



Weekly Car Dealers Newsletter

February 19, 2007

This information that follows is taken from sources including *The Carconnection*, *Autoweek*, and other industry sources. For more information please call our Edmonton office.

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ITS HAPPENING AGAIN THIS YEAR!
GM OUTLOOK UP; FORD, NOT SO MUCH
BLIND WANT PRIUS TO MAKE NOISE
RENTAL COMPANIES NEXT TO MERGE?
BENZ CONFIRMS SLR CONVERTIBLE
CHRYSLER-GM MATCH

ITS HAPPENING AGAIN THIS YEAR!

The annual CFO meeting for dealerships is scheduled to be held Wednesday June 13th. Book your registration now! This year's presenters include Sandi Jerome (see course notes below and Darrell Smith speaking about and answering your questions on employee group plans.

Controller Seminar - Profit Reports = Results

The key to profit retention and becoming a Super Controller is to provide the reports that the dealer and managers need to make more money. In this workshop for controllers, CFOs, office managers, dealers, and general managers you'll find out what reports you need to monitor your dealership and increase profits – and how to get the time to create these reports.

- Are you counting sheep or profits?
- Keys to effective reporting
- Reports in the Sales, Service, and Parts Departments
- How to get the time and training for Controllers
- Closing the books quicker
- Super Controller tasks; daily, weekly, and monthly
- Function pay plans and work sheets to implement them.

GM OUTLOOK UP; FORD, NOT SO MUCH Shares of General Motors headed north on Tuesday after Merrill Lynch issued a "buy" rating on the automaker, a day after Wall Street firm Goldman Sachs said it had increased its stake in the automaker to above five percent. Meantime, Merrill Lynch downgraded Ford shares to "sell" from "neutral" on the idea that Ford

won't be able to turn in regular operating profits by 2009. Shares of GM added 88 cents, or 2.5 percent, to \$36.59. Merrill Lynch analyst John Murphy said GM will likely use its liquidity and legacy assets "to affect positive change." Merrill said it is establishing a price target of \$50 for GM. Murphy noted that GM's pension plan is \$17 billion over-funded, which equals \$30 a share for GM. Also, he said, the pressure for healthcare policy change, which would positively impact GM, is mounting.

GM investor Goldman Sachs Group Inc. has increased its stake in the automaker by 21.5 million shares, becoming the sixth-largest shareholder, at 5.2 percent, according to a U.S. regulatory filing Monday. The move is viewed as significant because of Goldman's influence and its track record for investments.

Merrill's Murphy said his downgrade of Ford, which closed down 20 cents on Tuesday to \$8.45, comes off the almost 30-percent climb in the stock since the mid-December low. "We believe that the market is pricing in a significant recovery in earnings by '09/'10, and is not pricing in the risk of the at least three years it will take for results to recover, that is if they do."

Breakingviews.com, a financial commentary Web site, on Monday posted an article analyzing Ford's stock valuation in which the analysts posited a theory that Ford's proper share price was zero, and that its current share price is really a speculative option on the turnaround plan laid out.

BLIND WANT PRIUS TO MAKE NOISE Hybrids are known for fuel efficiency, but like electric vehicles, can operate quietly on batteries alone. And that has an advocacy group for the blind worried about the potential accidents that hybrids like the Prius could cause with blind pedestrians.

The *Wall Street Journal* reports that hybrids, which can be "quieter than a vacuum cleaner," are the target of the National Federation of the Blind, which is pressing the automotive industry to make hybrids emit a noise while turned on - a noise, the *Journal* reports, should be louder than other ambient noise.

With the increasing popularity of hybrids, the lack of operating noise in some circumstances could be a growing problem. Hybrids are a small fraction of the vehicle fleet at fewer than 400,000 registered on U.S. roads, but are being touted by Toyota and other companies as a medium-term solution to fuel economy and oil use.

The NFB has been toying with a few solutions, the *Journal* says, including sensors that would alert blind pedestrians when a hybrid is near, or a device that would make noise when the vehicle's axles rotated.

Pedestrian deaths totaled 4881 in 2005, according to the National Highway Traffic Safety Administration, up two percent since 2000.

RENTAL COMPANIES NEXT TO MERGE? Four of the major car-rental companies could be talking merger, the [New York Times](#) reports, and if the deal goes through the resulting firm could rival Avis in size and reach.

The talks involve the parent company of Dollar and Thrifty, already part of the same company, and Vanguard, the Oklahoma-based company that owns National and Alamo. Talks between the companies have been going on for months and are reaching a critical point.

The potential merger could be valued at \$3 billion, the *Times* adds. If it goes through, the new company would rank third behind Enterprise and Hertz, ahead of the Avis Budget Group in revenue. The *Times* also reasons that the merger could send car-rental prices higher, since domestic car companies are cutting their share of the rental-car business.

Hertz recently was sold off by Ford Motor Company to private equity firms, and in November went public for \$15 a share.

BENZ CONFIRMS SLR CONVERTIBLE Mercedes has confirmed it will unveil a convertible version of the McLaren SLR this summer. It will be one of the world's fastest convertibles, with a 0-60 mph time of around four seconds and a top speed of 200 mph.

No details or official images have been released, but it's expected the styling will borrow heavily from the original Vision SLR cabrio concept. It debuted at the Frankfurt Motor Show in 1999, nine months after the coupe prototype was unveiled in Detroit.

The concept convertible featured a fabric roof rather than a folding metal hard top, and insiders say it's highly likely the canvas option will be carried over to the production version. That's because it's lightweight and fits better with the SLR's performance image.

Under the long hood will be the same supercharged 5.5-liter V-8 that's in the coupé. But it's unclear whether it will offer the 626 hp of the standard car or the 650 hp of the 722 special edition recently unveiled.

There's no word on pricing, but it's likely the car will follow the Mercedes tradition of being slightly more expensive than the equivalent coupé, which is currently £315,000 (\$470,000).

CHRYSLER-GM MATCH DENIED Speculation about the future of the Chrysler Group has become the center of the buzz around the automobile industry this week. In Auburn Hills, officials from Chrysler declined to comment on widespread reports the company had retained the investment banking firm of JP Morgan Inc. to explore the possible sale or spin-off of DaimlerChrysler's American wing. Meanwhile, officials from General Motors Corp. declined to comment on reports in a German business magazine that GM might be interested in acquiring a stake in the Chrysler Group. "We don't comment on speculation," said GM spokesman Tony Cervone. The two companies, however, could wind up expanding their collaboration on a project by project basis, suggested Ron Harbour of Harbour Consulting in Troy, Mich. "That's the way companies in Europe have done it for years," Harbour added.

GM vice chairman Bob Lutz, at a GM press event in San Diego, agreed that discussions with all car companies are a part of GM's ongoing business. A GM spokesman also dismissed the idea of a GM stake in Chrysler, however. DaimlerChrysler officials declined to comment on reports the Chrysler Group might be interested in using a GM-made vehicle to replace the Durango. Tom LaSorda, Chrysler's chief executive officer, stressed the need for the company to work on

more joint projects. The cost of capital is so great more companies are willing discuss such ventures, Harbour said.

The obstacles to a private equity deal for Chrysler, on the other, are substantial. DaimlerChrysler AG is on the hook for as much as \$55 billion in Chrysler debt, according to one estimate by UBS. In addition, any private equity deal that would either have an impact on the pensions of its workers or give bonuses to key executives will be immediately challenged by the United Auto Workers. The UAW has already fought ferocious battles over executive compensation for managers at bankrupt suppliers such as Delphi and Dana. Since any buyout deal would be contingent on some kind of concessions from the union, retention or other kinds of bonuses, even deferred compensation or stock options if the spinoff is ultimately successful, would be out of the question from the start.

Chrysler is already locked in a titanic battle with the union over healthcare and the UAW's refusal to give Chrysler the same kind of relief it gave GM and the Ford Motor Co. has cost the company more than \$340 million, according to LaSorda. Potential bidders for the Chrysler unit could include Renault/Nissan, which declined comment, or even an unknown Chinese or Indian company eager to make a move on the world's global economic stage, analysts suggest. The barriers to unscrambling the German-American automaker, however, are huge. The two companies now share research on advanced engine development and design and separating Daimler from Chrysler could leave both companies at a serious disadvantage in the increasingly critical effort to improve fuel economy.

In fact, even as DC CEO Dieter Zetsche was talking about dividing the company in two, he was also talking up the need for greater integration and cooperation by the company's German and American units, which have generally pursued their own agendas since the 1998 merger that created the company. Zetsche also acknowledges Mercedes-Benz could lose the economies of scale that come from the partnership with Chrysler in its unfolding duel with Toyota's Lexus luxury brand.

Toyota's huge production base does give it an advantage, Zetsche conceded during a conference call with analysts that followed the annual press conference, though he insisted it wasn't decisive. However, the real competition in the luxury market is expected to shift to big Asian cities in the next few years. Mercedes-Benz could struggle to match the efficiency of the Toyota/Lexus production system that builds luxury vehicles with impeccable quality and the very latest features on the same assembly lines as its less-expensive vehicles, rather than in dedicated plants still required by German carmakers, Harbour said.
