



Weekly Car Dealers Newsletter

November 17, 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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[BIG 3 WOES IMPERIL JAPANESE](#)

Collapse of U.S. automaker would disrupt Toyota, Nissan, Honda because they share parts suppliers Japan's leading automakers are beating Detroit's Big Three in the plunging U.S. auto market, but they would sustain enormous damage if one of the domestic carmakers collapsed. Toyota Motor Corp., Honda Motor Co. and Nissan Motor Co., the biggest foreign producers of vehicles in the United States, rely on the same parts suppliers as the U.S. automakers. So the failure or bankruptcy of a domestic automaker would also disrupt the Japanese car companies' operations in what has traditionally been their most lucrative market. "We're deeply concerned," said Mike Goss, a spokesman for Toyota Motor Engineering & Manufacturing North America Inc. in Erlanger, Ky. "Seventy-five percent of the vehicles we build in North America are sourced in North America, and many of those suppliers are shared with the Big Three." - Source: [The Detroit News](#)

[HOUSE LEADERS PROPOSE FEDERAL STAKE IN AUTOMAKERS](#)

Congressional Democrats are pushing legislation to send \$25 billion in emergency loans to the beleaguered auto industry in exchange for a government ownership stake in the Big Three car companies. House Speaker Nancy Pelosi (D-Calif.) and Senate Majority Leader Harry Reid (D-Nev.) hope for quick passage of the auto bailout during a postelection session that begins Monday. Legislation being drafted by Rep. Barney Frank, chairman of the House Financial

Services Committee, and Sen. Carl M. Levin (D-Mich.) would dip into the \$700 billion Wall Street rescue money, approved by Congress last month, for the auto aid. - Source: [USA TODAY](#)

OBAMA MAY NAME AUTO CZAR

President-elect Barack Obama has raised the idea of appointing a so-called "auto czar" to oversee emergency federal aid to automakers, exact tough corporate reforms and ensure taxpayers earn a return on any investment in the auto industry. The Obama transition team hasn't identified who the car czar would be, but the president-elect has three auto advisers. They are economic adviser Jason Furman, Georgetown University law professor Dan Tarullo and Joshua Steiner, a former Clinton Treasury official, but none of them have emerged as the point person on autos yet. Michigan Gov. Jennifer Granholm and former Michigan Congressman David Bonior also are advising Obama on the troubled auto industry. - Source: [The Detroit News](#)

THE INSIDE STORY: FORD'S ROADMAP FOR SURVIVAL

DEARBORN -- For the last six weeks, Ford Motor Co.'s top executives met almost daily to craft a plan to keep the company solvent in the face of the worst financial crisis in decades. With gasoline prices falling, some argued that Ford should abandon its costly plan to retool North American truck factories to produce smaller, more fuel-efficient cars from Europe. Others pushed to curtail future investment in key products like the F-150 pickup that have seen sales drop off dramatically in recent years. Global product development chief Derrick Kuzak -- backed by [CEO Alan] Mulally -- countered: "We're only going to be in business if we create products that people really do want and value," Mulally told The Detroit News in an exclusive interview Tuesday. "This is the essence of creating a viable Ford." - Source: [The Detroit News](#)

GANASSI RACING MERGES WITH DALE EARNHARDT INC. FOR 2009

Martin Truex Jr. (left) will drive the No. 1 car in 2009 for the merged team. Here he's shown leading Kyle Busch at Texas.

LAT

One of the NASCAR season's long-running rumors has come true: Two of motorsports' biggest names--Earnhardt and Ganassi--will launch a four-car NASCAR Sprint Cup team beginning in 2009, combining the motorsports operations of Dale Earnhardt, Inc. and Chip Ganassi Racing with Felix Sabates Inc.

NASCAR stars Martin Truex Jr. and Juan Pablo Montoya will drive the Nos. 1 and 42, respectively, and Aric Almirola will drive the No. 8 car. The driver of the No. 41 will be named in the near future.

"In this ultra-competitive era of NASCAR, it is necessary to build and sustain the strongest team possible, and our combining with the people and equipment at Dale Earnhardt Inc. will help create a strong four-car program for years to come," said Chip Ganassi. "This is a win-win for both organizations as well as all of our partners."

"Having a partner like Chip who is heavily involved on the competition side of the business is an
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ideal situation for DEI," Teresa Earnhardt said. "He has a long history of managing championship teams in the IndyCar and the Rolex Grand-Am Series, and I share his passion and goals of winning races and ultimately championships in the NASCAR Sprint Cup Series. I think this is a case where we are stronger together than we are apart."

Details of the new four-car operation will be announced at a future date, but look for DEI to move into Ganassi's North Carolina shop, and for the new team to field Chevrolets. (Ganassi currently campaigns Dodges.) The merger comes in light of the difficult economic conditions teams face. Texaco will not return as sponsor of Montoya's car next year, and the U.S. Army will move its sponsorship from DEI to the new Stewart-Haas Racing team next year. – *Source: Autoweek.com*

BILL HEARD CHEVROLET STORE SOLD

Dealers and dealer groups seeing opportunity have been negotiating with the bankruptcy court's administrator to purchase some of the largest profile GM stores in the Sun Belt.

As devastating as the Bill Heard bankruptcy has been for all those closely involved and for the communities in which they reside, others in the car business have smelled "opportunity" and apparently have been lining up for a chance to buy some very attractive dealerships at bargain basement prices.

Classic Automotive Group owns and operates six dealerships in Texas and features GM and Ford product lines. The group is primarily owned by Tom Durant from the Fort Worth area and a longtime car dealer.

Classic expects to reopen the Chevy location in early 2009 with a new name that is yet to be determined. Steve Hurley a partner at Classic Auto Group was quoted in a report published on the Tampa Bay Online Website as saying, "You just don't have an opportunity to make a purchase like this in normal times." Hurley also pointed out that the \$15 million acquisition cost was a historically low figure and that this was not just a play for the real estate.

And while Hurley also admitted that it is a difficult time in the car business, he voiced confidence that the industry will rebound. Like Chuck Nash in San Marcos, Hurley and Classic Auto Group are betting heavily on a recovery.

CARMAKER CRISIS HITS SUPPLIERS

S&P: Negative scenario for a dozen companies

The fallout from the financial crisis in the auto industry is reverberating down the parts supply chain of Detroit's Big Three, with more cost cutting, job losses, bankruptcies and liquidations expected. A number of North American suppliers had their credit ratings placed on CreditWatch with negative implications Thursday by Standard & Poor's Ratings Services because of their ties

to General Motors Corp., Ford Motor Co. and Chrysler LLC. S&P singled out ArvinMeritor Inc., BorgWarner Inc., Cooper-Standard Automotive Inc., Federal-Mogul Corp., Goodyear Tire & Rubber Co., Hayes Lemmerz International Inc., Johnson Controls Inc., Lear Corp., MetoKote Corp., Shiloh Industries Inc., Stoneridge Inc., Tenneco Inc. and Visteon Corp. for their significant exposure to GM, Ford and Chrysler. "We're going to see a thinning of the herd," said Mike Wall, an auto supply analyst with Northville-based CSM Worldwide, who noted estimates on the number of suppliers considered vulnerable are in the range of 25 percent to 33 percent. -

Source: [The Detroit News](#)

LIFE AT 11 MILLION: SLASH, RETHINK

Suppliers, dealers, retail groups must adjust — or crash Auto dealers and suppliers are moving heaven and earth to adjust to an annual auto sales rate not seen in a quarter century: fewer than 11 million units. So what will life be like at 11 million? "Dealers have to look at everything — people, buildings, service, inventory and advertising," said Cliff Cummings, owner of Toyota of San Bernardino in California. "Physical plants shrink, and expansions and renovations are put off." Given the decade-long average of 16.9 million sales, could dealers hang on in an 11 million-unit market? "The premise of the question is wrong," said Cummings. "We're already there. Watch for how many dealerships are going to close. A friend of mine let go 32 people yesterday. We've already begun to adjust." - Source: [Automotive News](#)
