



Weekly Car Dealers Newsletter

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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 29, 2008

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TOYOTA SLASHES EXPECTATIONS

Citing a once-in-a-century sales slump, Toyota announced Monday it expects to barely break even this year. The Japanese automaker, often held up with Honda as a success story for the rest of the auto industry to follow, said it expects a slim profit margin of US\$555 million for the year ending in March 2009. Toyota had originally been projecting a massive profit of \$13.9 billion for that period. "Toyota's sales in the United States were down 34 per cent last month and were down 34 per cent in Europe as well," BNN's Michael Kane told CTV's Canada AM. "So instead of making a profit as the company was expecting for the fiscal year ending in March, they are now expecting a loss which would be the equivalent of about \$2 billion (CDN)."

Toyota President Katsuaki Watanabe said the impact on the company from the struggling global economy has been "faster, wider and deeper than expected." "The change that has hit the world economy is of a critical scale that comes once in a hundred years," Watanabe said, speaking in Nagoya. Watanabe said sales in emerging markets, where Toyota has been carving out a niche, are now slowing along with slumping U.S. sales.

The company has also been hurt by the strong Japanese yen, which erodes profits made in overseas markets, when they are converted back to the Japanese currency. Watanabe told reporters that Toyota expects to sell four per cent fewer vehicles this year than the previous year, down to 8.96 million cars sold in the year ending in March. It's the second time this year that the maker of the popular Corolla, Camry and Prius gas-electric hybrid, has reduced its earnings predictions. Initially, a profit of \$13.9 billion had been projected. That was slashed to \$6.1 billion before the recent dramatic reduction to just \$555 million. "This is significant in that Toyota and Honda were supposed to be making the cars that people liked," Kane said. "But... a lot of the problems in the auto market now are because credit is so tight. We have seen a

slight loosening of inter-bank lending but people are scared to take out loans, credit remains tight ... and still the money is not there to be able to make those loans."

Breaking from tradition, Watanabe gave no prediction for vehicle sales, or earnings, for the fiscal year ending in March 2010. Watanabe said Toyota's expansion plans will be put on hold until the situation improves. He said the company would grow so lean that it would stay in the black even if global sales slipped as low as 7 million vehicles -- the "bottom line" for Toyota. –

Source: ctv.ca

PRESERVING CASH – SOME OF THE STEPS BEING TAKEN

Toyota lowered its U.S. dollar assumption for the remainder of the year to ¥90 and its euro assumption to ¥120, versus current rates of ¥90 and ¥126.

Honda made a similar move last week, cutting its annual profit forecast by 67 per cent, and outlined a list of counter-measures such as putting off non-urgent investments to prop up its profitability.

Honda has shut down its F1 racing operation and is looking for a buyer to assume the facility and its obligations for the 2009 season.

India's **Tata Motors Ltd.** has agreed to inject “tens of millions” of pounds into **Jaguar Land Rover** to prevent an immediate cash flow crisis, the Financial Times reported.

Elsewhere, Japanese small-car makers **Suzuki Motor Corp.** and **Daihatsu Motor Co.** announced more production cuts, of 29,000 units and 16,000 units, respectively, by the end of March, along with a reduction of non-permanent workers. Germany's **BMW** was also considering further production cuts, an executive said.

Bridgestone Corp., Japan's largest tire maker, on Monday cut its operating profit forecast for 2008 by 24 per cent to ¥118-billion on slower tire demand for new cars and replacement purposes.

Its French rival **Michelin** said it faced costs of nearly €150-million (\$209-million U.S.) as it cuts back operations to cope with a decline in tire demand.

WILL DEALERS GET PAID FOR PAIN?

Car dealers could throw a wrench into efforts by General Motors and Chrysler LLC to restructure by trimming marginal brands and dealerships. To cut costs, GM has said it wants to sell Hummer, and it might sell or close Saturn, too. All this is part of GM's effort to focus its limited marketing and product development resources on its other brands. The White House blessed that effort Friday when it noted that employees, suppliers and dealers would have to share the cost-cutting burden. But there's a catch: Dealers are independent entrepreneurs, and no one has the power to negotiate on their behalf. By contrast, one man, UAW President Ron Gettelfinger, can negotiate most concessions on behalf of hourly workers and retirees. Likewise, a relatively small group of creditors can agree to negotiate debt relief. But the dealers? Not so fast. Jim Appleton, a lawyer and president of the New Jersey Coalition of Automotive Retailers, advises dealers to hire a lawyer to protect their interests. If an automaker eliminates franchises, state laws require the company to pay for vehicle inventories, parts, signs and special tools, Appleton said. Now that GM is reconsidering the future of its Saturn, Hummer and Saab brands,

dealers may have to invoke those state laws. ... longtime Houston dealer Ramsay Gillman is trying to break the logjam by proposing that dealers get a representative on GM's board of directors if they make sacrifices part of the federal bailout. Gillman, who was president of the National Automobile Dealers Association in 1997, says a seat on the board would give dealers input on product and marketing decisions. Today the Detroit 3 limit the dealers to advisory roles on their dealer councils. "This is an opportune time to be heard," said Gillman who owns 16 stores in southeast Texas. "They need our input." - Source: *Automotive News*

VW DUMPS USED-CAR LEASES, 84-MONTH LOANS

Volkswagen Credit will stop offering leases and balloon loans on certified used VW vehicles next month. The new restrictions are designed to reduce VW Credit's losses in the volatile credit market. Volkswagen's captive finance company also will stop offering 84-month loans on new vehicles. The policy changes, introduced in letters to dealers Friday and Monday, take effect Jan. 6. Kevin Kelly, president of VW Credit, and Horst Meima, vice president of sales and marketing, said in the letters that the changes "will minimize severity of future losses." - Source: [Automotive News](#)

CERBERUS, NOT CHRYSLER, OWNS FIRM'S HEADQUARTERS

DETROIT -- One question that would arise from a sale or merger of Chrysler LLC is what would happen to the auto maker's headquarters complex in Auburn Hills, Mich., one of the largest office buildings in the country. The headquarters, it turns out, is owned not by Chrysler but by Cerberus Capital Management LLC, Chrysler's majority owner. As part of its 2007 takeover of the auto maker, the private-equity firm bought the 458-acre campus itself from Daimler AG, Chrysler's former owner, public records show. As a result, if Cerberus sells Chrysler or merges it with another car company, the auto maker's new owner or partner would have to buy or lease the headquarters from Cerberus, or move Chrysler's operations to a new location. - Source: [The Wall Street Journal](#)
