



Weekly Car Dealers Newsletter

December 2, 2008

This information that follows is taken from sources including *The Carconnection*, *Autoweek*, and other industry sources. For more information please call our Edmonton office.

WEEK OF DECEMBER 1, 2008

(a shorter issue this week as I am in California on vacation and even the auto industry news slowed down for the U.S. Thanksgiving)

AUTO HELP AVAILABLE, BUT DEPENDS ON PLAN

WASHINGTON -- President-elect Barack Obama's advisers said Sunday automakers must convince Congress that they have a plan to return to profitability before they can get \$25 billion in emergency bridge loans... "(Obama) said from the beginning that we need to help but we can't give a blank check and I agree with that," Obama adviser David Axelrod told ABC's 'This Week.' "If they don't do that then there is very little the tax payers can do..." Congress on Thursday postponed voting on a compromise plan brokered by Sens. Carl Levin, D-[Mich.], and Christopher "Kit" Bond, R-Mo., and instead told Detroit's Big Three automakers to return to Congress by Dec. 2 with a detailed plan for how they would use the funds and their plan for viability. Congress is then expected to take up the issue the week of Dec. 8. "Shareholders, business partners and prospective benefactors - the American people - deserve to see a plan that is accountable to taxpayers and that is viable for the long term," House Speaker Nancy Pelosi, D-Calif., and Sen. Majority Leader Harry Reid, D-Nev., wrote Friday. "Taxpayers also deserve to see top automobile executives making significant sacrifices and major changes to their way of doing business." - Source: [The Detroit News](#)

CH. 11 WOULD HIT DEALERS HARD -- FAST

A bankruptcy filing by a Detroit 3 automaker would kill many of its dealerships quickly even if the company successfully reorganizes, dealers' lawyers predict. Many dealerships that already are struggling with frozen credit and an economic recession would not survive the instant cash crunch if an automaker decides to seek Chapter 11 bankruptcy protection, the lawyers say. At that point, they say, money due to dealerships from the factory for sales incentives, holdbacks and warranty reimbursements would become unsecured debt. A Bankruptcy Court could allow the automaker to pay dealerships just pennies on the dollar and to delay even those payments. Dealers "are selling new vehicles below net cost and counting on factory incentives to make a profit or break even," says Jeff Roberts, a lawyer in Raleigh, N.C. "If the incentives never

materialize, it will be a substantial hit to many dealers. Frankly, many will not survive."

- Source: [Automotive News](#)

ECONOMY HAS NEW-CAR DEALERS SHIFTING TO USED-CAR FOCUS

In the worst new-car market in 25 years – and at a time when most car dealers are cutting way back – Prestige owner Randall Reed is spending \$6 million to extensively remodel a portion of his dealership and convert his former new-car operation to a used-car superstore. His project was prompted partly by the rapid deterioration of the new-car business this year. With sales at Prestige now less than half what they were at the dealership's peak eight years ago, Mr. Reed decided he could no longer justify the rent on his 50,000-square-foot facility... "There's not a dealership anywhere that is not struggling some," he said. "But I'm very confident that the tide will change for Ford." So confident, in fact, that he is enlarging the former used-car facility to include a stylish 45,000-square-foot showroom for Ford and Lincoln Mercury, a second floor for office and training facilities, a cafe and a separate sales area for Internet customers. He will convert the former new-car site into a large used-car operation... - Source: [Dallas Morning News](#)

AUTO CRISIS TESTS FAMILY'S HOLD ON FORD

Federal aid package could jeopardize heir's control of storied automaker DEARBORN -- When Bill Ford Jr. walked onto the factory floor at the Rouge plant last month to inaugurate production of the new Ford F-150 pickup, every worker in the building stood up and cheered -- a testament to the power the Ford family still has over the company that bears its name. But there are new threats to that power today. As Congress weighs a historic bailout of the U.S. automobile industry, some on Capitol Hill have suggested that bankruptcy is a better option. Detroit's Big Three automakers have bristled at those suggestions and repeatedly insisted that bankruptcy is not an option they would willingly consider. But Ford Motor Co. has even more reason than the rest to resist. A Chapter 11 filing would put the Ford family on par with other shareholders, stripping its Class B shares of the super-voting power that gives the family control of the company. - Source: [The Detroit News](#)

CANCELS FRANCHISE MAKE MEETINGS AT NADA

DETROIT -- General Motors is canceling its franchise make meetings at the 2009 National Automobile Dealers Association convention to cut costs. Instead, GM will hold one general company meeting on Sunday, Jan. 25. The move harks back to GM's practice from 1999 to 2002, when it stopped holding individual brand meetings in favor of a single session. "GM is cutting a lot of expenses and looking at every item," said Michael Martin, the Virginia NADA director and GM line chair for industry relations. "We felt the franchise-specific meetings weren't as important as the overall general meeting." The convention runs Jan. 24-27 in New Orleans.

Source: [Automotive News](#)

Nissan reverses decision to skip Chicago auto show

By LINDSAY CHAPPELL, AUTOMOTIVE NEWS

A Member of the MacKay Network

ZOOM

Nissan will have a display at the Chicago auto show after all. Shown here is the Cube, which was unveiled in Los Angeles.

Nissan

Nissan North America, bowing to pressure from dealers, reversed a decision announced Monday and said it will participate in February's Chicago auto show. "We have found a way to maintain a presence at the Chicago show through our dealers, while still demonstrating the fiscal responsibility required by these challenging times," Nissan said in a statement late Wednesday.



Nissan is sticking with its plan to pull out of Detroit's North American International Auto Show in January. It is the biggest of six automakers to withdraw from Detroit as marketers curb spending in response to U.S. vehicle sales falling to 25-year lows. Nissan spokesman Alan Buddendeck had explained the initial decision to skip Detroit and Chicago by saying Nissan had reached its intended audience during this month's Los Angeles auto show. At that event, Nissan unveiled the Nissan 370Z roadster and a new model called the Cube.

"Given the extraordinary economic and industry climate, all well-managed companies have a fiduciary responsibility to review strategies and tactics for going to market," Nissan said in yesterday's statement. As everyone knows, the automotive industry is facing severe and prolonged headwinds in North America and around the world. It's a climate that demands decisions that are often difficult and even controversial."

The Chicago auto show draws about 1 million visitors a year. In addition to Nissan and its Infiniti brand, Porsche, Mitsubishi, Suzuki, Land Rover, Rolls-Royce and Ferrari have decided to skip the Detroit venue.