60 days of their sale if customers are not satisfied with them. The earlier pay cuts, ranging from 3 percent for many lower-level workers to 10 percent for executives, saved the company about \$50 million, but in the end it did have to spend 40 days under bankruptcy court protection, emerging on July 10. The cuts affected workers in the United States and Canada as well as some overseas countries. "We're into a period where employee morale is really important as we're starting to launch products and rebuild the business," Mr. Wilkinson said. The company has about 25,000 salaried workers in the United States, mainly in the Detroit area. Salaries for some employees at the bottom of the pay grades were not cut.

The pay restoration, which began Sept. 1, will be financed primarily with government dollars, at least for now. But Mr. Wilkinson said keeping good employees and selling more vehicles would help G.M. turn around and increase the value of the company when the time came for the stock sale. He said the [Treasury Department](#) reviewed the pay restoration.

Rescinding the pay cuts does not affect the company's 25 top-paid executives, Mr. Wilkinson said. Because G.M. is receiving government aid, their compensation is controlled by the Obama administration's "pay czar." *Source: The Associated Press*

LESS SUPPLY IS GOOD NEWS - SHORT SUPPLY FEEDS HOPE FOR AUTO INDUSTRY

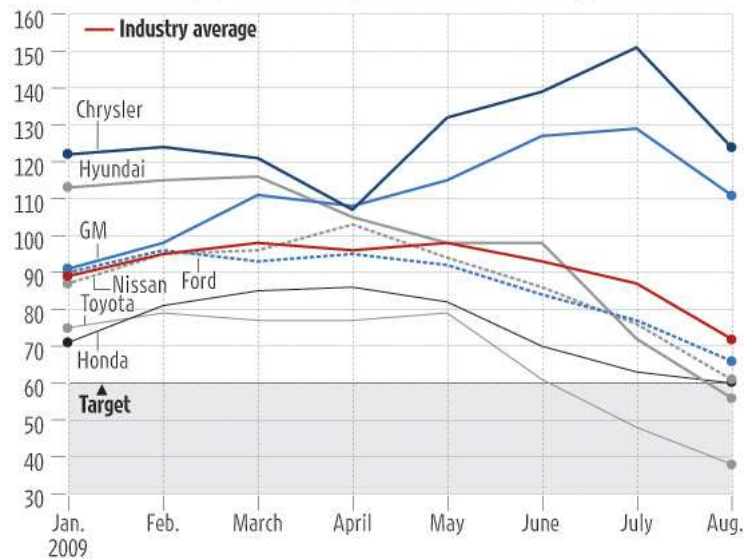
(But shoppers face fewer incentives)

After struggling with historically low auto sales for much of the past year, automakers are confronting a more-welcome problem: some of the lowest inventory levels in about three decades. With factories abuzz to replenish low stocks of cars -- a consequence of the popular cash-for-clunkers program that ended last month -- it's a problem that workers are greeting with open arms, too. "Everybody has gone from being down in the doldrums to being upbeat and happy," said Dave Beach, 47, of Washtenaw County's Webster Township, who is now working overtime at Ford Motor Co.'s Wayne Assembly Plant, where the compact Ford Focus is produced. Consumers looking to buy cars in September are the only losers, said Jessica Caldwell, industry analyst for Edmunds.com, because incentives are declining and some cars are hard to find. "Depending on which vehicle you are looking at, it could be slim pickings," Caldwell said.

The number of cars and trucks on dealership lots across the United States has dipped to the lowest level since at least 1975, according to WardsAuto.com, which assembles detailed data on the auto industry. That is largely a consequence of the cash-for-clunkers program, which gave consumers an incentive to turn in their old cars and trucks for more fuel-efficient, modern models. The federal government spent \$3 billion on the program, which helped boost sales to their highest level in 15 months. While that has left dealers and consumers craving scarce products, which could cost automakers some sales, it has brought many autoworkers back to work and stimulated some optimism after a long recession.

Days to sell

Inventory levels for most automakers have dropped substantially after the federal cash-for-clunkers program, which ended in August. While most automakers aim for a 60-day supply of cars and trucks at their dealerships, GM and Chrysler levels remain high.



Source: Edmunds.com

Detroit Free Press

By the end of August, the amount of inventory on dealership lots or in the process of being delivered to dealerships fell to 1.4 million vehicles, or 49% less than at the end of last August, according to Ward's data. "On the positive side, we just came through cash for clunkers ... so this is happening at a time when we should see a more-relaxed demand," said David Zoia, editorial director for WardsAuto.com. According to Edmunds.com, the industry's days to turn -- which is the amount of time it takes for a car to

sell once it reaches the dealership -- was 72 at the end of August. That's the lowest level since last September, when Wall Street investment bank Lehman Brothers collapsed and the nation's economy went into a tailspin.

Automotive experts regard a 60-day supply of new vehicles as ideal. "It helped Ford, it helped the supply base, it helped everybody," Ed Norris, 48, of Jerome, said of the cash-for-clunkers program. Norris is employed by supplier IAC Group, where he monitors the quality of incoming parts at Ford's Wayne Assembly Plant. That factory builds the Ford Focus compact car, which was a top seller under the federal stimulus program. The industry's lower inventory levels give automakers an opportunity to replenish dealer inventories and increase profit margins per vehicle, Rod Lache, analyst for Deutsche Bank, said in a recent research report. That's because too much supply leads automakers to discount prices to sell product, lowering revenue and profits. "It's a good thing for pricing," said John McDonald, spokesman for General Motors Co. "Because you don't have to put excess inventory on sale with incentives."

Dealers said that the low inventory levels are manageable for now, because September is typically a slower month than August, considered the last month of the summer selling season. Bill Golling, who owns a Chrysler-Jeep-Dodge dealership in Bloomfield Hills, said he had about 450 cars on his lot Wednesday, down from his typical inventory of about 1,000. "We are somewhat limited on colors and even some models, but that is getting fixed," Golling said. *Source: Detroit Free Press*

FORD UNVEILS U.S.-BOUND COMPACT MINIVAN

Ford Motor Co., unveiled a new compact minivan that will go on sale in the United States in 2011 at the auto show here Tuesday as it announced plans to build a family of ten different vehicles based on its 2011 Focus compact. The seven-passenger Grand C-Max minivan will be a key part of Ford's growing compact family as it shifts its U.S. sales to include more high fuel-efficiency small cars. Ford plans to introduce at least six of the new models in the United States, where it is converting truck assembly plants in Wayne, Michigan, and Louisville, Kentucky to build small cars. The Grand C-Max will use a four-cylinder engine with Ford's Ecoboost combination of turbocharging and direct fuel injection to boost fuel economy about 20% versus a conventional engine, Ford of Europe chairman John Fleming said. While the Grand C-Max's accommodations for seven passengers and sliding doors may appeal to American families looking to combine maximum kid-carrying and minimum fuel bills, Ford has no plans to bring the five-passenger C-Max minivan it sells in Europe to the United States.

Over the next three years, Ford will use the new Focus' underpinnings to launch a new lineup of small hatchbacks, minivans, sedans and coupes that it hopes will fetch 2 million sales a year. Ford's compact fleet comes at a time when other automakers also are focusing on smaller models. General Motors Co. is to launch the compact Chevrolet Cruze in the United States and the Opel Astra in Europe. Chrysler is planning a range of compacts based on models from Italy's Fiat, including the Fiat 500. "We are learning from Europe," Derrick Kuzak, Ford's global product czar, said. Despite that, Ford's new compact lineup is to include some trusted brand names. The next generation of the already popular Ford Focus is to be built on Ford's new global compact platform from Europe. The new Focus is set to debut in January at the Detroit auto show and be built at Ford's former SUV factory in Wayne -- a factory that is well poised to build several of Ford's other new compact models, too.

Ford Motor Co. is to reveal plans today to bring a seven-passenger version of its C-Max minivan to North America, underscoring the Dearborn automaker's bet that young Americans will buy more small vehicles in the future. The Ford Grand C-Max is a small minivan that will be built off of the same global compact platform as the Ford Focus. It is to be part of a family of 10 new compact models by 2012. "We believe that we will be catching the leading edge of Generation Xers and millennials," said Derrick Kuzak, Ford Motor's group vice president of product development. The C-Max will compete directly against the Kia Rondo, the Chevrolet Orlando and the Mazda 5. Indirectly, it will compete against larger, traditional minivans. Analysts say Ford has the potential of selling between 40,000 and 60,000 of the compact minivans in the United States a year.

In Europe, both five-seat and seven-seat versions of the C-Max will be built in Valencia, Spain. Where the compact minivan will be built in North America remains undisclosed. In North America, Ford plans to build both the Ford Focus and a battery-electric Ford Focus at Michigan Assembly in Wayne -- opening up the possibility that Ford could also produce the C-Max there. However, Ford has also said it would build a compact car at its Louisville Assembly Plant in Kentucky. *Source: Detroit Free Press*

NISSAN WILL SHIP V8S TO JAPAN FOR U.S. VEHICLES

Nissan Motor Co. plans to export U.S.-made V8 engines and engine parts to Japan to install in Infiniti SUVs that will be shipped back to U.S. dealerships. The automaker determined that the round-trip export-import was quicker and more cost-efficient than tooling up an engine plant in Japan for the SUVs, the company said Thursday in a released statement. It is the first time Nissan has exported engines from the United States to its automaking operations in Japan.



The 5.6-liter V8s will go into the full-sized Infiniti QX56, which has been produced in Canton, Miss., until now. But Nissan is moving the low-volume luxury SUV to an assembly plant at Shatai Kyushu, Japan. Ben Poore, vice president of the Infiniti business unit for Nissan North America, says QX56 inventories have been too low for Infiniti dealers this summer, and he has asked the company to increase production of the model.

The model sold 7,657 units in 2008, down from 12,288 in 2007. Nissan already was producing the V8 at its engine plant in Decherd, Tenn.

Nissan also will export V8 engine blocks, heads and crankshafts from Decherd to its Yokohama plant where they will be used for the Japan-built Patrol SUV. The full-sized Patrol sells in markets around the world.

The engine-sourcing plan is something of a reversal of Nissan's North American manufacturing

pattern for the past two decades. Since the 1990s, Nissan has relocated SUV assembly from Japan to the United States, where SUV sales were strongest. It took Nissan longer to shift engine production from Japan to the United States.

But now that the SUV sales have softened in the United States, Nissan has evolved to a slightly different strategy. The company is converting a large part of its light-truck assembly capacity in Mississippi to build light commercial vehicles. Nissan wants to establish its Light Commercial Vehicle operations in the United States beginning next year, starting with a compact commercial van that is similar to Ford Motor Co.'s recently introduced Transit Connect. As part of that plan, Nissan also is relocating its next-generation Quest minivan from the Mississippi plant to a Japanese assembly plant. *Source: Automotive News*

DEALERS INDICATE PENSKE CLOSE TO BUYING SATURN

Saturn dealers nationwide have received new sales and service agreements from Roger Penske, a sign the auto icon is close to finalizing a deal for the castoff General Motors Co. brand. The two-year agreements, which are subject to completion of a deal for Saturn, were sent to about 340 U.S. dealers, who had until Sept. 11 to sign and return them. "We can't wait for this thing to get done," said Stuart Lasser, who owns three Saturn outlets in New Jersey. "We have to get on with our lives, we have to move on; the franchise has to move on." *Source: [The Detroit News](#)*