



## ***Weekly Car Dealers Newsletter***

**April 7, 2009**

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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 April 6, 2009**

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**[NEW FUEL EFFICIENCY STANDARDS TO COST AUTO INDUSTRY \\$1.5 BILLION](#)**  
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### **[NEW FUEL EFFICIENCY STANDARDS TO COST AUTO INDUSTRY \\$1.5 BILLION](#)**

WASHINGTON -- The Transportation Department unveiled its 2011 model year fuel efficiency requirements [Friday], saying the 27.3 mpg fleet-wide average would cost automakers nearly \$1.5 billion to meet. The Obama administration, in its 857-page final regulation, set the 2011 model year passenger car fuel efficiency standard at 30.2 mpg and the light truck standard at 24.1 mpg. The National Highway Traffic Safety Administration said consumers will face price increases as a result: \$64 on average for passenger cars and \$126 for light trucks. Buyers of pickups, SUVs and minivans will be repaid in additional fuel savings in an average of 7.7 years. For passenger car buyers, they will be paid back in an average of 4.4 years. ... NHTSA acknowledged that the higher prices will lead to a small reduction in auto sales and estimated that as many as 1,024 auto industry jobs could be lost as a result of the regulation. - *Source: [The Detroit News](#)*

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### **[CHRYSLER PLAN TRIMS FIAT'S STAKE, CUTS OUT CERBERUS](#)**

*(Treasury Presses Italian Auto Maker to Take 20% Initially, Not 35%; Private-Equity Firm Would Still Control Finance Arm)*

Cerberus Capital Management LP will likely lose its entire stake in Chrysler LLC under the latest federal bailout offer to the auto maker, people familiar with the matter said ... The Obama administration's weekend ultimatum would also force Italian auto maker Fiat SpA to take a smaller equity stake than planned in the U.S. company, according to a person familiar with the talks. One Obama administration official said Cerberus's 80% equity stake no longer holds value and said the firm's ownership would soon come to an end. The private-equity firm has signaled it will surrender its equity in Chrysler. If Fiat and Chrysler reach a definitive deal within

*A Member of the MacKay Network*

30 days, the Treasury would be willing to invest \$6 billion in Chrysler. Fiat wouldn't be allowed to raise its stake beyond 49% until after the \$6 billion is repaid, people with knowledge of the matter said. - Source: [The Wall Street Journal](#)

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## THE AUTOWEEK LIST: 10 CARS WITH TOO MANY LIMITED EDITIONS

There's nothing like a limited edition to strike up interest for a car. Many are nothing more than a new paint job, interior trim and an engraved plaque, while others are a bit slicker with performance modifications. But there are some cars that play the special-edition card a little too much.

Here is our list of the top 10 limited-edition offenders. If you think we've left one out or think we're totally off-base with our selections, please tell us in the comments section below.



### 1. Chrysler PT Cruiser

**Our Take:** Chrysler has flooded the world with multiple special-edition PT Cruisers during its lifetime, but don't be surprised if it adds a couple more for good measure before it puts the car out to pasture. Oh, the horror!

**Evidence:** Flames edition, Woodie edition, multiple PT Dream Cruiser Series, Chrome Accents edition, PT Street Cruiser Route 66, Street Cruiser Pacific Coast Highway edition, Street Cruiser Sunset Boulevard edition

### 2. Mazda MX-5 Miata

**Our Take:** Nowadays, a new limited-edition Miata gets us about as excited as looking at a beige Toyota Camry.

**Evidence:** British Racing Green Special edition, Brilliant Black Special edition, M editions, Special Touring Option edition, 10th Anniversary edition, Mahogany Mica edition, Blazing Yellow edition, Titanium Gray edition, 3rd Generation Limited edition, Icy Blue edition

### 3. Ford Mustang

**Our Take:** Not considering the hopped-up Mustangs from Roush, Saleen, Shelby and Steeda, there's a lengthy list of special 'Stangs conjured up in-house at Ford.

**Evidence:** High Country Special edition, Ski Country Special edition, California Special edition, Cobra II, SVT Cobras, Cobra R, Bullitt, Warriors in Pink edition, Mach 1, 20th Anniversary, 35th

Anniversary, 40th Anniversary, 45th Anniversary, GT500KR

#### **4. Scion xB**

**Our Take:** Every limited-edition xB follows the same pattern of an “exclusive” paint color, optional rear spoiler, special hub caps and a numbered interior plaque. It is OK maybe the first three times around, but six is pushing it.

**Evidence:** xB Release Series 1.0: Hot Lava, xB Release Series 2.0: Solar Yellow, xB Release Series 3.0: Envy Green, xB Release Series 4.0: Torched Penny, xB Release Series 5.0: Gold Rush Mica, xB Release Series 6.0: Absolute Red

#### **5. Scion tC**

**Our Take:** As with the xB, the special tCs boast a few exterior and interior alterations. Some benefit with small performance tweaks such as sway bars and an exhaust courtesy of Toyota’s TRD parts catalog. All of this is fine and dandy, but Scion is getting predictable.

**Evidence:** tC Release Series 1.0: Absolute Red, tC Release Series 2.0: Blitz Blue Mica, tC Release Series 3.0: Blizzard White, tC Release Series 4.0: Galactic Gray, tC Release Series 5.0: Gloss Black

#### **6. Lexus SC 430**

**Our Take:** You know a vehicle has become stagnant and neglected when it still has a standard tape player. But in an attempt to keep the SC in the headlines, Lexus has released a special Pebble Beach edition every year since 2003.

**Evidence:** Silver Belle Special edition, six Pebble Beach Special editions

#### **7. Chevrolet Corvette**

**Our Take:** Corvette Nation is a loyal bunch and is hungry for any fancy-edition models that Chevy can dream up. We don’t blame them for doing it, but it doesn’t mean we can’t get tired of them.

**Evidence:** Silver Anniversary edition, Collectors editions, 35th Anniversary edition, 50th Anniversary edition, Commemorative edition, Indianapolis 500 Pace Cars, Grand Sport, Special Edition 427 Z06, GT1 Championship edition, Victory edition, Competition Sport Package, Ron Fellows edition Z06, 24 Hours of Le Mans Commemorative edition

#### **8. Volkswagen New Beetle**

**Our Take:** The New Beetle really isn’t so new anymore, and to disguise that fact, Volkswagen has provided a healthy diet of limited models. They haven’t worked.

**Evidence:** Champagne edition, Epilogue edition, 10th Anniversary edition, Triple White, Satellite Blue, Black Tie edition, Convertible Blush edition, Dark Flint

## 9. Lincoln Town Car

**Our Take:** We have a hard time remembering that this thing is still on sale, let alone the many special editions for which the Town Car has served as a basis.

**Evidence:** Jack Nicklaus Signature Series, Spinnaker Edition, Diamond Anniversary edition, Cartier Edition, Gucci Edition.

## 10. Bugatti Veyron

**Our Take:** There's only so much you can do when your entire lineup consists of one car. We can't help but salivate over the extra-special versions Bugatti has produced, but we still have to call them out on overdoing it on the limited editions.

**Evidence:** Pur Sang, Hermes, Sang Noir, Grand Sport, Bleu Cenetaire

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## CHRYSLER'S SURVIVAL BOILS DOWN TO A DEAL WITH FIAT

For Chrysler LLC, survival has come down to a single option: successfully working out an alliance with Fiat S.p.A.

The Obama administration has given Chrysler 30 days to forge a broad product-sharing agreement with the Italian automaker. Should the two companies fail to prove their plan will work, the U.S. government will cut off its financial lifeline to Chrysler, according to a summary of the automaker's viability by the administration's auto task force. If Chrysler demonstrates the alliance will succeed, the government may give the U.S. company as much as \$6 billion more on top of the \$4 billion it already has received. Under the Fiat-Chrysler tie-up proposed in January, the Italian carmaker would get a 35 percent stake in Chrysler in exchange for small-car platforms and technology for fuel-efficient engines. The companies must agree to build new fuel-saving, Fiat-based cars in U.S. factories, the task force report said. The two automakers have agreed to produce as many as six Fiat-based vehicles on four platforms.

### Can't stand alone

President Barack Obama's task force concluded that Chrysler's Feb. 17 viability plan failed to demonstrate it could survive as a stand-alone company. Among the reasons for that conclusion:

- Chrysler lacks global scale.
- The quality of Chrysler's products lags far behind that of its competitors' vehicles.
- Chrysler's product mix is tilted too heavily toward trucks.

"Chrysler's plan to address these issues is based on overly optimistic assumptions that are inconsistent with its current products and its resources," the task force's report said.

### Obstacles remain

Chrysler must clear a number of hurdles in the next 30 days. They include getting the UAW to agree to pay cuts and work rule modifications, persuading the UAW to agree to convert half of Chrysler's obligation for the union's retiree health care trust from debt to equity, and getting

Chrysler's debt holders to exchange their debt for equity.

The task force credited Chrysler with making progress in reducing production capacity by 1.3 million units. But the report said that as a stand-alone company, Chrysler faces an insurmountable list of structural problems. Among them:

- Chrysler devotes only 50 percent as many engineers to each platform as General Motors.
- Chrysler's \$20 billion annual global purchasing budget is too small to exert leverage over suppliers.
- Chrysler's fixed costs "are spread over a smaller base."
- Chrysler's quality lags far behind that of its competitors, even though it has made some progress in the area.
- Chrysler lacks the manufacturing flexibility of its rivals.

The administration's report also disputes Chrysler's assumption in its viability plan that it can stabilize its U.S. market share at 10.7 percent. "Chrysler has lost 5 percentage points of market share since the height of its share, at 16.2 percent, in 1998," the viability summary says. "Continued share erosion in line with recent history would translate into several billion dollars of increased losses over time."

The report also takes issue with Chrysler's assertions it can reduce incentives and stabilize prices. "This is inconsistent with the company's recent history with regard to incentives, in which increasingly larger incentives still translated into continued share erosion," the document said. The report also cited the ongoing weakness of Chrysler Financial, which was forced to exit consumer leasing in August 2008. Chrysler Financial provided leasing for 48 percent of Chrysler customers in 2008. Said the summary: "The captive finance unit has substantial financing challenges of its own in the current financing environment, so future demand may depend on Chrysler finding alternate leasing sources." – *Source: Autoweek.com*

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## [U.S. HOPES TO EASE G.M. TO BANKRUPTCY](#)

The government may seek to ease General Motors into what it calls a "controlled" bankruptcy, somewhere between a prepackaged bankruptcy and court chaos, by persuading at least some creditors to agree to a plan that would cleave the company into two pieces, according to people briefed on the matter. Instead of signing on every creditor as is typically required in prepackaged deals, administration officials are using as leverage the promise of taxpayer financing. Many regard the government as the only lender willing to step up with money — in bankruptcy or out. "They're going to have tremendous power," said Lynn M. LoPucki, a law professor at the University of California, Los Angeles. "They can call off the money and the whole thing fails." G.M.'s new chief, Fritz Henderson, also said that the pressure from the government pushed the automaker closer to bankruptcy. "By no later than June 1, if we're not able to accomplish this outside bankruptcy, we'll be in bankruptcy," he said at a news conference in Detroit on Tuesday. "It's pretty clear. The government was unequivocal." The effort is a new role for the government, which has not pushed companies into bankruptcy in the past as much as it has stepped in when all else fails. Under a plan being worked out by the administration, G.M. would file for prearranged bankruptcy. - *Source: [The New York Times](#)*

**RIVALS' REVAMPS VEX FORD**

*(Bankruptcy by GM or Chrysler Could Give Them a Leg Up and Disrupt Suppliers)*

A bankruptcy reorganization by either General Motors Corp. or Chrysler LLC -- as suggested by President Barack Obama this week -- could damage the networks of suppliers and dealers shared by Detroit's three auto makers, throwing uncertainty into Ford's parts deliveries and its retail operation. Moreover, Ford officials are concerned that bankruptcy could allow GM or Chrysler to restructure more fundamentally and exact deeper concessions from unions and bondholders. "The collapse of one of our competitors would have a severe impact on Ford and our transformation plan, because the domestic auto industry is highly interdependent," Ford Chief Executive Alan Mulally warned late last year in testimony before the U.S. Senate. -Source: [The Wall Street Journal](#)

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