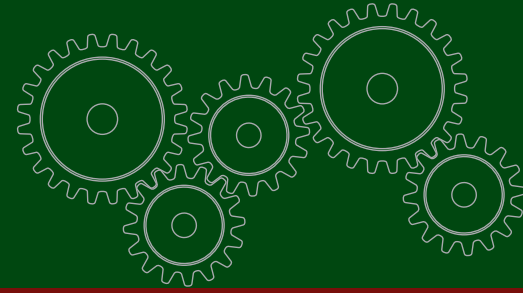




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Accelerate Your Business

March 2008

OVERALL INDUSTRY:

- February U.S. auto sales were down 10% vs. February 2007, tracked at an annual rate of 15.4 million units (2007 finished at 16.1 million, 2006 was 16.6 million). G.M. down 16.4%, Ford down 11.2% and Chrysler down 17.6%, Detroit Three total down 15.1%, rest of industry down 4.3%. Even the Japanese nameplates—except for a slight increase for Honda (up 0.7%)—were down; Toyota off 6.6% and Nissan off 2.9%. (all data from a Merrill Lynch Report). G.M. daily rental sales were up 17% while Ford's were down 24%, no data on Chrysler fleet sales.
- Kiplinger March 7, 2008: "Think Auto Sales Can't Get Any Worse; Think Again. Look for a 5% drop in March. It'll hit Detroit the hardest, with a 10-15% decline for Ford, General Motors and Chrysler. Sales of cars, pickups and SUVs for 2008 will be the worst in a decade, with 15.4 million vehicles sold, a 5% drop from 2007."
- Gas Prices: San Francisco the highest (\$3.58) and Cheyenne, Wyoming the lowest (\$2.99) as of March 10, national average = \$3.22 (year ago = \$2.51, a 28% spike). Diesel at \$3.83 a gallon vs. \$2.63 a year ago, a 46% jump. 10 years ago—in 1998--diesel cost \$0.88 a gallon. At \$505.00, trucker Ricardo Caraballo's 18 wheel over the road rig gas tank was just half-full.
- Drivers Hang On To Their Cars Longer: median age of cars on the road in 2007 was 9.2 years old, tying the record set in 2006; 41.3% of all cars were 11 years old or older. For TRUCKS: median age was 7.1 years.
- "Mexican Government Limits Imports to 1998's:" Mexican government now allowing JUST 10-year old cars to be legally imported (previously had been 10-15 year old vehicles, anything older than 15 years of age deemed a potential environmental and safety hazard). Used cars newer than that were unwelcome competition for Mexican car dealers. Used car dealers given just one month's notice on this change, 1998 models have jumped an average of \$500-\$800.
- MAJOR TAKEAWAYS FROM ANNUAL APRIL AUTO ISSUE (98 PAGES) OF WIDELY READ AND QUOTED CONSUMER REPORTS MAGAZINE:



- 9 of the top 10 vehicle picks—the top vehicle in each of 10 categories (family sedan, minivan, mid-sized SUV etc.) were imports. Chevrolet Silverado pickup the only domestic model.
- the 9 imports were NOT all Honda or Toyota: Honda had one, Toyota/Lexus had four, Hyundai had two (small sedan and mid-sized SUV) and one each for Chevrolet, Infiniti and Mazda.
- Chrysler finished at or near the bottom of every category in which it had an offering.
- Consumer Reports tested 262 vehicles and came up with an overall score on a 1-100 scale that covered reliability, performance, fuel economy, comfort, interior fit and finish, and ergonomics. AT THE TOP: Honda-78; Toyota-75; Subaru-72; and four tying at 71: BMW, Mazda, Nissan and VW. AT THE BOTTOM: Mitsubishi-63; Ford-61; GM-54; Suzuki and Chrysler at 49 (separate note on VW—in terms of just reliability, next to last).
- on reliability, 23 of the 33 models in CR's "most reliable" list were Japanese—almost all were Honda, Toyota and Subaru. Mixed marks for Mazda and Nissan.
- also on reliability: 41 of 44 models (93%) from Ford/Lincoln/Mercury scored average or better in predicted reliability. For Chrysler, it was 67%, for GM---49%.
- Ford vehicles are now more reliable across all ages than their Detroit rivals.
- Seven-year old vehicles from Honda and Toyota have roughly the same number of problems as three-year old vehicles from other manufacturers.
- what it really costs to own a car (over five years based on data from 675,000 subscribers) by category of expense:

48% depreciation

21% fuel

12% interest

11% insurance

4% maintenance and repair

4% taxes

GENERAL MOTORS:

- "Eight-Brand Pileup Dents GM Turnaround Efforts" (Wall Street Journal). GM has 8 brands to "feed" and 24% market share; Toyota has 3 and 16% market share. GM also has 5 times as many dealers as Toyota/Lexus.





- in 2007, 60% of the 9.4 million vehicles that GM sold worldwide were bought abroad vs. 50% just two years ago (and 25% in 1978).

FORD:

- “Ford Plans To Cut Fleet Sales 10% in 2008:” Ford cut daily rental sales by 1/3 last year, will cut by another 10% in 2008. In 2006, Ford had 447,000 daily rental sales; dropped to 304,000 last year and will drop to 270-275K this year., a 40% drop in two years.
- Ford has offered buyout packages to all 54,000 of its hourly employees—deadline is March 18—goal is to get 8,000 to sign up according to Wall Street analysts. Ford has already eliminated more than 32,000 jobs over the last two years through buyouts and early retirements. For the Detroit Three in total over those two years, the cut is 80,000 jobs. Part of the plan is to make way for some new hires at wages that are half of current pay scales (ditto for GM and Chrysler, part of the new agreement with the UAW last fall).

BMW:

- “BMW Invests To Put All X’s in Spartanburg:” BMW will spend \$750 million to build 90,000 more vehicles a year in the U.S. in the face of changing euro-dollar fortunes. BMW to hire 500 people for the plant, increase plant capacity from 150,000 to 240,000 vehicles and put all of its X-series SUVs and crossovers in the same U.S. plant for global production (Z4 will then switch production to Europe). Later this year, Spartanburg will launch the X6 crossover and a diesel version of the X5. U.S. is BMW’s largest market. VW and Audi also looking at producing vehicles in the U.S. (European automakers’ profits have come under siege with the dollar shrinking against the euro; until a few years ago, the dollar was trading for more than the euro, now it’s \$1.54 to the euro as of March 10).

HYUNDAI/KIA:

- “My Way Or the Highway at Hyundai:” (March 17, 2008 Business Week) On February 8, the CEO and Marketing VP of Kia (Hyundai is their parent company) were fired, the fourth shakeup in three years. The U.S. unit of Hyundai has churned through four top executives in five years. Both vehicles were originally marketed to consumers as utilitarian econoboxes, and now they are trying to move upstream and sell sedans that compete against BMW and Cadillac. They also have very aggressive sales plans, recently opening a KIA plant in Georgia on the optimistic assumption that they could sell 370,000 KIAs a year in the U.S.; last year, it was 305,000. “The companies keep booting out American talent, and many who stay find Hyundai Motors’ corporate culture to be suffocating.” American execs have been telling them for years that the two brands are not strong enough to sell for much above the price range of \$12,000-\$25,000. When Kia launched the Amanti in



2005—priced between \$25-\$30K—its goal was to sell 20,00 a year; last year, it sold 5,500.