



Weekly Car Dealers Newsletter

October 10, 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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[DAIMLER WON'T CHANGE U.S. LEASING STRATEGY: CEO](#)

Daimler AG will not change its leasing strategy in the U.S. market even though it may take an earnings hit from a drop in the prices of cars coming off lease, Daimler Chief Executive Dieter Zetsche said. Zetsche declined comment when asked whether or when the company might reach an agreement to sell its remaining 19.9 percent stake in U.S. automaker Chrysler LLC to Chrysler's majority owner, private equity firm Cerberus. Zetsche reiterated that he continues to expect 2008 vehicle sales at Daimler's Mercedes-Benz Cars premium division to exceed the level seen in 2007. *Source: Reuters*

[GM SHIFTS INTO OVERDRIVE ON SMALL CARS](#)

General Motors Corp., still unable to meet demand for fuel-efficient small cars, will keep its sole U.S. compact-car factory running on overtime for the remainder of this year, the auto maker said Friday. GM is running short on Chevrolet Cobalt cars despite adding a third shift this summer at its Lordstown, Ohio, assembly plant. Dealers across the U.S. have fewer than eight weeks' worth of the Cobalt, Corolla and Civic in stock, according to Wardsauto.com. The industry norm is to have at least a 10-week supply. The Ford Focus, with roughly a 13-week supply according to Wards, saw a 5% bump in sales last month. *Source: The Wall Street Journal*

GM TO SHUT OHIO SUV PLANT 2 YEARS AHEAD OF PLAN

General Motors is ending production of its slow-selling mid-sized SUVs on Dec. 23, two years earlier than announced in June. GM is pulling ahead the closure of its Moraine, Ohio, assembly plant because of market conditions, said GM spokesman Chris Lee. Moraine builds the Chevrolet TrailBlazer and TrailBlazer SS, GMC Envoy and Envoy Denali and Saab 9-7X.



In June, GM said it would close Moraine in 2010 or sooner, Lee said. The closing will idle about 1,100 hourly workers represented by the IUE-CWA electrical workers union. An additional 100 salaried employees work there, Lee said.

Lee said negotiations are under way with the union to determine whether workers would be offered buyouts and retirement incentives that were offered to employees in June. – Source: Autoweek.com

FORD TAKES SECOND LOOK AT BRINGING TINY KA TO U.S.

Rising demand for small cars has pushed Ford Motor Co. to revisit its decision not to bring the tiny European Ka model to the United States, Ford's chief executive said today. "We're assessing that right now," CEO Alan Mulally told a Detroit radio station, adding that many people share the opinion that Ford should sell the Ka in the United States. A new version of the Ka was unveiled last week at the Paris Motor Show. It will be launched in major European markets by late this year or early 2009. The Ka is far smaller than the Focus, which is Dearborn-based Ford's only U.S. compact car. Focus sales are up 24% through September, even though the U.S. auto market is down nearly 13% for the year. - Source: Detroit Free Press

STUDY: DEALERS GAIN ON INDEPENDENT SHOPS

Franchised dealerships are earning better marks from service customers, a new study by J.D. Power and Associates concludes. Over the last five years, the customer satisfaction gap between dealers and nondealers has been narrowing. Dealers excel in the comfort of the facility and the amenities they offer. Another reason dealers are performing better is that they are doing more maintenance work. Maintenance customers tend to be more satisfied than repair customers. Repairs are more unexpected, inconvenient and costly than maintenance work, so you tend to see a lower level of satisfaction. Dealers are [also] trying to make maintenance services more convenient. Many are offering a quick-service lane. Some guarantee customers will get in and out in 30 minutes. And dealers are offering the service at competitive prices. - Source: Automotive News

TOYOTA FIGHTING US WOES TO MEET GLOBAL SALES GOALS

Shares of Toyota Motor Corp. plunged Wednesday following a major business daily report that Toyota's operating profit would fall 40 per cent this fiscal year through March. But Toyota Senior Managing Director Yoichiro Ichimaru said his company was sticking with its financial targets for now, including this year's global vehicle sales goals. He acknowledged, however, that the numbers were becoming increasingly tough to meet because of a drop in U.S. sales. The Nikkei reported in its Wednesday's editions that Toyota is likely to face troubles meeting its sales and global vehicle sales targets as sales growth in emerging markets aren't likely to be enough to offset the declines in the U.S. and Europe. "When we look at our numbers, we see things are very critical," Ichimaru said. "U.S. and Europe sales are getting seriously hit because of the economic conditions."

Speculation has been growing Toyota may lower its global vehicle sales target of 9.5 million vehicles at a time when the Japanese manufacturer has been going neck-and-neck in global vehicle sales against General Motors Corp., the world's top automaker. Toyota stock slid 11.6 per cent to close at 3,280 yen (\$33) amid a more than 9 per cent plunge in the benchmark for Tokyo share prices as fears intensified about a global financial crisis.

Last week, Toyota offered an unprecedented zero-per cent financing on models in the U.S. to woo buyers after Japan's top automaker posted a 32 per cent drop in September U.S. vehicle sales. Ichimaru's comments underline pessimism at Toyota, which had averted some of the problems at GM, which has posted billions of dollars in losses in recent months. Toyota has been trying to make up for the plunging U.S. auto market by boosting sales in emerging markets. But the recent declines in Japan, the U.S. and Europe appear to be making that increasingly difficult. Ichimaru was among the executives speaking at a Lexus showroom in Tokyo targeting foreign residents, set to open Friday. Although the Lexus was launched in the U.S. about 20 years ago, the brand and dealerships were introduced in Japan only in 2005. Since then, Lexus dealers here have grown to 165.

The new showroom offers foreign language services, including English, Chinese and Russian, to woo foreign residents, who still make up a tiny portion of Lexus buyers in Japan, according to Toyota.

Global Lexus sales are falling short of last year's 518,000 vehicles, and that trend is likely to continue for the rest of the year, Toyota Managing Officer Toshio Furutani said. Toyota lowered its global vehicle sales target in July from the initial 9.85 million, given in January. Toyota sold 9.37 million vehicles around the world last year. - *Source - The Associated Press*

GM, LENDER WRITE FEWER LONGER-TERM LOANS

Amid a virtual freeze on consumer credit, General Motors is emphasizing cash transactions over long loans, the company's sales chief said today. "We've been writing fewer 72-month loans," Mark LaNeve, GM's vice president of North American sales, service and marketing, told Automotive News. "In September and October, we did a much higher percentage of cash -- meaning non-lease or non-APR, than we did in decades." This week, GMAC Financial Services restricted some borrowers to loans of no more than 60 months. The new restriction affects a

"small percentage" of GMAC's loan volume, said company spokesman Sue Mallino. Mallino would not speculate on whether GMAC will expand the 60-month ceiling to more borrowers.

- Source: [Automotive News](#)

GM IS SAID TO OFFER 1% DEALER PAYMENTS ON 2009 MODELS

General Motors Corp., trying a new tactic to stem its sales decline, is offering U.S. dealers a cash incentive of 1 percent on each 2009 vehicle they sell, according to 3 people with knowledge of the strategy. The so-called marketing stimulus payments will be made six months after a vehicle is sold and will be computed from the base-model invoice price, said the people, who didn't want to be identified because the plan hasn't been made public. The program will run to the end of this year, they said. "GM seems to be trying to get dealers to try to order more vehicles and give them an incentive to really sell more between now and the first payment," said Troy Ontko, president of AISrebates.com in Ann Arbor, Michigan, which tracks auto offers.

- Source: [Bloomberg](#)

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Week of October 6, 2008

TOYOTA LEADS BIGGEST DROP IN VEHICLE OUTPUT IN DECADE
BEHIND ON HYBRIDS, HYUNDAI SETS HIGH GOALS
BUSH APPROVES \$25 BILLION LOAN PACKAGE FOR AUTO MAKERS
AUTO DEALER CLOSINGS COULD ADD TO DETROIT AUTO MAKER WOES
HONDA'S HYBRID WILL TAKE ON PRIUS
DEALERSHIP WORKER CHARGED IN \$93,000 EMBEZZLEMENT

TOYOTA LEADS BIGGEST DROP IN VEHICLE OUTPUT IN DECADE

Toyota Motor Corp. and Honda Motor Co., Japan's two largest carmakers, led the biggest drop in monthly domestic production in more than a decade after exports to the U.S. declined. Output by the country's 12 automakers fell 11 percent to 769,829 vehicles in August from a year earlier, the Japan Automobile Manufacturers Association said in a statement today. That's the largest decline since May 1998. Exports fell for the first time in three years by 2.2 percent to 496,735 vehicles. Japanese automakers cut shipments to the U.S. by 20 percent last month, the most in almost five years, as demand fell because of a tighter credit market and gasoline near \$4 a gallon. - Source: [Bloomberg](#)

BEHIND ON HYBRIDS, HYUNDAI SETS HIGH GOALS

Hyundai Motor Co. is a latecomer to the hybrid-vehicle race, but the Korean automaker is setting high targets for the technology as it chases Toyota and Honda. Hyundai is scheduled to sell its first U.S. hybrid, a version of its mid-sized Sonata sedan, in 2010. Initial annual volume is expected to be around 50,000 units. But Hyundai expects its annual hybrid sales to balloon to 500,000 units worldwide by 2018, says Brandon Yea, senior vice president for marketing. That still puts Hyundai behind the forecasts of its two Japanese rivals but it at least puts it into the same arena. - Source: [Automotive News](#)

BUSH APPROVES \$25 BILLION LOAN PACKAGE FOR AUTO MAKERS

President George W. Bush on Tuesday signed into law a mammoth spending bill to keep the government running until early March 2009 that includes a \$25 billion loan package for troubled automakers. The bill sets aside \$7.5 billion in taxpayer funds needed to guarantee \$25 billion in low-interest loans to help General Motors Corp, Ford Motor Co and Chrysler LLC produce more fuel-efficient cars and trucks. U.S. automakers have said the taxpayer-backed loan package would give them access to capital at a time when credit markets are shut and they are being driven to invest in new technologies to meet tough new federal fuel economy standards. The \$25 billion loan package, the biggest federal subsidy for the auto industry since the 1980 bailout of Chrysler, cleared Congress last weekend when the focus was on the debate over the \$700 billion financial rescue package. Both presidential candidates, Democrat Barack Obama and Republican John McCain, backed the auto loan package, which had strong support in battleground election states like Michigan and Ohio. - Source: [Reuters](#)

AUTO DEALER CLOSINGS COULD ADD TO DETROIT AUTO MAKER WOES

Hundreds of auto dealers are being forced out of business by lagging auto sales and a credit squeeze making vehicle loans ever harder to come by. Detroit's auto makers have been looking to downsize their bloated retail networks, but the sudden loss of dealers threatens to create more turmoil for the struggling companies. Nearly 600 auto dealerships have closed so far this year, and as many as 750 will likely shut down by year's end, Paul Taylor, chief economist for the National Automobile Dealers Association, said Tuesday. Up to 300 or so new dealerships will open this year, amounting to a net loss of 300 to 600 dealerships. Most years see a much smaller reduction of 75 to 200 dealers. Across the U.S., there are about 20,700 auto dealerships, according to NADA. Dealers are being forced to close as economic woes and the meltdown on Wall Street slam their business on several fronts. Meantime, dealers' cost of business is climbing as rates climb on low-interest loans typically extended by auto financing companies so they can purchase inventory on dealer lots. Source: [Dow Jones](#)

HONDA'S HYBRID WILL TAKE ON PRIUS

Global auto makers are rushing to challenge the dominance of Toyota Motor Corp.'s Prius hybrid with a slew of ecofriendly vehicles. But Honda Motor Co. is likely to pose the most formidable threat to Toyota when it unveils its new Insight hybrid car Thursday at the Paris Auto Show. Honda is betting that the five-passenger hatchback, set to go on sale next spring, will steal away Prius buyers by delivering greenness for fewer greenbacks. Honda has yet to

disclose many details about the car or its cost, and it calls the car to be shown in Paris a concept, but it says Insight "will be priced significantly lower than hybrids available today." Analysts expect the model will cost less than \$20,000, undercutting the current \$22,000 starting price of the Prius. "It will be the first affordable hybrid for everyone," says Tatsuo Yoshida, an analyst for UBS Securities Research in Tokyo. - Source: [The Wall Street Journal](#)

DEALERSHIP WORKER CHARGED IN \$93,000 EMBEZZLEMENT

(There's a lesson for car dealers in this story. Her technique is more interesting than her theft)

Police in Hanover, Pennsylvania, charged a former employee of a local car dealership with embezzling more than \$90,000 from the company over the course of her employment, according to a report in the *Hanover Evening Sun*.

Lisa Myers was charged with theft by deception, receiving stolen property, failing to make required disposition of funds received and tampering with records.

How she did it

The woman worked for Liberty Nissan in Hanover for almost two years, according to the store's office manager.

Her scheme was easy to unravel, since, on August 19, the woman reportedly came clean and explained everything to the dealership's owner. On Aug. 19, Ms. Myers told the dealer/principal that she had been keeping cash deposits and falsifying dealership bank statements by showing the stolen cash as "deposits in transit." She later wrote out all the details for police. Apparently, she deposited all checks received but pocketed any cash that the dealership took in.

If crimes like this are 10 percent motivation and 90 percent opportunity, Ms. Myers had plenty of opportunity to steal. The woman was able to cover up her crime because she was responsible not only for making the bank deposits, but for reconciling the dealership's bank statements as well.

Ms. Myers said she had taken about \$93,250 from the company. Ms. Myers said she had been diagnosed with bipolar disorder and wanted to confess her wrongdoing and begin treatment.

The lesson for car dealers once again is: Separation of duties in the accounting office and have the bank statements mailed directly to the dealer's home address. — Source: [The Dealersedge.com](#)
