



Weekly Car Dealers Newsletter

June 26, 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 June 8, 2009

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AUTOWEEK'S POST BANKRUPTCY TOP 10

As Chrysler and General Motors sort through messy restructuring processes in bankruptcy court, it's worth noting that there is a bright light at the end of the tunnel for both companies, if everything goes well

1. Chevrolet Volt

Our Take: GM's environmentally conscious flag-bearer remains on track for a late-2010 rollout .



2. 2011 Chevrolet Cruze

Our Take: A fuel-frugal, 1.4-liter turbocharged four-cylinder provides superior fuel economy, better than today's Cobalt XFE, while churning out 140 hp.

3. 2011 Chevrolet Camaro Convertible

Our Take: Rumors surfaced that plans for the drop-top Camaro were put on hold but were later refuted by GM. We'll have to wait until early 2011, but it's on the way. Unfortunately, we can't say the same about a supercharged Z28 version.

4. Cadillac CTS coupe

Our Take: Following the arrival of a CTS wagon late this summer will be a coupe version next summer. Great looks and a planned 560-hp V version have us sold on it.

5. 2010 Cadillac SRX

Our Take: The refocused luxury midsize SUV that will take the fight directly to the Lexus RX. Cadillac promises improved craftsmanship and a new engine range that includes a 3.0-liter direct-injection V6 and a 2.8-liter turbocharged V6 with 300 hp.

6. 2010 Buick LaCrosse

Our Take: A gorgeous, ground-up redo finally gives us a Buick production car that has caught our attention.

7. Chevrolet C7 Corvette

Our Take: When GM CEO Fritz Henderson confirmed first to *AutoWeek* that the C7 remained in the works, Corvette Nation collectively breathed a sigh of relief.

8. 2011 Jeep Grand Cherokee

Our Take: A new independent front and rear suspension should provide a major leap in on-road refinement, and new drivetrain options and a plusher cabin will make this a midsize SUV to be reckoned with.

9. Dodge Circuit EV

Our Take: A Lotus chassis virtually guarantees that the electric sports car will have world-class handling abilities. Pair that with a claimed driving range of 150 to 200 miles per charge and a 0-to-60-mph time of less than five seconds, and this vehicle has us warming up to an electric sports car.

10. Fiat 500

Our Take: The pint-sized Italian titan will give Chrysler dealerships a much needed small vehicle courtesy of the Fiat link-up. We're keeping our fingers crossed for the Abarth version to make it over. – *Source:Autoweek.com*

CAR DEALS OUT THERE, BUT COSTS LIKELY TO RISE

The forced closure of thousands of General Motors and Chrysler dealerships is creating some good deals for consumers in the short run, but will make it harder to drive a bargain in the long run. "One of the reasons GM and Chrysler want to shrink their dealer base is so the dealers that remain in business are more profitable," says Jack Nerad, executive editorial director with Kelly Blue Book. "It doesn't take a Rhodes scholar to figure out how they will be more profitable. They won't be beating each other over the head" with price cuts. Consumer advocate Ralph

Nader is also concerned that less competition will mean higher prices. In a letter to key congressmen, he asked, "Is the logic of closing dealers to enable the remaining dealers to charge higher prices; and if so, why is the government facilitating such a move?" The number of U.S. new-car dealerships has been falling for decades, from 25,025 in 1988 to 20,700 at the beginning of 2008. Since then, the rate of closures has accelerated. When Chrysler filed for bankruptcy in May, it said it would shut 789 of its 3,200 dealerships on June 9. General Motors said last month it will not renew contracts with 1,100 dealerships when they expire in October 2010. However, its total number of dealerships will shrink by roughly 2,400 - from about 6,000 today to 3,600 at the end of next year. The added shutdowns will come from voluntary terminations, consolidation and the disposal of Hummer, Saab, Saturn and Pontiac. It's not obvious how the closures will save GM or Chrysler money. Dealerships are independently owned and operated. They buy cars from manufacturers and sell them at whatever price they can get. "They are not cost centers for either of the manufacturers," says David Hyatt, a spokesman for the National Automobile Dealers Association. "The customer ought to decide who stays in business." When I asked Susan Garontakos, GM's manager of dealer communications, how the company will save money by shrinking its dealer network, she said the company has a "big infrastructure" dedicated to dealer sales, training and technology. "And every single incentive you see, that's paid by the manufacturer."

Does that mean fewer dealers will mean fewer incentives? "They will be more efficient. They will be different," she says. Nerad says the government wants GM and Chrysler to look more like the Japanese auto makers, which operate fewer, higher-volume dealerships in the United States. Before the recession ruined everyone's business, the Japanese dealerships were "making great gross profits per car," Nerad says. Jeff Schuster, executive director of forecasting with J.D. Power and Associates, says that when the recession ends, it will be harder to get a good deal on a new car, but not just because there are fewer dealerships. Automakers are also closing plants, so there will be fewer cars available. "Dealers are pretty hungry still, but companies are starting to cut production. That hunger will start to go away as inventory diminishes," says Rik Paul, automotive editor with Consumer Reports. For now, there are some good deals if you are willing to buy from a dealer who is going out of business or get a model that is being discontinued.

Phil Reed, consumer advice editor with Edmunds.com, says consumers should target dealers on the chopping block. (For a list, see www.edmunds.com/Aindustry-car-news/.) Reed spoke to an auto broker last week who paid \$17,000 for a Jeep Cherokee listed at \$27,000 from a dealer going out of business. By now, though, many Chrysler lots closing next week are picked over. "A dealership in Massachusetts last week said they were down to 20 cars," mostly minivans and other hard-to-move models, Reed says. If you're not picky about options or worried about resale value, there's still time to get a deal on a GM brand that is being discontinued. The federal government has promised to pay for repairs covered by factory warranties on all new cars purchased from GM and Chrysler while they are in bankruptcy. A discontinued model will depreciate faster than usual, but that's not a problem if you plan to keep the car for many years. "The first five years is when you take the biggest hit on depreciation," Paul says. Paul says he would consider buying a highly rated GM vehicle "if you can get a really good deal and depreciation isn't a factor." The Pontiac Vibe, which is essentially the same as a Toyota Matrix, "has excellent reliability, good fuel economy and it could probably be repaired by Toyota dealers. Because it has the Pontiac name, it will go away," he says. He predicts it won't last long if Pontiac has a fire sale. – *Source: San Francisco Chronicle*

CNW: DESPITE CHALLENGES, FEWER CONSUMERS AVOID GM

Although General Motors has officially filed for Chapter 11 bankruptcy protection, [an] analyst ... suggested that consumers are less likely to be deterred from buying a GM vehicle than they would have been a few months ago. "It's a dramatic turnaround among new-car intenders," explained Art Spinella, president of CNW Research. "With the media concentrating more on the 'restructured GM' rather than the 'Bankrupt GM,' consumers appear to be more willing to keep a GM product on their shopping list," he continued. ... when CNW surveyed new-vehicle intenders in July about whether they would buy from an automaker in bankruptcy, roughly 90 percent claimed they wouldn't ... Then in January — when talk of bankruptcy and government participation actually started heating up — only 51 percent said they wouldn't purchase from a bankrupt OEM. - Source: [AutoRemarketing](#)

GM TO SELL SATURN TO PENSKE

(He did it with Detroit Diesel, can he do it again?)

New York -- bankrupt automaker General Motors Corp. announced [today] that it will sell its Saturn unit to car dealership operator Penske Automotive Group. The deal, which GM expects to be completed in October, would save more than 13,000 jobs at Saturn and its roughly 350 dealers nationwide. "There has been a groundswell of support for Saturn, with our retailers and owners urging us to save the brand," Jill Lajdziaik, Saturn's general manager, said in a statement. "We heard their call loud and clear, and it inspired us as we worked to secure Saturn's future." - Source: [CNNmoney.com](#)

TATA PLANS TO BRING NANO TO U.S.

The Tata Nano, the world's least-expensive car, is likely coming to the United States. Tata officials plan to bring a version of the minicar here in two years to two and a half years, according to *Automotive News*. The Nano goes on sale in India in July with a sticker of about \$2,200. It has room for four adults and has a 35-hp engine.



A larger European version is slated to debut in 2011, and has an upgraded engine that could get 67 mpg. That car is still expected to come in at less than \$5,000.

Tata would be the second Indian company with cars on U.S. streets. Global Vehicles U.S.A. Inc. of suburban Atlanta plans to introduce pickups made by Mahindra & Mahindra Ltd. later this year.

To read more visit the AutoWeek [Car news, road tests, photos and insight](#) section. – Source: [Autoweek.com](#)

TOYOTA HIT HARDEST BY NEW CALIFORNIA EMISSIONS STANDARDS



Yesterday, [Toyota announced that it will launch a fleet of plug-in hybrids](#) later in 2009. The company's timing couldn't have been better.

California's new emissions legislation set to take effect in 2012 has a special requirement for automakers that sell over 60,000 vehicles per year in the state: **at least 3% of those vehicles must be non-polluting.** (Caveat: technically, that's 3% over the course of three years, or roughly 1% per year. Also, some of those vehicles can be sold in New

York, Massachusetts, and other states that match California's emissions guidelines.)

For [Toyota](#), the new law will likely translate into around 16,000 fuel cell, electric, and/or plug-in [hybrid](#) sales over the three year period. Between research and development of those autos, plus manufacturing, marketing, dealer training, and more, the legislation could be a \$1 billion blow to [Toyota](#).

Of course, [Toyota](#) won't be alone in its struggle to meet these new standards; in fact, most major brands will be affected. However, [Toyota](#) currently sells 24.1% of all new vehicles in California--nearly twice as many as its closest rival, [Honda](#), at 12.9%--meaning that [Toyota](#) will bear the biggest burden.

The issue of state-by-state emissions standards is a contentious one, and even the greenest of the [green](#) would have to admit that using one set of nationwide regulations is the fairest and most efficient policy for government and automakers alike. If we had to look for a silver lining in all this, it'd have to be that since California accounts for a huge chunk of new car sales in the U.S. (roughly 12%), it's forcing automakers to prepare for the inevitably stricter federal standards to come. Now, if only people will buy the cars... - Source: [Bloomberg](#)
