



## *Weekly Car Dealers Newsletter*

February 16, 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 16, 2009

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### [NISSAN TO CUT 20,000 JOBS](#)

HONG KONG — Nissan Motor on Monday joined Toyota, Mazda and Mitsubishi in forecasting a loss for the current financial year, and announced it was cutting 20,000 workers in one of the most aggressive cutbacks so far by a Japanese company since the start of the global downturn. Nissan on Monday joined the spree of profit warnings, saying it now expected a full-year loss of ... \$2.9 billion ... “Despite actions already taken during 2008 to respond to the global crisis, worsening conditions are prompting the need for further changes to the company’s cash management strategy, business structure and investment plans,” Nissan said in a statement. The company said it would cut 20,000 jobs from its 235,000-strong workforce, the third huge job cut announcement in Japan in less than two weeks. - Source: [\*The New York Times\*](#)

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### [GM, CHRYSLER PUSH UAW, CREDITOR CUTS TO BEAT DEADLINE](#)

General Motors Corp. and Chrysler LLC, racing to meet a Feb. 17 U.S. deadline, plan meetings this week with advisers to creditors and the United Auto Workers to hammer out agreements they need to keep \$17.4 billion in aid, people familiar with the matter said. The automakers, still awaiting President Barack Obama’s appointment of a so-called car czar to oversee their restructuring, need signed preliminary accords to cut retiree and other union costs and to

exchange bondholder and creditor debt for equity before next week's deadline. GM, the biggest U.S. automaker, and No. 3 Chrysler both ended a program in the last two weeks that paid union workers most of their salary to come to the factory when they didn't have tasks to perform. They are also trying to get thousands of their 91,200 U.S. union workers to agree to retire or quit to make room for new workers who are paid half as much. If GM and Chrysler can't persuade creditors and the UAW to agree to new terms, the government could force them to return the loans or convert them into funding for a government-backed bankruptcy. Both car companies have said a bankruptcy may lead to liquidation because it would further erode sales. - Source:

[Bloomberg News](#)

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### **TIGHT CREDIT SQUEEZES DEALERSHIPS' INVENTORIES**

As credit stays tight, lenders are canceling some auto dealers' credit lines to buy new vehicles, raising interest rates on inventory loans and demanding that dealers put more equity into their businesses. Other floorplan lenders are not taking new clients at a time when many dealers are seeking new finance sources, an Automotive News review suggests. Banks and automakers' captive finance companies say tighter credit standards are necessary responses to the auto industry's painful recession. But some dealers say the loss of their floorplans — or costly new restrictions on them — could force them to close. "Dealers are under a lot of pressure," said Michael Charapp, (an Auto Team America member) a lawyer in suburban Washington who represents dealers. Lenders are placing new restrictions on the loans they make to dealers for inventory financing. Some banks and captive finance companies are:

- Canceling floorplan credit lines
- Auditing floorplan accounts more frequently
- Raising interest rates on inventory loans
- Accelerating repayment schedules for aged inventory

As part of its rescue of the U.S. financial industry, the federal government created a fund designed to lend as much as \$200 billion to investors to buy securities backed by assets such as auto loans. The National Automobile Dealers Association successfully lobbied the Federal Reserve to make securities backed by floorplan loans eligible for funding. - Source: [Automotive News](#)

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### **CPO SALES CONTINUE TO ROLL**

The certified pre-owned market carried its momentum from December into the New Year, proving to be a positive sign for the auto industry in an otherwise difficult environment. The month was the best January on record for CPO sales, according to Autodata Corp, as the great majority of automakers showed gain. ... there were 140,803 CPO units sold during the month, and even though sales were off 4.3 percent from December, this marked a 10-percent upswing from a year ago, Autodata noted. Domestic also showed some strength in January. Ford's combined CPO sales were 13,676 units, a 23.1-percent uptick from a year ago. General Motors improved, as well, selling a combined 39,293 certified units, up 4.3 percent from January 2008.

Chrysler was the only one of the Big 3 to show a drop in certified sales, but it was a narrow one. Its CPO numbers fell 3.3 percent to 9,444 units. - Source: [Auto Remarketing](#)

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## **MINI ELECTRIC TEST DELAYED BY SURGE OF APPLICANTS**

Mini USA is taking longer than expected to select 450 lessees for its electric car because of the deluge of about 1,800 applicants. Drivers who are chosen are expected to get cars in April. The program originally had been expected to begin at the start of the year.



An additional 30 vehicles will be given to fleets and municipalities for the yearlong trial to determine whether the Mini E is commercially viable. New York will get 10 Mini E's for a unit that patrols city streets looking for potholes and graffiti. Five cars also will go to Los Angeles. The trial is being run in metropolitan New York and Los Angeles.

Mini USA has whittled the applicant list to about 1,000 people. Applications are being vetted by 16 dealers--five in New York, three in New Jersey and eight in Los Angeles. The dealers will lease and service the cars during the trial, said Jim McDowell, vice president of Mini USA. "We have to make sure their driving style fits with what we want," he said. "If you drive 200 miles a day, that's a longer daily drive than our range." Mini also required applicants to have a lockable garage so the company can install an electrical charge box. The monthly lease for a Mini E is \$850.

The U.S. trial originally involved 500 Mini E's. But Mini reallocated 50 to Berlin, where they will be part of an energy supplier's fleet.

Parent company BMW AG wants to determine whether a market exists for an [electric](#) city car. The Mini E is the first vehicle made by BMW's Munich-based Project i, which has been charged with developing alternative powertrains for urban use. — Source: *Automotive News*

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## **GM SAID TO SEEK SWEDISH LOAN GUARANTEES TO FIX SAAB**

General Motors Corp. is asking Sweden to guarantee \$600 million in European Investment Bank loans to keep the Saab Automobile unit operating until it can be restructured for sale, a person familiar with the talks said. The loans, along with about \$400 million from GM, would allow Saab to introduce new models that would keep Saab competitive ... If Saab doesn't get the aid, it may be forced into restructuring under Swedish law... It is "possible" that GM has told the government that if Sweden doesn't help Saab, it may be put into administration or shuttered, said Saab spokesman Eric Geers. He declined to comment on the potential size and structure of a government aid package. GM is trying to have a solution for Saab by Feb. 17, when it must

present a progress report to the U.S. Treasury on how it will become viable so it can repay \$13.4 billion in government loans by 2011. GM Vice Chairman Bob Lutz said in January that Saab, in which GM first bought a stake in 1990, has been on “life support” for two decades. “Saab got watered down and lost its way and nobody at GM has been able to figure out what to do with it,” said analyst Jim Hall, principal of 2953 Analytics in Birmingham, Michigan. GM, Saab and the Swedish government are in a “continuous dialogue” about aid for Saab, Geers said in a telephone interview [Wednesday]. GM said Dec. 2 it would seek a buyer or other options for Saab. - Source: [Bloomberg](#)

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## **CAR ENTHUSIASTS BEAT FEDERAL ‘CASH FOR CLUNKERS’ PLAN**

A major grassroots effort by car hobbyists, clubs and collectors is being credited with derailing Congress’s latest “Cash for Clunkers” scheme, which many feared would result in lost jobs and lost vehicles for valuable parts or restoration. “This was the largest grass-roots campaign we’ve launched in our 46-year history,” said Stuart Gosswein, director of regulatory affairs for SEMA, the national organization of aftermarket parts suppliers, auto-repair people and collector-car clubs.



SEMA had battled similar proposals in the past and would guard against them in the future, said Gosswein, who operates from SEMA’s office in Washington, D.C., working to protect the rights of auto enthusiasts. Two similar Cash for Clunkers plans had been included in both the Senate and House versions of the auto-industry bailout package, and were promoted as means to spur new-car sales, help clean the air and reduce national fuel consumption.

Basically, the programs would have created a system of federal vouchers for the owners of older or gas-guzzling cars and trucks that would go toward the purchase of new vehicles. The government would take the cast-off vehicles and crush them, regardless of historic significance or parts values. Millions of vehicle owners were expected to buy into the plan, millions of vehicles would be reduced to flattened hulks, and billions of dollars would have been handed out. The plans would have provided between \$1,000 and \$4,500 in vouchers, which also could be used for riding mass transit. But while the measures might appear beneficial to the uninformed, it could create chaos in the auto-repair and restoration industries and would have negligible benefit, Gosswein said.

“It’s one the those measures that sounds good on the surface, but it doesn’t make sense financially, and it won’t spur car sales, reduce emissions or spur fuel economy,” said Gosswein, adding that similar measures had been shot down in the past. “With the economic crisis, it

started to re-emerge last summer as a way to promote car sales.”

The proposals have been excised from the latest versions of the financial-relief plans, what SEMA called “clunker-free” in a victory note sent out to its members. “In recent weeks, thousands of SEMA members and SEMA Action Network enthusiasts responded to a call for action urging lawmakers to reject a Cash for Clunkers program as part of the economic stimulus being drafted in Congress,” SEMA said in the note. “Your efforts were successful. Both the House and Senate versions of the bill are ‘clunker-free.’ Congratulations!”



After the call went out to SEMA members, thousands of businesses and individuals contacted members of Congress to express opposition, Gosswein said, while his office engaged in lobbying efforts against the plans. “We mobilized all our SEMA members and SAN (SEMA Action Network) enthusiasts,” he said. “We tapped into those two resources and said, ‘Hey, you’d better start contacting your members.’ Now the House and Senate bills are clean, and we’re very excited about that.”

But the celebration by auto enthusiasts was somewhat dulled Thursday by the news that a measure had been cut from the stimulus package that would have allowed auto-loan interest to be deducted from taxes, a measure that auto-industry experts said could have actually helped spur new-vehicle sales.- *Source: Speedtv.com*

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## **TOYOTA CANADA SLASHES COSTS**

Toyota Motor Manufacturing Canada Inc. is cutting production and executive salaries, and suspending capital spending to cope with the North American auto crisis that it calls “the worst economic recession since the Depression in the 1930s.”

None of the 5,000 permanent employees at the company's two assembly plants in Cambridge, Ont., and Woodstock, Ont., will be let go, but some employees working on contract will not have their contracts renewed. “These are careful step-by-step strategies that protect our jobs and we believe that Toyota in North America and TMMC will emerge stronger,” the company's president Ray Tanguay said in a statement Thursday. Production will be cut by slowing down the speed of assembly lines and cancelling overtime, the auto maker said in a statement.

The move comes less than a week after the world's richest auto maker reported a loss for the three months ended Dec. 31 and a full fiscal year loss of about \$3.8-billion (U.S.). Such a loss would be the first annual loss in the company's 70-year history. Its two Canadian plants have already halted production for varying lengths of time since December and a plan to add a second shift to the new plant in Woodstock was abandoned late last year. Some U.S. plants have been shut for several months amid the steep downturn in U.S. sales that has sent car and truck deliveries plunging to levels not seen since the recession of the early 1980s. The

auto slump that first started with the Detroit Three in the U.S. market has now spread to all auto makers and engulfed virtually every market around the world.

But North America – the United States in particular – is a crucial market for Toyota and its sales tumbled 34 per cent in the U.S. market last month. Toyota vehicles made in Canada did not escape the collapse, although some outperformed the company's over-all total. Sales of Corolla compact cars slid 11 per cent, RAV4 crossover utility vehicles 29 per cent and Lexus RX models 7 per cent. – *Source: Globe and Mail*

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### **CHRYSLER DEALERS MEET ORDER QUOTA AFTER 2ND EXTENSION**

CHICAGO -- Chrysler LLC succeeded in getting dealers to buy enough vehicles to keep the company operating after twice extending a deadline, co-President Jim Press said today. "We're buttoned up for the month," Press said here at the Chicago Auto Show. Chrysler had set a goal of 78,000 orders for February at last month's National Automobile Dealers Association convention in New Orleans, where Press urged dealers to buy more cars to ensure the company's survival. Press repeated the request in a conference call last week as he extended the deadline three days. "You can either help us or burn us all down," he said then. Press sought the orders to keep the company's viability plan on target after U.S. sales dropped more than 50 percent in December and January. Chrysler must deliver a report on its restructuring efforts by Feb. 17 to keep \$4 billion in federal loans and help secure an additional \$3 billion in U.S. aid. - *Source: [Automotive News](#)*

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