



Weekly Car Dealers Newsletter

February 20, 2009

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 23, 2009

**GM – PERFORMANCE IS GONE
SAAB FILES FOR REORGANIZATION, SEEKS \$1 BILLION TO SURVIVE
US LAW FIRM ADVISES HUMMER AND SATURN DEALERS
USED CAR SALE GAINING TRACTION**

GM – PERFORMANCE IS GONE



GM's High Performance Vehicle Operations which created vehicles such as the Chevrolet HHR SS have been disbanded.

General Motors, focusing on mainstream products in a battle to survive, has scrapped a unit that produced high-performance [vehicles](#).

GM on Wednesday disbanded High Performance [Vehicle](#) Operations, which is based at the company's suburban Detroit

technical center, and redeployed its engineers, spokesman Vince Muniga said.

"All high-performance projects are on indefinite hold," Muniga said. "The engineers are moving into different areas of the organization, and they will work on Cadillacs, Buicks, Chevrolets and Pontiacs."

The unit created low-volume vehicles for GM's divisions designed to appeal to enthusiasts and bolster the company's image. Products included V-series Cadillacs and the Chevrolet Cobalt SS, HHR SS and a V-8 version of the Colorado.

Muniga said there are no plans for high-performance versions of upcoming [cars](#).

The move is in the spirit of GM's viability plan delivered to the U.S. Treasury Department on Tuesday. In the plan, GM said its future-product focus is on fuel-efficient cars and crossovers. It

A Member of the MacKay Network

also pledged to increase its current offering of six hybrids to 14 by 2012 and to 26 by 2014. GM also boosted its request for federal aid by as much as \$16.6 billion.

The High Performance Vehicle Operations unit could be reinstated once GM regains its financial health, GM's Muniga said. "These guys are pretty good at what they do," Muniga said, "They are moving into different areas to work on core products."

To read more visit the AutoWeek [New car news, road tests, blogs, pix and expert insight](#) section.

SAAB FILES FOR REORGANIZATION, SEEKS \$1 BILLION TO SURVIVE

Saab is seeking \$1 billion (793 million euros) to be self-financing, the company said on Friday after it filed for reorganization under a self-managed Swedish court process.

The General Motors-owned Swedish brand said it will work "to create an independent business entity" and will concentrate production, design and engineering in Sweden.

Saab said it would continue to operate as normal during the reorganization process, with GM and the Swedish government providing some support. Saab Managing Director Jan-Ake Jonsson said: "We explored and will continue to explore all available options for funding and/or selling Saab. It was determined a formal reorganization would be the best way to create a truly independent entity that is ready for investment."

Saab's application for reorganization was filed with the Swedish district court in Vanersborg. Under the procedures, the court appoints an administrator to review Saab and its business plans. The application was approved Friday by a Swedish district court in Vanersborg, Reuters said. The court has appointed an administrator as a first step in a legal process under which an insolvent company can restructure its business and renegotiate terms with creditors. In documents submitted to the Swedish court Friday, Saab estimates that it lost about \$340 million (3 billion crowns) last year. "The current outlook for 2009 suggests a similar level of losses and associated funding requirements," Saab said in the documents.

GM's role

The company said GM had notified the company that it would not fund further projected losses at Saab, but that it would provide liquidity for the company to pursue a reorganization.

GM Europe's head of communications, Chris Preuss, said GM was prepared to provide some funding for Saab but the brand needed outside money as well. He said: "GM has put a substantial amount of money on the table to sustain Saab's operations and to launch the products that are in the pipeline. We have asked the Swedish government for loan guarantees for \$600 million to give Saab a balance sheet as an independent unit which will allow it to



continue." Preuss said funding for Saab is still intact. "We just need to see how funding can be secured from either government or private sources during the restructuring process," Preuss told *Automotive News Europe*. GM's support would also extend to the development costs and tooling for the new 9-5, 9-4X and 9-3X, which will launch in the next 18 months. GM will also continue to provide technical support to Saab in the future and provide parts through licensing agreements, Preuss said, but there were limits to the support GM would provide. Preuss said: "(GM President) Fritz Henderson made it very clear that GM will be out of Saab one way or another by the end of this year."

Loans sought

Saab has applied for \$628.4 million (500 million euros) from the European Investment Bank, which is the long-term lending arm of the European Union. The company also is trying to raise more funds from GM as well as from public and private sources. Jonsson said reorganization will allow Saab to launch new models while minimizing the brand's liquidity impact on GM. "With a new 9-5, 9-3X and 9-4X all ready for launch over the next year and a half, Saab has an excellent foundation for strong growth, assuming we can get the funding to complete engineering, tooling and manage launch costs," he said in a statement.

Earlier this week, the Swedish government said it is not prepared to take over Saab after GM said it planned to shed the brand quickly as part of its restructuring efforts. GM bought half of Saab in 1990 and took full control in 2000. The brand has made a profit only in one year during GM's ownership. Last year, Saab's global sales fell 25.5 percent to 93,338 units

Industry insiders said there has been a greater interest from outside investors in Saab since GM's announcement that it was looking to offload the brand. Saab employs some 4,000 people in Sweden, mainly at its plant in Trollhättan in the southwest of the country. Another 25,000 jobs at suppliers depend on Saab. — Source: *Automotive News Europe*

US LAW FIRM ADVISES HUMMER AND SATURN DEALERS

A US Law Firm specializing in Dealer franchise agreements has sent a letter to all Hummer and Saturn dealership in the United States advising them on courses of action based upon recent communication from GM and Saturn Distribution Corporation.

In the letter the firm states that it believes recent actions by the franchise holder have amounted to termination of the franchise agreement.

For more on this contact our Edmonton office and Don Smith

USED CAR SALE GAINING TRACTION

Demand for used vehicles is up, according to an analysis by *Newsweek*. Auto Data Corp. reports that sales of certified pre-owned cars in January 2009 were up 10 percent from the same time last year. Normally, the average consumer trades in a vehicle after two or three years, providing steady supply of low-mileage used cars. But as household budgets and credit remain tight, drivers are hanging onto their cars longer.

So car dealers like Michael Schwab of Dick Scott Dodge in Plymouth, Mich., is sending out post cards—to give car owners more incentives to get their high-quality vehicles back into dealer showrooms. The mailing effort has brought "a lot of success" from buyers eager to get a new car for the price of a used one, he said. It also helps move new cars, as buyers trade up when they bring in those used cars.

Adam Simms, general manager of Toyota Sunnyvale in Sunnyvale, Calif., has had up to three members of his staff focused exclusively on calling owners of high-quality used cars, often visiting them at their home or office. "We get 15 to 30 cars a month in that way," he said. Norm Olson, sales operations manager for Toyota Certified Used Vehicles, said dealers go to great lengths, contacting sellers from Web sites like Craigslist and AutoTrader.com, even visiting them at home and writing them a check on the spot for their car. Once the cars get to the lot, they don't stay there long, often selling within two weeks, Mr. Olson said. Toyota saw its best-ever January for certified used vehicles, up 4,000 from last January.

CSM Worldwide sees "a flight to quality," with consumers looking to purchase reliable, slightly used cars instead of new. That situation will lead to hikes in the prices of premium used cars, at least in the near term.

Geoff Pohanka, president of Pohanka Automotive Group in Marlow Heights, Md., says dealers are paying as much as \$2,000 more for used cars at the wholesale level, an increase that undoubtedly will be passed onto consumers. In his dealerships, he saw a 20 percent increase in used car sales between Christmas and mid-January.

Steve Jardine, vice president of Johnstons Toyota in New Hampton, N.Y., is offering to pay over book value for used cars. And the growing demand is reflected in his price, too. A Toyota 2006 4Runner SUV that sold for \$14,000 last November is now going for \$19,000, he said. — *Source: Dealersedge.com*
