



## *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 8, 2008

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### **GM SUES RETIREES, FAMILY MEMBERS AND DEALERS**

Dealership employees may become the target. Some of the accused are suggesting that their employee numbers are being stolen, possibly by salespeople at the dealership level.

With a bit of irony, (and what a GM spokesperson called a coincidence), GM is filing suit against employees, retirees and widows for improper use of the GM employee discount program- the very same program open to all through the current promotion. A full accounting of all the suits brought by GM was not revealed in the *Detroit News* article, but the suits do mention they could reach as high as \$87,095. Again, not a full accounting, but the story claims to have identified suits by GM totaling \$450,000.

If the allegations in the suits prove accurate, it appears that GM is taking action against repeat offenders, those who have repeatedly used their access to GM employee discounts to benefit unqualified non-employees. However, attorneys for those accused are claiming that their clients had nothing to do with the falsified employee discount applications and that someone else was using their employee number to cheat the system.

One went so far as to suggest that a vehicle salesperson at a GM dealership would be in an excellent position to acquire the details needed to falsify an application for a GM employee-discounted purchase.

GM spokesperson, Tom Wilkinson is reported to have said that GM is not suing any of its dealers over the issue. However, dealers should be forewarned that this does not appear to mean that they won't do so. If actions against individual employees, retirees, etc. reveal that the

real culprits were the dealerships or dealership employees, it would not be out of the question for them to move against either or both.

After routine audits of dealership records, the employees on the certificate were asked to verify the family relationship of the person purchasing the vehicle under the program. When they would or could not, legal remedies were sought.

Stay tuned- this could get a whole lot more complicated and possibly costly for some dealers.

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### **TATA HALTS CONSTRUCTION OF NANO PLANT, WILL LOOK ELSEWHERE**

NEW YORK -- Tata Motors suspended work indefinitely at a factory building the world's cheapest car, the company said Tuesday following increasingly violent protests by farmers demanding the return of their land. "The situation around the Nano plant continues to be hostile and intimidating. There is no way this plant could operate efficiently unless the environment became congenial and supportive of the project," the company said in a statement Tuesday. "A detailed plan to relocate the plant and machinery to an alternate site is under preparation," the statement added. Tata has already poured \$350 million into its plant in Singur, which had been scheduled to roll out the first Nano in October. Sixty key suppliers have invested millions of dollars more for plants and equipment in the area. - Source: [Associated Press](#)

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### **PLAN TO FORCE TAXIS IN BOSTON TO CONVERT TO HYBRIDS**

As in most large cities, the 1,825 taxicabs in Boston are highly regulated. Newly minted rules put out by the Boston police department require that when replaced, the taxi owners must choose from a list of approved "clean" vehicles. Since taxi cabs must also be replaced every six years, some owners are faced with an immediate requirement for a suitable hybrid. The problem is- dealers don't have them to sell.

I guess this is an application of the "law of unintended consequences." Hybrid mania has hit Boston and the police department has issued rules requiring the entire fleet of 1,825 taxi cabs in the city be converted to "clean" models by the year 2015. But since by virtue of another rule, these cabs must be replaced every six years, some drivers are facing an immediate need for one of the 12 vehicles that the city has designated as "clean." Since hybrid vehicles are the focus of the Boston Globe story, we assume that all or most of the 12 approved vehicles are hybrids.

The problem is that most of these models are also in high demand by the car-buying public and delays in delivery may put some of the cab owners out of business while waiting for delivery.

A police spokesperson indicated that only 18 cars in the entire fleet are required to be replaced before January 1, 2009, and that the city has also granted a one-year extension for single vehicle owner-operators- the majority of the 1,825 total Boston taxis.

In spite of reassurances, a meeting of 70 cab owners, operators and drivers were not happy with the new ruling. Some claim that the city is moving too fast and the new rule has the potential for putting them out of business.

The *Boston Globe* article also cites complaints from owners over the cost of the newly required hybrids. They quote one owner as saying that a 2005 Crown Victoria would cost them about \$5,000, while a Toyota Camry hybrid starts at around \$25,000. So it appears that cab owners have the option of buying a used vehicle as a replacement. But because of the hybrid mandate and lack of general availability of both new and used hybrids, new and much more expensive replacements appear to be the only option.

Local dealers were contacted about availability of hybrid Camrys- the model most think suitable for taxi cab use. Jewell Wilson, the sales manager at Boch Toyota, said that the wait for a Camry hybrid is about three months. Sales manager, Juan Banos at Toyota Scion of Watertown said it would take four to six weeks to fill the order. The Boston police department promises to evaluate each situation on the merits and will accept a buyer's order to meet the deadline requirements.

Next on the regulation front in Boston- Police Captain, Robert Ciccolo Jr. said that the Department also regulates sightseeing vehicles and they will be next. – Source: *The DealersEdge*

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## **HONDA'S INSIGHT RETURNS AS NEW PRIUS FIGHTER**

The Honda Insight is back, this time with room for three more passengers.

Honda has revived the model name for the long-awaited dedicated hybrid vehicle tasked with taking on the Toyota Prius. And like its rival, it will be a five-door, five-passenger hatchback.

A concept version of the new Insight will debut at the Paris motor show in October, the company said on Thursday. The car is expected to hit U.S. showrooms next April.



The name is a carryover from Honda's first crack at the hybrid segment. The first generation Insight was billed as the first mass-produced hybrid vehicle sold in the United States. But the first generation had just two seats and sold only 17,001 units from its launch in 1999 to 2006, when production ended. It was easily eclipsed by Toyota's Prius, which has sold more than 1 million since 1997 and remains the world's best selling hybrid vehicle. "The name Insight was chosen to denote Honda's 'insight' into a new era in which hybrid vehicles come within reach of most car buyers," Honda Motor Co. said in its release.

Honda has bigger ambitions for the second generation Insight. It is eyeing annual sales of 200,000 vehicles worldwide, with about half being sold in North America.

The car will sit on a new platform in which the battery and control unit are located beneath the cargo space. The gasoline engine will serve as the main power source, and the electric motor will assist when extra power is needed, such as during passing, start up and acceleration. Honda did not release other details, but said it has made advances in cost control. "Thanks to

reductions in the weight and size of the Insight's key components, Honda has also achieved significant cost reductions," the company said. Honda has already said the car will be slightly smaller and lighter than the Civic Hybrid, the only hybrid now in Honda's lineup. It will also be priced lower than the Civic and Prius.

The Civic Hybrid's base price is \$22,600, and the Prius starts at \$21,500.

The next generation Insight kicks off a flurry of hybrid launches for Honda as it tries to catch Toyota in the race for greener vehicles. Honda is also planning a sporty hybrid based on the CR-Z concept, a new generation of the Civic hybrid and finally a hybrid version of its compact Fit. — Source: Automotive News

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### **CHRYSLER BANKS ON VEHICLES' QUALITY**

Chrysler LLC is so confident in the quality of its new vehicles that it has set aside less money to pay for future warranty repairs, a top executive tells the Free Press. Internal numbers at the Auburn Hills automaker show a 29% decrease in the rate of warranty claims in new vehicles since February -- when a new quality program was instituted -- compared with a year ago. This allows the company to save "hundreds of millions of dollars" in money reserved to pay for problems, said Doug Betts, Chrysler's chief customer officer. The new system allows for the automaker to more quickly address problems, he said. "We're finding that not only are we solving the problems faster, but the solutions are more likely to hit the mark. There's a higher percent of actually solving the problem," Betts said. - Source: [Detroit Free Press](#)

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### **AUTO SALES TUMBLE, BUT INDUSTRY SEES SIGNS OF HOPE**

Auto makers reported another big drop in U.S. vehicle sales for August, but an easing in gasoline prices and emerging signs of improvement in the economy have boosted the industry's hopes that it is near the bottom of its downturn. Sales of cars and light trucks fell 15.5% to 1.25 million last month, down from 1.48 million a year earlier, according to Autodata Corp. The closely watched seasonally adjusted annualized selling rate was 13.7 million vehicles, up from 12.55 million in July, but down from 16.3 million in August 2007, Autodata said. "There are early indications of somewhat improving conditions," said Ford Motor Co. economist Ellen Hughes-Cromwick, in a conference call with analysts and reporters. In a separate conference call, General Motors Corp. executives said they are seeing signs that the industry is "at or near the bottom." The consumer "is feeling better," said Michael DiGiovanni, GM's top sales analyst. Despite the industry's hopes the market won't get much worse, auto executives warned it may still take months, or even a few quarters, before signs of a recovery emerge. GM's sales fell 20.3% to 307,285 cars and light trucks, though August was its best month of the year in terms of market share... Toyota sales dropped 9.4% to 211,533 vehicles, and Honda's fell 7.3% to 146,855 vehicles. Chrysler LLC turned in the worst showing, with its vehicle sales falling 34.5% to 110,235. The decline puts Chrysler, once the nation's No. 3 auto maker, in danger of slipping to No. 6, behind Nissan Motor Co. ...Nissan's sale rose 13.6% to 108,493 vehicles. - Source: [The Wall Street Journal](#)