



## *Weekly Car Dealers Newsletter*

September 10, 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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**WASHINGTON LEXUS DEALER REFUSES TO SELL CAR TO CUSTOMER  
FORD DEALERS BAIL QUICKLY  
GM: DEALERS RIG CUSTOMER SATISFACTION SURVEYS  
AUGUST SALES: GM UP, FORD DOWN  
CHRYSLER SHOCKER: TOYOTA'S PRESS ON BOARD**

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### **WASHINGTON LEXUS DEALER REFUSES TO SELL CAR TO CUSTOMER – because he's Canadian**

**There is more to this story than meets the eye. Read on to find out why the dealership turned down an easy sale.**

Like many Canadians, reports the *Canadian Broadcasting Company*, Ken Wang, from Calgary, Alberta, planned to take advantage of the strong Canadian dollar and buy a car in the U.S. He intended to trade in his Buick for a new Lexus, figuring he could save as much as \$20,000 if he bought the car in the states. But when he contacted a Lexus dealership in Washington state, he made a rare discovery: A car salesman who refused to sell him anything. He was especially surprised as to the reason why: The dealer says his franchise agreement prohibits him from selling to residents of another country. While Mr. Wang may feel he is a victim of discrimination, the practice is not unheard of. There's nothing illegal about the practice.

A spokesperson for the Canadian Competition Bureau said it's generally done to foil "arbitragers" — people who buy cars in the U.S. just to bring them back to Canada to sell at an inflated price. Arbitragers stand to make good money by the practice since some U.S. and Canadian car prices are vastly different. For the Lexus ES 350 that Mr. Wang had in mind, he would have saved over \$7,000 by buying it in the U.S. A new Honda Accord sedan costs over \$3,000 more in Canada than the U.S., with a base price of approximately \$24,000 in Canada.

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**FORD DEALERS BAIL QUICKLY** It turns out it's easier to get dealers to flee than Ford Motor Co. executives thought. About 300 Ford and Lincoln-Mercury stores will be gone by the end of 2007. That's about half again as many as executives expected when Ford began its dealership reduction program late last summer. Mark Fields, president of Ford's Americas unit, said in late August that "the whole intent of this is to improve the fiscal health of our dealerships." Ford says it is not forcing dealers out. Shrinking truck sales and overall market share are prodding some dealers to give up their stores. The challenges to dealers are getting more severe with the

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squeeze in the credit market, says Kevin Collins, chairman of the Ford national dealer council. "Dealers are looking at this and making plans and saying, 'If I'm not happy now, if I'm struggling now, maybe I should go ahead and start an (exit) process,'" Collins says. Ford executives would not disclose details about dealership cutbacks. But [Mark] Fields, one architect of the plan, said in August that Ford Motor is ahead of its timetable. Dealers are coming forward to work out exit packages, he said. Collins, of Bill Collins Ford-Lincoln-Mercury in Louisville, Ky., says most dealers seem pleased with the way Ford has handled the program.

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**GM: DEALERS RIG CUSTOMER SATISFACTION SURVEYS** General Motors says it is tossing the results of some recent customer satisfaction surveys because dealers tampered with the responses. That decision could cost offending dealerships big factory bonuses. GM surveys customers who buy new vehicles or submit factory warranty claims about their satisfaction with the dealership's performance. Dealerships that get high scores on those surveys and meet sales targets are eligible for quarterly cash incentives that can reach six figures. The satisfaction surveys are sent to customers' homes to discourage dealer influence. Customers respond by mail or online. But an unsigned bulletin that GM sent dealers Aug. 14 says "certain online responses are being received from some dealerships." GM says it is making "appropriate adjustments" to third-quarter survey scores "to reflect interference." GM spokeswoman Susan Garontakos told *Automotive News* the interference "was not widespread." Some GM dealers say survey tampering occurs because of the high stakes. Under GM's Standards for Excellence program, they note, a dealership can lose its entire quarterly bonus if it falls a fraction of a percentage point below its prescribed score. National Automobile Dealers Association Chairman Dale Willey says he agrees that "it's best to let customers respond on their own" to satisfaction surveys.

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**AUGUST SALES: GM UP, FORD DOWN** Generally upbeat numbers set automakers for slow fall? Sales of new vehicles did better than expected in August despite troubled credit markets and the unfolding housing slump. The seasonally adjusted sales rate of 16.27 million was well ahead of July, when the adjusted rate dropped to 15.28 million units. American carmakers continued to lose ground even though General Motors reported a 5.3-percent increase in passenger-vehicle sales in part due to strong sales to rental fleets, which increased 24 percent, according to Paul Ballew, GM's general director of global sales analysis.

Toyota reported a 2.8-percent dip in sales that was linked, in part, to shortages of small, fuel-efficient vehicles imported from Japan.

Ford, which has now slipped behind Toyota in total sales this year, reported its sales dropped 14 percent last month. Chrysler reported a six-percent decline. Both [Ford](#), which is now third in total sales, and Chrysler, number four, reported deep cuts in rental fleet sales last month.

Meanwhile, Nissan, Honda, Hyundai, [Kia](#), Mitsubishi, and Suzuki all reported modest sales increases for August. For Nissan, the Altima continued to do well with consumers; Mitsubishi was aided by a 58-percent jump in sales of the new Lancer.

European luxury makers including Mercedes-Benz, [Audi](#), Porsche, and BMW also reported sales increases as they managed to shrug off the declining value of the dollar, which has made it more expensive for them to export vehicles to the U.S. MINI, in fact, reported a 19.3-percent

increase in sales during August.

Subaru said its sales declined, as did Volkswagen.

Ellen Hughes-Cromwick, Ford's chief economist, said it is apparent consumers have become more cautious. Consumer sentiment has declined and there is evidence that middle-income households - those making less than \$75,000 annually - have dropped out of the market. "It appears we are in the phase of the cycle where the consumers stop and take stock and weigh their options," she said. Moreover, the age of the U.S. car fleet is now older than ever, indicating more and more consumers are delaying purchases of new vehicles.

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**CHRYSLER SHOCKER: TOYOTA'S PRESS ON BOARD** In a stunning move, Chrysler LLC announced Thursday that it hired Toyota's top American executive to serve as its president. Chrysler said Jim Press, president and chief operating officer of Toyota North America, is joining Chrysler as vice chairman and president. Press' resignation will become effective Sept. 14, said Toyota officials, who have already named Shigeru Hayakawa, currently TMA's executive vice president, as Press' replacement. Press, one of the most successful salesmen in automotive history, had spent 37 years with the Japanese automaker's operations in the U.S., becoming Toyota's top executive in North America last year. Earlier this summer, he also became the first American to take a seat on Toyota's board of directors.

The announcement of Press' appointment came only a month after Cerberus Capital Management, Chrysler's new owners, had recruited former Home Depot CEO Robert Nardelli to serve as the chairman and top executive of Chrysler LLC. "Tom LaSorda and I are thrilled that one of the most successful executives in the history of the [auto](#) industry has joined our leadership team at the new Chrysler," said Nardelli. "Our top team now consists of a world-class 'supply' leader in Tom and an equally world-class 'demand' leader in Jim." "I've known Jim for many years and know that he will hit the ground sprinting," said LaSorda. "I look forward to partnering with him and Bob as part of the Office of the Chairman," said LaSorda, who will continue to manage the company's complicated relationship with the United Auto Workers and its manufacturing operations.

The announcement, however, immediately touched off a new wave of speculation that LaSorda will leave the company soon. Jason Vines, Chrysler's vice president of communications, insisted LaSorda was staying. "The fact is there aren't enough words in the dictionary to stop the all the speculation," Vines said. Press joined Toyota when it was still selling 100,000 [cars](#) annually, primarily in California. During his long tenure with the company, Toyota grew into America's second-largest carmaker in sales.

Press said he was looking forward to the new challenge. Only this week, Toyota overtook [Ford](#) in total yearly sales for the first time. Ford is unlikely to get to second spot back any time soon, analysts have said. "I am grateful for the support and opportunities I received during my three-plus decades at Toyota," said Press. "I relish this new opportunity with the Chrysler team to be a part of the resurgence of a true American icon here and around the world. Part of my new responsibilities will be strengthening and energizing the dealer body. This is something I was passionate about at Toyota and will be passionate about at Chrysler."

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