



Weekly Car Dealers Newsletter

July 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 July 7, 2008

CHEVY DEALER ADDS "ALTERNATIVE" TRANSPORTATION TO INVENTORY
[TOYOTA DEALER REJOINS FORD AS U.S. SALES HEAD](#)
REPORT: TOYOTA PLANS SOLAR AC FOR PRIUS
GM WEIGHS MORE LAYOFFS, SALE OF BRANDS

NEW PROFIT CENTRE – CHEVY DEALER ADDS "ALTERNATIVE" TRANSPORTATION TO INVENTORY

Mike and Bobby Moody say they haven't sold a pickup truck since last February from their Chevrolet dealership in Wisconsin, according to a report on *KARE-TV*. But a few feet away from truck row stands proof that the Moody brothers aren't waiting for the market to come back. They are moving on.

"This is the Laser model," says Mike as he explains the features of a lime green scooter. The lifelong car dealer is on a roll. "This is the Sunset model, kind of the same front end but a little different back end. You just try to do what you can to get through the tough times and weather the storm until it's over," says Bobby.

Moody Chevrolet has sold more than 20 scooters so far this year, and could have moved a lot more but for the high demand and short supply that have kept them from getting additional inventory. In the showroom, new cars now share space with an electric scooter model, Moody's added to its line of scooters just last month. When the Moody's started selling the scooters three years ago, they expected students at the University of Wisconsin would be a primary market. Instead more than half their sales have been to people over 50.

[TOYOTA DEALER REJOINS FORD AS U.S. SALES HEAD](#)

Prominent Toyota distributor Ken Czabay will join Ford Motor Co. as head of its U.S. sales and marketing organization, the automaker said Tuesday. Czabay, 59, will start at Ford on July 16 and will report to Jim Farley, group vice president for marketing and communication. Czabay will be responsible for day-to-day sales and marketing of the Ford, Lincoln and Mercury brands in

the U.S. A ... former Ford employee, Czubay also worked for Nissan North America before moving to auto dealership positions.

He is now president of Southeast Toyota Distributors LLC based in Deerfield Beach, Fla., the largest distributor of Toyota and Scion, according to Ford. He also is president of JM Lexus, billed as that brand's largest volume dealership. "Once you have been at Ford, it's always in your blood," Czubay said. "I couldn't be more excited to be coming home." Czubay first joined Ford in 1970 as a financial analyst with Ford Motor Credit Co. and held management and executive jobs at Ford through 1983. - Source: *The Detroit News*

REPORT: TOYOTA PLANS SOLAR AC FOR PRIUS

Toyota's ecological Prius gas-electric hybrid will become even greener next year with solar-powered air conditioning on some high-end models, The Nikkei reported Monday. The solar panels on the roof of the new Prius model will provide 2 to 5 kilowatts of electricity, the major Japanese business daily said in a report without citing sources. Toyota Motor Corp. plans to purchase the panels from Japanese electronics maker Kyocera Corp., the newspaper said.

Toyota spokesman Paul Nolasco declined comment, saying the company doesn't comment on product plans. A Toyota official, speaking on condition of anonymity because product plans are not supposed to be disclosed to the media ahead of time, has said details on what will be a third-generation Prius will likely be revealed in May of next year. He did not elaborate.

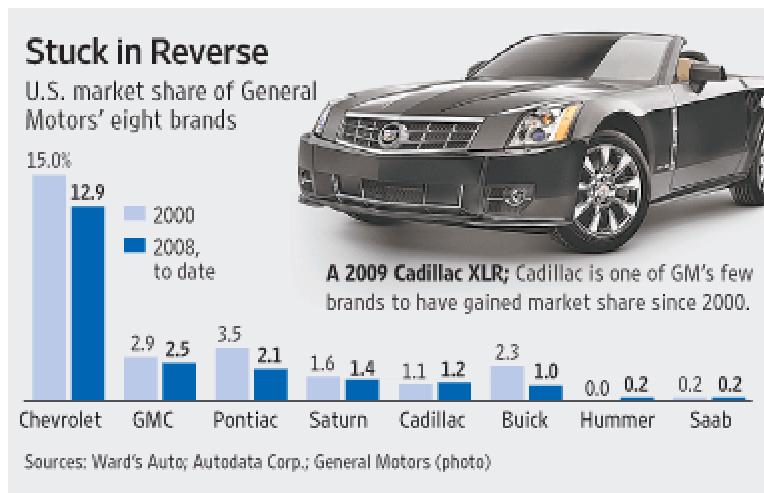
Sales of the Prius have been booming, thanks to soaring gasoline prices and growing worries about global warming. A hybrid delivers better mileage by switching between a gasoline-fueled engine and an electric motor. Toyota has made hybrid technology the pillar of its growth strategy, promising to deliver hybrids in every model in its lineup soon after 2020. Toyota has sold more than a million Prius models over the past decade and is planning to sell a million hybrids a year sometime after 2010. Toyota is also pursuing an aggressive strategy for ecological production by using solar panels and other technology at its plants. Adding solar panels to a model targeting mass consumers would mark a first for a major automaker, The Nikkei said. Source – *Associated Press*

GM WEIGHS MORE LAYOFFS, SALE OF BRANDS

Bruised by a deep sales slump and a half-century-low in its stock price, [General Motors](#) Corp. is preparing to cut thousands more white-collar jobs and is considering whether it should sell or shutter more of its brands, people familiar with the matter said. Both moves are part of a broader re-evaluation of GM's strategy and of its ability to meet an internal projection of returning to profitability in 2010, these people said. The job cuts are likely to be approved when GM's board of directors meets in early August, these people said. Management may also present the board with options for raising additional cash to help GM make it through the downturn, they said. The board will probably also hear management's latest thoughts on whether GM should trim the number of brands it offers in the U.S.

A company spokesman declined to comment on either the job or brand cuts. The company currently sells vehicles under eight different brands, but most, including Buick, Saturn and Saab, struggle to attract buyers despite offering new models that cost GM billions of dollars to develop. The company has already decided to put its Hummer division up for sale. Discussions among top executives about the number of brands have intensified in

recent weeks, and signal a potential major shift in thinking by the company -- especially by Chief Executive Rick Wagoner. As top executives review future cars and trucks earmarked for various brands, "nothing is off the table," several people said. All but Cadillac and Chevrolet, which GM considers core to its business, are undergoing close scrutiny, other people said.



A restructuring marks not just another humbling of the nation's largest auto maker, but offers competitors a chance to steal market share. For decades, GM has believed a key to making money in North America was maintaining market share. Most GM executives have countered that having different brands helps the company reach more potential customers and gives it more tools in fighting the likes of [Toyota Motor Corp.](#) They point to the company's closure of its Oldsmobile division earlier this decade, which left many of that brand's customers defecting to brands other than GM's. Critics have said keeping so many brands is a drain on resources and leaves many of its divisions competing with each other. Like GM, rivals Chrysler LLC and [Ford Motor Co.](#) have also hit hard times, but they have both concluded they need to become significantly smaller companies in order to generate healthy profits. Ford, for example, has sold its Land Rover, Jaguar and Aston Martin brands and is considering putting Volvo on the market. Chrysler is cutting the number of models it offers by a third to a half, and acknowledges its U.S. market share is likely to shrink.

In the past few years, as GM has run up massive losses, some board members and some executives have on occasion raised questions about its plethora of brands, only to be rebuffed by Mr. Wagoner, people familiar with the matter said. As recently as February, Mr. Wagoner was publicly dismissing the idea of killing brands as "not a thoughtful discussion." GM began reconsidering the viability of eight brands after Frederick "Fritz" Henderson, then chief financial officer, was promoted to president and chief operating officer. In his new post he took over responsibility for GM's auto operations from Mr. Wagoner.

In June, less than two months after the change in command, GM announced it was conducting a strategic review of Hummer, a maker of hulking sports-utility vehicles whose sales have plummeted as gasoline prices climbed to \$4 a gallon. Although Mr. Henderson's influence has increased, Mr. Wagoner still has a strong voice in crafting details of the new strategy, a person close to him said. He also has support on GM's board. Key directors still believe the

management team under Mr. Wagoner is capable of delivering a turnaround and insist "we will win or lose together," this person said. Despite GM's mounting troubles, the board is anticipating management will soon notch "some victories under our belt," one director said, asking not to be named. Neither Mr. Wagoner nor Mr. Henderson could be reached for comment. In the meantime, the company will continue to reconsider its mix of brands. One under examination is Saturn, a maker of economy cars that analysts believe has never made money in its nearly 20-year history.

In the past three years, as part of Mr. Wagoner's turnaround strategy, GM has launched several critically acclaimed models under the Saturn nameplate, but the brand's sales have failed to notch significant gains, confounding GM executives. GM recently froze development work on a new Saturn Aura sedan, the brand's flagship model, while management reviews whether it makes sense to continue investing in the division, people familiar with the matter said. Scrapping work on the next Aura would be an acknowledgment that a recent brand makeover has been a bust. Analysts often also question why GM keeps Saab. The Swedish car maker only sells about 35,000 cars in the U.S. a year -- less than the number of Accord sedans [Honda Motor Co.](#) sells in a single month. Before GM makes any decisions about its brands, it must stabilize its cash reserves and share price. In the past few weeks, GM stock has tumbled dramatically, falling below \$10 a share and hitting lows last seen more than 50 years ago. Its market value has dropped to less than \$5.73 billion.

Dropping Off

Number of General Motors employees at year end



Source: the company

GM has about \$24 billion in cash, but it is burning an estimated \$3 billion a quarter. Analysts estimate GM needs \$10 billion to \$15 billion in additional financing to keep going until 2010.

The company has explored the idea of issuing new shares to raise cash. But because of the precipitous decline in its stock price, the company would have to issue a large number of shares to bring in a sizable sum, which would further pressure the stock. The board could suspend dividend payments, although that would only preserve \$550 million annually.

David Cole, president of the Center for Automotive Research in Ann Arbor, Mich., said the company could also partition off its international operation from the core North American unit, and sell equity in the global business. GM could also offer the United Auto Workers equity in the company in return for more cost concessions, Mr. Cole said. Although the union has already given GM considerable help on costs, Mr. Cole said he suspects "that you will see when push comes to shove, they'll do more." The union didn't return calls seeking comment.

As GM goes to the UAW, however, the company is targeting its middle-management ranks for new cuts. Globally, GM employs 76,000 white-collar workers -- from engineers and scientists to accountants and marketers -- with the bulk of the force based in North America. Management is still working out the details of the white-collar job cuts, but the action is likely to affect thousands of jobs. Ford recently announced it would cut about 2,000 salaried positions in a cost-cutting move of its own.

People close to senior leadership say thinning GM's middle-management ranks is among the biggest priorities GM has failed to tackle during Mr. Wagoner's tenure. With layers of managers,

decision-making often takes too long, and subpar performance is sometimes tolerated. Many of the executives blamed for the company's troubles are still in leadership roles. Mr. Henderson, who is credited with turning around GM operations in Asia and Europe, is championed by some as the salve GM needs. Since taking over GM's auto operations, he has toured its far-flung businesses and has accelerated efforts to find small cars in Asia that GM could ship to or produce in the U.S. to satisfy increasing demand for fuel-efficient vehicles. "He doesn't ask a bunch of guys to go into a room, spend the whole night working on something and come back with a solution," said Mark Neporent, chief operating officer of Cerberus Capital Management LP, who worked with Mr. Henderson on the sale of a stake in the auto maker's lending arm, GMAC, to Cerberus. "He goes in there with them and doesn't come out until the job is done."

Source – The Wall Street Journal
