



## *Weekly Car Dealers Newsletter*

July 16, 2007

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

# Week of July 16, 2007

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**CHRYSLER, CHERY INK SUBCOMPACT DEAL  
CAR TRIVIA: JULY 6, 2007  
MORE THAN CLATTER (FROM AUTOWEEK.COM)**

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**CHRYSLER, CHERY INK SUBCOMPACT DEAL** A quarter of century after helping launch the modern Chinese auto industry with its Beijing Jeep venture, the soon to be independent Chrysler has signed a new agreement with a Chinese auto company. The new ten-year agreement with Chery Automobile Co., which was inked last week by Chrysler CEO Tom LaSorda and Chery Automobile chairman and president Yin Tongyue, also promises to accelerate changes now sweeping through the global auto industry. Chinese governmental authorities from the State Development and Reform Commission also officially approved the agreement in a ceremony at Beijing's Diaoyutai State Guesthouse. Under the new agreement, Chery, based in Wuhu, Anhui Province, China and Chrysler will work together to develop, manufacture, and distribute Chery-made small and subcompact cars in North America, Europe, and other major automotive markets under the Chrysler Group brands. "This is a win-win for both of our companies, and I am confident this will be a successful relationship," said Yin. "Chrysler brands are very well known in the U.S. and Europe. We're prepared to work with Chrysler Group to expand their small-vehicle lineup with competitive products and accelerate both our companies' international competitiveness," Yin said. "This is the start of a very long relationship between Chrysler and Chery," said LaSorda. "Chery's participation in this agreement and their focus on small and subcompact cars will have a nearly immediate effect on Chrysler Group's offerings in the small-vehicle segments. This strategic partnership is part of a new business model that is allowing us to introduce all-new products more quickly, with less capital spending," LaSorda said.

The first Chrysler-Chery export will be based on Chery's A1 compact and will be sold under the Dodge brand in North America by 2009 or in about 2.5 years, LaSorda said. An A1 with a 1.3-liter engine sells in China for 53,800-59,800 yuan or about \$7100-\$7900. Export prices have not been announced but most analysts expect Chrysler to price the B-segment vehicle closer to \$10,000. The cars from Chery also will be used to boost Chrysler's presence in other markets around the world. Unlike Ford and GM, which have large and generally profitable overseas operations, Chrysler's overseas operations are relatively small. Expanding overseas sales has become one of the company's major objectives, LaSorda has said. "Strategic growth in international markets - while defending market share in North America - is an important part of Chrysler Group's Recovery and Transformation Plan," he said.

*A Member of the MacKay Network*

Last week, Chrysler reported sales outside the U.S. increased 10.2 percent during the second quarter, including a 10.7-percent increase in Canada and a 20.4-percent sales increase outside of North America. Mexican sales, however, dropped eight percent. The increases were driven by the strong customer interest in the new Sebring, Jeep Compass, Jeep Patriot, Dodge Avenger, and the Dodge Caliber, LaSorda said. "The growth in the second quarter of 2007 demonstrates that the Chrysler Group's plan for sustainable, international growth is working," LaSorda said.

LaSorda said Chrysler plans to identify several small-car models under development by Chery in China and work collaboratively to make any necessary branding and regulatory modifications prior to their entry into other markets. Both companies also will jointly develop new globally competitive products based on future Chery small-car platforms, he said.

Chinese automakers already export vehicles, mostly low-priced trucks and buses shipped to Africa and other developing markets. They have admitted they lack the technology to meet U.S. and European safety and pollution standards on their own.

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**CAR TRIVIA: JULY 6, 2007** (Red Carpets, Dukes of Hazzard, Edsels and Chevrolets.)

1. What nickname is given to Chevrolet's emblem?
2. Which state uses "Constitution State" as its license plate motto?
3. What numbers were on the doors of the General Lee in the *Dukes of Hazzard* TV series?
4. Which carmaker offers the Red Carpet lease program?
5. This model name was used by Edsel in 1958 and by Chevrolet from 1980 to 1985.
6. Which 1970 model had a Boss 302 variant?
7. The Chevrolet Caprice Classic was popular as a cop car. What was its final year?
8. This sports celebrity became a Buick spokesperson in December 1999.
9. What words are seen on newer cars' right-side mirrors?
10. Name the sporty hatchback coupe introduced by Volkswagen in 1990.

Answers at the end of the newsletter.

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**MORE THAN CLATTER (FROM AUTOWEEK.COM)** Detroit - The U.S. market for diesel-powered vehicles - formerly the exclusive domain of boat-towing pickups and German luxury cars - is reaching critical mass. Last week, *Automotive News* revealed that General Motors plans to equip the Saturn Aura and a Cadillac sedan with diesel engines by 2010. With GM's confirmation last week that it will offer the fuel-saving engine in cars, crossovers and light trucks, diesels should easily outpace U.S. sales of hybrid-powered vehicles. Siemens VDO Automotive Corp. - one of the largest suppliers of diesel fuel injection systems - projects U.S. diesel sales will grow to 867,000 units in 2012, up from an estimated 653,000 units this year. By contrast, sales of hybrid vehicles are projected at 510,000 units in 2012, up from an estimated 193,000 units this year.

Except for a few thousand Mercedes cars and Jeep Grand Cherokees, all diesels sold in the United States this year will be heavy-duty pickups. That will change early next year when Volkswagen's new diesel engines arrive in the Jetta, New Beetle and other models.

Around 2010, Toyota, Honda, BMW, the Chrysler group, Nissan, Audi and others will introduce diesel-powered cars and SUVs. Among major automakers, only Ford Motor Co. has no plans to offer diesel cars. Ford says the diesel is too expensive for passenger cars.

### **Hell freezes over**

Diesels are getting another opportunity because they offer 30 percent better fuel economy than comparable gasoline engines. Major refinements also have transformed the diesel from the sluggish, chattering, smoke-belching engine many people remember from the late 1970s and early 1980s. At that time, GM converted an Oldsmobile gasoline engine to run on diesel fuel. It was so awful that it destroyed the U.S. market for diesels. Even Mercedes-Benz quit back then.

Not so long ago, one might have expected hell to freeze over before GM dared to reintroduce diesel-powered cars. Now, GM is developing at least two diesel engines. One is a 4.5-liter V-8 slated for the Hummer H2 SUV and the Chevrolet Silverado and GMC Sierra pickups. The other is a 2.9-liter V-6 being engineered in Europe by VM Motori S.p.A., an Italian engine maker. In his blog on GM's Web site last week, Vice Chairman Bob Lutz confirmed that the automaker will offer the new diesels in a couple of years. Lutz said the diesels will be sold in all 50 states.

The first GM cars to get diesels will be the Saturn Aura sedan and probably the Cadillac CTS, says a GM source with knowledge of product plans. The European CTS will use that same 2.9-liter engine in Europe. Crossovers would come next.

### **'Prettiest green hat'**

Dealers are excited about GM's plans for diesels. "It makes so much sense," says Alan Starling, who owns a number of GM stores in Florida. "GM has got great technology from Europe." Starling, a former chairman of the National Automobile Dealers Association, says he is not worried about GM's history with diesels. "Those memories are painful for all of us," he says. "But I would rather have that discussion than not see customers at all."

Ed Williamson, a Miami dealer who sells Cadillacs and Hummers, predicts the new diesels will dispel lingering memories of GM's past. "People will realize this is not a gasoline engine converted to diesel," he says. Williamson says diesels will appeal to consumers concerned about the environment.

"Look at what people are willing to pay for the Toyota Prius or a Lexus LS 600h," he says. "More product and innovative technology is always good. Everyone is trying to wear the prettiest green hat."

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Trivia Answers - 1. Bowtie, 2. Connecticut, 3. "01", 4. Ford, 5. Citation, 6. Mustang, 7. 1996, 8. Tiger Woods, 9. "Objects in mirror are closer than they appear", 10. Corrado