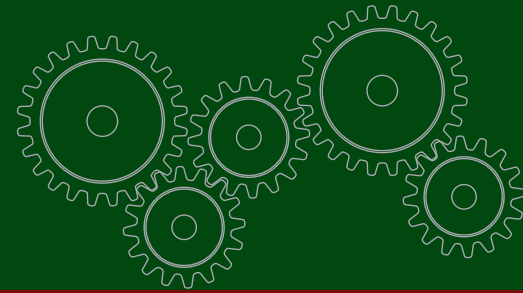




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Accelerate Your Business

May 2008

OVERALL INDUSTRY:

- April auto sales down 7%, Detroit Three down 17%. Sixth consecutive year-to-year monthly decline, 10th in the past 11 months, lowest monthly sales for April since 1995.
- Every one of the 13 domestic makes showed a deficit. Their market share for April-47.4%--an all-time low. Annual SAAR (seasonally adjusted annual rate of sales) was 14.4 million; full year 2007 was 16.1 m, 2006 was 16.6 m.
- Mix of sales also a concern: 53% cars/47% trucks—highest for cars since April 1997. Gas prices continue to hurt truck sales, and truck sales are where the Detroit three make their biggest profits.
- KIPLINGER on 2008 sales: will be 15 million units, one million less than last year. Industry will be down 6%, but Detroit Three will be down 10%. Expect 1,200 more dealerships—all U.S. brands—to disappear.
- “Used-Car Price Slump Slams Luxury Makes:” (Automotive News, 5/5/08). Off-lease luxury imports are taking big price hits compared to the residual values written on them three years ago (according to Black Book). Range of deficits is \$1,400 (Lexus) to \$4,700 (Mercedes). BMW at \$3,000 less than projected. BMW took a first quarter charge of \$372 million to reflect falling U.S. resale prices.
- Partnerships Among OEMs To Help Control Costs etc. 1.) Toyota has doubled its share in Fuji Heavy Industries (makes Subaru) to 16.5%. Toyota and Fuji will jointly develop a compact sports car by 2011 that will be manufactured at a planned Fuji plant. Toyota by 2010 will manufacture a compact car that will be marketed and sold under the Subaru brand. 2.) Chrysler—Nissan: Chrysler will build Nissan’s next generation of full-size pickups (replacing the slow selling Titan) at a plant in Mexico starting in 2011. Nissan will make in Japan a new fuel-efficient small car for Chrysler to sell in the USA and around the world in 2010.
- INTERNATIONAL sales potential for new vehicles vs. U.S. The “BRIC” countries—Brazil, Russia, India and China—are the emerging markets where the auto companies see growth potential vs. the flat, mature North American market (which is still the largest in the world). Measure of potential based on # of motor vehicles per 1,000 of population (U.S. is at 815, so saturated): India—25; China-25; Brazil—125; Russia-220. Others: France-595; Japan-600; Germany-605.



ENERGY:

- “This Is Not Your Father’s Diesel:” (April 21 Business Week). A slew of high-mileage models destined for the U.S. market could give hybrids serious competition. 20 new diesels are bound for the U.S. starting this year (diesels already account for more than 50% of new-car sales in Europe). Diesels are currently just 6% of sales of new vehicles in the U.S., forecast is as high as 15% by 2015. They deliver 35% better mileage than comparable gas engine models; even if you adjust for the higher price of diesel (about 12% more than gas), per-mile fuel costs for diesel are 15-20% lower than for gas powered cars. Payback on a hybrid: 3 ½ to 8 years; on a diesel, under 2.
- “More Cars Use Pricier Premium Gas:” The number of new models that require—or at least run better on—the priciest gas—has risen from 166 in 2002 to 282 this year. Automakers are turning to smaller, high-performance engines as a way to boost mileage without losing power.
- see Chrysler also on their \$2.99 per gallon incentive.
- “Except At Gas Pump, Not Much Spending Going On:” Total retail sales in the economy in March were up 1.8% from March 2007, but that was skewed by the 18.9% increase in sales at gasoline stations. Food and beverage stores up 4.3%, health and personal care up 3.5% BUT building materials/garden stores down 6.9%, department stores off 4.1%.

GENERAL MOTORS:

- One reason why GM won’t do away with any of its 8 brands is COST; in 2001 alone, GM spent \$1 billion buying out Oldsmobile dealers and shutting down operations (and the total cost was higher). What GM is doing instead is consolidating: moving GMC-Pontiac-Buick into the same store, ditto for Cadillac-Hummer-Saab. GM needs to spend the \$ on product—has some current hits like the Malibu and CTS.
- “GM’s Good News: A \$3 Billion Loss:” (May 12 Business Week). It was less than expected and shares rose 9% when that was announced last week. GM lost \$611 million in North America—but that was after benefiting from \$200 million in favorable currency exchange rates and \$600 million from hedging commodity prices (that won’t happen every quarter). Q1 market share was down to 22.1% from 22.8% a year ago. GM did make \$1 billion in pre-tax profits overseas and its costs per car—with the new UAW contract and other changes they had already made—could match or beat Toyota by 2011.

FORD:

- “Ford’s Fiesta To Kick Off Global Sales Effort:” Ford will start selling its new small car the Fiesta in China by year’s end. It will be sold in North America starting in





2010 (the smallest passenger car Ford sells in the U.S. currently is the restyled Focus). Car was designed in Europe. Worldwide, it will be sold under the Fiesta name, just like Toyota uses the Corolla name worldwide.

- Ford Helping Dealers Suffering Loss of Warranty Work. Ford's warranty business down 12% from 2006 to 2007—overall industry was down 2% as automakers build better vehicles. Ford is now the quality leader of the Detroit Three, scored very well in Consumer Reports.

CHRYSLER:

- "Chrysler Offers Buyers \$2.99 Per Gallon Gasoline." Month-long "Let's Refuel America" program (starts May 7, ends June 2) gives buyers of most of its vehicles a card good for purchases of gasoline or diesel fuel that locks in the price at \$2.99 a gallon for three years, based on 12,000 miles a year and the vehicle's EPA rating. The card covers regular lead-free, E85 and diesel. The fixed fuel price also comes with up to \$3,000 in bonus cash depending on the model.