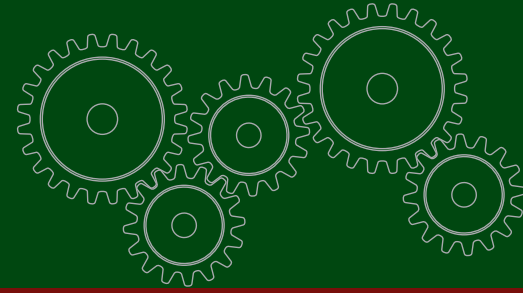




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Accelerate Your Business

August 2008

ECONOMY:

- Unemployment rate in July jumped to a four-year high of 5.7% as companies shed workers for a seventh-straight month. July job loss total was 51,000.
- the median household is spending 11.5% of its income on gasoline expenses, up from 4.6% five years ago.
- with gas prices recently at \$4.06/gallon, there are 60 vehicles in the new-vehicle market that cost consumers more than \$100 to fill.

OVERALL INDUSTRY:

- July auto sales were down 13% from July 2007, y-t-d are down 10.5%. The July SAAR-seasonally adjusted annual rate (of sales)-was an anemic 12.5 million (2007 = 16.1 million; 2006 = 16.6 million; all-time record was 2000 = 17.4m). Most forecasts now see full-year 2008 at 14.0-14.3m, same for 2009.
- Carols Ghosn, Nissan's CEO: sees sales for both 2008 and 2009 at 14.3 million. "I think we are going to have a challenging couple of years."
- The July selling rate was the lowest since April 1992. GM was off 26%, Ford down 15% and Chrysler down 29%.
- GM reported a Q2 loss of \$15.5 billion, Ford's was \$8.7 billion, privately-held Chrysler did not announce earnings. Major concern is the cash burn going on at each of the Detroit Three as they try to buy time till 2010 when they are banking on a ton of new products/an improved economy to turn things around. Dave Cole of the Center for Automotive Research in Ann Arbor: "things are pretty bad, and the river is getting deeper, faster and wider. The question is, can they get to the other side before the cash runs out?"
- Major cutbacks in/losses from leasing (typically about 20% of all new car and light truck sales): in Q2: Ford took a \$2.1 billion charge to write down the value of used trucks and SUVs coming off-lease; GMAC took a \$716 million charge and stopped all leasing in Canada effective August 1; Chrysler Financial stopped all leasing in the U.S. and Canada effective August 1 (gave their dealers one-week's notice). Chase Auto Finance stopped leasing Chrysler products; in Q1, BMW took nearly a



\$400 million charge for losses on off-lease cars, mostly SUVs in the U.S. and for Q2, BMW took a \$715 million charge. Nissan booked a Q1 charge of \$388 million related to leases, Honda took a \$231 million charge. Toyota has set aside “major reserves,” but did not cite any specific #s.

- CNW Marketing/Research on lease losses; in 2008, the industry will lose \$4.7 billion on sales of previously leased SUVs, sees another \$10 billion in lost values as thousands more SUVs come off-lease in 2009 and 2010.
- Falling crossover vehicle sales a new headache for car companies: despite a flood of new models into the segment, sales of crossovers were down 11% in July vs. July 2007—third straight month of declines for crossovers (not as fuel efficient as cars and cost more, a double whammy with \$4/gallon gas).
- VW To Build a new assembly plant in Chattanooga, Tennessee. 150,000 vehicle capacity, cost = \$1 billion, opens in early 2011, will employ 2,000. Goal: sell 800,000 VWs in the U.S. by 2018 (sold 237,000 in all of 2007; 116,000 in first half of 2008; exchange rates also a big issue).

USED VEHICLE PRICES:

- Manheim July Used Vehicle Value Index was down 4.4% vs. a year ago. Segments with the biggest price changes vs. a year ago: compact cars up 16.1%, midsize cars up 3.2%; full-size pickups down 23.6% and full-size SUVs down 26.1%. Used vehicle sales in the first half of 2008 were off 3.8% for franchised dealers, 6.7% for independent dealers according to CNW Marketing/Research.

CAR RENTAL:

Enterprise Rent-A-Car names Pam Nicholson (Manheim’s Automotive Woman of the Year award recipient at NADA in 2006) as President, The 48-year old 27-year veteran of Enterprise will keep the title of COO when she succeeds Don Ross who turns 65 this month. He will remain Vice-Chair. Early in her career, at age 29, she became the company’s youngest ever Regional VP at the time. The promotion to President makes her the likely successor to Chief Executive Andy Taylor, the 60-year old son of Enterprise’s founder.

GENERAL MOTORS:

- GM to cut 5,000 white collar jobs by November 1.
- In the first half of 2008, GM worldwide sold 4.5 million vehicles to Toyota’s 4.8 million. They forecast total industry global sales in 2008 at 72 million vehicles.
- as one more cost saving measure, GM lowering its warranty on Saab vehicles from 5 years/100,000 miles to 4 years/50,000 miles to also position the warranty to be





comparable to what its European competitors offer. Saab sales through June were down 29% vs. 2007; its incentive costs per vehicle--\$5,935—are among the highest in the industry.

FORD:

- Eight of Ford's 14 assembly plants now build trucks, SUVs and full-size vans; Ford will convert three of the eight to build smaller, more fuel efficient cars—starting the end of this year but all three won't be totally converted till 2010. Mercury has been made an integral part of the small car strategy, putting to rest rumors that the brand would go away (a la Oldsmobile). Its lineup will be completely revitalized by the end of 2010.
- Ford will rely heavily on small cars it currently sells (very successfully) in Europe to sell well in the U.S. vs. , for example in the past, Ford of Europe having its own Focus which was different than the Focus sold in the U.S. Concerning that past inefficiency, Ford CEO Alan Mulally (came from Boeing two years ago): “we didn't make different 737s for France and China.” 40% of new small vehicles introduced in North America by 2010 will share platforms with European models; the overlap will be total by 2015.
- For the first half of 2008, Ford had 10.4% of the passenger-car market, half what it had in 1995.
- at the end of Q2, Ford had \$38 billion in liquidity.
- Ford's vehicle mix in 2007 and projections for 2013: 2007: 52% truck, 30% car, 18% crossover; 2013: 38% truck, 38% car, 24% crossover.

CHRYSLER:

- Will cut 1,000 salaried jobs by September 30. In the first half of 2008, its sales are down 22% (23% through July).
- Chrysler able to get just \$24 billion of its \$30 billion working capital refinanced.
- Chrysler is in talks with Nissan about a partnership for them to produce midsize cars for Chrysler dealers, a partnership that would move them toward a radical new business model (the Dell outsourcing model). Under its earlier agreement with Nissan, Chrysler will start selling a subcompact car made by Nissan about 2011 (and Dodge will supply the RAM full-size pickup to replace the then discontinued Nissan Titan in 2010). Chrysler also has a deal under which China's Chery Automobile Company will make small cars for it. (GM and Toyota do that now—have for some time—at a plant in Fremont, California which makes the Toyota Matrix hatchback and the identical Pontiac Vibe; the Toyota model sells in greater volume and at a higher price).



TOYOTA:

- Toyota cut its global 2008 sales forecast by 3.5%--a total of 350,000 vehicles (200,000 in the U.S.) to 9.5 million to reflect plunging sales in the U.S. of its pickups and SUVs. U.S. sales are now projected to be 2.4 million, a 7% drop from 2007. Toyota also recently announced that its new assembly plant under construction in Tupelo, Mississippi—originally slated to build the Highlander mid-size crossover—will now build Priuses instead. All Priuses are currently built in Japan.
- Toyota cut 800 jobs at an assembly plant in southern Japan after Lexus sales slide. It is the first time that the Toyota subsidiary, which employs 8,000 workers, has made job cuts since it began operating in 1992. Growth in demand for Lexus models, now the top selling luxury vehicle in the U.S., has rarely faltered since introduced in the U.S. in 1989. July U.S. Lexus sales were off 25%.

CARMAX:

- Reported August 6 that comparable store used unit sales declined by an average of 17% for the months of June and July. Prior to Memorial day, up to May 22, comparable store sales for May were up 1%; for the rest of the month, they were down by 5%. The sudden and dramatic drop-off in sales beginning Memorial Day weekend led Car Max to withdraw their previous sales and earnings guidance for the fiscal year.

GE FLEET SERVICES:

- GE Capital Solutions Fleet Services is expanding its remarketing services to local banks, finance companies and credit unions. They currently have sales and operations teams dedicated to this initiative. GE's view of the main benefit to these clients: (Paul Seger): "these customers can come to us as a one-stop shop, assign their units over to us, and let us take them all the way through the remarketing process."