



## ***Weekly Car Dealers Newsletter***

**May 6, 2007**

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

# **Week of May 6, 2007**

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**IS GM DELAYING THE NEXT MALIBU?  
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**IS GM DELAYING THE NEXT MALIBU?** The Dow Jones newswires says General Motors has delayed production of the next generation mid-size and compact cars it builds in the U.S. Along with the mid-size Epsilon cars, which include the Chevy Malibu, the report indicates that GM also has delayed plans for a new series of compacts based on a new "Delta" architecture, which may include the next generation Chevrolet Cobalt. Dow Jones says that GM sent notice to the United Auto Workers that the Delta program had been suspended along with the Epsilon, and speculates that the former could be a way of wringing contract concessions from the Ohio workforce that builds the Cobalt. The new "Delta" vehicles were to emerge in 2009. The Malibu is part of an "Epsilon" family of vehicles, and is built in Fairfax, Kansas. It's intended as a competitor to the Toyota Camry and has been well-received for its new exterior shape.

UPDATE: GM clarifies that the "negotiations being reported on concern the next-generation mid-size and compact vehicles. The Malibu that we are introducing this fall is based on the current generation mid-size architecture, so is not as issue."

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**CHEVROLET POWERS UP 2008 CORVETTE** (Fastest-ever automatic version among updates). Bigger small-block power arrives in the Corvette for the 2008 model year. The latest edition of the 'Vette Coupe and Convertible, Chevrolet says, will get a version of GM's 6.2-liter V-8 engine with 430 horsepower and 424 pound-feet of torque. The Z06 edition returns with a 7.0-liter V-8 with 505 horsepower. There's no word yet of the seemingly mythical "Blue Devil" Corvette seen in spy shots and rumored at auto shows, though. The 'Vette's new base engine has an optional twin-mode exhaust that bumps power up to 436 hp and powers it to 190 mph. With the six-speed paddle-shifted automatic, Chevrolet says this is the fastest automatic Corvette ever, capable of hitting 60 mph in 4.3 seconds. The six-speed manual remains available.

Other mechanical updates to the 'Vette include a revised power steering system, and a new split-spoke wheel design with a "Sparkle Silver" finish. The 'Vette's interior gets dressed in a new optional custom leather design for the 2008 model year. The two-tone trim complements new instrument panel trim and sill plates. Standard features on all Corvettes now includes OnStar with turn-by-turn navigation; XM satellite radio; auto-dimming rearview mirrors; and an audio input jack on all audio systems except those with navigation (it's a dealer accessory on those systems).

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**EMISSIONS NOOSE TIGHTENS FOR AUTOMAKERS** The emissions noose around the auto industry is getting tighter, in the wake of the Supreme Court ruling that says the Environmental Protection Agency (EPA) has the authority to limit carbon dioxide emissions. The industry's longtime political protector, Rep. John Dingell, D-Mich., has warned automakers there is probably no chance of preventing Congress and the Bush administration from raising fuel economy standards, the *Washington Post* reported. The pending legislation appears relatively modest on its face, calling for a four-percent annual increase of the corporate average fuel economy (CAFE) standard, to 34 mpg over the next decade. At the same time, the Bush administration is wavering in the face of pressure from California and is seriously considering allowing the Golden State to impose its own mileage standards or caps on carbon emissions by automobiles. Meeting the proposed California caps would require huge changes in the size and engineering of vehicles driven not only in California but all over the United States. California is the largest and most vibrant market for new cars in the United States and once confronted with new regulations there, carmakers would be under serious economic pressure to downsize their vehicle fleets to try and meet the new state rules. Meanwhile, New York Mayor Michael Bloomberg has proposed levying a London-style usage fee for motorists interested in driving into midtown Manhattan. The betting is Bloomberg's proposal won't get anywhere for now. The real significance, however, is that he felt comfortable actually laying out the plan, suggesting he believes the public is becoming more comfortable with the idea of new fees to help in fighting global warming.

### **Detroit feels the heat**

The pressure is so intense on automakers that Tom LaSorda, president of the Chrysler Group, said his group is pushing ahead with plans for spending more than \$3 billion in the next few years on new engines and axles designed to make vehicle more fuel-efficient even though the company is for sale. In its briefings for potential buyers, Chrysler has stressed the need for the investments, although they are normally the sort of things potential buyers often ask management to put on hold even before making an official bid. Ford CEO Alan R. Mulally said during a conference call with reporters last week global warming or climate change is an issue car makers can no longer afford to ignore. "I clearly believe the vast majority of data indicates that the temperature has increased. And I believe the correlation and analysis that it's because of greenhouse gases," he said. Mulally, however, said he hopes there is still time to engage the industry's critics in a constructive dialogue. "We are at a critical stage in the global conversation on sustainability, energy consumption, and environmental protection," said Mulally as he promoted Susan Cischke to senior vice president and gave her the rather large assignment of fashioning a strategy for dealing with the impending changes. "Sue will not only help us shape our participation in this dialogue, but also help us develop the products and processes our customers and our society will demand," Mulally said. "She has the full support of the company's board and senior leadership team," he said.

**Pressure**

in

**Washington**

The political pressure for higher fuel-economy standards is driven by studies detailing the climate-change threat, rising energy prices which have left gasoline prices around \$3 per gallon and the war in Iraq, which has left Americans uneasy about importing huge quantities of oil from the volatile Middle East. In addition, the contentious debate over the war in Iraq has sharply undermined confidence in the conservative position on broad range of issue, including government regulation. Automakers also have been targeted more than other industries, they point out. Executives from the coal-burning utilities, the airline business, and just about everyone else putting CO2 into the atmosphere have been scrambling to avoid tighter regulations by pointing fingers at the car business as the principal culprit. Facts, however, suggest that automakers could zero out the carbon dioxide emissions from their vehicles, and it would reduce CO2 emissions by only about 25 percent.

While automakers talk of building a consensus on climate change, their nominal allies are cutting deals with regulatory bodies around the world - bodies that are putting most of the blame for climate change on the global auto industry.

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**PORSCHE, MGM IN VEGAS “INSPIRED ESCAPES”** Porsche is teaming up with the SKYLOFT resort at Vegas' MGM Grand complex to provide what it calls an "Inspired Escape" in its 2008 Cayenne. The ultra-luxury crowd will soak up the Cayenne with a stay at the SKYLOFT hotel-in-a-hotel, which runs \$1200 a night. Once a room is booked at the MGM-owned property, a butler will arrange details for a unique Porsche experience, down to the picnic lunches, all as a part of its series of "Maximum Vegas" experiences.

The Escapades start this year with the Cayenne. The five-seat SUV can be used for custom road trips, or guests can choose some prepared ones, like a hillclimb up 11,918-foot Mount Charleston; a photo shoot in Nevada's famed "Valley of Fire"; or a sightseeing tour of Hoover Dam. Porsche will cycle out its vehicles and incorporate its sportscars in the hotel packages. Along with the Porsche drive, guests get to select restaurants for reserved dining, seats for special events, their choice of pillows and linens, even the contents of their minibar. The hotel provides more details at 877-646-5638.

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**ZF BUILDING EIGHT-SPEED AUTOMATIC** ZF, supplier of transmissions to a wide swath of the luxury automakers, says it's developed a new eight-speed automatic that could improve fuel economy in vehicles by six percent. Eight-speed automatics are a new vanguard for the auto industry. Lexus announced its own eight-speed automatic for its new LS460 sedan, and Mercedes-Benz has offered a seven-speed automatic on much of its model range, but automatic gearboxes with more than six speeds are still relatively rare. The new gearbox, ZF says, will boost fuel economy by six percent over a six-speed automatic in a similar application. Because of the gearbox's compact packaging, it will fit in the same space as ZF's own six-speeds. And the gearbox will also be able to handle more torque than its existing six-speed.

Most importantly, ZF says its new gearbox has been designed with hybrids and all-wheel drive applications in mind. Its modular design means that an integrated starting clutch can be swapped in for the torque converter, for example. And its hybrid integration can accommodate

"all known hybrid functions," ZF says. There's no word on which vehicle will debut the transmission.

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**GM MAY AXE MID-SIZE UTES** General Motors is prepared to move ahead with a new round of rear-wheel-drive vehicles but it is taking a hard look at the replacements for the traditional mid-size sport-utility vehicles such as the Chevrolet TrailBlazer. Fritz Henderson, GM's chief financial officer, said in response to an analyst question that GM would move forward with a family of rear-wheel-drive cars based but also was taking a hard look at its future options. "We have some rear-wheel-drive vehicles in the pipeline and we're going to execute those," he said. However, Henderson also told the analyst that GM was mindful of the new challenges over the horizon. "We need to step back and think about fuel prices and regulation as we develop our portfolio," Henderson said. "We shouldn't just leave it static. We obviously need to consider the dynamics of the market as we think future choices," Henderson added. "I'd say sitting here to day given the uncertainty it's something we're looking at. But I wouldn't say I have anything to announce today. It's just natural that we should be looking at our portfolio choices in a different regulatory/fuel economy environment," he said.

Robert Lutz, GM vice chairman for product development, said in a television interview that aired in Detroit over the weekend the company had "hit the pause button" on a family of new rear-wheel-drive models. However, GM isn't going to scrap the vehicles, though it is rethinking the powertrain options it plans to use in the various models, which would be spun off from the architecture being utilized for the next-generation Chevrolet Camaro. The business case for the new Camaro, due out in 2009, has already been reviewed and approved, which means most of the fixed investment required for the other rear-wheel-drive models has already been committed, Lutz added. Thus, the other models would be less expensive to develop, Lutz added.

[TheCarConnection.com](http://TheCarConnection.com) was the first to reveal that GM planned to spin off more models from the Camaro architecture back in February. GM will have fewer but more flexible platforms that would accommodate a wider range of vehicles and vehicle designs, Lutz said in February. The new Camaro platform could be used for other vehicles, he indicated. At the time, Lutz also hinted that part of the reason for the delay in moving forward with the Camaro project was to extend the utility of the fundamental architecture so it could serve as the platform for other vehicles as well. "What you've got to understand is that we've got this modular product architecture kit where we have two different lengths of center underbodies, two different lengths of front rails, and two different lengths of rear over hang. So we can modify those elements any way we want. In the case of the Camaro it's long short, short. If, for instance, we wanted to do a very large rear-wheel-drive Cadillac with more than eight cylinders you could do long, long, long," Lutz said. "It's like a Lego set - you weld them together anyway you want," he added.

So far, however, GM hasn't said publicly it plans to go ahead with an ultra-luxury Cadillac. However, executives such as Mark LaNeve, GM vice president of sales, service and marketing, have said they would like to move forward with an upscale Cadillac that could compete with cars such as the BMW 7-Series and the new Lexus LS460. Remarks by Lutz and Henderson, however, suggest capital is in relatively short supply and that GM executives are becoming more cautious about spending. However, GM's engineering chief Jim Queen acknowledged recently its top rival is outspending it by a wide margin now. GM's capital spending this year is expected to top \$9 billion but Toyota is expected to spending \$14 billion and GM pays more to borrow money now than Toyota does.

Thus finding ways to conserve capital by spinning off more products from one basic investment has become critical for GM.

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