



Weekly Car Dealers Newsletter

April 23, 2007

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

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AN AMG OIL BURNER? Okay, let's begin by acknowledging this is as much a matter of wishful thinking as it is any hard news. That said, might we wind up seeing a diesel-powered performance machine from the folks at AMG, the in-house Mercedes-Benz tuner division? Wouldn't that be the perfect halo car for a company that is putting increasing emphasis on its super-clean Bluetec system, which is designed to meet even the tough, new California diesel standards? That point clearly wasn't lost on Volker Mornhingweg, the amiable executive in charge of AMG. During a recent conversation, he acknowledged that even a brand driven to deliver the maximum horsepower has to be well-aware of mounting environmental pressures. "No question," he emphasized, "we take it seriously." "In the near future," Mornhingweg suggested, AMG must add more green technology, though the challenge is to balance emissions, mileage and performance. "We have the opportunity," he hinted, "for both hybrids and diesels." AMG actually offered a C-Class diesel, for a short while, and it was a notable "success" in both France and Italy, where diesels routinely outsell gasoline powertrains in virtually every market segment. But before committing to another diesel, the company wants to be sure it will also be a success in the U.S., which currently accounts for half of all AMG sales worldwide. Indeed, normally diesel-phobic California – primarily in Los Angeles – accounts for a full quarter of global AMG sales. So, which comes first, the diesel chicken or the oil-burner egg? Mercedes is beginning a roll-out of the Bluetec system, but it could certainly use a halo product to show just how much today's diesels have changed from those Americans might remember from the '70s and '80s. And what better way to do that than with an AMG version that could burn plenty of rubber without smoking up the skies with diesel soot?

Mornhingweg won't commit, but we're hearing some hints that at least an AMG diesel show car may be in the works. If it isn't, we can only ask, "why not?"

NISSAN PLANS NEW BATTERIES, PLUG-INS Could the electric vehicle be poised for a comeback? A new joint venture between Nissan Motor Co., NEC Corporation, and its subsidiary, NEC TOKIN Corporation, could pave the way for a new generation of battery cars, including super-high-efficiency hybrids, plug-in hybrids, and pure electric vehicles with far more range than the EVs California consumers snubbed in the 1990s. The new company, Automotive Energy Supply Corporation (AESC), will, according to the partners, "focus on the development and marketing of advanced lithium-ion batteries, designed to power future generations of electric-powered vehicles." By mid-2008, AESC hopes to begin production of the highly-efficient lithium-ion batteries, with "wide-scale automotive application" expected by 2009.

"Nissan will introduce our own original hybrid vehicle by 2010, followed by our next-generation electric vehicle in the early part of the next decade," said Carlos Tavares, executive vice president of Nissan. Meanwhile, a ranking source at the Japanese company tells TheCarConnection.com that a plug-in hybrid-electric vehicle is also under development. Similar in concept to the Chevrolet Volt prototype unveiled by General Motors, early this year, plug-ins can be charged up from a conventional wall socket, storing enough energy to handle a typical daily commute. But during longer trips, a gasoline engine would take over, overcoming the limited range problems of pure battery cars. The Japanese automaker has been faulted for its slow start-up in hybrid-electric vehicle technology, only just launching its first hybrid this year, in the form of the Altima Hybrid. That model is similar in concept to existing offerings from competitors such as Toyota - considered the leader in current hybrid technology - Honda, and Ford.

Two powertrains are used to drive the Altima, a gasoline engine and an electric motor. During braking and coasting, energy normally wasted is recaptured and temporarily stored in a pack of nickel-metal hydride (NiMH) batteries. That power can then be reused to drive the electric motor, which assists the gasoline engine during takeoff and under hard acceleration.

While NiMH batteries are a significant improvement over old-style lead-acid batteries, next-generation lithium-ion technology can store far more energy, potentially doubling range while reducing vehicle weight and cost. But scaling up from the batteries used in cellphones and laptop computers is a serious challenge that the new Nissan/NEC joint venture has to address. Even in compact form, lithium-ion batteries generate lots of heat and, if not managed properly, can catch fire. Under automotive applications - which means interconnecting a sizable number of large battery cells and then operating under a wide range of weather conditions - the technology would be pushed to its limits. "The battery just isn't ready yet," cautioned GM Vice Chairman Bob Lutz, after unveiling the Volt concept vehicle at the Detroit auto show, in January. Like Nissan, GM is teaming up with various partners to push the development of auto-ready lithium-ion technology. But by directly forming a joint venture with NEC, Nissan officials believe they can speed up the process significantly. "Moreover, the alliance with Nissan guarantees Nissan as a prospective customer of AESC," said Konosuke Kashima, executive vice president of NEC. "We will also strive to accelerate growth by expanding marketing to auto manufacturers worldwide."

CHRYSLER SALE DRAGGING OUT The negotiations over the possible sale of the Chrysler Group are likely to drag on for several more weeks, despite some brave talk by DaimlerChrysler executives of making some kind of a decision by the end of the month. For one thing, it is now apparent that any deal will require at least some semblance of approval from both the United

Auto Workers and the Canadian Auto Workers, which are both showing increasing signs of resistance to any deal that turns the company over to a private equity group. Buzz Hargrove, CAW president, said in an interview last week that he had no interest in an offer billionaire Kirk Kerkorian has laid on the table - but he doesn't think much of the private equity groups that have stepped forward to make bids. "He's made a lot of money at the expense of throwing a lot of people out of work. It's nothing personal. It's just that anybody in his world is out to make a lot of money at the expense of the people I represent," Hargrove said. "The same with these other (buyout) firms. They've got a fancy new name but they're the same as the old leveraged-buyout groups. These folks are just in it to come and cut a lot of jobs and try and make money at our expense." Hargrove also disclosed that he had met with UAW president Ron Gettelfinger three weeks ago to talk over strategy. "Ron's not as vocal as I am. But I'd guess he pretty close to where I am on this," Hargrove said. If Chrysler is to be sold, it should be to some one with "experience in the industry," Hargrove said.

UAW president Ron Gettelfinger has said nothing publicly about the discussions, but he acknowledged in a recent radio interview that he expected DaimlerChrysler to move ahead with its effort to sell the Chrysler Group. DaimlerChrysler officials quietly confirmed key executives met in New York with potential buyers. The process of reviewing the various offers, which includes strict criteria outlined earlier this month by CEO Dieter Zetsche, is still unfolding, DaimlerChrysler officials said. DaimlerChrysler officials also admitted the union still has a lot of leverage because it can shape the talks on so-called legacy costs. The Chrysler Group's pension fund is fully funded but the group's unfunded liability for retiree healthcare now tops \$18 billion, according to the company's financial statements. The legacy costs are a huge barrier to any sale, which must be resolved for a deal to move ahead, one DaimlerChrysler officials said privately. UAW officials also said last week that potential buyers have approached the union to open discussions about possible sale terms and what the union expects in any deal. None of the buyers approaching the union were identified, however. So far, the New York-based investment firms of Blackstone and Centerbridge, Cerberus, another New York investment firm, Canadian auto parts supplier Magna International Inc., and Kerkorian have been named as interested bidders.

Magna also reconfirmed its interest in a deal for the Chrysler Group. "There is no assurance that any transaction will result from Magna's current involvement," Magna said in a statement. Harley Shaiken, a labor expert from the University of California-Berkeley, said the UAW basically believes it make more sense for DaimlerChrysler to stay together but if that doesn't happen, at the minimum, the union will insist on buyer interested in a long-term investment, he said. "They had a bad year. But Chrysler has a lot of talent and resources," Shaiken said. "I think DaimlerChrysler would be better off now talking about hybrids instead of hedge funds," he added.

Local union officials around Detroit also said privately they would fight any buyer they think wants to break up the company into pieces. "I know I would fight and I would hope Gettelfinger would too," he said.

GETTING DIESEL – FROM NATURAL GAS? What's believed to be the world's first publicly running cars that use a revolutionary new fuel have been unveiled in South Africa. The two Mercedes M-Class SUVs are powered by a new type of diesel called Gas-to-Liquid (GTL). Until now, all diesel has been made from oil, but GTL is refined from natural gas. It has massive

implications for motoring because there are huge untapped resources of it all over the planet. But more impressive is the list of GTL's benefits. Firstly, it has a cetane rating of more than 70. Cetane is to diesel what octane is to gasoline, and what's available on Europe today is only rated in the 51-55 range. Put simply, it means the combustion in the cylinder is more efficient, and far less compression is needed to ignite the fuel than in current diesel cars. The upside for drivers is obvious; the actual engine block doesn't have to be so bulky, which means less curb weight and better fuel economy on the road.

Other pluses include GTL's low sulfur content, the fact that it runs quieter than usual - the traditional diesel clatter is gone - and there's less wear and tear on the engine. But perhaps the biggest bonus of GTL is on carbon monoxide and hydrocarbons. It sounds unbelievable, but 95 percent of what normally comes out of the exhaust is eliminated completely. CO2 emissions are also down slightly. The downsides are that fuel economy is about five percent lower than what you'd get from a tank of regular diesel today. But that's the only one. Cars don't need any modification to run on GTL, and can run on any blend of it and regular diesel. The new fuel has been developed by Sasol Chevron, a joint venture between South African petrochemical giant Sasol and American fuel company Chevron. Rivals such as BP and Shell are also working on GTL technology, too.

Sasol Chevron has donated the two Mercedes to the De Wildt Cheetah and Wildlife Trust, a charity near Johannesburg, and they're complete with 'big cat' paint job so they blend into the bush. It hopes to start marketing GTL commercially in the near future.

2007 BUICK RIVIERA CONCEPT One of the most celebrated names in the history of General Motors' Buick brand is back - at least in concept form. Company officials aren't ready to say whether a production version of the prototype Riviera is coming, but they acknowledge that some of the key design elements of the show car debuting Friday, at the Shanghai Motor Show, will directly reappear in upcoming Buick products. "We have a pretty big shoe to fill," said James Shyr, design director at PATAC - the Shanghai-based design and engineering center that played a lead role in the development of the new Riviera concept - referring to the high-styled coupe, which was sold, in various interpretations, from 1963 to 1999. "The name is legendary. It's an iconic vehicle." Past versions of the Riviera, such as the boattail model, marketed in the early 1970s, were considered among the most striking and influential products of their era. The new Riviera concept lifts a variety of classic cues, including the traditional Buick portholes, on the front fenders. But the "Shell Blue," two-door prototype is anything but retro.

Overhead, two large glass roof panels provide a visual link to the outside world. Two oversized gullwing doors, measuring 77 inches at their widest, provide easy access for both front and rear seat. Instead of the clamshell-style headlights introduced in the mid-1960s, the high-tech headlamps of the new show car appear to float above a modern interpretation of Buick's classic waterfall grille. Lighting is, in fact, something that the PATAC design team focused a lot of attention on. A thin accent light flows down the center of the hood, drawing a viewer's eyes to the backlit Buick "tri-shield" emblem mounted in the center of the grille. A similar badge is mounted in back. Open the gullwing doors and puddle lights illuminate the ground, spelling out the word, "Buick." Inside, controllable lighting would allow a driver to accentuate a variety of different moods. The cabin has a flow-through feel to it, starting with the softly curved instrument panel that links to the twin rear seats by a metal-accented center console that runs the length of the interior. Buick engineered in an array of high-tech systems, including an unusual

gear shifter "for the 21st century," suggested Shyr, which operates something like a computer mouse. The gauge cluster is likely to trigger a sense of déjà vu among long-time Riviera fans, but its three-dimensional form is clearly modern. A large LCD screen crowns the central console, with its touchpad controls. The body is also high-tech, made out of carbon fiber which not only lightens the gull wing doors - making them easier to operate - but which PATAC technicians claim was easier to form the Riviera concept's mix of flowing and sharp-edged shapes. The compact mirrors, meanwhile, were influenced by Formula One race cars. Though Shyr noted that the Riviera concept is a "runner," the automaker declined to discuss the powertrain used in the prototype; nor would they discuss what they might have in mind for a production vehicle. Sitting on 21-inch wheels and tires, with a 112.9-inch wheelbase and measuring 185.4 inches overall, the Riviera concept would likely translate into something in the mid-size range, and almost certainly have a rear-wheel-drive powertrain configuration. That's a direction in which GM has been returning lately, reflecting trends in luxury market, where Buicks past competed. In describing the new show car, Shyr noted "We have put some Chinese cues into it," though he also insisted the car "is not East. It is not West. It's Buick." But increasingly, Buick very well is becoming Chinese. Last year, for the first time, the brand sold more cars in the fast-emerging Asian market than it did in the States, and that trend is only likely to continue without a sudden change in fortune. In fact, many analysts have been pressing GM to simplify its brand structure by eliminating Buick from the U.S. lineup, something CEO Rick Wagoner and product chief Bob Lutz have refused to do. But as GM shifts to a more global product development system, it is letting its various, regional design and engineering centers focus on what they do best, and for PATAC, that means Buick, the number one brand in China. The Shanghai operation played a "significant" role in the development of the reborn Park Avenue, which is just going on sale across the Asian nation, said PATAC president Raymond Bierzynski, and it will likely expand its role, he suggested, on other, upcoming Buick products. There are no plans to put the Riviera concept into production - at least for now - emphasized Shyr. But he quickly added that "Some design elements will find their way into (future) products."
