



Weekly Car Dealers Newsletter

August 20, 2007

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

Week of August 20, 2007

**SALES BELOW 16 MILLION?
CAR TRIVIA: AUGUST 16, 2007
STABILITY CONTROL HAS WAYS TO GO**

SALES BELOW 16 MILLION? Want a prediction of auto sales for the remainder of this year? Fasten your seatbelts. It's going to be a bumpy ride. The automobile business doesn't stand in isolation from the remainder of the economy. Right now there's trouble in the economy so where does that leave the auto business? Estimates for the year's sales already have been lowered, but the industry estimates still seem strong considering what's going on. I think people are afraid. Maybe it's unreasonable fear, but it's there on the front page every day. Fearful people aren't as likely to buy cars in record numbers.

Consider this:

- The stock market is chaotic, up 1000 and down 1000 points in recent weeks.
- The housing market is slumping. Sales are falling. Foreclosures are climbing and likely to climb even higher when interest rates go up on those adjustable mortgages.
- Hedge funds go bump in the night and credit is suddenly gone. Interest rates are up if you can get a loan. Even Cerberus had trouble borrowing the money to buy Chrysler.
- And, of course, the price of oil remains around \$70 a barrel as speculators and oil companies, with convenient refinery shutdowns, keep the price up. This leaves well owners from Texas to Teheran happy but the rest of us paying \$3 a gallon. No downturn in sight now, either.

What about cars?

So what does that mean for the auto market? It's not good. In June the industry was down 45,000 sales from the year before. But the Detroit Three - we can't say Big Three anymore with Ford likely to end up in fourth place in sales for the year - were hit much harder, down 211,000 units from the year before. In July the industry was down 184,000 car and truck sales and the Detroit Three took 148,000 of these. So there's a downturn and Detroit is being cut up worse than the foreigners.

What we don't know is how long the falling sales will continue or how steep the decline will be. If

August and September are like July, that is very bad news indeed. But it's really impossible to guess. The market may turn around. The Dow Jones average may climb to 15,000, the Federal Reserve might lower interest rates, and all those folks losing homes might be able to refinance at five percent.

I don't think so but I don't know. Last year sales were 16,560,000 car and trucks. We're 311,000 sales behind last year after seven months, so if sales for the remainder of the year matched last year the total would be something like 16,250,000.

Let's look at some past years:

2006	16,560,000 vehicles sold
2005	16,997,000
2004	16,913,000
2003	16,676,000
2002	16,848,000
2001	17,177,000
2000	17,402,000
1999	16,958,000
1998	15,996,000
1997	15,161,000
1996	15,139,000

So if sales matched the year ago for the remainder of this year, this still would be the lowest sales year since 1998, but still above 16 million.

All these worries

Frankly, it's easy to see sales dipping below 16 million this year. I don't want to sound like a pessimist, but I would expect that sales would drop under the 16 million mark if GM and Ford stick to their efforts to hold down rebates and givebacks. They should stick to this program, but it is going to be tough the way sales are falling. And whatever the final number, the bulk of the losses this year will fall on the Detroit Three.

Is there any good news?

General Motors might - might is the key word here - be leveling off at 23.5 percent of the market. That's no sure thing, but there are a few signs of leveling off. Where Ford ends up is anyone's guess. Ford's seven-month market share was 16.4 percent but July was down to 14.8 percent.

It's a good negotiating stance for the companies, with the bottom still failing out because it might temper the United Auto Workers resistance to givebacks.

And it's good to see Chrysler as an American company again, although there's no sign yet that this means improved decision-making.

Car sales don't have to be down just because I think they will be. Predictors of downturns have been wrong again and again since 1999, and can be again. This is one where I'd rather be wrong. (*Jerry Flint, theCarConnection.com*)

CAR TRIVIA: AUGUST 16, 2007 (Indy winners, Bond cars, and Bob Seger's night moves.)

1. What average speed is required to lap the 2.5 mile Indy 500 track in 40 seconds?
2. Which NASCAR track has 29-acre Lake Lloyd in its infield?
3. Which tire brand was on all Indy 500-winning cars from 1920 to 1966?
4. What car did James Bond drive in *For Your Eyes Only* and *The Spy Who Loved Me* ?
5. This term may apply to pizza and certain automotive wheels.
6. Some cars have a special left-foot resting place. What is it called?
7. Which 1961-1963 General Motors model had an unusual flexible driveshaft?
8. In 1999, the Great Race cross-country event terminated in Anaheim, Calif . Where did it commence?
9. What car does Bob Seger mention in his song *Night Moves* ?
10. Where is the Automotive Hall of Fame located?

(Answers at the end)

STABILITY CONTROL HAS WAYS TO GO The U.S. federal government has mandated electronic stability control for the 2012 model year. But while it's on the way as standard equipment, its installation is spotty - and often, as it is around the world - stability control is prevalent in big expensive cars, and less so in smaller compact cars where it could make a big difference in safety. The National Highway Traffic Safety Administration (NHTSA) has estimated that stability control could save up to 9600 fatalities and 238,000 injuries annually, at an average cost of only \$111 a vehicle in addition to the cost of the anti-lock system, and the federal agency has called stability control the most significant development since the seatbelt.

Commonly referred to as ESC, but also with a number of different trade names, including ASC, VSC, VDIM, Stabilitrak, and Active Handling, electronic stability control works to avoid the loss of control in an emergency maneuver by anticipating a skid with a set of sensors then engaging the brakes at one or more wheels individually and employing the anti-lock system help to restore stability. In the U.S. , automakers have rushed to quell rollover concerns for sport-utility models by installing stability control systems. For 2007, 87 percent of sport-utility vehicles come with stability control, according to the Insurance Institute for Highway Safety (IIHS), but only a small percentage of U.S. small cars - likely a much lower percentage than in Europe , where it's becoming more common - come with the technology. Fleet-wide in the U.S., installation is approaching 50 percent.

So stability control has a long way to go before it's a permanent part of the fleet. And it's likely, because of cost, to show up in compact cars last. But that may be bad news for younger drivers. Recent studies from Germany's ADAC, an automobile association, have found that most accidents involving drivers aged 18 to 25 involve curvy roads, loss of stability, and the car going off the road. These smallest cars in Europe are often driven by beginning drivers, according to the group.

In 2006, 43 percent of all newly registered cars in Europe were fitted with stability control, according to the company, three percent higher than for 2005. Bosch said that while stability control is largely standard equipment among mid-size and luxury vehicles in Europe, among small and mini cars, only 13 to 15 percent are fitted with stability control in the continent's five main markets - France, Italy, Germany, Spain, and the U.K. In Germany, the percentage of small cars with stability control is 30 percent.

Trivia Answers:

1. 225 mph
 2. Daytona International Speedway
 3. Firestone
 4. Lotus Esprit
 5. Deep dish
 6. Dead pedal
 7. Pontiac Tempest
 8. Marietta, GA
 9. '60 Chevy
 10. Dearborn, MI
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