



Weekly Car Dealers Newsletter

August 27, 2007

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

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**NARDELLI UPBEAT ON NICHE MARKETS
MOTORSPORTS ON THE ROPES?
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POLICE CHIEF KEEPS DEALERSHIP "LOANER" FOR UP TO 12 MONTHS**

NARDELLI UPBEAT ON NICHE MARKETS (Prowler past echoes for Chrysler CEO at Cruise.) Who knew? Chrysler's new chairman and chief executive officer Bob Nardelli turns out to be something of a fan of niche vehicles. Nardelli, after shaking hands and chatting with fans of the old Plymouth Prowler at the Walter P. Chrysler Museum adjacent to Chrysler headquarters in Auburn Hills, told reporters he thought niche vehicles had a lot of merit. "This is what brings excitement," said Nardelli, who, in one of his first acts as Chrysler's top executive, brought his own personal Prowler up from Atlanta for the annual Woodward Dream Cruise this past weekend. "I love cars and I love to drive them," he said as he moved to establish his credentials as the top executive at a car company. "This (Prowler Owners Association) is a niche group but its (enthusiasm) is going to transfer across the entire product line. We (plan) to spend a lot of time understanding the customer," said Nardelli, who also tried not to turn his comments into an implicit criticism of Chrysler's past practices. "The team has done a great job. We're going to do more of that. You really have to have a keen eye and a sensitivity to bold, demanding designs that meet the aspirational desire of customers," he said. "In this case, we have a more discerning group," said Nardelli, who already talking about the regional differences among car buyers within the U.S. In the past, American carmakers, despite lip service to regional differences, have had something of a tin ear when trying to separate them. "We have to understand the demographics and the geographics. Both of those things are important as you look at the Baby Boomers, if you look at the diversity in our population," he said.

Nardelli also said he has already had an extensive session with Chrysler designers to get a better feeling for the company's product development process. "We went through hundreds of criteria when I was with Trevor (Creed) in the design center, trying to understand, what are the aspirational desires? Where are they going, for fuel-efficiency, for comfort?". "The table (in Chrysler's new minivan) is a perfect example of the sensitivity Chrysler has towards customers,"

he added. "I think the new minivan speaks volumes about our sensitivity to the customer particularly in that demographic - family, family comfort and family features are critical," he said. Nardelli said he is also impressed with the knowledge and passion for cars he's found during his initial meetings with Chrysler employees and department heads. "There are men and women who know this business intimately. What I bring is fresh set of eyes. I've had a history of being able to move through a variety of businesses," which makes him sensitive to how industries change and evolve, he said. Nardelli also said the company has enough resources implement its recovery plan without cuts in capital spending despite recent gyrations in the financial markets. "We're in really good shape. Fortunately, I get to focus on just working with the team to run the company," Nardelli said. "We're very fortunate in having gotten this deal done on time and on schedule. Now we're focusing on looking forward," he said.

Nor will Chrysler have to cut capital spending to pay its debts. "No. (Cerberus) has done a wonderful job. They've got us the capital financing and the financing that we need. Our job is to have flawless execution, to really focus on the fundamentals of the recovery and the transformation plan. I'll be spending a lot of time on the various work modules with the various members of the leadership team, looking at revenue. Certainly looking at what we need to do on quality," Nardelli said. "Looking from an environmental standpoint where we're going with our products," he said. "We've got a great pipeline," added Nardelli. "Looking at some of the future products we've got coming out it's just fantastic," Nardelli added.

MOTORSPORTS ON THE ROPES? Fans fill the bleachers. TV coverage seems to run virtually non-stop on one network or another. Sponsors can't ante up enough cash. It might seem, at first blush, that motorsports are more popular and powerful than ever. If so, then, why are some of the biggest names in racing, including the head of Toyota's well-funded Formula One team, as well as the legendary racer, Parnelli Jones, fretting that racing may be wearing out its welcome, facing the prospect of becoming not only "boring," but out of touch with changing times?

Those were the surprisingly unsettling concerns raised during a conference held at the Laguna Seca Raceway, in Salinas, Calif. , prior to the annual Monterey Historics. That event gathers some of the sport's most famous drivers - along with the cars they may have raced in - for three days of gentleman's rules racing. The motorsports seminar, dubbed "Evolution to Revolution," began on a seemingly celebratory note, a panel of drivers, engineers, managers, and other motor sports masters outlining the improvements racing has made over the years. "Safety," proclaimed Richard Cregan, manager of Toyota 's huge Formula One program, "has improved tremendously...at every level." Drivers now walk away from crashes that once seemed unsurvivable, echoed Herb Fishel, the long-time director of General Motors' motorsports program. Victory, in motorsports, is often measured in inches and hundredths of a second, and often, breakthroughs come in surprising places. Aerodynamics, for example, and the computers that have revolutionized engine and chassis operations. Then there's the lowly tire, suggested Mario Illien, founder of Illmor Engineering. "Today's tires have saved us two-and-a-half seconds a lap," he explained, "even when engines might be able to cut just a few tenths." Part of the problem, Illien continued, is that increasingly strict regulations have made it more and more difficult - but conversely, far more expensive - to make any real performance gains where one might expect, "under the hood." "Formula One used to be very exciting, but today, it's over-regulated," said Illien, his panel colleagues quickly complaining that it is becoming increasingly difficult to have the sort of balls-out racing that marked the origins of the sport. "All the engineering is optimized," added Fishel. "There isn't any creativity on the track. It's just

optimization." That won a round of applause from several drivers on hand for the conference, noted Al Unser, the repeat winner of the Indianapolis 500. "The computer has gone too far and taken over all the feel from the driver."

American motorsports, especially NASCAR, came in for its share of criticism, since regulators have now restricted almost every detail of what a team can do to gain a competitive edge. But even in Europe, where the panelists agreed there's more focus on getting a technical edge, there's something seriously wrong. With virtual no passing in Formula One, said Toyota's Cregan, and with little doubt who will win after the start of a race, the series is becoming more predictable and less interesting.

So how to reinvigorate the sport? Certainly, no one wants to go back to the old days, when cars constantly crashed, often with fatal results. But the panelists did feel there were some opportunities to add excitement - and relevance - to racing.

Surprisingly, most of the panelists saw hope in what would seem an unlikely place: the growing green car movement. Then again, it might seem so far-fetched, considering the success that Audi has had with its Le Mans-series R10 racer, developed in cooperation with the energy giant, Shell. "Diesel racing, because of its efficiency, is something for the future," contended Richard Karstedler, director of Shell Performance Fuels. One version of the future, anyway. As might be expected, Cregan saw some potential for racing Toyota's well-publicized hybrid-electric technology, while other members of the panel spoke about other alternative fuels, including hydrogen - which, it was pointed out, just powered a Ford prototype to a world record 207 mph run at the legendary Bonneville Salt Flats, in Utah.

"We have an opportunity," said Illmor's Illien, "to really open things up with things like hybrids" to reach a mass audience that has either grown disinterested in racing or may never have connected with motor sports at all. "As long as it goes fast and makes noise, it's exciting." Ironically, a switch to alternative forms of power could help bring the sport back to its roots, the panelists agreed. In the early days, racing helped manufacturers improve their technology - bringing track tested hardware into mainstream production - and to build demand for their products. That's exactly what is needed now, as the industry moves away from the time-tested gasoline engine, insisted former GM racing boss Fishel.

"I think there's life beyond NASCAR and Formula One and it will come as we see new forms of racing evolve."

CAR TRIVIA: AUGUST 21, 2007

1. In the early 1970s, which Big Three company's dealers sold the DeTomaso Pantera sports car?
2. On what platform was the 1991-1996 Ford Escort based?
3. What road joins Dawson Creek, British Columbia and Fairbanks, Alaska?
4. What did Lara Croft drive in the 2001 movie *Tomb Raider* ?
5. What brand were the cop cars on the 1960s *Andy Griffith Show* ?
6. Who sang *Paradise by the Dashboard Light* ?
7. In 1980, this U.S.-built model introduced full-time, all-wheel-drive to the passenger-car market.
8. Which Chrysler car line was named for a 16th century Spaniard who explored the Mississippi?

9. Which U.S. carmaker advertised its Lifeguard safety design in 1956?
10. This 1969 model had an Eliminator performance-package option.

Answers at the end.

GM TO REDUCE PRODUCTION AT SIX PICKUP, SUV PLANTS General Motors Corp. is trimming production at six plants that make large pickup trucks and sport-utility vehicles as the biggest U.S. automaker moves to clear dealer lots in a sales decline. The factories, in the U.S., Canada and Mexico, will eliminate previously scheduled overtime the rest of this year for models such as the Chevrolet Suburban SUV and GMC Sierra pickup, company spokesman Tom Wickham said. The reductions, which he declined to detail, began this week. "Those vehicle sales are slumping," said David Leiker, an auto-parts analyst at Robert W. Baird & Co. in Milwaukee, who was expecting a fourth-quarter cut in output by GM. "The fact that they are doing it earlier indicates that the sales trend is getting weaker and they couldn't wait." GM already offers no-interest loans for as long as five years and rebates as high as \$4,000 on light-truck models after July sales declines including 29 percent on Chevy Silverado large pickups. Vice Chairman Bob Lutz said last week that pickup sales were improving this month because of the incentives.

The factories affected are in Arlington, Texas; Janesville, Wisc.; Fort Wayne, Ind.; Flint, Mich.; Oshawa, Ontario; and Silao, Mexico, Wickham said.

"With uncertain fuel prices and significant competitive pressures in the segment, we face a need to look at current inventory and production levels to make market-appropriate adjustments," Wickham said. Making fewer of the vehicles avoids higher incentives that could hurt their resale value, he said. GM said on June 1 that it would raise North American output this quarter 2 percent to 1.075 million cars and trucks. The automaker won't update those plans until Sept. 4, Wickham said. GM's lower output will affect auto-parts suppliers such as American Axle & Manufacturing Holdings Inc., Magna International Inc., Superior Industries International Inc., Lear Corp. and Tenneco Inc., Leiker wrote in a report.

Eliminating overtime over the previous 12 months would have cut GM's production 12 percent, he estimated. *By JEFF GREEN BLOOMBERG NEWS*

POLICE CHIEF KEEPS DEALERSHIP "LOANER" FOR UP TO 12 MONTHS

Miami Police Chief gets himself in a public relations bind by long-term free use of a dealership "loaner." Just a "test drive", his office is reported to have said

Miami Police Chief John Timoney kept and drove a Lexus SUV "loaner" for over one year. When the local *CBS TV* news reporters questioned the propriety of the loaner, the explanations ranged from "the chief is just trying out the car and thinking about buying it" to "it will be returned by tomorrow." According to subsequent reports, the Chief decided to purchase the car this week, but only after a test drive that dealership employees indicated had lasted as long as 12 months. The acceptance of gifts of more than \$100 in value is a violation of Florida ethics law and the Miami city manager is looking into the possibility of ethics violations. Dealership employees reported that the vehicle has a monthly lease value of approximately \$700 per month.

The use of dealer plates on the vehicle during the year-long test drive is also in question as they

could not be legally used for a vehicle that was leased or rented. Chief Timoney's Executive Assistant is reported to have stated that they do not believe the "loaner" violated the rules, as the dealership is from outside the city limits and does not do business with the city.

It sounds like this dealership could use a new loaner control system.

Answers:

1. Ford (Lincoln-Mercury dealers)
 2. Mazda 323/Protégé
 3. Alaska Highway
 4. Modified Land Rover Defender
 5. Ford
 6. Meat Loaf
 7. AMC Eagle
 8. DeSoto
 9. Ford
 10. Mercury Cougar
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