



## *Weekly Car Dealers Newsletter*

September 30, 2009

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

# Week of September 28, 2009

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**CAR SHOWROOMS QUIET AFTER CLUNKERS CLAMOR ENDS  
G.M. TO CALL BACK 2,400 FACTORY WORKERS  
DAIMLER CONSIDERS BUILDING MERCEDES C-CLASS IN U.S.  
INDUSTRY UPDATE**

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### **CAR SHOWROOMS QUIET AFTER CLUNKERS CLAMOR ENDS**

It has been nearly a month since the car-buying frenzy of the Cash for Clunkers program ended, and many area auto dealers are longing for the good old days of July and August. Like consumers nationwide, Massachusetts residents rushed to take advantage of the federal voucher program, which offered them up to \$4,500 on old gas-guzzlers to be put toward the purchase of new, more fuel-efficient vehicles. About \$65 million worth of vouchers were handed out statewide during the monthlong program that ended Aug. 24. But once the federal money dried up, so did the sales rally. Now, customers at dealerships like Silko [Honda](#) in Raynham are few and far between, and inventory is once again accumulating. Manager Adam Silverleib said business was “pretty intense” as a result of the federal stimulus program, with the dealership hustling to accommodate customers and handle the piles of paperwork required for them to receive reimbursement on vouchers. “Now we’re kind of back to where we were in the spring,” he said.

In an attempt to draw customers back to showrooms, some dealers are offering new incentives, albeit none as enticing as a \$4,500 for a rusting junker. Silko, for example, is promoting 2.9 percent financing on new Accords, along with other deals on its website.

Nationwide, customers snatched up 700,000 new cars, most of them foreign-made, and the government ended up paying out nearly \$3 billion toward the purchases. But from the start, analysts predicted that Cash for Clunkers would not boost sales for the year. September’s sales swoon seems to be making their case. Car sales are usually slow after Labor Day, but because of the recession consumers this year are especially reluctant to say yes to major purchases. To make matters worse for dealers, most are still waiting for voucher reimbursements. “It was probably, in the end, a complete waste of taxpayer money,” said John Wolkonowicz, a senior auto analyst at IHS Global Insight, Lexington forecasting firm. “The dealers, who were supposed

to be the primary beneficiaries, many were forced into cash flow problems because the government didn't pay them in a timely fashion."

From the outset, there were problems with the Car Allowance Rebate System. It was supposed to start July 1 but was delayed until July 24. The rules were complicated, and the list of qualifying vehicles and other requirements changed repeatedly. And in addition to the formidable paperwork, the government website set up to process the deals kept crashing, creating a backlog. *Source: The Boston Globe*

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## **G.M. TO CALL BACK 2,400 FACTORY WORKERS**

[General Motors](#) said on Tuesday that it would call 2,400 hourly workers back to three factories in Michigan, Indiana and Kansas so that it could meet higher demand for some vehicles, but most of the workers will have to move from other states. G.M. plans to operate the plants around the clock on weekday is to make up for production that will be lost when three other plants close this fall. G.M. says many of its dealers have been running out of popular models like the [Buick LaCrosse](#) and [Chevrolet Malibu](#), particularly after the government's cash-for-clunkers program caused a surge in sales last month. "We're running much leaner at this point than we anticipated," Mark LaNeve, G.M.'s vice president of United States sales, said on a conference call with reporters. Mr. LaNeve said G.M. dealers had about 300,000 vehicles in stock, the fewest since the company began tracking that figure.

The G.M. plant in Fairfax, Kan., that builds the Malibu and LaCrosse will gain a third shift in January, after a plant in Lake Orion, Mich., that also makes the Malibu closes for a lengthy retooling project. G.M. will also add overnight shifts in April at its pickup truck plant in Fort Wayne, Ind., and at a plant that makes crossover vehicles near Lansing, Mich. Those plants will absorb work currently being done in Pontiac, Mich., and Spring Hill, Tenn.

The Pontiac plant, which employs about 1,300 workers, is scheduled to close next week. The Spring Hill plant, where 3,400 people work, will shut down on Nov. 25, though G.M. said it could reopen in the future if market demand improved. The closings were announced in June as G.M. filed for Chapter 11 bankruptcy protection.

Many workers at the three closing plants will be offered transfers to the plant that is absorbing their work; Spring Hill workers would be shifted 565 miles north to Lansing, for example. Anyone who turned down a transfer would, under the [United Automobile Workers](#) union contract, retain seniority and supplemental layoff benefits but would move to the bottom of the transfer priority list in the future, said Tim Lee, G.M.'s group vice president for manufacturing and labor relations. "In the three cities where we're adding shifts, there are virtually no employees on layoff," Mr. Lee said. "There are a lot of individual decisions that have to be made. This is a massive move for us in terms of the transference of people." About a month ago, G.M. said it would call back 1,350 laid-off factory workers in Ohio and Ontario as it began to increase production after a year of drastic cuts. Those workers are scheduled to report in October.

G.M. plans to build 2.8 million vehicles in North America next year, up from 1.8 million this year, Mr. Lee said. In 2005, G.M. built 4.6 million vehicles in North America. Mr. Lee said G.M. planned to increase the efficiency of its plants by having fewer of them but running them around the clock rather than having just one or two eight-hour shifts each day. "Our vision is that we

want to run our factories 24/7 five days a week and get out large quantities,” he said. *Source: The New York Times*

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## **DAIMLER CONSIDERS BUILDING MERCEDES C-CLASS IN U.S.**

Daimler AG could move some production of the Mercedes-Benz C-class to the United States from Germany, a German newspaper reported Wednesday. The *Stuttgarter Zeitung* said some C-class production could be transferred to the carmaker's plant in Vance, Ala., from Sindelfingen, near Stuttgart, as part of a wider production shakeup planned by Daimler to reduce costs. In the future, the C-class sedan could be built in three locations: Bremen, Germany; Vance, Ala., and in China, the newspaper said.

Building about 80,000 C-class cars a year in Vance would save the automaker about \$95 million (64 million euros) because the average hourly wage at the U.S. factory is about \$44 (30 euros) compared with \$74 (50 euros) in Germany, the newspaper said. Moving some C-class production to the United States would allow Daimler to avoid swings in the value of the U.S. dollar against the euro, and save import duties and freight costs.

The Vance plant, which builds the M-, GL- and R-class models, has spare capacity. The plant built 66,710 units in the first eight months of this year, down from 136,138 the year before, according to the Automotive News Data Center.

The C-class is Mercedes' top-selling car in the United States with 34,432 units sold in the first eight months, down from 50,593 the year before, according to the data center. *Source: Automotive News Europe*

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## **INDUSTRY UPDATE**

Don Smith and Jack Lazareff attended the fall meeting of Auto Team America meeting last week. Some of the items discussed were:

- Blue Sky rates are down by at least 1/3. In many cases closer to 1/2. The rate for Toyota is around 4 times based on current deals
- The income being used for the calculation of Blue Sky is heavily weighted to the 2008 fiscal year and current year operations
- If a dealer has invested funds in the GMAC offset account the maximum is reduced from 50% to 35% and the rate paid is 1/2 point less than the dealer is being paid
- About 50% of Chrysler dealers who were with Chrysler Financial have been transitioned to GMAC. This represent the most credit worthy dealers. The remaining store are weaker and many may not get replacement floor plan financing from any source unless the dealers introduce much more equity.
- ADP is no targeting tier two computer suppliers in general and Arcona in particular
- IT company on the industry death watch (they get there by having reduced development spending, not proposing stores, extend support waits, lack of new product) include Quorum and PBS
- Chrysler is still a concern
- Fiat is a poor performer in Europe

- GM has a good product line but no one is willing to predict its future yet
  - Ford has a very good product line but high debt loads
  - The decline in the Auto industry is not over yet, one reason for this is that the Auto industry did not adjust or suffer a decline after September 11<sup>th</sup>.
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