



Weekly Car Dealers Newsletter

November 24, 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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HONDA'S NEW CIVIC GX AT CENTER OF CONTROVERSY

Spokane Community College (SCC), like many of its peers, offers courses in automotive technology to prepare students for careers as dealership technicians. The school sees hybrids and alternative fuel cars as the wave of the future and wants to get some of these vehicles for use in the classroom. SCC also hopes to become a training center for those who would work on cars burning compressed natural gas, or CNG. And that, according to a report in the *Spokane Spokesman Review* is where the controversy starts.

While millions of cars worldwide burn natural gas, most operating on American roads are after-market conversions. The Civic GX is the only one offered for sale here by major automakers. CNG cars are still so rare that the community college has spent more than a year trying to get one. Until last week, when a Honda Civic GX showed up at a local dealership, there were none in any Eastern Washington showrooms.

Honda started offering the car for fleet purchases in 1998 and began marketing them to the general public in 2005, primarily in California and New York.

SCC's effort is being cited by investigative reporter Edwin Black. Mr. Black, who generally has high praise for Honda and drives a Del Sol, accuses the company of "suppressing proliferation" of the GX, as well as home refueling stations it sells for CNG cars. "Honda refused to sell even one car or any home refueling devices despite months of efforts. School officials were in disbelief, especially as the country's fuel crisis worsened," Mr. Black wrote on the blog *The Cutting Edge*. Mr. Black said in an interview that the company fears Americans would stop

buying more-profitable SUVs and other gas-guzzlers if an alternative-fuel vehicle became widely available.

Honda's response: "We are not suppressing sales of Civic GXs in order to sell SUVs. That's untrue," said Honda spokesman Todd Mittleman. Mr. Mittleman said the only thing preventing broader distribution of the GX is a lack of infrastructure, meaning public CNG refueling stations. There are none in Eastern Washington, Eastern Oregon or Idaho, and only 1,200 nationwide.

SCC President Joe Dunlap said Mr. Black's report about the college's situation is accurate, except for one very important detail: Mr. Black's contention that Honda "refused" to sell a car to the college. Mr. Dunlap said the college never talked to dealers who had them in stock. Mr. Dunlap said automakers sometimes provide free cars to colleges and help set up training programs. He talked directly to Honda officials several times over the course of more than a year with little progress.

John Daschel, owner of Discovery Honda, said he worked for more than a year to get a Civic GX for his Spokane area dealership. He sent technicians to Portland and Los Angeles for training. And when the car arrived Oct. 27, he had to haul it by trailer to another city to fill the tank. — *Source: Dealersedge.com*

GM SLOWS DEALER PAYMENTS

General Motors Corp., seeking low-interest federal loans to stave off financial collapse, said it will delay reimbursing U.S. dealers for sales incentives by about two weeks to preserve dwindling cash. The move postpones payments to almost 6,500 dealers even as the largest U.S. automaker urges them to lobby Congress for the \$25 billion industry bailout bill that Senate Democrats began debating yesterday. GM said it won't disclose the savings. "It is indicative of the impact that low liquidity has on this company," Rebecca Lindland, an analyst with IHS Global Insight Inc. in Lexington, Massachusetts, said in an interview. "This could really hamstring dealerships from getting more inventory, making payroll. It's a very serious action." Holding onto the money gave GM a third example to show lawmakers in its efforts to boost cash. The company said the 2007 labor accord has trimmed annual costs by \$500 million and that Suzuki Motor Corp. would buy back GM's 3 percent stake. GM's U.S. dealers paid about \$3,409 in incentives for each car and truck in October, when the company sold 168,719 vehicles, according to research firm Autodata Corp. of Woodcliff Lake, New Jersey. At that rate, Detroit-based GM would have spent \$575 million. GM doesn't announce incentive spending.

Source: [Bloomberg](#)

"CAR PURCHASE INTENT" INCREASES

According to a report in the Los Angeles Times, Edmunds captures statistics of how many visitors to their site are actually pricing out their vehicles with options. This behavior has been shown to predict an actual trip to a dealership according to CEO Jeremy Anwyl.

Autobytel's car shopping site, MyRide.com is reported to have said that they are also seeing an increase in potential buyer engagement. They base this conclusion on increased traffic and the number of vehicle researchers requesting dealer quotes.

According to Anwyl, "When you're moving into a recession, you want your leaders in Washington to be voices of calm and confidence, and during an election campaign, that's not what you hear. Now that level of noise has gone away."

Maybe he hasn't been listening to the bridge loan debate. — *Source: Dealersedge.com*

TIME FOR SOME HUMOUR

Most of us remember the Yugo, a much-maligned car imported from Yugoslavia.

- How do you make a Yugo go fast? - Push it out of an airplane.
 - Why did Yugos have heated rear windows? - To keep your hands warm when you push it.
 - What's the difference between a Yugo and a golf ball? - You can drive a golf ball more than 200 yards.
 - What do you call a Yugo's shock absorbers? - Passengers.
 - The new Yugo has an air bag. - Before an accident, start pumping real fast.
 - How do you double the value of a Yugo? - Fill the gas tank!
 - What do you call a Yugo at the top of a hill? - A miracle.
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EMPLOYEES' BEHAVIOUR CHANGE IN TOUGH TIMES

It's always a good idea to keep a close eye on those handling the financial tasks in the dealership, but when times get tough, sometimes the temptation to steal is too hard to resist

Phyllis Ann Chambers, an office employee at S.J. Denham (Chrysler, Dodge, Jeep) in Redding California has been arrested and charged with felony embezzlement. According to an article appearing in the *Record Searchlight*, Chambers was in some personal distress due to health issues and her husband's failed trucking business.

The pattern of theft was discovered when an account payables clerk questioned an electronic transfer of \$585.71 from the dealership to Pacific Gas & Electric. The clerk questioned the payment because the dealership receives its service from Redding Electric Utility. The transfer from the dealership was sent to satisfy Ms. Chamber's personal PG&E obligations.

Once discovered, Chambers was dismissed on the spot and the dealership then embarked on an audit to discover if other thefts had occurred.

According to affidavits filed, the audit discovered a number of personal checks from Ms. Chambers that had been deposited into the dealership account. Apparently the checks were

written to the dealership for which Ms. Chambers exchanged for cash from the till. The checks, unfortunately for all concerned, subsequently bounced.

Chambers was an employee of the dealership since July 2000, but the audit apparently indicates that the embezzlements started in early 2004. Chambers' responsibilities included receiving the dealership mail, reconciling of the bank statements and accounts receivable. She was also responsible for daily bank deposits.

Since Chambers also received and reconciled the bank statements, she was in a position to intercept the bounced checks and take measures to hide the transactions from the dealership's ownership. According to reports, there was a considerable effort expended in covering up the bounced checks.

The published report indicates that Chambers was facing considerable financial and health related problems. Her husband's trucking business was said to have collapsed and that the embezzled money was being employed to pay the couple's living expenses.

As financial hard times hit all over the country, dealerships should realize that even the most trusted employee, and possibly the person you would least suspect, could find themselves in desperate financial troubles. A review of internal theft prevention measures appears to be in order. — *Source:Dealersedge.com*

CHRYSLER HAS \$6.1 BILLION, BUT \$5 BILLION IN MONTHLY COSTS

For Chrysler LLC, bankruptcy is a real threat, with only \$6.1 billion on hand and about \$5 billion a month in operating costs. CEO Robert Nardelli made the private company's financial status public this week during his testimony in Washington, D.C., as part of a bid for federal assistance by Detroit's Big Three. ...Chrysler burned through \$3.3 billion in cash in the third quarter. That's more half the \$5 billion Chrysler has run through so far this year. General Motors Corp. sliced through \$6.9 billion in the quarter ending Sept. 30; Ford went through \$7.7 billion. Nardelli said Chrysler's financial obligations amount to \$4 to \$5 billion for salaries, benefits and suppliers. With vehicle sales down 38 percent in October, the automaker likely burned through another \$1 billion, which means cash is at the minimum the company needs to keep the lights on in Auburn Hills. "Without government support we believe auto suppliers will tighten terms causing Detroit Three bankruptcy filings," said Eric Selle, chief analyst with J.P. Morgan in a report Wednesday.

- Source: [The Detroit News](#)

BIG INCENTIVES HELP AUTO SALES RECOVER

Big discounts, the end of the presidential campaign, and relief from the credit crunch have combined to boost car sales this month from October's dismal numbers, auto dealers and analysts report. "We're actually selling cars," said Mark Blick, general manager of Gary Mathews Chrysler-Dodge-Jeep in Clarksville, Tenn. "It's really picked up this month, which is exactly what we were hoping for." At Alexander Chevrolet-Cadillac in Murfreesboro, General Manager Michael Creque Jr. said sales have improved almost to a normal level this month. "The surprising thing is that we're selling full-size trucks and SUVs, although we really never did see a big drop in truck sales here," Creque said. Several dealers said they believe discounts and

cash incentives automakers put in place after their poor October sales have made a difference. In October, U.S. vehicle sales were down 32 percent from the same month a year earlier, coming in as the worst sales month in 25 years. - Source: [The Tennessean](#)

IDEA TO AID CARMAKERS: FEE ON SALES

LOS ANGELES — Automotive titan Roger Penske thinks he's found a simple answer to bailing out Detroit's automakers — a restructuring fee that would be added to the price of every new car. Instead of government loans to try to bridge General Motors, Ford Motor and Chrysler through their financial crisis, Penske said Thursday that he likes the idea of a fee levied on every foreign or domestic vehicle sold that could raise billions a year for automakers. Proceeds from the fee — he suggested \$200 or \$500 per car — would help relieve automakers of their health and retirement burdens. It could also go to buying out underperforming auto dealers. Laws in many states prevent automakers from closing dealers outright. "It would level the playing field," said Penske, CEO of one of the nation's largest automotive dealer groups, importer of the Smart microcar and auto racing legend, in an interview at the Los Angeles Auto Show. - Source: [USA TODAY](#)
