



Weekly Car Dealers Newsletter

July 21, 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.

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[VOLVO WILL TIGHTEN U.S. DEALER NETWORK](#)

Volvo plans to cut its U.S. dealer network 30 percent by the end of next year. "This measure will strengthen the remaining dealers," company spokesman Olaf Meidt told *Automobilwoche*, which, like *Automotive News*, is published by Crain Communications Inc. Volvo, which has about 355 U.S. dealers, blamed massive losses in its U.S. business for the move. Over the past five years, Volvo reportedly lost 1.1 billion euros (\$1.73 billion at current exchange rates) in the U.S. market because of the weak dollar. Most Volvo models saw U.S. sales declines in 2007. Because of rising gasoline prices and a shift in buyer behavior, Volvo has discussed expanding its U.S. model offerings with smaller vehicles. The compact C30 is available. - Source: [Automotive News](#)

[AUTO DEALERS ADD OWN SALES INCENTIVES, DEEPENING THEIR LOSSES ON TRUCKS, SUVS](#)

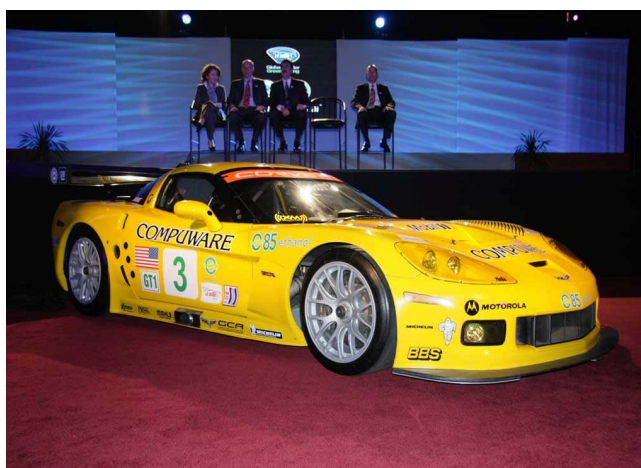
Some car dealers are reaching deep into their own pockets to extend auto makers' already hefty rebates and other incentives to sell pickup trucks and sports-utility vehicles. In some parts of the country, additional dealer discounts have cut prices of pickups and SUVs to 50 percent of the vehicle's original sticker prices. At Zangara Dodge in Albuquerque, N.M., a 2008 Dodge Ram pickup now sells for \$15,000, down from a sticker price of about \$30,000. Dealers on average more than doubled their net loss to \$136 on every vehicle they sold during the first four months

of 2008, compared with \$61 a year ago, said Paul Taylor, chief economist for the National Automobile Dealers Association. The stats don't take into account May, June and July, where dealers were squeezed even more. The intensifying economic pressure is sure to lead more dealers to consider closing. Ford, GM and Chrysler are running programs aimed at reducing their dealership network by weeding out underperforming sites while bolstering profitability potential for those who remain. The auto makers are kicking in cash to help dealers buy out one another or exit the business. *Source: The Wall Street Journal*

IS GM WALKING AWAY FROM MOTORSPORTS?

With all the news to come out of yesterday's big General Motors news conference, at least one significant topic managed to slip under the radar. And it leaves us wondering whether the increasingly downsized giant of an automaker will be walking away from its long-standing involvement in motorsports.

GM has traditionally been one of the most aggressive players in the global racing world, participating in series ranging from the NASCAR good ol' boy circuit to the sophisticated world of Le Mans endurance racing. But consider a comment made to employees by CEO Rick Wagoner; "We will implement significant reductions in promotional and event budgets, motor sports activities and back-office expenses," said the CEO.



Considering GM is looking for ways to slash a hefty \$10 billion in expenses, by the end of 2009, it's not surprising that it might target the healthy motorsports budget. The latest turnaround plan has the automaker questioning just about every line-item. For example, if GM traditionally exhibits 20 cars at its booth at the annual SEMA Show (the yearly gathering of the Specialty Equipment Marketers Association, might it be just as effective to bring 10, or even five, asked Troy Clarke, president of GM's North American operations. There's more than just budget cutting at work, however. Even if the automaker could dump as much money as it has in marketing and motorsports, Clarke said it would no longer be business as usual. Consider two of GM's biggest success stories of this past year, the [Chevrolet Malibu](#) and [Cadillac CTS](#). The automaker trimmed back on TV and other, traditional ad venues, using Internet, viral and other marketing efforts that, Clarke explained, show "how we plan to go to market in the future."

And so, when it comes to racing, running an otherwise identical "race car of the future," with Chevy decals, around Talladega just might not make as much sense, anymore, as it did in years past. Few expect GM to drive away from racing entirely, but we could see a sharp cutback. And it could be echoed in reduced support for other sports sponsorships, such as Major League Baseball and professional Golf, where Tiger Woods has become more recognizable as a symbol for [Buick](#) than the brand's own cars. *Source - [Paul Eisenstein](#), TheCarConnection.com*

CRYSTAL BALL GAZING WITH BOB LUTZ

(Notes from a conference call between the GM Exec and TheCarConnection .com)

- Lutz says GM is fundamentally altering its product portfolio in the U.S. and it will resemble more closely those in Europe and Asia--with much more fuel-efficient vehicles.
- In regards to struggling [Saturn](#), "Our worry with [Saturn](#) is that the franchise is not generating enough volume," Lutz said. "We had planned to short-cycle the Aura" and replace it with the mid-size Opel Insignia, he said. By holding on to the current Aura for a few more years, GM can conserve cash.
- Conversely, he says the [Buick](#) Invicta is one of "nicest things we've ever done." The car may not carry that name in production.
- "I hope fuel doesn't get more expensive," but Lutz says the introductions of vehicles like the new [Cadillac SRX](#) and [Chevrolet Equinox](#) will draw its lineup slightly down in size and dramatically higher in fuel economy.
- The new [Chevrolet](#) Cruze is expected to have 40+ mpg fuel economy in a package that's larger than today's Cobalt, Lutz says.
- He hints that [GMC](#) will get a crossover, substantially smaller than the Acadia, equipped with four-cylinder engines. [GMC](#) is expected to get a version of the new [Chevrolet Equinox](#); it's "so different" you would never guess they were similar under the skin. (The [GMC](#) version is expected to be called the Terrain.)
- "As U.S. fuel costs approach fuel costs of the rest of the world...the vehicle park of the U.S. will come to resemble the vehicle park of the rest of the world."
- As for [Pontiac](#), it's a vital part of the Buick-Pontiac-GMC group, he explains. [Buick](#) will be positioned at the premium end, with [GMC](#) selling [trucks](#) and crossovers. [Pontiac](#) will be low-end passenger cars. Offer "excitingly styled, fun to drive cars that are affordable," and largely based on [Chevrolets](#)

NY CAR DEALER HIT WITH \$150K FINE FOR BAIT-AND-SWITCH PROMOTION

The New York Attorney General wants a car dealer to pay customers for persistently using misleading promotions intended to lure them into the dealership. The customers, once inside the dealership, were also subject to other fraudulent and unfair sales practices, according to *Consumer Affairs.com* and the *North Country Gazette*. Five Towns Mitsubishi must pay \$115,000 in restitution to consumers and \$35,000 in penalties and costs to the state.

The authorities received more than 50 complaints regarding the dealership's business practices. Five Towns was charged with mailing advertisements to thousands of consumers featuring a scratch-off ticket called Dash-for-Cash in which a consumer could win a cash prize, a free vehicle, a vacation, a free gas voucher or a \$1,000 shopping spree. A winning ticket contained 3 like symbols in a row but it did not explain, what, if anything, the consumer won. Instead, they had to bring the ticket to the dealership in order to claim the prize.

Once at the dealership, customers found that nearly all of them had won the vacation or \$1,000 shopping spree. However, the vacation and shopping spree prizes had minimal value due to either blackout periods or expenditure requirements, including shipping and handling costs.

In addition, the dealership was charged with:

- Obtaining signatures on contracts and finance agreements when customers mistakenly believed that they were filling out paperwork for vehicles they had won as part of the Dash for the Cash sweepstakes
- Offering false discounts off the sale price of a vehicle by selling it at a higher retail sale price, which essentially nullified the value of the discount offered
- Having customers sign documents with blank sections for figures and terms, and then later filling them out with terms that were not agreed upon
- Promising consumers that they could refinance at a better interest rate after making several car payments, or promising to pay one or more months of the insurance payments for the vehicle – and then renege on those agreements
- Inserting additional cost items without consumers' knowledge or consent, including VIN etching, service warranties, theft deterrent systems, GPS devices and other options.

SATURN DROPPING GREEN LINE

General Motors' [Saturn](#) division plans to drop its [Green](#) Line badge, come the 2009 model year. Well, sort of. The [Green](#) Line has been Saturn's way of identifying its hybrid-electric vehicles, or HEVs, since it introduced its [Vue hybrid](#) crossover, two years ago.

Environmentalists and those looking for fuel efficiency needn't panic, however. The marque's move is meant to simplify badging. It's simply going to offer models like the Vue 2 Mode [Hybrid](#) starting next year, rather than the [Saturn Vue Green Line](#) 2 Mode [Hybrid](#).

Actually, things may still be confusing for consumers, as [Saturn](#) plans to offer an array of different [hybrid](#) technologies going forward, sometimes on the very same platform. So by around decade's end, you'll see a [Saturn Vue Hybrid](#) using so-called "mild" technology, which keeps costs down, but limits the boost in mileage. There'll also be that full two-mode [hybrid](#) version of the Vue. And [Saturn](#) plans to offer a plug-in [Vue hybrid](#) (a prototype shown above) using next-generation lithium-ion batteries that can be charged from a standard electric socket. That variation should allow owners to handle much of the typical day's commute solely on battery power.

