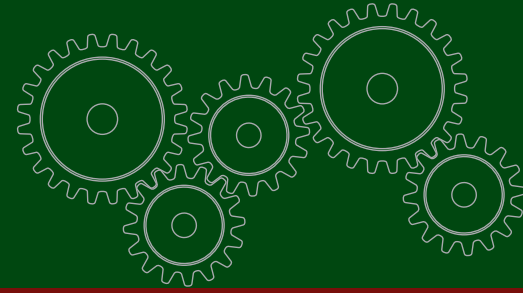




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Accelerate Your Business

February 2008

OVERALL INDUSTRY:

- January U.S. auto sales were down 3.9% vs. January 2007, tracked at an annual rate of 15.3 million (2007 finished at 16.1m, down from prior year's 16.6m). Of the Detroit Three and The Import Three, only G.M. was up (2.1%), largely on the strength of some hot new models, the Cadillac CTS (Motor Trend Car of the Year) and the Chevrolet Malibu. Ford down 4.1%, Chrysler down 12.4%, Toyota and Honda each down 2.3% and Nissan off 7.3%.
- "Car Loans Stretch to 7 Years or Longer:" Nearly 82% of auto loans made in 2007 were for 5-6 ½ years, with 72-78 month loans accounting for 40% of all loans. 84 month loans were 4% of the total. Has a negative impact on the usual sales cycle—trading after 36-48 months—because buyer still likely to be in a negative equity "upside down" situation—owes more than the car is worth.
- "Automaker Recalls Increased 30% in 2007:" 588 separate recalls involving 14.5 million vehicles in 2007, 30% more than 2006's 11.2 million vehicles as part of 490 recalls. Industry record was 30.8 million vehicles in 2004. Recalled vehicles by manufacturer in 2007: 1.) Ford-5.5 million; 2.) Chrysler-2 million; 3.) VW—1.5 million; 4.) G.M.—538,000 and 5.) Toyota—583,000.
- Auto Makers Cut First Quarter 2008 Production by 7.2%, all by the Detroit Three. G.M. down 8.1%, Ford down 16.3% and Chrysler down 19.1%. Toyota up 3.1%, Honda up 2% and Nissan up 11%.
- New UAW Contract (offloading health care liabilities to the union from each of the Detroit Three) will save each of the OEMs \$1,000 per car for each vehicle built in the U.S.
- Detroit Three Have Made Huge Gains in Assembly Plant Productivity Since 2000:but many of their vehicles still lag behind Toyota and Honda in dependability.
- In terms of average hours of assembly time per vehicle for 2006: Nissan at 20.5, Honda at 21.1 and Toyota at 22.1. G.M.= 22.2, Ford = 23.2 and Chrysler at 23.4 (each of them had improved by from 2.5 hours (Ford) to 8 hours (Chrysler, GM



improved by 6 hours), but they still trail Honda and Toyota by all measures of reliability (as reported by J.D. Power and Consumer Reports).

- The Double Payoff of Certified Pre-Owned Vehicles: they sell twice as fast as non-certified units (for December 2007, it was turning an average of 23 days vs. 49 for non certified units) and, depending on the manufacturer, 50-70% of all CPO sales are to customers who are new to that brand.
- Since 2005, the Detroit Three have closed assembly plants capable of producing 2.2 million vehicles a year; an additional 1.8 million vehicles' worth of cuts have already been announced. Cranking out fewer vehicles means dealers aren't choking on inventory, so there is less pressure to cut deals with consumers. In 2007, average transaction prices per car were \$1,000 higher than in 2005.
- Automotive News says Toyota Topped GM in Global Sales in 2007 by 48,000 vehicles (Toyota will announce final 2007 #s in two weeks). In previously announced #s, GM included 516,435 vehicles sold by the Wuling brand in China--- but GM owns just 34% of the Chinese company that produces them. Automotive News' methodology includes sales only of majority-owned subsidiaries (for example, Mazda is not included in Ford totals because Ford owns 33.4% of Mazda). Using the Automotive News methodology, 2007 final #s worldwide sales were: Toyota-9.37 million and GM-8.89 million.

FORD:

- Ford Plans a Taurus Redesign in 2009, "the one we should have built originally," according to CEO Alan Mulally. Taurus sales last year were down 19%. Ford really needs a competitive mid-size car as Chevrolet is doing very well with the totally redesigned 2008 Malibu, ditto Honda with the 2008 Accord, and Toyota and Nissan respectively redid their Camry and Altima in 2007 and all are selling briskly.
- "Up From The Livery Car Brand: How Ford Is Planning To Buff Up The Image of Its Troubled Lincoln Luxury Line." For the past 10 years, Lincolns have simply been fancy Fords. Now the brand is about to offer more exclusive designs. First vehicle will be the four-door 2009 MKS sedan this fall, followed in 2010 by the luxury MXT crossover first unveiled at the Detroit auto show last month. Target customer—in their early 40s. Have to get away from the "old folks car" image, fact that the Town Cars are the basis for most hearses built in America. On the plus side, rising customer satisfaction and high quality (J.D. Power has Lincoln at # 4). In 2007, Lincoln sold 131,000 vehicles vs. 215,000 for Cadillac and 330,000 for Lexus.



CHRYSLER:

- “What If Chrysler Didn’t Exist?” Title of a Merrill Lynch Report dated February 6, 2008. “Although it is tough to think of one of the Detroit Three failing, we believe it could happen with Chrysler definitely the weakest and most likely candidate. On the flip side, we believe GM is very much on the right path to recovery and Ford at the very least is headed in the right direction.” Two biggest negatives for Chrysler: truck-heavy product lineup (pickups, SUVs and minivans are 60+% of their sales) and they are extremely concentrated (96%) in North America. If Chrysler went under, it would eliminate almost three million units of capacity in North America.
- “Chrysler’s Turnaround Plan: Less Is More.” Over the next three years, Chrysler plans to drop as many as half of its 30 models and it expects a substantial consolidation of its 3,600 dealers into stores that sell all three of their brands (currently, fewer than 1/3 of Chrysler’s dealers carry all three brands—Dodge, Chrysler, Jeep). . Chrysler in total currently offers 11 SUVs. Chrysler’s product portfolio and dealer base were set up for a company selling four million vehicles a year. Last year, Chrysler sold 2.1 million, 18% fewer than in 2005.