



## *Weekly Car Dealers Newsletter*

September 3, 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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### SUBPRIME FALLOUT HITS AUTOS

**GM ENGINE TECH: 15 PERCENT BETTER?**

**CAR TRIVA – AUGUST 31, 2007**

**MERCEDES DEALERSHIP ACCUSES NEST OF EMPLOYEE THIEVES**

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**SUBPRIME FALLOUT HITS AUTOS** The collapse of the subprime home mortgage market is infecting the U.S. auto industry. Car and truck buyers, especially those with lower credit scores, often are finding it harder to get financing. Vehicle-loan delinquencies are rising among higher-risk customers. And as budget-squeezed consumers put off vehicle purchases, industry forecasters are cutting their sales predictions for 2007. Last week, the National Automobile Dealers Association scaled back its 2007 sales forecast, in part because of the battered mortgage market. In February, NADA chief economist Paul Taylor predicted that U.S. sales of new cars and light trucks this year would roughly equal the 2006 mark of 16.5 million. Now Taylor predicts 2007 sales could dip as low as 16.1 million units. At the same time, some lenders have raised interest rates on vehicle loans to subprime buyers. Dealers in markets where subprime mortgage problems are most acute report slumping sales at their stores.

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**GM ENGINE TECH: 15 PERCENT BETTER?** (New technology could yield more miles per gallon.) After years of trial and error and secrecy, General Motors is ready to talk publicly about a combustion process that could increase fuel economy in conventional engines by up to 15 percent. Uwe Grebe, executive director for GM's powertrain advanced engineering, told [TheCarConnection.com](http://TheCarConnection.com) that doesn't have a specific timetable for rolling out an engine with a homogeneous charge compression ignition, or HCCI, as the system is called. However, the fact GM has put experimental engines into a pair of demonstration vehicles suggests the technology could ready by the beginning of the next decade. GM senior management is putting more and more emphasis on better fuel economy across its model line in an attempt to catch up with Asian rivals, which have long owned the franchise on fuel efficiency in the minds of most consumers. The HCCI engine has several advantages that help make it more efficient, said Grebe. It doesn't need spark plugs inside the combustion chamber since the fuel is ignited by pressure, and it burns all the fuel inside the chamber completely, which eliminates the need for extensive pollution controls, Grebe said. The low-temperature, flameless energy release in the combustion chamber also means the engine uses less fuel, according to Grebe. "Additional

development costs, including research and testing programs, are required to make the technology ready for the great variety of driving conditions that customers experience," Grebe said.

When HCCI is combined with advanced technologies such as direct injection, electronic cam phasing, variable valve lift, and cylinder pressure sensing, it can provide up to a 15-percent fuel savings, GM said. It is almost as efficient as a diesel engine but doesn't require the kind of extensive and expensive after-treatment of the exhaust necessary on diesel engines.

Richard Wagoner, GM chairman and chief executive officer, said recently that the cost of diesel engine pollution equipment makes it very difficult to use small diesel engines in the U.S. where consumers don't have much of an inclination to pay extra for the technology. GM's experts, like those at other automakers, have experimented with the technology behind HCCI engines for more than two decades. Only recently, however, have advances in computer software made it feasible to use the engines on production vehicles, Grebe said. The software helps smooth over the variability in combustion that occurs when the engine heats up or the atmosphere around the car changes. Tom Stephens, group vice president GM Powertrain, said that while improvements in the standard internal combustion engines aren't very glamorous, they are cost-efficient. Standard gasoline engines are less expensive to build and offer excellent horsepower versus diesel engines. Stephens said "there is no silver bullet" for improving fuel economy. GM, however, is committed to a broad strategy that will boost efficiency of engines and reduce emissions. As part of the strategy, GM will introduce 14 new engines and transmissions for the 2008 model year, including eight that will be used exclusively in the North American market.

GM's two-mode hybrid system will debut on the full-size Chevrolet Tahoe and GMC Yukon on or about Nov. 1 and will be matched up with a new 6.0-liter V-8 engine, but will still get 25 percent more miles per gallon than a full-size SUV without the two-mode hybrid system. "It will get better than 20 miles per gallon, even under the new EPA test," Stephens added. The EPA has made its test for calculating mileage tougher for the 2008 model year and the fuel-economy rating for many models, such as the Toyota Prius hybrid, are expected to drop. The new hybrid system, which was refined at the hybrid development center operated jointly by GM, Chrysler and BMW in Troy, will be the first hybrid system used on full-size SUVs, which have become symbols of gas-guzzling in the ongoing controversy over fuel efficiency. "The hybrid Tahoe is genuine SUV, only it's 25 percent better fuel economy," he said. The Chevrolet Tahoe and GMC Yukon hybrids will also deliver up to 40 percent better fuel efficiency in city-driving, Stephens added. Stephens also said GM plans to extend the use of the hybrid system to the Cadillac Escalade and crew cab versions of the Chevrolet Silverado and GMC Sierra during 2008.

Chrysler also is making plans to launch a hybrid version of its Dodge Durango, which uses the same basic system. The Chrysler system, however, has different formatting.

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## **CAR TRIVA – AUGUST 31, 2007**

1. Introduced as a mid-year 1975 model, this car had many nicknames including "fishbowl".
2. To customizers and hot rodders, what is a "deuce"?
3. What did Ford call the farm tractor that it introduced in 1917?
4. Which car line featured a new Firesweep V-8 series in 1957?
5. Which U.K. motorcycle manufacturer introduced the famous Square Four model in 1931?
6. Lamborghini sold only one 2000 model in the U.S. market. What was its name?

7. With what motorsport activity is Bernie Ecclestone identified?
8. Which state has the motto " Land of Enchantment " on its license plates?
9. What collective term does Ford use for its Aston Martin, Jaguar, Land Rover, and Volvo brands?
10. Which Ferrari model was named for founder Enzo Ferrari's son?

Answers at the end.

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### **MERCEDES DEALERSHIP ACCUSES NEST OF EMPLOYEE THIEVES**

**Dealership sues four employees accused of bilking the company out of over \$500,000 over a 10 year period. It is getting to be an old story – just who is watching the store?**

A Mercedes dealership in Kamloops, British Columbia has accused four employees of engaging in systematic theft via fraud over a ten-year period. Accusations include buying cars from the dealership and then selling them back at a higher price. The accused include the Controller and the General Manager, according to *The Province*, a Kamloops newspaper.

Dealerships prove to be fertile ground for internal thieves and many dealers prove to be inattentive to the possibility that what appear to be loyal employees might be stealing them blind.

In addition to the General Manager and Controller, if that was not bad enough, also accused is the dealership's Business Manager – the wife of the GM by the way – and one member of the dealership's sales staff.

The quartet apparently employed a number of schemes to steal from the dealership. The buying of vehicles and then selling them back to the dealership appears to be a new twist on using the wholesale process to line their own pockets. There is also an accusation that the band also engaged in running a rebate scam. Who knows what else they might have been up to.

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Answers:

1. AMC Pacer
  2. 1932 Ford coupe
  3. Fordson
  4. DeSoto
  5. Ariel
  6. Diablo
  7. Formula One racing
  8. New Mexico
  9. Premier Automotive Group
  10. Dino
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