



Weekly Car Dealers Newsletter

March 29, 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.

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[SWEDEN SAYS NO TO SAVING SAAB](#)

Saab Automobile may be just another crisis-ridden car company in an industry full of them. But just as the fortunes of Flint, Mich., are permanently entangled with General Motors, so it is impossible to find anyone in this city in southwest Sweden who is not somehow connected to Saab. Which makes it all the more wrenching that the Swedish government has responded to Saab's desperate financial situation by saying, essentially, tough luck. Or, as the enterprise minister, Maud Olofsson, put it recently, "The Swedish state is not prepared to own car factories." Governments all over the world are confronting the disintegration of the global automobile market in different ways, with loans, bailouts and takeovers. But Sweden's approach has been particularly hard-nosed, and particularly unequivocal. Struggling for its own survival, G.M. has said it will completely pull out of Saab by the end of 2009, a course that Ms. Olofsson, the enterprise minister, described as tantamount to declaring "that they wash their hands of Saab and drop it into the laps of the Swedish taxpayers." She said: "We are very disappointed in G.M., but we are not prepared to risk taxpayers' money. This is not a game of Monopoly." -
Source: [The New York Times](#)

REPORT: GM AND SAAB AGREE TO SWAP TECHNOLOGY

A news report says General Motors Corp. and its Saab Automobile unit have agreed to swap technology for at least five years in an effort to make the loss-making Swedish brand more attractive to buyers. Saab's finance director, Lars Hagerborg, has told financial daily Dagens Industri that the Swedish car maker will be able to use GM's platform technology in exchange for Saab's safety, chassis and engine technology. Last month, Saab went into bankruptcy protection in a court-managed reconstruction process that aims to disentangle the brand from its cash-strapped U.S. owner. - Source: [The Associated Press](#)

CUSTOMERS LOOK FOR NEW CARS, BUT BUY USED

(Dealers adapt as customers switch gears at showroom)

Economic uncertainty, tighter credit standards and stronger warranties on nearly new vehicles are luring price-conscious, credit-squeezed consumers away from new cars and trucks to used ones. Last year, more than 13% of new car shoppers left dealerships with a certified used vehicle instead, up from 8.3% in 2003, according to CNW Marketing Research in Bandon, Ore. While new car sales are expected to decline to as low as 10.1 million this year, from dismal sales of 13.2 million in 2008, CNW is forecasting that used vehicle sales will grow through 2012. This year, the firm forecasts used car sales of 40 million, up 9.5% from 2008's weak volume of 36.5 million. Already, 42% of dealers are reporting too little used vehicle inventory as a result of the trend, according to a March survey by Wachovia Securities analyst Rich Kwas. He added that was the highest level recorded in the past three years. Strength in the used car market is a good sign for the battered new vehicle market, which has forced Detroit's automakers to close plants, lay off workers and seek federal assistance. Historically, strong used vehicle sales eventually translate into improved new car sales. - Source: [Detroit Free Press](#)

TATA TO START SELLING WORLD'S CHEAPEST CAR IN JULY

Tata Motors Ltd., the owner of Jaguar and Land Rover, will begin sales of the world's cheapest car, the Nano, from July as the company targets motorcycle buyers wanting to trade up to four wheels. The company will accept bookings for the Nano April 9 to April 25, Chairman Ratan Tata said [Monday] in Mumbai. Customers will need to pay almost the full price of the car as deposit, said Ravi Kant, managing director. The price of the car, which will be sold in three variants, will start at 123,360 rupees (\$2,500) in showrooms in New Delhi, he said. Tata Motors may sell the Nano in the U.S. after 2 1/2 years while sales to Europe may begin in 2011. The company can produce as many as 60,000 Nanos a year at its factory in Pantnagar in northern India. - Source: [Bloomberg](#)

FED AUTO FOCUS SHIFTS TO ELECTRIC

(Government funding swings from hydrogen fuel cell technology to electric vehicles under Obama.)

The Obama administration is shifting much of the government's focus and funding from hydrogen fuel cell vehicles to plug-in electric vehicles. As a candidate, Obama touted plug-in electric vehicles as a cornerstone of his energy policy, pressing for 1 million plug-ins on American roads by 2015. The \$787 billion stimulus bill approved by Congress last month includes more than \$2 billion in new battery research grants, which are vital to the viability of plug-ins, but no new money for hydrogen research. The National Hydrogen Association, whose members include GM, Toyota Motor Corp., Honda Motor Co., Daimler AG and BMW AG, sent a letter to Energy Secretary Steven Chu Feb. 27 asking him to allocate up to \$700 million from advanced energy research grant programs for hydrogen-related research. Hinkle said Tuesday the association had more work to do to convince the Obama administration. "Part of the rap is that hydrogen is a left-over Bush administration idea, and that's baloney," he said. - Source: [The Detroit News](#)

FIAT'S MARCHIONNE TO U.S. TASK FORCE: IT'S YOUR MOVE

Fiat Group CEO Sergio Marchionne said he is satisfied with the arguments his company made to the U.S. government regarding plans to form an alliance with Chrysler LLC. "We have done everything we were supposed to do regarding our Chrysler proposal. I flew to the U.S. twice for long talks with the president's automotive task force," Marchionne said. "Now it is up to them (the task force) to decide." In January, Fiat announced a proposed alliance that would have the Italian company take a 35 percent stake in Chrysler and have the chance to increase the holding to 55 percent. Chrysler received \$4 billion in U.S. loans at the end of last year to stay alive. The formation of the alliance is contingent on Chrysler getting an additional \$5 billion in federal aid to continue operations and carry out its restructuring. If the alliance is formed, Chrysler would get access to Fiat engines, transmissions and small-car platforms worth \$8 billion to \$10 billion, said Chrysler CEO Bob Nardelli. - Source: [Automotive News](#)

OBAMA FUEL ECONOMY STANDARD SET HIGHER THAN CALIFORNIA RULE

The Obama administration today issued fuel economy rules for 2011 model year passenger cars and light trucks, which are set higher than the California standard. The new rule was released in accordance with the Energy Independence and Security Act of 2007, which mandates fuel economy increases to at least 35 mpg for the fleet by 2020.

For the 2011 model year, the Corporate Average Fuel Economy (CAFE) standard for passenger cars was increased to 30.2 mpg and 24.1 mpg for light trucks. Overall, the standard for the fleet will be 27.3 mpg, a 2 mpg increase over the 2010 model year average. The California standard

for model year 2011 is 26.7 mpg for the light duty fleet, which includes passenger cars and light trucks. The state of California in Jan. 2009 petitioned the Obama administration to implement its own separate yet duplicative fuel economy system.

"By setting a fuel economy standard higher than what California regulators have proposed, the Obama administration today removed the last argument for state-by-state regulation of fuel economy," says John McEleney, chairman National Automobile Dealers Association. "The structure of California's program – with its exemptions for major automakers, its 'patchwork' design and its loopholes – is unworkable as a national policy."

The cost for automakers to implement the rule will be \$1.5 billion for the 2011 model year.

"Only a single, national fuel economy standard gives the auto industry the regulatory certainty necessary to produce and market the fuel efficient cars of tomorrow," McEleney said. "In contrast, California's patchwork fuel economy program would exacerbate the auto sector's severe economic turmoil.

"Now that the new CAFE law, passed by Congress in Dec. 2007, is at last being implemented, America's auto dealers call on all stakeholders, including the Obama administration and California regulators, to embrace a single, national fuel economy standard," McEleney added. -

Source: [NADA Newswire](#)
