



## ***Weekly Car Dealers Newsletter***

March 23, 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 March 23, 2009**

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### **[OBAMA TO AVOID AUTO BANKRUPTCIES](#)**

***(Task Force Seeks GM, Chrysler Changes Outside Court; Loans Unlikely to Be Recalled Early)***

The leaders of President Barack Obama's auto task force are focused on restructuring General Motors Corp. and Chrysler LLC outside of bankruptcy court, despite suggestions from some experts that a Chapter 11 filing would be the best way to revamp their troubled operations. Steven Rattner, a private-equity executive leading the team, said Monday that "I don't think that bankruptcy is necessarily a better place for any company. It sometimes becomes a necessary place for some companies, but it's certainly not a desired place and it is certainly not our goal to see these companies in bankruptcy, particularly considering the consumer-facing nature of their businesses," Mr. Rattner said in an interview. Administration officials also said the team doesn't plan to recall early the \$17.4 billion in government loans given to GM and Chrysler -- something allowed under the loans' terms if the companies don't prove by March 31 that they can be viable long term. By the end of the month, the government plans to lay out its view on the companies' viability and what the industry should look like in future years, Mr. Rattner said. However, those plans won't include a comprehensive fix for the two companies. That, he said, will largely be left to the stakeholders, such as unions, management and investors.- Source: [\*The Wall Street Journal\*](#)

## **HYBRID CAR SALES: FROM 60 TO 0 AT BREAKNECK SPEED**

***(Gas-electric vehicles pile up on dealers' lots as angst over gasoline prices evaporates. Nevertheless, more hybrid models are on the way)***

The Ford and Honda hybrids due out this month are among dozens planned for the coming years as automakers try to meet new fuel-efficiency standards and please politicians overseeing the industry's multibillion-dollar bailout. Unfortunately for the automakers, hybrids are a tough sell these days. Americans have cut back on buying vehicles of all types as the economy continues its slide. But the slowdown has been particularly brutal for hybrids, which use electricity as well as gasoline as power sources. Yet automakers feel they have little choice but to make more hybrids. Though car buyers are losing interest, politicians are pushing them as key to reducing U.S. dependence on foreign oil and limiting the global-warming gases that cars emit into the atmosphere. "The automakers are in the situation of needing to pacify politicians that are in the position to bail them out with expensive fuel-efficient cars," said Rebecca Lindland, auto analyst with IHS Global Insight. "But shouldn't it be more about satisfying the needs of the American consumer?" - Source: [Chicago Tribune](#)

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## **ITS NOT JUST THE DETROIT THREE!**

### **(Fed's TALF Consumer Lending Program Starts With Nissan Debt Share)**

A \$1.3 billion package of securities backed by Nissan Motor Co. auto loans became the first small piece of what Federal Reserve officials say may grow into a \$1 trillion effort to unfreeze business and consumer lending. Nissan's planned bond sale marks the debut of the Fed's Term Asset-Backed Securities Loan Facility, or TALF. The securities will likely price on March 19, the deadline for investors to apply to the Fed for loans to buy the debt, according to a person familiar with the sale ... The Obama administration is counting on the TALF plan to help end the credit crunch and recession, thawing the market for asset-backed securities so lenders can make new loans to consumers. The program, first announced in November, was hampered by delays as investors, dealers and issuers worked on details. "A number of people were concerned that some glitches might not have been ironed out this week" in time to meet the first deadline for investors to apply for the Fed loans, said Malcolm Dorris, a senior partner in the securitization group at law firm Dechert LLP in New York. "Getting a deal done in March is good for the program. We are still in the wait-and-see stage." About \$2.3 billion of debt backed by auto loans has been sold this year, compared with more than \$9.6 billion in the same period of 2008, according to data from JPMorgan Chase & Co. The first phase of the TALF will finance the purchase of as much as \$200 billion of AAA rated securities containing loans for autos, education, credit cards and small businesses. Officials eventually plan to include other assets, including commercial mortgage-backed securities.- Source: [Bloomberg](#)

### **HIGHER USED-CAR PRICES MAY PROD BUYERS TO CONSIDER NEW VEHICLES**

Higher prices and falling inventories for used vehicles in the U.S. raise the possibility that more consumers may opt for new cars after sales fell to a 27-year low last month. "You can look for positive signs, and you can see the fact that used-car prices have not only firmed but actually risen," Ford Motor Co. Chairman Bill Ford said in a March 9 interview. "The inventory of used cars is dwindling." The timing of any increase in new-car sales is difficult to forecast because consumer credit remains tight and job losses are damping consumer confidence, said Patrick Archambault, a Goldman Sachs Group Inc. analyst in New York. "There is demand of some kind on the horizon," said Archambault, who isn't predicting a rebound. "It's nice to see some sign that's not red." Auto demand in the U.S. has been running at a rate so far this year that would deliver full-year sales of less than 10 million, about 6 million fewer than the U.S. has averaged this decade. Higher used-car demand is a positive sign for sales of new models, Chrysler President Jim Press said in a March 3 call with analysts and reporters.- Source: [Bloomberg](#)

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### **PELOSI BACKS NEW CAR SALES INCENTIVE PLAN**

A proposal to boost auto sales by offering government-funded discounts to consumers who trade in old cars for new, more efficient models got a boost Wednesday from House Speaker Nancy Pelosi. But the proposal, which also is supported by Detroit auto makers and the United Auto Workers, is coming under fire from some foreign auto makers critical of a provision limiting the vouchers to vehicles built in North America. That limitation would exclude some of the most fuel-efficient cars and trucks sold in the U.S., including the Prius from Toyota Motor Corp. A bill introduced Tuesday by Rep. Betty Sutton (D., Ohio) would provide on-the-spot vouchers between \$3,000 to \$7,500 to consumers who trade in old vehicles for new cars and trucks, Ms. Sutton said. The amount of the voucher would vary depending on the fuel economy of the car being purchased. "The Speaker is supportive of this concept and looks forward to reviewing the details of Rep. Sutton's legislation," Drew Hammill, a spokesman for Ms. Pelosi (D., Calif.), said in an email.- Source: [The Wall Street Journal](#)

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### **JAGUAR, BUICK DETHRONE LEXUS IN AUTO-RELIABILITY STUDY**

British luxury car maker Jaguar jumped to the top of J.D. Power and Associates' closely watched vehicle dependability study this year, tying Buick for the No. 1 spot and dethroning Lexus for the first time since the Japanese luxury brand has been a part of the survey. "Buick and Jaguar both lead the industry in nameplate performance," said Neal Oddes, director of product research and analysis at J.D. Power. "In terms of individual model performance, Lexus and Toyota still do very, very well." The annual study measures problems experienced by the original owners of vehicles after three years. Suzuki owners reported the most problems among the 37 brands assessed by J.D. Power. Despite losing its crown to Jaguar and Buick, Lexus still swept top awards in four segments, while Toyota's namesake brand took five awards. General Motors Corp.'s Buick LaCrosse was J.D. Power's top midsize car, while Ford Motor Co.'s

Lincoln brand took two awards. Chrysler LLC, which took no segment awards last year, won top honors for its Dodge Caravan in the van segment. - Source: [The Wall Street Journal](#)

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### **SALES SURPRISE: SOME NEW CARS MAY BE CHEAPER THAN USED ONES**

For cash-strapped consumers shopping for a car, used would seem like the place to start. Not necessarily. A new one might actually be cheaper. Consider this: The average cost of a used 2008 Honda Accord EX sedan, certified by the dealership, was \$21,544 earlier this month, according to Edmunds.com, a car-buying website. A new 2009 model cost \$80 less. Used cars still generally cost less than new ones, but a mix of drastic price cuts, rebates and financing incentives is narrowing the gap. Automakers are subsidizing zero-percent or low-interest loans on new cars, while the average rate on a three-year used car loan is about 7.5%, according to Bankrate.com. Factor in the lower cost of financing and the total cost of the new car can be less. Automakers like Ford Motor are banking on the phenomenon to drive consumers back to new car showrooms. "There is an equilibrium level which we believe we are getting back to between the value of used vehicles and the transactional price of new," said Ken Czubay, Ford's sales and marketing vice president, when the company announced its February sales fell 48% from a year earlier. "This also portends, we believe, a favorable future for the new business." - Source: [The Associated Press](#)

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