



## *Weekly Car Dealers Newsletter*

February 9, 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 February 9, 2009

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### [FIAT RACES U.S. DEADLINE TO SET DEAL WITH CHRYSLER](#)

Fiat SpA is racing to meet a Feb. 17 deadline to comb through the operations of Chrysler LLC before going forward with a joint venture by the car makers, Fiat's chief executive said in an interview Monday. Under terms of the emergency loans Chrysler received from the U.S. government, it must present a plan by that date showing how it intends to be viable. The Fiat pact is a key part of the effort. Sergio Marchionne said Fiat is still studying the vehicle-production operations of Chrysler and then will turn to its due-diligence analysis of its finances. Under the deal, Fiat will end up with at least a 35% stake in Chrysler in exchange for helping revitalize the U.S. car maker. Mr. Marchionne is credited with helping turn around Fiat after taking the CEO job in 2004. For Fiat, the alliance is a "lottery ticket" that could be worth nothing if Chrysler doesn't recover, he added. - Source: [\*The Wall Street Journal\*](#)

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### [VOLKSWAGEN'S AUDI MAY SEE SALES FALL FOR FIRST TIME IN 14 YEARS](#)

Volkswagen AG's Audi luxury division is bracing for sales to stagnate or even decline for the first time in 14 years as the credit freeze and the global recession erode purchases. "I'm rather skeptical" whether Audi's sales will rise to another record this year, Chief Executive Officer Rupert Stadler said in a Bloomberg Television interview from Davos, Switzerland. "This year will be super difficult." Audi raised global sales 4.1 percent last year to a record 1,003,400 vehicles,

the 13th straight annual increase. Orders fell “sharply” in the past three months, Stadler said in a speech on Jan. 28. The company may set a target for 2009 sales at its March 10 annual press conference, according to spokesman Juergen De Graeve. - Source: [Bloomberg News](#)

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### **SENATE APPROVES TAX BREAK FOR AUTO LOAN INTEREST**

WASHINGTON -- The U.S. Senate voted [Tuesday] to make loan interest and sales taxes on vehicle purchases deductible from federal income taxes. The proposal, championed by the National Automobile Dealers Association, was added to an economic stimulus bill under debate in the Senate. The vote was 71-26. If the measure passes, taxes on auto loans will be deductible for the first time since 1986. The provision on deductibility of loan interest is the first significant measure aimed at getting consumers back into showrooms and buying vehicles to get action from Congress. NADA says the measure will save consumers about \$1,500 on a \$25,000 vehicle. Some experts have criticized the provision for not having enough up-front punch. Too many worried would-be buyers aren't thinking ahead to cutting future tax bills, they argue. But the measure is a significant incentive and NADA had to focus on what could be accomplished politically, an organization spokesman said [Tuesday]. - Source: [Automotive News](#)

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### **HYUNDAI DEFIES U.S. SLUMP AS ASIANS GRAB RECORD SHARE**

Hyundai Motor Co. and Kia Motors Corp., South Korea's largest carmakers, defied lower U.S. demand in January to help Asian brands grab record market share and outsell U.S.-based competitors. Hyundai's U.S. sales gained 14 percent after it began a program to let customers who lose jobs return cars. Toyota Motor Corp., the world's biggest automaker, posted a 32 percent decline, Honda Motor Co. fell 28 percent and Nissan Motor Co. fell 30 percent. “Toyota and Honda may be feeling some pressure from smaller brands, particularly Hyundai with its buyback program,” said Jesse Toprak, director of analysis for auto-research firm Edmunds.com in Santa Monica, California. “Hyundai's program seems to have really dealt with a core issue of making consumers feel more secure about a purchase.” Japanese and South Korean brands held a combined 49.5 percent share of the market last month, their highest ever, as U.S.-based competitors fell to a record low 42.5 percent, according to Woodcliff, New Jersey-based Autodata. Asian brands first overtook U.S. automakers in market share in June 2008. Subaru, the automotive unit of Tokyo-based Fuji Heavy Industries Ltd., joined Hyundai and Kia in bucking the market's overall declining, reporting an 8 percent increase in sales of its sedans, wagons and sport-utility vehicles. Toyota owns 16.5 percent of Fuji Heavy. - Source: [Bloomberg News](#)

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### **GM BEEFS UP INCENTIVES AFTER A DISMAL JANUARY**

DETROIT -- Coming off a January in which sales collapsed 49 percent, General Motors today announced a new round of incentives that includes 0 percent financing and more cash on the fenders. Starting today and running through March 2, GM's Presidents Day Sale includes many of its best-selling vehicles, such as the Chevrolet Malibu and some versions of the Chevy Silverado pickup, Buick Enclave and Cadillac CTS. Consumers can choose 0 percent financing for up to 60 months, 1.9 percent loans for 72 months or an additional cashback that ranges from \$1,000 to \$2,000 in addition to existing incentives. - Source: [Automotive News](#)

## **FORD URGES MORE BUYER INCENTIVES**

A day after the U.S. automobile industry reported its worst sales since 1982, Ford Motor Co. executives said they were encouraged by moves in Washington to bolster car and truck sales, but added that the government needs to do more to give consumers the confidence to return to their showrooms. "I see some real exciting developments in the stimulus package," said Jim Farley, head of sales, marketing and service at the Dearborn automaker. Congress is considering a number of incentives to boost the sale of more efficient vehicles as part of the federal government's \$900 billion stimulus package. Late Wednesday, Sens. Tom Harkin, D-Iowa, and Debbie Stabenow, D-Lansing, said they will introduce an amendment dubbed the "Sell Fuel Efficient Cars Amendment" that would provide a rebate of \$10,000 to buyers who trade in a car more than 10 years old for a new car assembled in the United States. The amendment provides \$16 billion which would cover more than 1.5 million purchases. The program would end once the funds ran out, but no later than Sept. 30, 2010. - Source: [The Detroit News](#)

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## **PLAN MAY GIVE OWNERS \$10,000 FOR OLD CARS**

Old-vehicle owners could get up to \$10,000 toward buying a new car or truck under a plan introduced by Michigan Sen. Debbie Stabenow on Wednesday, a version of the "cash-for-clunkers" idea geared toward domestic automakers. The plan from Stabenow and fellow Democrat Tom Harkin of Iowa would set aside \$16 billion to take 1.5 million old vehicles to crushers. The owners would have to use the money to buy a U.S.-made model with better fuel economy than the trade-in. Only families with adjusted gross incomes below \$75,000 could qualify. Stabenow and Harkin said the bill would be offered as an amendment to the Senate stimulus plan, which has swelled to about \$900 billion. While several groups support similar ideas, there's no consensus on important details. - Source: [The Detroit Free Press](#)

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## **CHRYSLER AGAIN URGES DEALERS TO ORDER MORE CARS**

***Press: "You can either help us or burn us all down"***

DETROIT -- Chrysler LLC executives, making their second sales plea to dealers in two weeks, urged them [Thursday] to order 15,000 more cars by Monday to keep the company viable. "You have two choices," said Chrysler co-President Jim Press. "You can either help us or burn us all down." The executives said 70 percent of the dealer body had heeded the company's request to order 78,000 vehicles they had been allocated for February. Press made the first plea Jan. 24 at the National Automobile Dealers Association convention in New Orleans. "We've got to get the cash flow coming in so we can get to March 31 as a viable company," Press said in a conference call to dealers this afternoon. "By doing that right now, we can begin to harvest the long-term benefits of the investments we're making." "By successfully keeping the doors open in January and February, we'll get the loan," said Press, referring to \$4 billion Chrysler has received from the U.S. Department of Treasury. Chrysler must submit a plan to the government by Feb. 17 to show it's a viable company. The government will decide by March 31 whether to keep the loan in force. After Press' fiery speech at the NADA meeting, some dealers emerged

saying they were so inspired that they would change their plans and order vehicles. - Source: [Automotive News](#)

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### **IN THE RED, TOYOTA SEES LOSS TRIPLING**

TOKYO — Less than two months after forecasting its first ever full-year operating loss, Toyota Motor said on Friday that it now expected that loss to be three times larger than originally expected as global auto sales continued to plunge. Toyota said it expected to lose 450 billion yen, or \$5 billion, in the fiscal year through March 31 in its vehicle-making operations. The new forecast underscored the deteriorating situation at Toyota, which until recently seemed unstoppable as it dethroned General Motors last year as the world's biggest producer of vehicles. Toyota blamed the larger loss on both steep declines in global auto sales and strong gains by the Japanese currency, the yen, which lowers the yen-denominated value of overseas earnings. "Toyota is going to get worse before it gets better," said Tairiku Sakaguchi, an auto analyst at Shinko Securities in Tokyo. "The question is how quickly they can move to deal with inventory, excess production capacity and other problems." Toyota said it was still investing in hybrid and compact vehicles and expected to roll out a new version of its popular Prius hybrid sedan in May. The company said it will start selling the first hybrid model in its Lexus luxury brand this summer. - Source: [The New York Times](#)

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### **FORD SAID TO BE IN TALKS TO SELL VOLVO UNIT TO GEELY**

Ford Motor Co., seeking to raise cash to avoid a federal bailout, is in talks to sell its Volvo Car unit to China's Geely Automobile Holdings Ltd., according to three people familiar with the discussions. Ford probably will get less than the \$6.4 billion it paid for Sweden-based Volvo in 1999, said one of the people, who declined to be identified because the preliminary talks are confidential. Ford has also approached Chinese automakers Chery Automobile Co. and Chongqing Changan Automobile Co... Dearborn, Michigan-based Ford lost a record \$14.6 billion last year and is trying to avoid asking for government loans to survive as U.S. auto sales plunge to the lowest level in almost 27 years. Buying Ford's last European luxury brand would help Geely founder Li Shufu, 45, cut his reliance on selling low-cost compacts in China, even as Volvo's sales plummet. "Whether it can consummate into a deal is a big question," said Alice Chong, an analyst at CIMB-GK Securities. "The acquisition would help Geely break into new markets and get better technology, but Geely may have to suffer short-term losses as sales in Europe and the U.S. are collapsing." "Chinese automakers want to tap foreign rivals' resources in technical development," said Zhang Xin, an analyst at Guotai Junan Securities Co. in Beijing. "To catch up with foreign automakers by themselves takes a lot of both time and capital. Acquisitions could help them." Geely would likely seek to buy Ford's entire equity stake in Volvo rather than negotiate with the Swedish unit over purchases of specific assets, the people said. Ford creditors are likely to receive some, or even all, of the proceeds from any sale of Volvo. Ford pledged Volvo as part of the collateral it put up for \$23 billion in loans it secured in 2006. - Source: [Bloomberg](#)

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