



## *Weekly Car Dealers Newsletter*

May 5, 2008

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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 May 5, 2008

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**[NEW CAFE RULES AFFECT MAKERS DIFFERENTLY](#)  
**FORD WINS COST CUTS IN PIVOTAL LABOUR PACT  
GM TO CUT TRUCK PRODUCTION ON WEAK DEMAND  
DEALERS, IS YOUR CLIENT DATA SAFE?  
TRUCK SALES HEMORRHAGE; CAR SALES GET STRONGER****

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### **[NEW CAFE RULES AFFECT MAKERS DIFFERENTLY](#)**

Mercedes' cars would have to achieve better average fuel economy than Toyota's. BMW's light trucks would have to get 4 mpg more than those built by General Motors. These are among the startling outcomes projected for the 2015 model year under proposed federal fuel economy regulations. Under the new rules, the relative increase is highest for the smallest vehicles. Vehicles are measured by their footprint — roughly the area bounded by the wheels. The effects of the rules would vary dramatically among automakers. The winners are companies such as General Motors, Toyota and Chrysler — mass-market manufacturers with broad product portfolios. The losers are independent luxury brands such as Porsche, BMW and Mercedes. Regulators based the new standards on their projections of the number of cars and trucks of different sizes that the industry will produce by 2015. The National Highway Traffic Safety Administration developed the rules. The agency's plan creates two sliding scales of fuel economy targets for cars and trucks of different sizes. Each automaker is assigned its own separate fuel-economy standards for cars and trucks, based on the number of vehicles of each footprint size that it sells. The most extreme example is Porsche Cars North America Inc. Regulators must adopt final rules by April 1, 2009. Source: [Automotive News](#)

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### **FORD WINS COST CUTS IN PIVOTAL LABOUR PACT**

Buzz Hargrove has won labour peace with **Ford Motor Co. of Canada Ltd.** in a deal that will create deeper and longer-lasting wage discounts for new workers, but the head of the Canadian Auto Workers insists he has not caved in to industry demands for a two-tiered deal. The deal is a surprisingly quick settlement in what were expected to be protracted and contentious talks with the Detroit Three auto makers, which were seeking to slash costs

dramatically amid a North American restructuring and a soaring currency that has eroded the competitiveness of Canadian-based operations. The agreement will keep employment costs level, Mr. Hargrove said and thus not increase Canada's disadvantage – a stark contrast to deals the companies reached with the United Auto Workers in the United States last year that are estimated to have trimmed hourly labour bills by between \$20 (U.S.) and \$25. That means **General Motors Corp.** and **Chrysler LLC** could have trouble swallowing the new deal because they gave the union a long list of demands to cut the average Canadian hourly labour bill to the \$48 range from its current \$78.

Ford did win relief on health care costs, a cut in the costs of time off the job, a three-year freeze on base wages and a temporary halt to cost-of-living adjustments (COLA). But Mr. Hargrove had earlier drawn a line in the sand on two-tiered wages and industry observers and even some union officials had expected this year's set of talks to focus in on that issue. "Two-tiered is where you have a permanent underclass of workers that never gets to the top level," Mr. Hargrove told reporters as he outlined an unprecedented early deal with Ford – almost five months before the labour agreement was scheduled to expire in September. Hourly wages for newly hired CAW employees will be 70 per cent of the wages other workers receive for the first three years they work. That's a step closer to two-tiered wages than the current CAW contract under which new employees get 85 per cent of full pay for two years, then the same wages as everyone else. "In three years everybody gets full wages, full COLA, full time off the job and they're in the pension plan – different than the two-tier group in the U.S. – and they get health care benefits in Canada if they survive long enough to retire," he said.

From the outset, Ford's negotiators said they respected the union's position that the U.S. two-tiered wage system was a deal breaker, he said. Mr. Hargrove said he fully expects GM and Chrysler to match the pattern established at Ford, even though GM has stated publicly that it needs to eliminate or at least substantially reduce a \$30-an-hour cost disadvantage the company faces when compared with U.S. plants operated by Japan-based auto makers. Labour costs are about \$78 an hour in Canada when all items such as benefits, pensions and health care are included. "Ford analyzed this thing and said \$30 is a nice thing to argue about and to point out in terms of our relationship to the non-union plants in the southern United States, but they knew it was not realistic." The CAW still needs to reach agreement with Ford on local issues covering employees in Oakville, Ont., St. Thomas, Ont. and Windsor, Ont., before the deal can be ratified and negotiations begin with either GM or Chrysler. The early deal was prompted in part by the success of two Ford crossover vehicles being assembled in Oakville and plans for a third to be launched at that plant this spring. Ford's Edge and Lincoln MKX are two vehicles that are doing well. The deal is a "brilliant piece of pattern bargaining," said Sean McAlinden, chief economist and vice-president of research of the Center for Automotive Research in Ann Arbor, Mich. "Ford couldn't let Oakville go down even a week – so why not whipsaw Chrysler and GM by settling early and forcing them to either take the same contract or a strike?" The agreement freezes hourly wages and workers will lose 40 hours of vacation pay, but they will also receive a \$2,200 (Canadian) productivity and quality bonus and \$3,500 cash payment in January, 2009, in return for giving up the vacation pay.

But even as the CAW leader was happy to hammer out an early deal with Ford, he got sideswiped by more bad news from GM, which announced it is laying off 900 workers at its pickup truck plant in Oshawa, Ont., and reducing production to one shift from two. - *Globe and Mail*

## **GM TO CUT TRUCK PRODUCTION ON WEAK DEMAND**

DETROIT — General Motors Corp. said Monday it would cut truck production at four North American plants in the coming quarter because of weaker demand for its full-size pickup trucks and sport utility vehicles.

GM said it would eliminate one shift of planned production at each of the plants between July and September, cutting 138,000 light trucks from GM's planned output for the year. The Detroit-based auto maker said it would negotiate layoffs prompted by the reduced production schedule with the United Auto Workers and Canadian Auto Workers unions. The GM plants affected by the production cuts are in Pontiac and Flint, Mich.; Oshawa, Ont.; and Janesville, Wisc. All four plants had been at least partly halted by a two-month-old strike against GM supplier American Axle & Manufacturing Holdings Inc. GM's move would make permanent much of the production it has lost because of the UAW strike against American Axle, a former GM unit that supplies parts for SUVs like the Chevrolet Tahoe and pickup trucks like the Chevrolet Silverado. "With rising fuel prices, a softening economy, and a downward trend on current and future market demand for full-size trucks, a significant adjustment was needed to align our production with market realities," Troy Clarke, president of GM North America, said in a statement.

GM said industry-wide sales of full-size pickup trucks in the United States were down 15 per cent in the first quarter while full-size SUV sales were off 26 per cent. Mr. Clarke said GM was exploring "options" to expand production of faster-selling cars and crossover vehicles like the Chevrolet Malibu and Buick Enclave but said there was no plan yet to make such a shift. CAW president Buzz Hargrove told reporters his union had been notified of the planned GM production cut. GM has shut down or partly shut down about 30 North American plants due to parts shortages from the UAW strike against American Axle. The parts supplier, a former GM subsidiary, has demanded a sharp cut in wages and threatened to shift production from its plants in Michigan and New York to Mexico in the absence of union concessions.

Separately, GM has faced strike threats at a number of its U.S. plants because of unresolved contract terms with UAW local bargaining units. UAW workers at a GM plant near Lansing, Mich., that makes the auto maker's line of crossover vehicles, went on strike April 17 because of stalled local contract talks. The work stoppages and planned production cuts come amid a slump in first-quarter U.S. vehicle sales that has run deeper than most auto makers had expected heading into 2008.

For the first quarter, sales of light trucks and passenger cars were down 8 per cent in the U.S. market compared with a year earlier for the industry as a whole – *Reuters*

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## **DEALERS, IS YOUR CLIENT DATA SAFE?**

A job-hopping car salesman, who worked for a variety of dealerships in Nebraska and Iowa over a period of five years, now faces charges of stealing his customers' identities and charging thousands of dollars on a phony credit card, even trying to buy a car for himself, according to a report on *KETV*.

The salesman is still in jail after he allegedly stole the personal information of people to whom he had sold cars while working throughout the two states.

While working at a Ford store, police said that at least two of his customers have had their personal information compromised. The salesman then tried to use one woman's information while working at a Nissan dealership in Iowa. At the Nissan dealership, the salesman tried to buy a car using stolen information for a co-signer, saying that she was his sister. The dealer said the salesman was fired for integrity and compliance issues.

Then the salesman went online with another of his customer's information to open a credit card.

"Apparently he maintained a cache somewhere of information that, whenever he sold someone a car, that he's kept their name, address, phone number, Social Security number and he's been carrying it with him all these years," a police spokesman said. – *DealersEdge*

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## **TRUCK SALES HEMORRHAGE; CAR SALES GET STRONGER**

(Good news for Ford: Mazda sales highest since April 1995)

It could be a long, hot summer for any automaker selling big pickups and SUVs. Faced with record high fuel prices and a tight credit market, Americans said no thanks in a big way to expensive pickup trucks and sport/utility vehicles in April, inflicting pain on every automaker and their dealers who sell them, even Toyota Motor Corp. In April, when a barrel of oil sold for as much as \$120 and the price of a gallon of gasoline was between \$3.50 and \$4.00 in most parts of the country, trucks and SUVs fell quickly off shopping lists. Industrywide sales declined in the month by 9.0 percent to 1.04 million vehicles. Sales for the year-to-date also are down 9.0 percent, with 4.5 million vehicles sold. As of 8:45 p.m. EDT, Honda Motor Co. and Kia Motors had not yet reported their final results.



The only silver lining in the April numbers: sales of small vehicles and hybrids were strong for most automakers.

### **Ford illustrates the trends**

Ford Motor Co.'s SUV sales plunged 36 percent compared with last April, while truck sales skidded 19 percent. Ford's cash cow, the F-series pickup, saw a 21 percent drop compared with last April. Ford sold 44,813 F-series trucks in April compared with 56,692 in April 2007. Ford's total April sales, including all brands, fell 12.1 percent to 200,007 from 228,623 from a year ago. Soon-to-be sold Jaguar is the only Ford-owned brand that showed a sales gain in April. Jaguar and Land Rover are scheduled to be bought by Tata Motors of India next month in a deal that will put \$1.7 billion in Ford's coffers. On the strength of the new XF sports sedan, Jaguar registered a 25.4 percent gain with 1,785 vehicles sold in April. That is up from 1,424 sold last

April. With 23,850 cars sold in April, the Focus compact was Ford's brightest star last month. Focus sales were up 43.5 percent compared with April 2007. The Escape, Edge and Mercury Mariner crossovers, Fusion and Mercury Milan cars, and the Lincoln MKX crossover also posted gains over last year.

Ford had other good news in the otherwise dismal month. Its Mazda affiliate posted banner results. Mazda's North American Operations recorded a 12.8 percent gain for the month and year-to-date sales are up 1.3 percent over 2007. In April, Mazda sold a total of 23,760 vehicles. Mazda's car and truck sales both rose in April. Several models posted double-digit gains for the month: the Mazda3, Mazda5, Mazda6 and the Tribute led the way. "Having the right vehicles at the right price, at the right time, is driving our sales success this month and this year," Mazda North American CEO Jim O'Sullivan said in a statement. "We anticipated the possibility of rising gas prices with a very strong lineup of fuel efficient vehicles which appeal to consumers' dramatically changing lifestyles."

### **GM sales ills continue**

General Motors sold 257,638 vehicles in April, a 16.2 percent drop over last April. As with Ford and Toyota, GM's trucks and SUVs suffered the biggest declines. GM's truck sales fell 26.5 percent in April to 140,098. Last April, GM sold 190,678 trucks. Car sales fared much better in April, showing only a 0.2 percent dip. GM sold 120,824 cars in April, down from 121,009 last year. Chevrolet's new Malibu is coming on strong, with sales up 39 percent over a year ago. In April Chevrolet dealers delivered 17,050 Malibus, compared with 12,218 sold last year.

GM also is getting more money for the Malibu, says Mark LaNeve, vice president of GM's North America sales, service and marketing. "We're up close to \$4,000 on the average transaction price, a 20 percent increase," LaNeve said. "You normally don't see that sort of increase but we have a fantastic product. We're transacting at about the Camry level."

The subcompact Aveo also scored in April, logging a 23.5 percent gain over last year with 5,822 sold. Another Chevrolet small car, the Cobalt, turned in a solid sales month with 18,636 sold compared with 14,899 last year. That computes to a 25.1 percent gain.

Sales of Saturn cars, which are less than two years old, were down 23.8 percent in April as GM ramps up the launch of the Astra hatchback, which is replacing the Ion. Sales of the new Saturn Outlook crossover were down 33.8 percent in April. GM had seen strong demand for the Outlook and its two cousins, the Buick Enclave and GMC Acadia. But Acadia was off 8.8 percent. Enclave led the pack with 4,120 in sales.

The Cadillac CTS, up 16.4 percent, was perhaps, the only other bright spot for GM in April. Cadillac sold 5,406 CTSs in April, up from 4,644 sold last year.

### **Toyota posts small gain**

Toyota posted a 3.4 percent increase for the month, mostly coming from sales of fuel efficient small cars and hybrid vehicles. Scion posted its first year-over-year gain in 18 months, although it is compared to last April's sell-down period. On the flip side, April marked the first sales decline for the redesigned Tundra since its launch last February. So while Prius has less than four days' supply, Toyota is carrying 80-plus days' ground stock of Tundras, said Bob Carter,

Toyota Division general manager. Toyota strongholds like California and Florida continue to suffer, but eight of 12 Toyota regions posted their best Aprils ever, Carter said. Toyota has dramatically changed its estimate for industry sales for the year, to the low-15 million range. Although Toyota still expects a rebound in the second half, the first half so far has been much softer than Toyota anticipated when it previously forecast a 16.1 million year.

Although executives say Lexus is not about volume, sales continue to struggle. Many customers instead are opting for pre-owned vehicles instead, said Lexus general manager Mark Templin. Pre-owned Lexus sales were up 15.8 percent, while factory certified pre-owned sales were up 35 percent.

### **Chrysler: More double-digit declines**

Chrysler LLC sales dropped 23.5 percent for April and are down 17.6 percent for the year to date. The company blamed the decline on the industry's slow truck and SUV sales and on its own decision to reduce sales to rental fleets. Steven Landry, executive vice president for North American sales said fleet sales were down 33 percent for April. The Chrysler brand dropped 32 percent for the month, Jeep dropped 18 percent and Dodge 17 percent.

Leading the March losses were pickups and SUVs. Jeep Commander sales plummeted 49 percent, while the Grand Cherokee fell 31 percent. Dodge Ram pickup sales fell 23 percent, the Dakota pickup was off 38 percent and the Durango 45 percent. On the Chrysler brand side, the deleted Pacifica dropped 92 percent and the 300 sedan dropped 37 percent. Small vehicles provided the lone bright spots. Sales of the Jeep Patriot and Dodge Caliber rose 119 percent and 5 percent respectively.

### **Other automakers reporting:**

-- **Hyundai:** The South Korean automaker's sales were up 0.4 percent over last April, selling 39,280 vehicles. Sluggish sales of the Tiburon sports coupe, Tucson SUV, Entourage minivan and Azera sedan kept Hyundai from having a better month. The Accent, Sonata, Elantra cars and Sante Fe crossover were up from a year ago.

-- **Mercedes-Benz:** The tiny Smart car kept overall sales ahead of last year. The Mercedes brand was down 3 percent in April, but sales of 2,683 Smart cars boosted parent company Daimler AG's total U.S. sales by 9.8 percent to 22,969 in April. That is compared with sales of 20,917 vehicles during April 2007 before the Smart went on sale. Mercedes' entry-level C-class sedan had a strong month with sales up 33.5 percent over last year. Mercedes dealers sold 6,151 C-class units this year compared with 5,131 sold last April.

-- **Nissan Motor Co.:** Nissan's North American unit saw an April sales increase of 4,731 vehicles for its Nissan and Infiniti brands. Versa, Sentra and Altima led the way for Nissan, all posting gains of more than 25 percent. Nissan's total car sales were up 16.7 percent. But truck sales dropped 19.7 percent. The Titan was off 54.9 percent, with sales dropping from 4,922 last year to just 2,407 this April. Xterra, Pathfinder and Armada also saw major declines, all with sales down more than 40 percent. Sales of cars and trucks at Nissan's luxury Infiniti division were off 11.5 percent over last April.

-- **Volkswagen:** The German automaker eked out a small gain in April. Sales increased 1.7

percent over last year to 19,415 units, from 19,086 sold in April 2007. For the year, VW sales are up 0.8 percent over last year. The star performer for VW in April was the Eos roadster, which posted its best month ever with 1,663 sold, a 45.6 percent jump over last April's sales. The Passat sedan and wagon, with sales of 3,673, also performed well, logging a 6.8 percent gain over last year. But one Volkswagen that should have done well but didn't was the entry level Rabbit hatchback. April sales of 1,809 were off 6.4 percent over last April.

-- **BMW AG:** The luxury automaker posted a 9.6 percent gain for the month, but sales for the year to date are still lagging 4.0 percent.

-- **Subaru and Suzuki:** Subaru posted a strong gain of 21.7 percent for the month and is up 1.6 percent for the year to date.

Suzuki gained 5.3 percent, but is down 2.4 percent for the year.

-- **Honda Motor Co.:** The Japanese automaker said its U.S. sales for April were estimated to have risen about 6 percent from a year ago to more 134,000 vehicles. Honda said its preliminary sales results showed its Honda-brand sales increased to an all-time monthly high of 121,500 units. That compares with 111,226 units from a year ago. Sales for its luxury Acura brand dropped to about 12,900 units, down from 15,193 units from a year earlier. *By RICHARD TRUETT, AUTOMOTIVE NEWS*

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