



Weekly Car Dealers Newsletter

September 30, 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.

Week of September 29, 2008

[BMW ANNOUNCES U.S. SALES SLIDE](#)
NEWS FROM AUTO TEAM AMERICA
GASOLINE COSTS

[GM'S MOVE TO TAP CREDIT LINE MAY INTENSIFY WORRIES](#)
[BAILOUT BOOSTS AUTOMAKERS' \\$25-BILLION PLAN](#)
[TOYOTA LOOKS TO EXPAND PRIUS, FOCUS ON GAS-ELECTRIC HYBRIDS](#)

[BMW ANNOUNCES U.S. SALES SLIDE](#)



BMW USA has stopped shipment of 44,000 cars that were due to cross the Atlantic before the end of the year.

BMW has become the latest company to announce a dramatic decrease in sales in the U.S. market, with the company's north American boss announcing that BMW USA has stopped shipment of 44,000 [cars](#) that were due to cross the Atlantic before the end of the year.

CEO Jim O' Donnell, previously boss of BMW GB, reportedly took the decision due to the increasing cost of the incentives necessary to keep BMW's sales figures buoyant in the states.

The weakness of the U.S. dollar against the Euro has reduced BMW's ability to make profits on American sales. The news is a major blow for BMW – and proof of the depth of the economic slowdown. BMW sales in American had previously remained strong even as other European premium brands began to suffer. – *Source: Autocar*

NEWS FROM AUTO TEAM AMERICA

Last Thursday and Friday Jack Lazareff (our Vancouver office) and I attended the fall Auto Team America (ATA) meeting. The updates from the America member firms were not encouraging. The updates below were further emphasised by the media announcement Thursday of the sudden closure of Bill Heard Chevrolet. This was a 13 location mega Chevrolet dealer in multiple southern states with \$2.2 billion in sales in 2007 and 2,700 employees.

Other news we heard at the meeting included:

- There are about 80 dealerships closing each month, nearly all of them are domestic stores and many are located in the NE United States and in the mid-southern states
- Many of the dealerships closing have absentee owners or recently transitioned within the family to a younger generation
- Blue Sky is still strong for Honda and Mercedes Benz
- Many dealers have funds invested in floor plan offset accounts, it unclear if these funds are protected or have a right of offset if the floor plan lender fails
- Some dealers have sold and closed but are unable to find a buyer for the now empty real estate, the real estate losses are far in excess of the Blue Sky received
- The manufacturers are no longer providing any financial support for buyout or rationalization
- Mazda has moved it floor plan financing for dealers from Ford Motor Credit to JP Morgan Chase to provide more funds to its dealer network
- Lenders who are willing to provide real estate mortgages are no capping the mortgages at 70% of equity rather than 85% 18 months ago
- Public groups are selling underperforming stores
- GM securities are being traded on the basis that the company will fail within 5 years
- Dealership continue to move away from R&R, but it is now taking up to 9 months to install a new computer system

This year, for the first time in 12 years ATA will not have a booth at NADA on the exhibitors' floor. Last year there were only 5,800 Dealers and GMs in attendance out of 24,000 total registrants. This year ATA will be devoting all of our efforts to the Friday afternoon CEO/CFO Forum. Watch for the upcoming mailers and keep checking the ATA website for the details.

Please call if you have questions on any of the above points or comments.

GASOLINE COSTS

For those of you receiving this newsletter by e-mail there is an additional attachment for the recent ATA meeting.

Gasoline is one of those costs that is often difficult to effectively monitor. You may account for all of the receipts but how do you know for sure that all of the gas you paid for went in the unit noted? At our recent meeting a new web based software solution was demonstrated and it looks to be very effective. It was developed by a multiple location dealer to deal with gas vouchers, gas credit cards and the challenges dealers are having with this expense. In the US the misuse and abuse of the gas expense has skyrocketed as sales of vehicles have dropped.

[GM'S MOVE TO TAP CREDIT LINE MAY INTENSIFY WORRIES](#)

A Member of the MacKay Network

General Motors Corp.'s move to draw \$3.5 billion from an existing credit line could intensify investor concerns about the adequacy of the auto maker's cash supply, even as it takes some immediate pressure off the company's plans to tap the volatile credit markets. On Friday, GM said it intends to draw the cash from a \$4.5 billion credit facility it arranged in 2006 with banks including J.P. Morgan Chase & Co. and Citigroup Inc. People familiar with the matter said GM turned to the credit line because it was growing increasingly concerned about the health of its banks amid the current crisis on Wall Street. - Source: [The Wall Street Journal](#)

BAILOUT BOOSTS AUTOMAKERS' \$25-BILLION PLAN

(September 26) With just a few working days left for Congress this year, Wall Street's turmoil will overshadow the auto industry's bid for \$25 billion in loans this week -- but it also may boost the automakers' case for first aid. "The developments on Wall Street are actually going to turn out helpful for the loan package," said Tom Vaughn, a partner in the Dykema law firm's automotive practice. Although the auto industry disowns most parallels between Wall Street aid and the loans -- mainly to avoid calling the \$25 billion an industry bailout -- the comparison gives automakers some talking points:

- Unlike Wall Street, automakers and parts suppliers are pledging to pay back the money they receive.
 - The size of the Wall Street rescue efforts -- which are climbing toward \$1 trillion -- dwarf the \$25 billion sought by automakers.
 - Although automakers and financial firms get blamed for causing their financial troubles, helping blue-collar factory workers carries more political cachet than riding to the rescue of bankers.
 - "It's going to be very hard for Congress to say no; we're not going to fund loans that help middle America, when they're willing to bail out loans and activity that most folks view as an East Coast activity," Vaughn said. - Source: [Detroit Free Press](#)
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TOYOTA LOOKS TO EXPAND PRIUS, FOCUS ON GAS-ELECTRIC HYBRIDS

Toyota Motor Corp. expects gas-electric hybrids to form the majority of its alternative-technology vehicles for decades to come, and the automaker is studying plans to expand the successful Prius nameplate across a range of vehicles, senior company officials said Tuesday. "The reason the Prius was such a successful car is that the customer didn't have to do anything to it," [said Bill Reinert, national manager of advanced technology for Toyota Motor Sales in Torrance, Calif.] Many engineers view hybrids as a transitional technology because it costs more to equip cars with dual powertrains. Toyota and Honda Motor Co., the leading sellers of hybrids, say they have lowered the cost of the technology and are now spreading it across increased volumes. - Source: [The Detroit News](#)
