



Weekly Car Dealers Newsletter

March 26, 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.

Week of March 26, 2007

GREEN MEASURES FROM THE FEDERAL BUDGET
ERRONEOUS GREEN LEVIES
DC ANNUAL MEETING: STORM'S COMING
HONDA RECALLS 165,000 VEHICLES
CALLAWAY SPINS C16 CABRIO INTO JAVITS
GM PLEDGES 40-PERCENT EMISSIONS CUT

GREEN MEASURES FROM THE FEDERAL BUDGET The March 19th budget included a levy based on the fuel efficiency on the vehicle. The levy applies primarily to large cars, station wagons, vans and sport utility vehicles. It does not apply to pick up trucks. The levy is based on the vehicle's fuel efficiency ratings. The rating used will be a combination of 55% of the city rating and 45% of the highway rating. Vehicles consuming more than 13 litres per 100 kilometres will be subject to the sliding scale levy.

This "Green Levy" will apply to new vehicles manufactured or imported after March 19, 2007. The inventory of vehicles held by a dealer on March 19, 2007 will not be subject to the levy, allowing dealers to sell these vehicles to final consumers without the application of the levy. In addition, vehicles for which an agreement in writing between the dealer and the final consumer was entered into before March 20, 2007 will not be subject to the levy, provided the final consumer takes possession prior to July 2007.

ERRONEOUS GREEN LEVIES Several dealers have contacted us about being billed the new levy on "sold" units. Our office contacted both the Finance Department and an Excise Tax consultant we use and this was the answer.

It appears that the government has not contemplated anyone charging the levy in error.

There is no mechanism in place or even contemplated to refund the levy charged on grandfathered sales.

Therefore, I would suggest I send you a letter explaining the application of the proposed legislation, with a recommendation that all dealers receiving vehicles before July 1,

2007 should provide the manufacturer with a copy of the written sales agreement (if signed before March 20, 2007) and a copy of the letter, requesting that the levy not be charged, or having been charged, be refunded.

The letter will make it clear that the manufacturer has no authority to charge the levy on the grandfathered sales and should not be charging it. It would also indicate that there appears to be no process for the dealer or their customers to recover a levy charged in error and the government expects the manufacturers to collect the levy as dictated by the legislation.

Analysis

Assuming the 2007 Federal Budget passes, the manufacturers and importers are authorized and indeed liable to collect the levy on any new vehicle delivered after March 19, 2007 but not including any that were presold before March 20, 2007 and delivered by June 30, 2007.

The amending legislation states:

*"Subsection (1) applies to each automobile delivered by a manufacturer or producer to a purchaser after March 19, 2007 and each automobile imported into Canada after that day unless the automobile had been put into service before March 20, 2007, **but does not apply to an automobile for which an agreement in writing has been entered before March 20, 2007 between a person in the business of selling vehicles to consumers and a final consumer, and for which possession is taken by the final consumer before July 2007.**" (Emphasis added.)*

We will have the letter to you before March 31st.

DC ANNUAL MEETING: STORM'S COMING A decade after the Chrysler-Daimler merger, shareholders have turned next week's DaimlerChrysler annual meeting into yet another referendum on the wisdom of the deal. A string of counter-motions filed by dissident shareholders are aimed squarely at driving a wedge between the German company and its American arm. One of the proposals, in fact, calls for dropping Chrysler from the company's name. As wags have noted, in Germany, the "Chrysler" is pronounced silent anyway. But other motions from dissidents question other prestige projects within the automaker - including one motion that would kill the company's Maybach ultra-luxury brand. Countermotions like these never have had the votes to pass, but over the years, they have set the tone for DC's annual meeting. And in some cases they have disrupted the boardroom policies of the company.

In 2004, DaimlerChrysler abandoned plans to expand its ties to Mitsubishi after small shareholders strenuously objected to any kind of deal with the Japanese automaker. Juergen Schrempp, then DaimlerChrysler's chairman, defended the deal for hours during the meeting. But in the end, the deal was squelched for good by a revolt by DaimlerChrysler's board of management. Executives voted against the deal, knowing they had the support of a significant block of shareholders. A year later, critical shareholders waited until late in the day during the

meeting to ambush Schrempp with a series of personal attacks that made headlines across Germany the next day. The attacks centered on Schrempp's decision to move his office from Stuttgart to Munich and eclipsed news that a judge had ruled against Kirk Kerkorian and his multibillion claim against DaimlerChrysler in his merger lawsuit. Schrempp announced his decision to retire four months later.

Like a long-range weather forecast, the countermotions hint at what's coming at this year's meeting. Juergen Grasslin, an outspoken critic of the merger that created DaimlerChrysler, has filed motions highly critical of Zetsche and the rest of the company's management. "The board of management should have taken the opportunity to sell the Chrysler (Group) when it temporarily moved into the black in 2004 and 2005. Instead of that, Dieter Zetsche reacted far too late and waited for Chrysler's latest loss," Grasslin said in a resolution that specifically calls for shareholders to withhold approval of the board's actions over the past year. "Dieter Zetsche is to be made mainly responsible for the U.S. disaster. As Chrysler CEO, he was primarily responsible for planning the production range of the U.S. division from 2000 until 2005. While Toyota conquered the U.S. market with hybrid vehicles, Chrysler under Zetsche continued to produce its pickups and minivans. "Zetsche's turnaround policy failed dismally, his right to be chairman of the board of management of DaimlerChrysler has therefore lapsed. His rigid approach to rationalizing jobs into oblivion and closing production plants is no reason for his ongoing employment as Daimler CEO," the motion added. "On the contrary, his lack of competence...means worse is to be feared in the future," the pointed motion added. "Today our firm is in the self-induced strategy trap," he added. "In addition to the immediate exit from Chrysler, this means terminating, with no replacement, the Maybach production, making the entire range ecological and concentrating on the core automobile business," Grasslin's motion added. Grasslin also predicted in his motion the outcome of the current crisis - Daimler's acquisition by another automaker or by a corporate raider, which would be a disaster for the company's employees, the motion said.

HONDA RECALLS 165,000 VEHICLES Honda will recall 165,000 vehicles from the 2005-2006 model years for a potential problem with engine stalling.

According to the recall notice from the National Highway Traffic Safety Administration (NHTSA), the problem on select Honda and Acura vehicles comes from a sealer material which could have leaked on coils inside the fuel pump. The leak could cause the wire to break, which could make the engine stall or could prevent it from starting.

Affected vehicles include the 2005 Acura RL, TL and TSX; 2005 Honda Accord Coupe, Sedan and Hybrid; the 2005 Odyssey; and the 2006 Ridgeline.

The Associated Press reports the recall is an expansion of a global one that has led to many complaints of stalling vehicles, though no related injuries or accidents. Fuel pump relays in the affected vehicles will be replaced, starting in April.

CALLAWAY SPINS C16 CABRIO INTO JAVITS The cabriolet version of Reeves Callaway's C16 will show up at the New York auto show wearing new droptop bodywork and the C16 Cabrio tag. The tuner transformation that is the C16 starts with Corvette hardware and tunes the 'Vette's big V-8 into 560-hp or 616-hp versions through supercharging. A six-speed manual or a paddle-shifted automatic translates power to the ground. With the higher-output package and

582 pound-feet of torque, Callaway claims the Cabrio will drop 60 mph in 3.5 seconds and will run the quarter-mile in the low 11s. Top speed is estimated at 200 mph.

Callaway tweaks the Corvette's suspension with Eibach springs. Braking is revamped to include six-piston front and four-piston rear calipers. Other modifications to the Corvette in its C16 iteration include new Callaway badging, leather interior trim, Recaro seats, and custom color selection. Dymag 19- and 20-inch wheels, front and back, are standard. Prices for the C16 Cabrio start at \$128,765, with pieces of the package available through dealers. The Callaway Web site, www.callawaycars.com, has details on ordering.

GM PLEDGES 40-PERCENT EMISSIONS CUT General Motors promises that its factories in North America will emit 40 percent less carbon dioxide in 2010 than they did in 2000. GM says its voluntary decision comes about from its membership in the Environmental Protection Agency's (EPA) Climate Leaders program, which helps major corporations develop ways to cut their emissions. GM was a founding member of the program in 2002 and at the time, made a pledge to cut its emissions by ten percent from 2000 levels. The automaker is achieving its cuts in a variety of ways. Landfill gases are being used as fuel, as is solar power. GM's production efficiency has improved, which cuts down on emissions. Left undisclosed in the release, however, is exactly how much GM's massive production cuts and factory closings are contributing to reaching the CO2 goal.

To date, GM says it has reduced its CO2 emissions by 25 percent. When it reaches its goal in 2010, its cuts will equal 4.5 million metric tons of carbon dioxide, which would equal the emissions of 432,692 households in a year.
