



Weekly Car Dealers Newsletter

July 2, 2007

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

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CHRYSLER PLANS \$3B IN POWERTRAINS CARMAKERS TRY TO SOFTEN CAFE BLOW POWER: HONDA HAS MOST APEAL

CHRYSLER PLANS \$3B IN POWERTRAINS Chrysler has outlined some of the line items on their ambitious \$3 billion plan to bolster the fuel efficiency of the company's engines and vehicles. Frank Klegon, executive vice president for product development, said the company pushed ahead with the investments on the assumption that fuel economy standards were going to get tougher. The technology behind the push - from diesel engines, to cylinder deactivation and new lightweight axles - reflects Chrysler's continuing dependence on Mercedes-Benz for new technology and technical assistance. Except for the hybrids in the new lineup, Mercedes-Benz had a hand in several of the technical initiatives Chrysler announced, Chrysler officials acknowledged. In addition, Klegon said Chrysler was exploring the development of a four-cylinder diesel engine for the North American market, and the expansion of its 3.0-liter V-6 diesel engine. It's a good bet the company will be ready to announce production of the smaller diesel within the next 18 months, one insider suggested.

"Chrysler Group is focused directly on improving fuel efficiency across our vehicle lineup," noted Klegon. "We have developed and are implementing a series of major initiatives - including a bigger push in hybrid and clean-diesel technology - to meet the needs of American consumers. "Many of these fuel-efficiency initiatives will be incorporated simultaneously into a single vehicle family - our new V-6 with Multi-Displacement System (MDS) mated to a dual-clutch transmission, for example - ultimately resulting in double-digit-percentage fuel-economy gains," he added. Chrysler's all-new family of "Phoenix" V-6 engines will become available in 2010. The company has already broken ground on new plants in Trenton, Mich.; Kenosha, Wisc.; and in Mexico. All the plants will produce the Phoenix family of engines.

The Phoenix engines will feature cylinder deactivation, which optimizes fuel economy by shutting off three cylinders when V-6 power is not required. The end result is an expected across-the-board V-6 fuel efficiency improvement of six to eight percent - in addition to new levels of V-6 power, performance, and refinement, Chrysler officials said. The MDS technology comes from Mercedes-Benz.

Among other fuel-saving powerplants, Chrysler Group said its upcoming two-mode hybrid program will expand beyond the 2009 Chrysler Aspen Hybrid and Dodge Durango Hybrid, which debut next year. Chrysler's two-mode hybrid system leapfrogs current technology by addressing inefficiencies that exist in high-speed driving with traditional hybrid technology, said Chrysler spokesman Nick Cappa. The result will be a 25-percent improvement in fuel efficiency overall - and a nearly 40-percent economy boost in the city - in the Chrysler Aspen Hybrid and Dodge Durango Hybrid, he said. The DaimlerChrysler Bluetec diesel will go on sale in the Jeep Grand Cherokee. Bluetec combines technologies and is focused the reduction of nitrogen oxides in the exhaust gases. A mild hybrid, which shuts down the vehicle when stopped in traffic to save fuel, also is in the work and will be integrated into the Chrysler vehicle program before the end of the decade, Chrysler officials said. Chrysler also is working on an upgraded version of the 5.7-liter HEMI V-8 for 2009, which will result in gains in fuel efficiency, refinement, power and torque. In addition, a new version of 4.7-liter V8 offers up to five percent better fuel economy than the previous 4.7-liter engine, Chrysler officials said.

A new dual-clutch transmission - developed in partnership with Getrag - joins the Chrysler Group lineup in significant volumes in 2010 model-year vehicles, Klegon said. The new dual-clutch transmission is expected to deliver a fuel economy improvement of up to six percent, based on preliminary testing. New common axle technology, which comes from Mercedes-Benz, also will result in fuel-economy and axle-efficiency gains, while providing weight savings, cost reduction, increased refinement, and less complexity. New advanced materials increase overall axle strength and reduce package size. The new axle is already featured in the Chrysler 300C SRT8; the axle will soon appear in other Chrysler Group vehicles.

Klegon also Chrysler has new set of initiatives are in place to improve fuel efficiency across its vehicle lineup by at least five percent. These initiatives include weight reduction, aerodynamic drag improvements, reduced rolling resistance and brake drag, optimized accessory loads, and minimized drivetrain losses. "We're moving forward with real urgency to improve fuel efficiency across our entire lineup," Klegon said.

CARMAKERS TRY TO SOFTEN CAFE BLOW Carmakers are regrouping this week to see if they can find a way to head off or least modify an increase in federal fuel economy standards passed last week by the U.S. Senate. The automakers say the new targets will lead to a dramatic downsizing of the American vehicle fleet over the next decade.

Meanwhile, consumers and environmental groups celebrated the triumph of the new 35-mpg rules, which signaled the end of the alliance between Democratic-leaning organized labor and Republican-leaning business advocates, which had kept changes in CAFE (corporate average fuel economy) standards bottled up in Congress for a generation. While some analysts described it as sign of the domestic auto industry's declining influence, it also was the result of shift in attitudes in Congress that had little to do with the size of lobbying budgets of the Big Three or Toyota or the United Auto Workers, all of which combined to lobby against the measure. It's now a political fact of life that environmentalists have increased their clout inside the Democratic Party caucuses over the past ten years. In addition, Democratic strategists such as Rep. Rahm Emmanuel (D-Ill.) have made energy security and independence one of the party's new battle cries. Meanwhile, Republicans have moved to toughen the fuel-economy standards as a way of keeping faith with the party's traditional concern for national security, which have served the party well since Ronald Reagan was elected President in 1980.

Sen. John McCain, one of the Republican Party's most respected figures on national security issues, has described the current CAFE standards as unacceptable and became one of the champions of the tougher fuel-economy standards. President George W. Bush is also backing tougher fuel-economy standards. Public disenchantment with the long war in Iraq, which is being waged at the center of the Middle Eastern oil field, also has helped in developing a broad consensus in favor of raising the fuel economy standards. In the end, the complaints by company executives and union officials about the jobs, physics, technology, and unattainable goals didn't matter much, given the daily carnage in Iraq. The same dynamic will be at play in the House of Representatives, though carmakers are hoping against hope that Rep. John Dingell, the chairman of the House committee on Energy and Commerce, can somehow re-write the bill. Dingell, however, isn't quite as powerful as he once was.

Nancy Pelosi, the Speaker of the House and the quintessential environmentally minded Democrat, has already ordered to Dingell to stop writing legislation, which could have made it much more difficult for states like California and those in New England to promulgate their own rules curbing emissions of carbon dioxide.

POWER: HONDA HAS MOST APEAL J.D. Power and Associates' latest APEAL study is out - and Honda leads the automakers with wins in four categories.

The 12th APEAL study - for Automotive Performance, Execution, and Layout - measures what delights owners about their cars. Factors from design, content, performance, and layout are judged for vehicles within their market categories, and owners are polled during the first 90 days of ownership.

Power notes that a high APEAL score generally allows automakers to lessen incentives on the models, while a low APEAL score means it's time for rebates, zero-percent financing, and other creative ways to move the metal.

Overall, the top-ranked nameplate in the 2007 study is Porsche, while Scion is the most improved brand. Honda won four categories with its Fit, CR-V, Ridgeline, and Odyssey.

The winners by category include:

Subcompact:	Honda Fit and Toyota Yaris
Compact:	Volkswagen Jetta
Midsize:	Nissan Altima
Large:	Hyundai Azera
Compact Sporty Car:	Volkswagen GTI
Compact Premium Sporty Car:	Porsche Cayman
Midsize Sporty Car:	Ford Mustang
Premium Sporty Car:	BMW 6-Series
Entry Premium:	BMW 3-Series
Midsize Premium:	Mercedes-Benz E-Class
Large Premium:	Mercedes-Benz S-Class
Compact Multi-Activity Vehicle:	Honda CR-V
Midsize MAV:	Ford Edge
Large MAV:	Nissan Armada

Midsize Premium MAV:	BMW X5
Large Premium MAV:	Cadillac Escalade EXT, Mercedes-Benz GL-Class
Midsize Pickup:	Honda Ridgeline
Large Pickup:	GMC Sierra
Van:	Honda Odyssey

Power says the 2007 APEAL Study comes from two months of polling of 91,000 purchasers and lessees of new 2007 model-year cars and trucks.
