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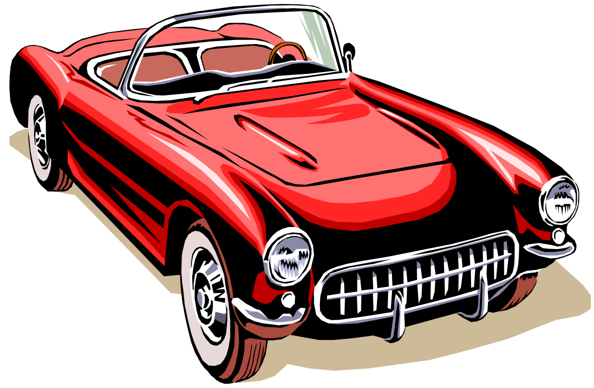

Weekly Car Dealers Newsletter

July 14, 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 July 14, 2008

DETROIT CARMAKERS TURN BRAIN POWER LOOSE TO DEVELOP FUEL-EFFICIENT TECHNOLOGIES

(A wide variety of new technologies will soon be standard equipment on U.S. vehicles)

In secure conference rooms, engineering centers and design studios across metro Detroit, reports the *Detroit Free Press*, Chrysler, Ford and General Motors are honing new technologies, refining designs and scouring the Earth for fun, fuel-efficient cars they can build or sell in North America. From Chevrolet Corvettes and Ford F-150s to small cars engineered in Europe and Asia, every vehicle is being rethought as fuel prices rise and new fuel-economy rules loom.

Chrysler, Ford and GM can't afford to blow it and getting it right this time presents huge opportunities. The answer lies in advanced engine technologies, widespread use of technologies borrowed from hybrid cars, lightweight materials and creative design.

Here are the tools they'll use:

• **Auto stop.** Systems that shut engines off at stoplights and when the vehicle is idling are already keys to hybrids' fuel efficiency. They will become nearly universal on all new vehicles. Look for widespread applications in high-volume cars soon.
• **Booster batteries**. A new generation of small powerful batteries will provide extra power for acceleration in vehicles with engines as small as 1.0 liter.

• **Turbo-charging and direct injection**. V-8 power from four-cylinder engines. The Pontiac Solstice GXP wrings 260 horsepower from a turbo DI 2.0-liter engine. Ford will offer the combination in virtually every model it builds, including a V6 F-150 pickup in 2010.
• **Diesel**. Imagine the head-snapping acceleration of 297 pound-feet of torque and 40-plus miles per gallon. That's what GM scored in European tests with its 1.9-liter twin-turbo Saab 9-3.
• **Compression-ignition gasoline engines**. Look for fuel-efficiency improvements up to 50% from gasoline engines that run like diesels but produce fewer emissions. GM is pursuing the technology aggressively.
• **Transmissions**. Every leading compact car will move to six-speed automatic transmissions. Larger cars will have even more gears.
• **Aerodynamics.** The science and art of crafting fuel-efficient shapes has come light years since the 1980s jellybean look. *Source – DealersEdge.com*

TOYOTA SPUTTERS AS MARKET SHIFTS

(Like Detroit 3, automaker has too many trucks, too few cars)

When U.S. auto sales slumped last month to their lowest levels in more than a decade, Toyota Motor Corp. suffered as much as anyone else. Unusual for the Japanese automaker, its U.S. sales tumbled 21.4 percent, even more than the overall market. As the manufacturer of the Corolla, Yaris and other popular small cars and the leading seller of hybrids, Toyota should have benefited from soaring fuel prices. Instead, its U.S. dealers found themselves stocked with Toyota and Lexus trucks they couldn't sell, and short of small, fuel-efficient cars. At a meeting last month in Salt Lake City, dealers pressed Toyota's top U.S. managers to explain why the carmaker renowned for its responsiveness and flexibility couldn't provide them with more small cars. The dramatic shifts in the U.S. auto market this year surprised Toyota, along with everyone else. "Toyota has a chance to rethink its global product strategy, invest in new technologies, come up with small cars that are fun to drive," [said Maryann Keller, an auto analyst who heads her own consulting firm, Maryann Keller & Associates in Stamford, Conn.] "They're the only ones who have the money to make this transition fairly rapidly." Among dealers and analysts, there is talk that Toyota may announce plans to assemble gas-electric hybrids in the United States, retool one of its truck-assembly lines, or even establish a new, all-hybrid nameplate to emphasize its green credentials. *Source: The Detroit News*

COMMON SENSE PREVAILS, (at least for now)

A common sense ruling by a California Superior Court judge resulted in the dismissal of theft charges against three Toyota salesmen. The question that lingers, however, is why the charges were brought in the first place. The case hinges on the difference between a lease deal and a finance deal when selling a vehicle. A vehicle lease may often carry a lower monthly payment than a straightforward car loan on the same vehicle. Yet, internally, the “price” of the vehicle, or “cap cost” in industry jargon, may be higher for the lease.

The judge had to decide: Are dealership sales reps obligated to disclose the difference to their customers? According to a report in the *Cerritos City News Service*, a Los Angeles assistant district attorney said “yes” and indicted the three salesmen on charges of grand theft of personal property.

In dismissing the charges the judge said in a five-page ruling, "There is no evidence that the defendants' actions were illegal or were prohibited by state or federal statute. Defendants owed the victims no duty to offer them a lower price, or a particular price." The prosecution claimed the men, while assistant sales managers with a Toyota dealership in Cerritos in 2004 and 2005, used misrepresentations - including the amount of monthly payments in a purchase - to persuade customers who wanted to buy vehicles to enter into higher-priced lease agreements instead. "Although the prosecution introduced evidence that the defendants inflated the projected cost of the monthly purchase payments versus monthly lease payments, defendants were free to inflate the price in order to negotiate with the victims," the judge wrote in his ruling.

TOYOTA PLANS CHANGES TO U.S. MANUFACTURING OPERATIONS

Toyota [Motor Corp.] officials, speaking on condition of anonymity, said the Japanese company will likely soon announce a series of moves in the U.S. Among key moves, they said, Toyota will scrap plans to produce the Highlander car-SUV crossover vehicles in a plant it is building near Tupelo, Mississippi, starting in mid-2010. Instead, sometime in 2010, the company will produce there the Prius... As part of the planned move, Toyota also is expected to consolidate production of the big Tundra pickup truck to a single site in San Antonio, Texas, these executives said. The planned move comes at a time when Toyota is struggling for the first time with the problem that plagued its U.S. rivals for years: too much North American manufacturing capacity. With the U.S. credit-crunch and soaring gas prices, Toyota officials have admitted the amount of idle capacity in the U.S. exceeds capacity in a whole assembly plant. Toyota is still likely to generate substantial profits in North America, thanks to booming sales of cars such as the Camry sedan and the Prius hybrid. But Toyota earlier this year had slowed production significantly at two of its truck plants in North America, in Texas and Indiana. It also had delayed the launch of the Mississippi plant by half a year until mid-2010. *Source: The Wall Street Journal*

GM'S LORDSTOWN PLANT TO BUILD GLOBAL CRUZE

(Fuel-efficient compact car to replace Chevrolet Cobalt)

The first Chevrolet built on a new global platform will be called the Cruze and get 45 miles per gallon, General Motors Corp. said Wednesday. The compact car, which replaces the Chevy Cobalt, will be built around the world including at GM's Lordstown, Ohio, plant. "This is one of the first global vehicles GM has talked about and it will be a Chevrolet Cruze no matter where it's sold," said Nancy Libby, a Chevrolet spokeswoman. Built on what is being called GM's Delta 2 architecture -- the Cobalt and Pontiac G5, also made at Lordstown, are original Delta cars -- the Cruze first will go into production in Europe, with sales starting next spring. The Cruze is one of GM's responses to $4-per-gallon gasoline. The manual transmission model will boost fuel efficiency by 9 miles per gallon over the current Cobalt XFE, also a stick-shift model that can achieve 36 mpg, said Nick Daniels of GM's global product development. *Source: The Detroit News*

BLACK BOOK DEPRECIATION MAY BE LEVELING OFF

As reported in the AutoRemarketing newsletter, Black Book shows a depreciation of domestic truck models of 12.9 percent for the three-month period ending June 30th. The imports depreciated at a rate of 10.1 percent over the same time period.

Cars fared much better over the same period with domestics only depreciating 3.7 percent and imports 3.6 percent. But Black Book also says that the depreciation rate in June is slowing down. Depreciation rates for the month of June show that truck values fell just 5.9 percent and at the same time cars only receded in value at the rate of 1.4%- both showing some stabilization of the used car and truck markets.

Referencing un-named officials, the *AutoRemarketing* report included the following quote, "The issues of the overall economy and continuing rise in gas prices notwithstanding, the new lower used-vehicle values are making some vehicles much more affordable to the average consumer." *Source – Dealersedge.com*

HAVE CHINESE CAR SALES HIT THEIR PEAK?

Spend even a few days in the boomtowns of Shanghai and Beijing, and it's hard not to get caught up in the enthusiasm that has long dominated the Chinese automotive market. From a decade of personal experience, I have watched China rapidly evolve from a country of bicycles and motor scooters to one of the world's largest car markets, where owning a vehicle is a must for the increasingly affluent middle class, as well as business and government leaders.

Only a few months back, during my last visit behind the old Bamboo Curtain, many analysts were breathlessly forecasting that China, which has now surpassed all but the U.S. and Japanese national markets, would become the single largest car-buying nation by 2025. Or will it? Maybe not, suggests a story in the Financial Times. The paper notes that for the first six months of this year, Chinese car sales rose a solid 14 percent. Considering the huge slump in the U.S. market, that seems pretty substantial, but not when you consider recent trends. Over the last decade, China has seen annual growth rates that, at times, have nudged triple digits. But in 2006, that slowed to a still-impressive 34 percent. And last year, the increase was just 24 percent.

While some analysts are still predicting 20 percent growth for all of 2008, others, says the FT, fear it will dip to 15 percent and "might be at a turning point." As in the U.S., the paper suggests there is a "perfect storm of negative factors" affecting the Chinese market, including rising prices for steel and other raw materials. It didn't help when the government approved an unanticipated increase in gasoline prices last month. At worst, some observers thought that might happen after the upcoming Olympics. There could be a significant "pause," warns John Bonnell, director of Asia Pacific forecasting for J.D. Power and Associates, who told the paper, "It's impossible to predict the impact of the global slowdown on China or on (its) auto industry."

While rising fuel prices are a hard pill to swallow for Chinese consumers - impacting them far more, in terms of overall income, than their American counterparts - that's offset by the steady decline in vehicle prices, reflecting rising competition and the increased capacity of manufacturers operating in China. *Source - Paul Eisenstein, TheCarConnection.com*