

**Weekly Car Dealers Newsletter**

December 8, 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 8, 2008

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**CANADA vs. US PRICE COMPARISON**

Below is a comparison of the pricing of the top 10 selling vehicles in Canada as compared to their current US dollar prices. All comparisons are based on MSRP and are calculated at an exchange rate of \$0.81 US.

Vehicle	US MSRP converted	Cdn. MSRP	Canadian Advantage
2009 Toyota Corolla LE	22,981.85	21,540.00	1,441.85
2009 Honda Civic DX-A	22,031.25	20,900.00	1,131.25
2009 Mazda3 GX	21,425.00	18,390.00	3,035.00
2009 Chevrolet Cobalt LT	21,868.53	19,420.00	2,448.53
2009 Toyota Yaris	17,168.17	15,165.00	2,003.17
2009 Toyota Matrix XR	23,299.72	20,720.00	2,579.92
2009 Hyundai Accent GLS	18,536.76	17,090.00	1,446.76
2009 Pontiac G5	20,204.87	16,970.00	3,234.87
2009 Volkswagen Jetta S	21,804.21	23,310.00	(1,505.79)
2009 Ford Focus SE	20,862.38	17,699.00	3,163.38

For the entire article go to then article by Jeremy Cato at [ctv.ca](http://ctv.ca)

**[GM TELLS DEALERS: TO EARN MORE, ORDER MORE](#)**

Some call remedy for inventories fair; others see risk

*A Member of the MacKay Network*

DETROIT — General Motors is asking dealers to order more vehicles to earn incentive cash but with a provision the automaker says is designed to balance dealer inventories. Under the program, dealers with high inventory don't have to order as many vehicles as those with lower supplies. GM insiders say it's intended to be fair to dealers while also driving sales. But some dealers say not participating in the program could put them at a competitive disadvantage. On Nov. 21, GM notified dealers of the November Re-Consensus Dealer Cash Program. The program, which runs through Jan. 5, requires each dealer to order a specified number of new vehicles, depending on current inventory level, to get up to \$3,000 in dealer cash on certain vehicles. "It's a dangerous and slippery slope to entice dealers to buy more inventory than their good sense says they should buy," says Carter Myers, owner of Carter Myers Automotive in Charlottesville, Va. - Source: [Automotive News](#)

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### **AUTO FIRMS' WOES TEST CUSTOMER LOYALTY**

New York -- Don Wissel's love affair with General Motors cars started in 1960, when he bought a silver-gray Pontiac Catalina, a roomy car with modified tail fins and enough horsepower to gobble up miles on the Garden State Parkway. Since then, he's owned almost everything GM's made – Chevys, Buicks, Olds, Caddys, and now he parks a Yukon and a Denali in his driveway in Rumson, N.J. Mr. Wissel qualifies as a "loyal" General Motors customer – a group the automaker will need to hold onto now more than ever if it is to survive and prosper in these hard times. The specter of bankruptcy, though, may impair GM's ability to retain even these loyalists – one reason that the firm's CEO, along with the top executives of the other US automakers, returns to Washington this week to make the case for some sort of federal bailout. Their key argument to get \$25 billion: They have a business plan to remain viable. For any auto company business plan, repeat customers are essential... But if an automobile company were to declare bankruptcy, even the most loyal customer base would probably dissipate – one reason Detroit executives appear so disinclined to go that route, say analysts. Automobile dealers have little doubt that a bankruptcy would create enormous problems for them, because buying an automobile is a "big ticket" item that a customer pays for over many years. With a bankruptcy, there is a huge risk for even the loyal customer, says Annette Sykora, chairman of the National Automobile Dealers Association in McLean, Va. "You establish that relationship, you have to continue that relationship," says Ms. Sykora, who owns Ford and Chrysler dealerships outside of Lubbock, Texas. "If the customer is abandoned and actions force the dealer out of business, it's difficult to reestablish that relationship" even if the automaker eventually returns to viability. Successful dealers know how to enhance those relationships. Skyora cites a family who has been buying cars from her family's dealership for 70 years. "I remember when the great-grandfather drove through some water and, after we worked on repairing the car, we filled up the vehicle with little kiddie life rafts. "He got a huge kick out of it," she recalls, "and even when his grandsons come in, they still think it's hilarious." - Source: [The Christian Science Monitor](#)

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### **GOVERNMENT COFFERS FEEL DROP IN AUTO SALES**

Purchases are a huge part of sales taxes collected by city, county and state governments. When Heritage Lincoln Mercury closed in August, the city of Tustin felt the pain. For decades, the dealership had operated out of the Tustin Auto Center -- which has 17 other franchises -- and it was once among the largest Lincoln Mercury dealers in California. It was also a crucial

source of revenue for the city, which relies heavily on taxes from automobile sales to keep afloat. Of the city's \$20-million annual budget, about \$5 million comes from the auto center, said the city's director of finance, Ronald Nault. But with sales of Lincoln and Mercury cars and trucks down by nearly a quarter nationwide through October compared with last year, the dealership was forced to fold. Meanwhile, many of the other dealerships in the auto center, although still in business, are seeing severe sales declines, spelling further reductions in sales taxes. "It has definitely affected us," said Nault, adding that collections from the auto center were on pace to be off 20% for the year. And with industrywide vehicle sales falling even more sharply in recent months, the revenue shortfall could be substantially greater, forcing Nault to consider capital-spending cuts, a freeze on salary increases, reductions in travel and, perhaps for the first time in the city's history, layoffs. "It's pretty frightening," said Nault, who has managed the city's finances for 28 years. "This is a bridge we've never had to cross." As the U.S. auto market marches toward its worst year in decades and dealers close in droves, state and local governments across the country are preparing for serious belt-tightening. Sales of new and used cars, as well as parts and service, are the single largest source of sales tax revenue for almost every state, county and local government, ahead of gasoline sales, restaurants and department stores. - Source: [Los Angeles Times](#)

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## **EMPLOYEE WITH A "GRIEVANCE" SENTENCED FOR DEALERSHIP THEFT**

In profiles predicting which employees are most likely to steal from a car dealership, those with a perceived grievance against management rank near the top of the list. Such was the case of Daniel LaGace, who used to work at Atholville KIA.

As reported in the *New Brunswick Tribune*, Mr. LaGace was sentenced to three months of house arrest on theft and fraud charges. What's more interesting is how and why he did it.

Mr. LaGace was a salesman at the Atholville KIA dealership when on June 3, he used a purchase order at a local tire supplier to buy a portable generator that he sold to someone at a much lower cost. Within days he used other purchase orders to buy another generator and a new television. When confronted, he admitted immediately to what he had done, although he refused to say to whom he had sold the items.

The total loss was only \$2,508. That was approximately the amount that Mr. LaGace felt the dealership owed him in back sales commissions. It seems that he felt he had not been paid his full commission on car sales and was told the money was not forthcoming so he used the purchase orders and subsequent merchandise sales to make up the difference.

The lesson for car dealers is that, while downsizing may make good business sense in tough times, there may be unintended consequences, not the least of which are looser internal controls. Layoffs in the accounting office can result in the remaining workers doing multiple jobs and the traditional segregation of duties gets pushed to the sidelines. - Source: [Dealersedge.com](#)

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## **CHRYSLER PROPOSES JOINT VENTURE TO IMPROVE ENERGY TECHNOLOGY**

WASHINGTON -- Chrysler LLC's plan for a government rescue includes a proposal that the auto makers and federal government establish "an independent joint venture" to develop

improved energy technology, such as batteries for electric and hybrid vehicles. At the same time, Cerberus, its private-equity owner, is offering concessions to secure a \$7 billion bridge loan. In his testimony before Congress later this week, Chrysler Chief Executive Bob Nardelli will suggest that part of the \$25 billion energy-security fund be put into this new entity, rather than having each of the Big Three try to develop the same critical component. "Then each company would take the technology and add its own branding and styling" and other features for its own models, a Chrysler executive said. His pitch, for an industry driven by intense competition, is based on the need to develop technology in the U.S. now, rather than allow Asia to develop vehicle batteries. "We don't want to trade oil dependence for technology dependence," this Chrysler executive said. - Source: [The Wall Street Journal](#)

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