



Weekly Car Dealers Newsletter

January 7, 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 January 7, 2008

**DEADLY COMPUTER ASSUMPTIONS
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TATA NAMED SOLE JAG/LAND ROVER BIDDER
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DEADLY COMPUTER ASSUMPTIONS – From Paul and Adam Gillrie

- Bad Idea #1** "These computer contracts are all the same- I just signed it"
 - Bad Idea #2** "I'm not going to buy a new computer until I get into my new building."
 - Bad Idea #3** "I'm in the middle of a buy/sell. I'll think about computers after the dust settles."
 - Bad Idea #4** "XYZ Company is coming out with a new system. I'm going to wait for it."
 - Bad Idea #5** "I'm going to let my contract expire – I'll just go month to month."
 - Bad Idea #6** "I don't want to check to see if I got a good deal - I know it's a good deal."
 - Bad Idea #7** "My IT people know computers - I'm going to let them negotiate the deal."
 - Bad Idea #8** "My office always checks the computer bill before we pay it- I know it's accurate"
 - Bad Idea #9** "I've known my rep for years – I trust him to give me a good deal"
 - Bad Idea #10** "I can't think about my computer, business is very soft right now."
 - Bad Idea #11** "I don't have to worry – my vendor has fixed pricing"
 - Bad Idea #12** "I'll just buy out my existing server"
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AUTO SALES FORECAST GLOOMY Holiday discounts failed to bring consumers out of their funk, and December sales are expected to fall around 4 percent, which would bring the full-year total for U.S. auto sales to 16.1 million vehicles, the lowest volume since 1998. Sales have been hurt by consumer anxiety over gas prices, the housing crunch and the overall weakening economy. Industry watchers warn that the 2008 auto sales performance could be even weaker. "A lot of these economic issues are continuing to put more pressures on the economy and the

consumer as time goes on," said Erich Merkle of IRN Inc. In 2008, "most of the weakness is going to come in the first half or perhaps the first nine months of the year." Bear Stearns analyst Peter Nesvold said in a recent note to investors that he is even more concerned about 2008 sales than he was a year ago, since consumer sentiment and employment levels are deteriorating. Nesvold said the country hasn't seen a meaningful downturn in auto sales in 15 years and is long overdue for one. "In a nutshell, if consumers don't feel good about the world or employment is slipping, they tend to delay major expenditures such as a new house or car, if possible," he said.

Source: Detroit Free Press

TATA NAMED SOLE JAG/LAND ROVER BIDDER Ford opened up a new era in automotive history Thursday by announcing it hoped to sell the company's Jaguar and Land Rover brands to India's Tata Motors. Ford had announced last year it planned to sell both Jaguar and Land Rover in a bid to raise more cash to sustain its core business in both North America and Europe while the company goes through a difficult and lengthy restructuring. "Ford is committed to focused negotiations at a more detailed level with Tata Motors concerning the potential sale of the combined Jaguar Land Rover business," Ford said in a statement that has been expected since before the Christmas holidays. "There is still a considerable amount of work to do, and while no final decision has been made, we will proceed with further substantive discussions with Tata Motors over the forthcoming weeks with a view to securing an agreement that is in the best interests of all parties concerned," said Lewis Booth, executive vice president - Ford of Europe and Premier Automotive Group Chairman.

The announcement of the planned sale to Tata also amounts to the end of the line for the Premier Automotive Group, which Ford launched with high hopes in the late 1990s. Desperate to raise cash, Ford sold Aston Martin, James Bond's favorite brand, to a group of private investors last year for nearly \$1 billion. Ford also considered selling Volvo, PAG's fourth pillar, but Ford Chairman Alan Mulally pulled it off the market last year after deciding the Swedish company's engineering skills were too critical to the company.

Tata appears to have become the the preferred buyer by default. The global credit crunch has meant that private equity groups have had much more difficulty raising capital since last summer and Ford's management and board of directors did not want to take a chance on the deal failing to close. Tata Motors is part of a large family-run Indian conglomerate with ample financial reserves thanks to the unfolding economic boom in South Asia. In addition, any deal with Tata will undoubtedly lead to a long-term alliance that should prove beneficial to Ford as the Indian economy continues to grow. India itself is considered one of the automobile industry's premier growth areas in the decades to come.

Tata's bid also had the blessing of British unions, which like organized labor in the rest of Europe and the Americas, remain deeply suspicious of private equity groups, which operate on short timelines and have a history of huge paydays for small groups of top executives. Meanwhile, the sale of Jaguar and Land Rover, which passed into Ford's hand as Great Britain privatized the last pieces of its motor vehicle industry, marks a historical turning point for the automotive business. A Chinese automaker acquired the assets of MG Rover more than two years ago but Ford's sale to Tata will make the Indian carmaker into a global brand.

Tata is an extremely ambitious company; only last month it mounted an impressive display,

featuring ten different vehicles, at the Bologna Motor Show in Italy to illustrate the breadth of its recent development.

LOTS OF LOSERS IN DECEMBER SALES General Motors, Ford, Toyota, Volkswagen, Nissan, and Mercedes-Benz all reported U.S. auto sales fell in December, leaving car sales at their lowest level since 1998.

GM's sales of new cars and light trucks dropped 4.1 percent from a year earlier, according to Autodata, while Ford's total tumbled 9.2 percent and Toyota's fell 1.7 percent as overall sales dropped four percent in December. For the year, light vehicle sales totaled 16.1 million units.

Chrysler, however, showed a modest increase of one percent as did BMW and Suzuki. Honda's sales, however, were essentially flat, while Porsche posted a modest increase. Mazda reported a 25-percent increase and Hyundai posted a 24-percent sales increase for December, while Kia sales fell 19 percent, according to Autodata.

Toyota, which finished the year with an increase in sales, moved up to second in overall sales, pushing Ford from the second spot for the first time in 75 years. Honda, Nissan, Kia, and Hyundai also reported gains for the full year, putting more pressure on the market share of the Big Three, which have seen their share of the U.S. market drop by more than 20 points over the past decade. When Scion is included in the totals for the Toyota brand, Toyota actually was the best-selling nameplate in the United States, surpassing GM's sprawling Chevrolet brand by more than 30,000 units. Minus Scion, Chevrolet finished the year as the best-selling brand in America.

Mitsubishi enjoyed its best year since 2004, despite a 40-percent drop in sales in December, and Suzuki's sales topped 100,000 units for the second year in a row, while Subaru sales dropped nine percent in December and six percent for the year.

Jim Farley, Ford's vice president of marketing and communications, said the numbers at Ford, while dismal, also contained the seeds of the company's future revival. Sales of the company's crossover vehicles are very strong and the company is continuing the transition from being a company where 70 percent of sales were tied to truck and frame-based SUVs to a company where half of sales are now cars and crossovers.

"This was definitely a challenging year to be in the car business, and 2008 isn't likely to be a piece of cake," Dick Colliver, executive vice president of American Honda, said in a statement.

Tom Libby, an analyst for J.D. Power & Associates, said the move to crossover vehicles continued during 2007 and that movement to smaller vehicles also accelerated during the past six months.

Bob Carter, Toyota vice president, said the demand for fuel-efficient vehicles was critical to the company's continuing success. However, the company's did not meet its full-size pickup sales goal for 2007, he acknowledged.

Consumers appeared to cut down on car shopping as rising energy costs and a steep drop in the housing market took a toll on the nation's economic health. Housing starts, a barometer for sales of profitable trucks, are in the deepest slump in 16 years.

Jim Press, Chrysler vice chairman, said 2008 will be challenging given the economic pressures on consumers. Toyota, Press' former employer, also cut its annual sales-growth forecast.

GM Chief Executive Officer Rick Wagoner said the U.S. economy may be a "risk" to auto sales this year, while Ford forecast that industrywide first-half sales will be at an annual rate of 15.2 million to 15.7 million vehicles. The one piece of good news was that inventories are also down dramatically, setting the stage for what potentially could be a brisk recovery later this year, noted Mark LaNeve, GM vice president for vehicle sales, service and marketing.

The Toyota Camry was the best-selling car in the U.S. for the sixth straight year. The company's Prius, the top-selling gasoline-electric hybrid, outsold Ford's Focus to rank eighth in annual volume among cars. Ford's F-Series remained the best-selling truck.

CHINA'S LARGEST MANUFACTURERS MERGE China's two largest car manufacturers, Nanjing Automotive Corporation (NAC) and Shanghai Automotive (SAIC) merged at a conference held recently in Beijing.

There was fierce rivalry between the two automakers, with both companies owning parts of what was once the MG Rover corporation. It took five months to come to an agreement regarding the merger, but SAIC finally bought out NAC for nearly \$300m. The two companies have agreed to merge all their combined resources, including research and design, sales and marketing, manufacturing and supply chain management, though the company will continue to trade under both names.

The aim is to make SAIC into a large global manufacturer by giving it access to the MG brand and NAC's more modern, larger production facilities, whilst NAC leads the operation in the home market. This is essentially a complete restructuring of the Chinese automotive industry; something the Chinese authorities were keen to see happen in order to make the country's car industry more competitive.

FORD OPENS NEW QUALITY CENTRE Ford Motor Company today marks the opening of its New- Model Quality Center at the historic Rouge site to support the introduction and ensure top quality of the new 2009 F-150 pickup next year.

Located in the renovated historic Dearborn Glass Plant, the New-Model Quality Center is designed to take Ford's quality-focused manufacturing processes to the next level. The center is helping Ford prove out manufacturing, test vehicles and train employees for the next-generation F-150. "Our recent launches have shown that we are among the best in the industry in quality," said Mark Fields, president of The Americas, Ford Motor Company. "The New-Model Quality Center at the Rouge will ensure the same top quality for the new F-150 when it goes on sale next fall." Vehicle quality soared for Ford in 2007, as customers rated the company's performance in a variety of important customer surveys equal to or better than the best in the industry. Ford's U.S. quality improved by 11 percent – versus 2 percent for the industry overall – according to the Global Quality Research System study. Ford also won 14 vehicle honors – more than any other automaker – in J.D. Power and Associates' 2007 Initial Quality Study. "In our design studios, in our product development laboratories and in our manufacturing plants,

quality is our top priority,” said Fields. “Our teams are showing incredible discipline in following the processes and adhering to the highest standards.”

Quality is being designed into the 2009 F-150 at the earliest stages of development using highly advanced digital tools. For example, at Ford’s Digital Pre-Assembly laboratory, 18,000 truck design elements are evaluated on computer screens to ensure each part meets Ford’s own high standards, shaped by customer input.

Meanwhile, at the company’s Virtual Build Center, a launch team of engineers, plant employees and suppliers are “building” the new pickup on virtual assembly lines that replicate the Dearborn Truck and the Kansas City assembly plants, where the new F-150 will be produced in 2008. Due to the rigorous digital processes, manufacturing issues are being virtually eliminated as the first physical prototypes of the trucks are built. The New-Model Quality Center at the Rouge also will help provide training on key assembly processes for a third of Dearborn Truck’s 3,200 employees. Employees will train on workstations built to replicate those in the chassis and final assembly areas. Two workstations allow in-depth study of the 2009 F-150’s new frame. At two additional workstations – with platforms that raise and lower to the employee’s height and job requirements – employees will learn installation procedures of new parts and components.

“Our vehicle quality has shown dramatic improvement this year because we’ve standardized a set of rigid processes throughout the design, development and manufacturing of our vehicles,” said Bennie Fowler, vice president, Ford Quality. “The New-Model Quality Center at Dearborn Truck represents an important part of the quality process in manufacturing.” The New-Model Quality Center was funded in part by a \$208 million investment Ford made in the Dearborn Truck Plant to support the launch of the new 2009-model truck. Ford now has such a quality center at each assembly plant in North America.
