



## *Weekly Car Dealers Newsletter*

November 10, 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 November 10, 2008

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### [LEADERS TO PRESS FOR MORE FEDERAL AID](#)

Detroit Urgently Seeks \$25 Billion More in Loans

Top auto industry executives and the president of the United Auto Workers plan to meet with House Speaker Nancy Pelosi today to ask for additional federal aid for the struggling U.S. carmakers. Chief executives G. Richard Wagoner Jr. of General Motors, Alan Mulally of Ford, Robert L. Nardelli of Chrysler and UAW president Ron Gettelfinger are in Washington to argue that if there is a November stimulus package from Congress, the auto industry should receive an additional \$25 billion loan to retool for production of energy-efficient vehicles, according to sources familiar with the matter who were not authorized to speak publicly about the meeting. That measure has been endorsed by President-elect Barack Obama and other Democrats. Yesterday, the Energy Department completed the interim program rules for the existing \$25 billion loan package. The rules allow automakers and suppliers to apply for government funding. Still, the loan must comply with the National Environmental Policy Act and the Congressional Review Act, which prevents a regulation from being implemented until 60 days after the next Congress convenes in January. - Source: [\*The Washington Post\*](#)

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### [GMAC HAS BIG LOSS, WILL CURB CAR LOANS](#)

GMAC Financial Services reported a \$2.52 billion third-quarter loss and disclosed further trouble in home and auto lending, signaling deeper woes for minority owner General Motors Corp., which reports its own results Friday. GMAC, 49%-owned by GM, also warned that its ailing

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home-mortgage unit, Residential Capital LLC, could collapse without financial help. In addition the lending giant said it must continue to scale back auto loans due to a shortage of capital, hardly good news for GM. GMAC's performance "significantly hinders the sale of GM vehicles," said Richard Hofmann, an analyst at research firm CreditSights. - Source: [The Wall Street Journal](#)

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## **TOYOTA HACKS FORECASTS AS U.S. CARMAKERS SEEK HELP**

TOKYO -- Toyota Motor Corp, the world's No.1 automaker, warned operating profits will sink to a 13-year low this year, as other carmakers sought more state help to ride out a financial crisis that is crippling demand and squeezing credit around the globe. After a week of profit warnings from six of the seven other Japanese car makers, industry watchers had braced for similar pain at Toyota -- until recently the envy of the sector with eight straight years of profit growth. But a 63 percent cut in forecast operating profit, to 600 billion yen (\$6.1 billion), was far beyond the most pessimistic prediction -- and would be Toyota's lowest profit since 1995/96... - Source: [Reuters](#)

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## **INCENTIVES TO BUY HYBRIDS ARE DWINDLING**

*mal* Car buyers have until the end of the year to get a tax credit for buying a Honda Civic hybrid, one of the more popular fuel-saving vehicles on the market. The dying tax credit is the latest in a series of changes chipping away at the financial incentives to buy a hybrid. Tax breaks tied to Toyota Motor Corp.'s strong-selling Prius, which gets about 46 miles a gallon, and its other hybrid models ended about a year ago. Now, the federal government is phasing out the same incentives on Honda Motor Co.'s Civic hybrid, which gets 42 miles a gallon. Combine that with the fact that fuel prices have fallen from their historic highs above \$4 a gallon this summer, and it's getting a lot more expensive to be an environmentally conscious driver. - Source: [The Wall Street Jou](#)

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## **CHAIN'S LOSSES OMINOUS**

AutoNation's hit bad for Detroit

As General Motors Corp. and Ford Motor Co. prepared to announce massive financial losses for the third quarter -- numbers that could help them make a case for federal aid -- the nation's largest seller of domestic cars and trucks, AutoNation Inc., reported Thursday an ominous financial plummet of its own. Ft. Lauderdale, Fla.-based AutoNation, which owns 311 dealerships in 15 states, said that its net income during the quarter had swung from a \$72.1-million profit in the same quarter a year ago to a \$1.4-billion loss. AutoNation's net income from GM, Ford and Chrysler stores alone plummeted 57.4%, while it declined a lesser 23% for import and luxury brands. Most of the company's net loss during the July-September period came from non-cash special charges such as the declining future value of automotive franchises, especially Detroit's brands, which make up 36% of AutoNation's sales volume. Mike Jackson, the CEO of AutoNation, told the Free Press that the business of Detroit's automakers is "deteriorating disproportionately to import and premium luxury and in a very dramatic way." - Source: [Detroit Free Press](#)

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## **TOYOTA U.S. SHARE PROVES 'COLD COMFORT' AMID SLUMP**

Toyota Motor Corp., rocked by a sales slump that led it to project the biggest annual earnings drop in at least 18 years, may win market share with its ability to fund car loans as cash-strapped U.S. competitors seek government aid. "Toyota is running a zero-percent loan campaign, because they, and Honda, are the only companies that can do it right now," [said said Tim Gilbert, who helps manage about \$287 billion in assets at Principal Global Investors in Des Moines, Iowa, including Toyota and Honda Motor Co. debt.] U.S. market share for Toyota will likely continue to rise, said Stephen Usher, a San Diego-based equity analyst for Japaninvest Plc, who rates Toyota shares "neutral." "That's going to be cold comfort to Toyota," said Usher. "It's not going to be a V-shaped recovery where sales plunge and rebound sharply. We're going to go into a hole and will stay there for some time." - Source: [Bloomberg](#)

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## **BMW WILL NOT BUILD CS CONCEPT**

BMW CEO Norbert Reithofer said the company has decided not to produce a series version of the Concept CS.

BMW announced its third quarter results on Tuesday. As results at its core automobile division collapsed, leaving the business with an operating return on sales of less than 1.3 percent, the sharper focus on profitability has led to product decisions being revisited, according to a company statement.



Reithofer told journalists in a conference call that as a result of cost and efficiency measures, BMW will no longer build a production version the Concept CS because the vehicle does not meet the internal requirements for rates of return. "At the moment we do not need that kind of brand shaper", Reithofer said. BMW displayed the concept car at several international auto shows in 2007 and at the New York auto show last March. It is a four-seat coupe-style sport sedan that was planned to rival the Mercedes-Benz CLS, Porsche Panamera and Maserati Quattroporte.

According to Friedrich Eichiner, BMW board member for corporate and brand development, BMW is focusing on and investing in future technologies and products. "In other words, we are pushing ahead Efficient Dynamics and Project i as part of our strategy Number ONE," Eichiner said. A key goal of BMW's Number ONE strategic plan is to cut costs by 6 billion euros (\$7.79 billion at current exchange rates) a year by 2012. The plan was launched in late 2007.

Reithofer also said that BMW showed at the Paris auto show last month how it will expand its portfolio in the future with cars such as the BMW Concept X1 and the Mini Crossover. At the Los Angeles auto show later this month, BMW will launch its all-electric Mini.

"The next step will be a mega city car with two different drivetrain options--one with electric powertrain and one with a highly efficient combustion engine," Reithofer said. - Source: [AutoWeek](#)

## **A WORD ABOUT ID CHECKS**

A felon with a rap sheet that includes 17 prior convictions got a job working at a Pontiac-Buick-GMC dealership in Arizona. Dominick Hurley is now a former employee of the store and stands accused of stealing the identities of 121 customers, according to a report in the *Arizona Republic*.

Police believe Mr. Hurley may be part of a larger identity-theft ring that goes beyond the dealership and is still under investigation.

Court documents filed in the case indicate that Mr. Hurley is suspected of having opened \$60,500 worth of Lowe's and Best Buy credit cards with 121 customers' names between October 2007 and August 2008 while an employee at the dealership.

As a result of his long criminal record, Mr. Hurley served more than three years in state prison. Detectives had been staked out outside of a Scottsdale home, where they believed fake driver's licenses and credit cards were being manufactured. Mr. Hurley was arrested during a routine traffic stop. Detectives found numerous forged items and credit applications from the dealership.

Dealership officials cooperated with police and told them Mr. Hurley was fired for fraudulently applying for \$60,500 worth of Best Buy and Lowe's credit cards using customer information.

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