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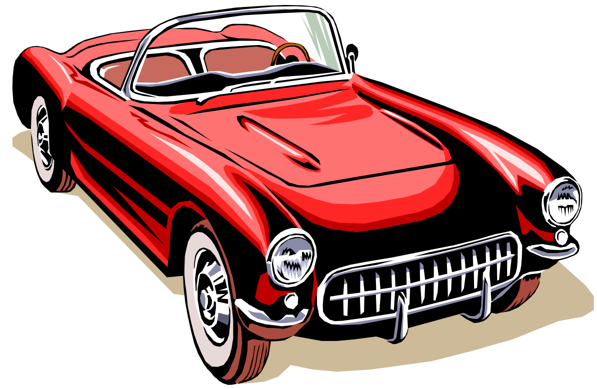

***Weekly Car Dealers Newsletter***

**September 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 September 1, 2008

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## U.S. AUTO SALES WOES CONTINUE

U.S. auto makers are expected to report big declines in August domestic sales despite stepped-up incentives, according to research firm J.D. Power & Associates, though industry-wide sales are expected to improve slightly from July's moribund rate. The research firm still expects sales in the closing days of the month to improve because of General Motors Corp.'s 100th anniversary sales event, which offers "employee pricing" on most vehicles and cash rebates on selected light trucks.

The J.D. Power report, based on sales through Aug. 17, estimates sales for the month will come in at around 1.21 million vehicles, or 13.4 million vehicles on a seasonally adjusted annual rate. That is down from the August 2007 seasonally adjusted rate of 16.2 million vehicles, but up 6.3% from July. "Both cash rebates and APR programs continue to rise from year-ago levels, as auto makers struggle with weakening light-truck sales," said J.D. Power. The average time a vehicle sat on the lot during the first 14 selling days of the month rose 14% from a year ago, it said, "adding pressure to increase incentive programs." All major manufacturers had year-to-year retail-sales declines through the first 14 days of the month, although Nissan Motor Co.'s decline was modest. "That general pattern is expected to hold through the remainder of the month, with only GM by the end of the month expected to show a significant improvement over its month-to-date performance as its incentive program takes effect," J.D. Power said. Only Nissan is expected to finish the month with higher sales -- up 1.5%. Declines of 24% to 30% are forecast for GM, Ford Motor Co. and Chrysler LLC, while Toyota Motor Corp. is projected to have a 13% decline.

"With the month now half over, the pattern of very weak sales that has persisted for at least the last several months is clearly continuing into August," said J.D. Power Chief Economist Bob

Schnorbus. "However, with auto makers getting near the end of one model year and getting ready to start the next, sales are beginning to show some signs of improving over July's dismal sales performance." – *Source: The Wall Street Journal*

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**DEALERSHIP BURNS TWO DAYS AFTER ATTORNEY GENERAL FILES SUIT**

The Attorney General had just filed a suit over alleged deceptive ad campaign

You can't make this stuff up. Nine vehicles at Legends Suzuki were set on fire early in the morning of August 25. Legends is the dealership at the center of a fraud investigation by the Missouri State Attorney General. Firefighters said they found gas cans on the scene.

The *Hays (Kansas) Daily News* reported that the Attorney General claims that the dealership used misleading advertisements to lure customers into purchasing new cars at absurdly low monthly rates, before abruptly ending the promotion and forcing consumers to make full payments on the vehicles. The suit was filed against Chad Franklin, who does business as Legend Auto.

According to the lawsuit, the dealership began running an ad campaign called "Drive a Suzuki" in June 2007. The advertisements generally made two promises: drive a new Suzuki with no payments for life, or drive a new Suzuki for low fixed monthly payments of $29 to $49. Approximately 650 consumers entered into transactions with the dealership based on the terms advertised during the promotional period, which ran until January 2008.

The suit claims the dealership did not allow consumers to negotiate any of the contract terms, which called for consumers to reapply for the low-payment offer after 10 months. At that point, customers saw their monthly payments skyrocket to full payments, going as high as $700 for some people. Some made the higher payments, while others had their vehicles repossessed for nonpayment.

"Consumers were offered a deal that appeared too good to be true, because it was," the Attorney General said. "The defendants' advertisements specifically neglected to mention that the terms of the promotion, as sweet as they may have sounded, were good for only a short period, after which consumers may or may not have been eligible for those similar terms upon reapplication." – *Source: Dealersedge*

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**CHRYSLER CONSIDERS SELLING VIPER BUSINESS UNIT**

Chrysler LLC has put its hand-built Dodge Viper sports car business on the block. The automaker said Wednesday that it was undertaking a "strategic review" of the Viper business and stressed in a statement that it has not decided whether to sell the Viper. Chrysler has retained Lazard Ltd., a New York financial advisory firm, to assist in the strategic review. Chrysler has set no timetable. "We have been approached by third parties who are interested in exploring future possibilities for Viper," Chrysler CEO Bob Nardelli said in a release.

Todd Goyer, a Chrysler spokesman, declined to identify any potential buyers.

Dodge introduced the Viper at the 1989 Detroit auto show and started building it in 1992. Chrysler has made about 25,000 Vipers since. Sales of the sports car peaked in 2003 at 2,103. 2009 production has started. The 600-hp supercar is made at the Conner Avenue plant in Detroit, which employs 110 workers. The plant has just begun production of 2009 models. Goyer said the Viper business would continue as usual for dealers.

"Our intent would be to offer strong operational and financial support during any potential transaction in order to ensure a future for the Viper business and perpetuate the legacy of this great vehicle," Nardelli said.

With Cerberus Capital Management as its majority owner, Chrysler has been selling a number of assets. The automaker has sold its Tritec Motors engine plant in Brazil to Fiat Powertrain Technologies and its Pacifica Advance Design Center in Carlsbad, Calif., to Chrysler's former owner, Daimler AG. Chrysler also has put two Detroit area office complexes on the market.

Dave Cole, director of the Center for Automotive Research in Ann Arbor, Mich., said he was not surprised to hear Chrysler had put the Viper business on the block. "It's not core, and I think everybody is retreating to the core business right now," Cole said. "There is a very high level of urgency to deal with this stuff." Goyer said Chrysler's core concerns include "fuel efficiency, quality, small cars, minivans, trucks, crossovers and sedans." Cole said the Viper business distracts resources from other, more essential jobs. Chrysler's Viper decision is similar to Ford's decision to sell Jaguar and Land Rover and General Motors' to put Hummer on the block. "The Viper is very low-volume compared to the Corvette," Cole said. "It is a muscle car without much finesse. It's an engine with wheels. It's just not a sophisticated execution." And Dodge dealers now have the Challenger muscle car, with a price less than half the Viper's $90,000-plus sticker.

Cole said the Viper could be attractive to an investor who wants some muscle-car cachet: "A lot of people can afford it--Chinese companies, Indian companies, Middle Eastern companies--somebody who has a lot of money that wants to create a halo for themselves. It's not a billion-dollar-type of asset." – *Source: Automotive News*

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## FORD EXEC SEES DEALERSHIP RANKS THINNING

DETROIT — With U.S. sales continuing to decline, a top Ford Motor Co. executive said he expects to see more Ford, Lincoln and Mercury dealers willing to consolidate with others, speeding up plans to thin their ranks nationwide. The automaker outlined its forecasts and product lineups for the Lincoln-Mercury dealership council this week so dealers have the best information possible before making decisions, said Ken Czubay, the new vice president of sales and marketing for the domestic brands. “The industry forces have been bearing down on the entire industry dealer network,” he said. “Frankly in the last four or five months it’s been very challenging to our dealers.” Because of declining market share, many Detroit Three dealers are losing money. Last year, 28.6 percent of Chrysler, Ford and GM dealers broke even or lost money, according to the National Automobile Dealers Association. The compares with only 14.5 percent of foreign-car dealers. - *Source:* [Associated Press]

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**FACTORIES' CREDIT WOES CAUSE PROBLEMS FOR DOMESTIC CAR DEALERS**

The credit squeeze facing Detroit's carmakers is now spreading to some of their dealers, adding financial pressure to a group already strained by this year's drop in auto sales, reports the *Wall Street Journal*. The weakening credit profiles of GM, Ford and Chrysler and their finance arms are adding a new challenge for their franchised dealers. In the past, GMAC, Chrysler Financial and Ford Credit were key elements in how Detroit pumped up vehicle sales.

But now that the carmakers are racking up losses and struggling to raise funds themselves, they are getting tougher on dealers. And since GMAC and Chrysler Financial are both controlled by private-equity group Cerberus Capital, each is now being run to maximize profits, not auto sales.

Tighter credit is "starting to hurt," said Mark Williams who sold a dealership near Cincinnati to Ford earlier this year but still owns two others. "You have fewer [financing] sources, and the sources you do have today are willing to advance less money," Mr. Williams said. "GMAC has changed due to the economic environment, and it has put more strain on the individual dealership," said Duane Paddock, owner of a Chevy dealership near Buffalo, N.Y., and head of the GM dealer council.

Turmoil in their retail networks could hurt Detroit's sales in the short term. The tightening of floor plan credit will encourage dealers to inventory fewer vehicles. In the past, the Big Three boosted sales by pushing dealers to order more vehicles than they could sell

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**TOYOTA'S PLUNGE INTO BIG PICKUPS VEERS INTO A TEXAS-SIZE RAVINE**

SAN ANTONIO — Until about three weeks ago, workers built pickups by the thousands here at the sprawling Toyota truck factory south of town. No longer. Now, about 2,000 permanent employees draw a paycheck from a plant that doesn't produce anything. Opened with great fanfare only a couple of years ago, the plant halted production on Aug. 8 after demand collapsed for its Tundra full-size pickups, amid sky-high fuel prices and free-falling home values. Production won't restart until at least November. Toyota got into full-size trucks with "a little bit of hubris and pride, thinking, 'We conquered all these other segments, and here is an opportunity to put the Marlboro Man out of a Ford and into a Toyota,' " says James Womack, chairman of the Lean Enterprise Institute, an educational group that fosters streamlined production systems such as Toyota's. The lesson: "Toyota's crystal ball doesn't work better than anyone else's." - *Source:* USA TODAY

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