



Weekly Car Dealers Newsletter

May 28, 2007

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

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FATAL ERROR: CELL PHONES ERASING SOME VEHICLE KEY CODES
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FATAL ERROR: CELL PHONES ERASING SOME VEHICLE KEY CODES Cell phones rub some of Nissan's "intelligent keys" the wrong way, the automaker is warning owners.

Complaints about some cell phones erasing Nissan's I-keys for the 2007 Altima sedan and 2007 Infiniti G35 have the automaker advising customers to keep cell phones and the plastic fobs containing the starters "at least 1 inch apart at all times," according to an *Associated Press* report

A statement released by Nissan says some cell phones, if allowed to touch the I-Key while sending or receiving a call, may alter it's electronic code. "When this happens the I-Key will not start the vehicle and cannot be reprogrammed," the statement said. Nissan said it is developing a modified I-Key to prevent the problem and will provide customers with the new keys in the early fall.

Nissan dealers say that so far they have received very few complaints.

CHRYSLER: WHAT HAPPENS UNDER CERBERUS? The new Chrysler is cobbling together a strategy that will depend on protecting its own turf, rapid expansion abroad and continued access to the automotive technology produced in Europe. Tom LaSorda, chief executive officer of the Chrysler Group who will take over as CEO of Chrysler LLC once DaimlerChrysler AG complete the sale of his company to Cerberus Capital Management, told reporters Tuesday that the new owners expect the company to execute the turnaround plan outlined in February. "The Chrysler, Dodge and Jeep brands will not be broken up," LaSorda said. "This should be great news for our dealers," he emphasized. The transformation plan outlined in February calls for the elimination of 13,000 hourly and salaried jobs over the next two to three years and the closure of an assembly plant in Wilmington, Del. The reduction in the workforce is picking up

steam as more employees than expected have signed up for buyout and retirement packages.

LaSorda added that Chrysler's strategy will be to look for new partners throughout Asia in an effort to expand its international sales. Chrysler also will explore ways to expand its budding partnership with Chery, the Chinese company that will supply subcompact cars for Chrysler brands in North America and Europe. "I also look forward to pursuing other partnerships that will be in the best interest of Chrysler. We aren't big in Asia and we have no presence in India and we would like to grow in those two areas." The transformation plan also calls for a concerted effort to bolster the company's overseas sales. The Chrysler Group sold about 200,000 units overseas in 2006 and is anticipating a double-digit increase again this year, he said.

Chrysler also will maintain its close working relationship with Daimler AG, which will continue to own 19.9 percent of the new company, he said. Chrysler will continue to have access to Daimler's technological resources, LaSorda said. For instance, the companies will continue to develop a new line of clean-burning diesel engines.

Bernhard's shadow

LaSorda also will be able to utilize the guidance of Wolfgang Bernhard, its former chief operating officer who recently joined Cerberus as a senior executive. Under private ownership, LaSorda said he can now concentrate on making longer-term decisions that he said were sometimes sacrificed to meet the financial demands on a public company. "It's a new chapter," he added. "Cerberus is a great fit and I feel confident they will make Chrysler financially stronger." "We're going to rebound and come back," he said. "We're on our way as a stand-alone company." The Chrysler Group posted a \$1.98 billion operating loss in the first quarter as it slashed production to reduce inventories and as prices for its finished vehicles declined. The loss was inflated, however, by a \$1.22 billion restructuring charge to cover the ongoing cost of changes inside the company, DaimlerChrysler AG reported Tuesday.

LaSorda said while Cerberus had agreed to allow Chrysler to execute the transformation plan, which anticipates a \$2.1 billion loss in 2007, it also will expect the company to make serious progress towards its objectives of making a profit in 2009. "We've got to make this thing work," he said. "We're still up against the same competition," he said. LaSorda, however, also said the company will still need healthcare concessions from the United Auto Workers. "I've been very consistent about that for the past year," he said.

Before the press conference, Cerberus founder Stephen Feinberg and Bernhard held a series of meetings with union officials. Buzz Hargrove, president of the Canadian Auto Workers union, said he walked out of the meeting with a favorable impression of Feinberg. "He certainly gave us a comfort level he's in here for the long term," Hargrove told *The Oakland Press*. "He's very impressive. He understands the problems of the industry. He is the only CEO, I've met, so far, that understands the crisis we face because of these imports and closed markets in Asia. He agreed something has to be done. He also gave us a letter, stating there will be no layoffs because of the ownership change," Hargrove said.

PHIL HILL FERRARI FETCHES \$9.3M When the gavel fell on the last car for auction, Ferrari's "Leggenda e Passione" sale of a clutch of classic Ferraris from its own archives and from its owners' garages had ended in history. The auction of 33 cars was highlighted by the sale of a 1962 Ferrari 330 TRI/LM Testa Rossa, the last one built by the company. The car in question -

also the last front-engine car to win at Le Mans, at the hands of *Road & Track* eminence Phil Hill and co-pilot Olivier Gendebien in their third Le Mans victory - sold for \$9.3 million, the highest figure recorded for a public auction, the *Wall Street Journal* reports. RM Auctions, which ran the sale, had estimated that with the car's provenance and unique place in history, it might fetch \$8 million to \$10 million. The total take for the auction was more than \$46 million, with more than a third of the vehicles sold fetching more than \$1 million, the *Journal* adds.

The Testa Rossa was offered alongside a 1970 512 S raced by Luigi Chinetti; a 1953 340MM with a coachbuilt Touring Spyder body; a '66 Dino 206 SP, fully restored; and a 1997 Formula One car.

Ferrari is celebrating its 60th anniversary this year.

CAR TRIVIA: MAY 24, 2007

1. In *American Graffiti*, actors Harrison Ford and Ron Howard drove 1955 and 1958 models of this car.
 2. Which U.K. sports car maker was founded by Colin Chapman in 1951?
 3. Which automaker offered the Clipper series of models?
 4. What car did the bad guys drive in *Bullitt* chase scenes?
 5. Listeners of the "Car Talk" syndicated radio program voted this car the "Worst Car of the Millennium."
 6. Built in 1907, this was the world's first purpose-built, banked, high-speed race circuit.
 7. This term was applied to the radical rear-roof design of the 1971 to 1973 Buick Riviera.
 8. What car did James Bond drive in the 1995 movie *Goldeneye* ?
 9. How many cells are there in a 12-volt car battery?
 10. The 1936 Cord 810's long, rectangular engine hood resulted in this nickname.
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CALIF. ASKS EPA TO BOOST FUEL ECONOMY The State of California's Air Resources Board is in Washington today, asking the Environmental Protection Agency (EPA) for permission to clamp down on carbon dioxide emissions. The drastic new measures, the *Detroit News* reports, could eventually require automakers to build a fleet of vehicles that average more than 40 miles per gallon. California is leading a group of states seeking to set tougher carbon-dioxide emissions rules as a countermeasure to what lawmakers see as a threat from climate change. The Golden State, and eleven others using California emissions rules, are trying to get a waiver to set their own pollution rules starting in September of 2008.

Recently, the Supreme Court ruled in a 5-4 decision that the EPA could consider carbon dioxide as a pollutant and could set emissions standards for the gas, which some scientists and activists say is responsible for climate change around the world. Members of the California air

board argued that regulation was needed to clean the state's air and, as a result, preserve its native industries, including tourism and wine production, the *News* adds.

The auto industry has fought various lawsuits that would allow states to regulate emissions as a bloc. Such regulations are counter to the EPA's express mandate as the only agency permitted to regulate fuel economy, they argue, and any ruling to the contrary could cost automakers billions of dollars that might not have an appreciable effect on the globe's air quality.

Elsewhere in Washington , the topic of fuel economy is reaching sympathetic ears around Congress and even in the White House, where President Bush already has proposed increasing the corporate average fuel economy (CAFE) standards. A bill in Congress would boost CAFE by four percent a year up to a goal of 35 miles per gallon.

CAR TRIVIA: MAY 24, 2007 ANSWERS:

1. Chevrolet, 2. Lotus, 3. Packard, 4. Dodge Charger, 5. Yugo, 6. Brooklands, England, 7. Boattail, 8. BMW Z3, 9. Six, 10. Coffin nose
