



## *Weekly Car Dealers Newsletter*

June 26, 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 June 1, 2009

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**DEALERSHIPS ON CHRYSLER'S CHOPPING BLOCK SLASH PRICES  
BOB LUTZ TAKES A HARD LEFT:  
PENSKE'S PLAN FOR SATURN: SELL SAMSUNG VEHICLES  
FORD PLEDGES MILLIONS TO SUPPORT VISTEON**

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### **DEALERSHIPS ON CHRYSLER'S CHOPPING BLOCK SLASH PRICES**

Most of the 789 car dealerships that [Chrysler](#) is cutting by June 9 have slashed prices by thousands of dollars as they desperately try to clear the vehicles clogging their lots before then. Their misfortune in being rejected as part of the carmaker's reorganization in bankruptcy is creating unprecedented bargains for car shoppers. "No offer anywhere near reasonable will be refused," says the Web site of Preston Chrysler Jeep in Warren, Ohio. "If you ever wanted to absolutely steal a Chrysler or Jeep, get to Buzz Leonard today. Save over \$9,000," shouts the voiceover in an ad for Buzz Leonard Chrysler Jeep in Panama City, Fla.

In Dubuque, Iowa, Mike Finnin Chrysler Jeep has a clock on its Web site counting down the days, hours, minutes and seconds until its franchise is terminated June 9. It is advertising discounts of as much as 30 percent, a savings of up to \$10,634. "Some of these prices are so embarrassing," the owner, Mike Finnin, said. "We're just doing whatever it takes to sell these vehicles. We're losing money on most of them."

Because Chrysler is operating in bankruptcy protection, it is refusing to buy back any of its dealers' vehicles. When it announced the dealer cuts May 14, it said there were 44,000 vehicles at those stores.

The Jeep dealers that Chrysler is cutting are selling their vehicles for about \$1,205 less than other dealers, according to Edmunds.com, a Web site that gives car-buying advice to consumers. At the beginning of this year, those same dealers were selling vehicles for about \$710 less than the others. The difference has more than quadrupled at dealers selling Chrysler models, which generally sell for \$20,000 to \$30,000. Shoppers are saving an average of \$2,672 by buying a Chrysler model from a dealer being terminated rather than another Chrysler brand dealer, Edmunds said. The savings offered by Dodge dealers that are being cut over other Dodge dealers is \$823. Dealers say business has been brisk, though not very profitable, since starting their big sales, as consumers hearing about the dealer cutbacks rushed out to find deals. They expect sales to slow as lots begin to get picked over and more popular models become harder to find.

*A Member of the MacKay Network*

Pohanka Chrysler Dodge in Leesburg, Va., sold 20 new vehicles in the first few days of its liquidation sale and still has about 100 left. Normally the store would need three months to make that many sales. This week, Pohanka sold a [Dodge Nitro](#) sport utility vehicle for \$17,510, 40 percent less than its sticker price of \$29,170. "That's thousands of dollars less than what we would have gotten before," the dealer, Ray O'Bryhim, said. "We've got a very short period of time."

Although [General Motors](#) also is cutting a large number of dealerships, they are not scheduled to lose their franchises until late next year, so most have not started liquidation sales.

Many of the Chrysler stores plan to stay open and sell used cars or other brands. They are in the awkward position of trying to unload their inventory without giving the impression they are closing. That is why Fury Dodge, in Lake Elmo, Minn., is having a "not going out of business sale." – Source: *The New York Times*

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## **BOB LUTZ TAKES A HARD LEFT:**

### **Retiring GM product czar loves auto task force**

Bob Lutz, General Motors' soon-to-retire product czar, said Thursday that not only does he support and endorse the work of President Barack Obama's automotive task force, but he'd also like to see the government-industry entity become a permanent fixture. "Benevolent oversight and two-way communication between Washington and the auto industry" would be a good thing, Lutz told members of the Automotive Press Association at a luncheon Thursday in Detroit.

"Jeez, it only took 30 years for somebody to finally figure it out," he said. Lutz cited--and praised--the new federal fuel-economy regulations as an example of what industry and government can do when they work together. Though the new CAFE requirements mandate 35.5 mpg by 2016, Lutz said many parts of the new rules reflect industry positions on the particulars of the law.

The positions voiced by Lutz seem at odds with the suggestion that the GM product vice chairman is leaving GM at year's end in part because he doesn't want to deal with life at "Government Motors," which GM has been called since taking government loans and accepting task-force oversight. On the contrary, Lutz said, he began to warm to the task-force members when they visited Detroit and seemed more interested in the 560-hp Cadillac CTS coupe than in GM's more economical offerings. "That was sort of the moment that I began to take heart," Lutz said.

Lutz said that once GM and the industry overcome the current hurdles--including a likely GM bankruptcy filing as early as next week--he's optimistic for the future. GM's product development and design operations should be in good stead for funding once GM's high legacy and health-care costs stop draining money from those activities. – Source: *Autoweek.com*

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## **PENSKE'S PLAN FOR SATURN: SELL SAMSUNG VEHICLES**

Entrepreneur Roger Penske wants to use the Saturn dealership network to sell vehicles built by Renault Samsung Motors and imported from South Korea. According to *Automotive News*, Penske recently met with Renault and Nissan CEO Carlos Ghosn in Paris to talk about the plan.

Renault owns 80.1 percent of Renault Samsung. The South Korean automaker uses Nissan platforms for its four passenger vehicles. The SM3 is based on the Nissan Bluebird, the SM5 and the SM7 are based on the Nissan Teana, and the QM5 is based on the Nissan Rogue. It's unclear whether Penske's plan calls for selling current Renault Samsung models or new vehicles that use Renault platforms.

Earlier this month, Penske hired former Chrysler copresident Tom LaSorda as a consultant for the bid to buy Saturn.- *Source: Autoweek.com*

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## **FORD PLEDGES MILLIONS TO SUPPORT VISTEON**

(Parts maker's biggest customer cites need to sustain production)

Ford Motor Co. has pledged millions of dollars to support bankrupt supplier Visteon Corp., and is calling on its other customers to do the same. Visteon's decision to seek bankruptcy protection Thursday surprised no one in the industry, least of all Ford. The automaker has spent months preparing for the eventual failure of its former parts subsidiary and positioning itself to have a say in Visteon's restructuring, according to people familiar with the situation. But that does not mean the collapse of one of Ford's largest suppliers is without risk for the Dearborn automaker. Though Ford has worked to distance itself from Visteon since bailing out the Van Buren Township-based parts manufacturer in 2005, it remains Visteon's largest customer, 31 percent of its business. "Ford's top priority is to ensure we have sufficient parts and material to protect our production," said Tony Brown, Ford's group vice president for global purchasing. "Because Visteon is an important, preferred supplier to Ford, we have committed to providing financial support to help Visteon meet its business challenges."

Analyst Brian Johnson of Barclay's Capital said Ford will need to put up \$500 million to \$700 million to keep Visteon's assembly lines rolling through its bankruptcy. "We believe this range is manageable for Ford, given its \$21.3 billion gross cash balance," he said. "(It) does not change our expectation that Ford can get through 2010 without seeking government assistance." Ford is alone among Detroit's Big Three automakers in not seeking federal aid. But supplier expert Michael Hedge of Hedge & Co. Inc. said the failure of companies like Visteon poses a challenge to Ford's recovery. "That could be the one weak link in Ford's success: keeping the supply lines going," he said. "Ford has been behind the scenes, making as many precautionary moves as they possibly can -- not just for Visteon, but for all the suppliers that are supplying GM and Chrysler as well as Ford." Hedge said Ford has been lining up alternative suppliers for critical components. Sources said Ford also has been positioning itself to have a say in Visteon's future. That was the logic behind Ford's move to assume a \$163 million secured revolving credit facility from Visteon's lenders this month. As a secured lender, Ford will have a seat at the table during Visteon's restructuring. The deal required Visteon to maintain at least \$264 million in cash or cash equivalents. Ford has since agreed to reduce that to \$210 million, but the supplier is expected to ask a bankruptcy judge today to allow it to use those funds for operating expenses. Ford is not likely to object. And while it would not confirm specific figures, the automaker said it is prepared to provide its share of the cash Visteon needs. "We're committed to support the debtor-in-possession financing," said spokesman Todd Nissen. "We would also anticipate that others would participate as well."

Korea's Hyundai-Kia group, which accounts for a quarter of Visteon's business, is its second-largest customer. "It's too early to comment," said Hyundai Motor Co. spokesman Dan Bedore. "We will continue to monitor the situation closely." Visteon spokesman Jim Fisher said the company has received "other global customer support" in addition to its commitment from Ford. "We're continuing to talk to our customers," he said. "We are confident that we'll be able to provide components to our customers without disruption." – *Source: the Detroit News*

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