



## *Weekly Car Dealers Newsletter*

October 15, 2007

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

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**2008 SUBARU WRX STI PREVIEW**  
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**2008 SUBARU WRX STI PREVIEW** The original Impreza WRX was a long time coming. We were lucky enough to get a preview of what Subaru had in store more than five years before this factory hot rod finally made the jump from Japan's crowded streets to U.S. showrooms, but it was well worth the wait. Will we feel the same way when a new version arrives?

Hard to say, though our preview of a preview - a first look at what will make its formal debut at this year's Tokyo Motor Show - is impressive enough. Subaru is saving some details for the official reveal, so we can't confirm that its new, unique-to-STi 2.0-liter boxer engine, with a twin-scroll turbo, will pump the reported 300-plus horsepower through the new car's six-speed manual gearbox. But we can provide a few hints of what's in store.

Much, though not all, of the new car's mechanicals carry over from the outgoing STi, with the goal of creating not just a quicker car, but one with a lot more sticking power. Among the traction-enhancing goodies: all-wheel drive, new Vehicle Dynamics Control (Subaru's take on a performance stability control system), Driver's Control Center Differential, and SI-Drive. The goal, declares a Subaru release: "total driving control."

The body is new, a five-door design somewhere between a wagon and a small crossover, based on the recently updated Impreza. The wheelbase is longer, but the front and rear overhangs have been shortened, and with a bull-like flare to the wheel arches, the new STi is a bit wider than before, as well.

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**DAIMLER, BMW Hooking Up?** With the separation from Chrysler complete, Daimler AG is very likely to pursue closer ties with its archrival BMW, according to knowledgeable sources inside the automaker.

For the past several weeks, the German press has been filled with speculation about joint development projects for everything from small cars to new engines. Moreover, Daimler chief executive officer Dieter Zetsche didn't exactly reject the idea of closer ties with BMW.

Daimler, in fact, made one known but ultimately unsuccessful bid for BMW back in the early 1960s and by and large the two companies have kept their distance for the past half-century or so.

In recent years, however, BMW and Daimler have collaborated successfully in the development of hybrids and more projects are possible if they are mutually beneficial, Zetsche said during the special shareholders meeting in Berlin earlier this month.

Meanwhile BMW executives have been more circumspect about the chances of closer ties with Daimler or its Mercedes-Benz car group.

One Daimler executive familiar with the company's strategic position told TheCarConnection that closer ties have advantages for both companies. Moreover, the joint hybrid development project has turned out to be a test of whether the two companies actually could work together.

The results were very reassuring, he said. "It made both sides more comfortable with the idea," he said.

Both companies are facing tougher fuel-economy and emission regulations in both Europe, North America and even in China. Meeting the challenges posed by the new regulations is very expensive and very complicated for both companies and is a major impetus behind the collaboration, the executive said.

Daimler is also a vulnerable company, the executive said. Zetsche has publicly dismissed the idea Daimler was vulnerable to a takeover bid by a private equity group or by another automaker. Despite Zetsche's assurances, however, without a high market capitalization, Daimler is an inviting target, the Daimler executive said. In fact, a rumor that apparently originated in Tokyo - and then swept through the German stock exchange in Frankfurt in early October - suggested that Toyota was actually interested in buying Daimler AG.

The idea Daimler was about to be swallowed by Toyota was dismissed by a spokesman for the German automaker. However, the idea did cause a stir and wasn't dismissed out of hand by outside analysts, who noted Toyota could always sell off some pieces of the company to pay for the transaction.

Moreover, while the German industry remains sheltered, in some respects, companies like Daimler have relatively few protections from an outside bidder, the Daimler executive noted.

Thus the new Daimler is under intense pressure now to keep its stock price or capitalization relatively high. The need to bolster the market capitalization also means Daimler will have to become much more cost-conscious than in the past when Daimler-Benz was noted for its open-

handed spending policies.

BMW also faces its own problems. Its decade-long run that has brought it so much success appears to be losing some of its momentum, putting added pressure on the company's management.

The company's owners, the secretive and enormously wealthy Quandt family, also are coming under new scrutiny in Germany. A new television documentary has raised questions about the use of slave labor under the Nazis by BMW and its subsidiaries and by extension the Quandt family.

Other major German corporations such as Daimler-Benz and Volkswagen AG, and even General Motors and Ford, all addressed the same question more than a decade ago. Only recently, however, has BMW asked a group of outside scholars to examine company records.

The examination, however, is bound to raise collateral questions about whether the Quandt family is prepared or in a position to protect its ownership stake in the company in years to come.

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**2007 LEXUS LF-Xh HYBRID CONCEPT** There are concepts ahead of their time, and there are concepts appearing after production designs are done. This hybrid SUV looks like a teaser to prepare buyers for a more angular and expressive RX. If Lexus holds to its usual cycle, a replacement RX will appear in a little more than year as a 2009 model. Lexus is saying only that this is a concept SUV that uses the L-finesse design philosophy that appeared when customers thought the original batch of Lexi too bland -successful as they were.

However "bland" the original RX concept was when it appeared at the Chicago Auto Show in 1997, the production RX300 SUV that appeared in 1998 propelled Lexus to record sales and created the crossover SUV formula ultimately adopted by all makers. The RX quickly became the best seller of the line, car or truck, and with more than 100,000 sales a year it still is. The RX firmly established Lexus as the luxury sales leadership in the U.S. for the past seven years. Even with some pricing pressure from all the competitors, the \$40,000 RX remains a leader.

It's no wonder that the concept is almost identical in dimensions to the existing RX400h and RX350 models. The sharply creased LF has even a larger more exaggerated grille, and more pronounced front fenders and wheel wells than currently offered (length 189.0 inches, width 74.6 in., height 65.0 in., wheelbase 112.2 in.). A five-inch stretch in wheelbase out to the corners might indicate that some vestigial third row seat could be added, but it's not clear from the interior photo. The huge wheels, cameras instead of exterior mirrors, and lack of door handles or a roof rack are typical show-car tricks that rarely survive in production.

Technical details are scarce at this time. The all-wheel-drive vehicle has a V-6 gasoline engine and "Lexus Hybrid Drive" just like the existing car. It's also expected Toyota will continue to use NiCad batteries as it has since the original Prius appeared a decade ago. Toyota has been extremely skeptical about the near term prospects for the use of lithium-ion batteries in hybrids, that General Motors is betting on for its Volt hybrid. No need to change the winning formula?

**2009 FORD FIESTA SPIED!** New Ford Fiesta, caught testing in Germany at the Nürburgring.

Sharing most of its technical parts with the new Mazda2, the Fiesta will be the second car built on the new B2E platform. The platform eventually will spawn a replacement for the Fusion sedan as well.

The 2008 Fiesta - likely a 2009 model for the U.S. market - will feature a design flavored by Ford of Europe's styling themes. That look will carry over to the U.S., too: the Stateside Fiesta will look almost the same in Europe as it will in the U.S.

From these pictures, we can make out a trapezoidal grille below the license plate and headlamps that run back to the front wheel arches. The wheel arches will be more pronounced both in the front as well in the back, and the car features a smooth side-window design and a rounded rear glass.

The new platform is lighter and slightly smaller than the old one, and therefore the new Fiesta probably will be lighter in total compared with the old one. Light weight and great crash safety have been two of the most important goals for the new Fiesta, along with good fuel economy.

The photos show prototypes of the five-door model and for the first time, the three-door variant.

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**JAGUAR DROPS X-TYPE FROM 2009 US LINEUP** Jaguar will pull the entry-level X-Type from the U.S. market next March when the sporty new XF sedan goes on sale. The automaker had been expected to keep the X-Type in the U.S. market until 2010.

Jaguar's most affordable model has always struggled in the U.S., and after peaking with sales of around 5000 cars in its launch year in 2003, sales have tailed off to below half that level, despite a wagon being added to the range.

U.S.-spec production will cease in December when Jaguar's factory switches over to a new facelifted 2009 model X-Type. That model will never make it to the U.S.; cars sold in the U.S. through March will be built to today's specifications prior to the model changeover.

Jaguar blames increasingly tough competition in the compact premium segment and the disadvantageous dollar to British pound ratio, which has affected profitability.

"Over the past 18 months Jaguar has been conducting a strategic review of its positioning in the premium luxury market," said a Jaguar spokesman, "and there were a number of unique circumstances in the North American market."

The new XF is a bigger and more expensive car than the X-Type. Jaguar expects sales of the rakish-looking sedan to compensate for the loss of the smaller Jag.

U.S. specifications and prices for the XF will be announced at the Los Angeles show in November, but the rumor is that XF volume is slated at around 5000 cars a year, similar to the combined volume of the X-Type and the bigger S-Type, the car that the XF directly replaces.

Jaguar's U.S. line-up of XFs is expected to consist solely of two V8 models--the lesser V6 not crossing the pond.