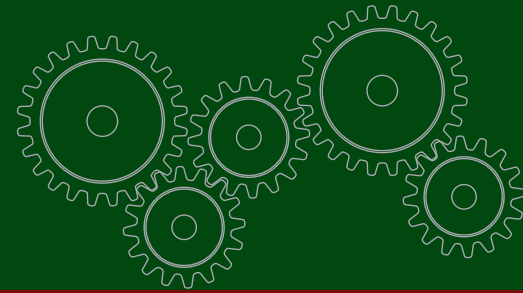




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Accelerate Your Business

October 2007

OVERALL INDUSTRY:

- “A Bad Stretch For The Industry: 4 Straight Months of Decline” was how Automotive News described it. September sales were off 3% from a year ago, as is also true of the first nine months. Ford was down 21%, GM flat, Chrysler off 5% for the month.
- Through August-the “through September” #s not yet available-Toyota Prius outsold Dodge Caravan....and by 4,500 units. Prius hot because of \$3/gallon gas and it’s “green,” Caravan sales off 20% because minivans are down and the 2008 Caravan is totally restyled-making 2007’s orphans.
- There is an all-out war going on in full-size pickups among the Big Three and Toyota (Nissan not participating as aggressively) for market share, with 0% financing for 60 months or \$4,000-\$6,000 rebates the norm.
- The “domestic-import” uphill battle: most domestic vehicle purchases are by buyers who are already buying domestic, few “conquest” sales. Specifically, for the first half of 2007: a.) of consumers who traded in a domestic vehicle, 69% bought domestic and 29% bought Asian (Japanese and Korean); b.) of those who traded in an Asian vehicle, 78% bought Asian and just 19% bought domestic; c.) of those who traded in a European make, 41% bought European, 40% bought Asian and 19% bought domestic.
- “Three-to-Five-Year Old Units in High Demand:” according to CNW Marketing/Research, the total supply of three-to-five year-old vehicles has dropped 23% from 12.2 million in 2002 to 9.4 million in 2007.
- Detroit and the health care/union issues: a.) GM’s union workforce is currently 73,000 vs. more than 200,000 10 years ago. The UAW in total has 40% fewer members than it did in 2003. At the time of the last national UAW strike-1970-G.M. had 50% market share, it’s now 24%. Imports went from 15% to 49% in the same period. If GM had the same retiree health care structure as Toyota in the U.S., it could introduce five brand new models EVERY YEAR. GM has 270,000 retirees and health care liabilities of \$51 billion; Toyota-300 retirees, no health care liability # cited.

INTERNATIONAL:

- For big manufacturers, the subcontinent of India is becoming an alternative to China. Hyundai already builds 350,000 cars a year in India. In India, no labor force issues-14 million new job seekers enter the market every year.



DEALERS:

- “Franchised Dealers Surpass Independents in Monthly Used Vehicle Sales;” according to CNW Marketing/Research, franchised dealers sold 36% of all used cars last month, independents 31% (other 33% = private party sales). Reflects heightened interest by franchised dealers in their used car operations.
- JM Solutions recently announced a new feature in their AAX used vehicle inventory management system that enables dealerships to source inventory from more than 150 auctions throughout the U.S. (includes us)-enables dealers to identify which auctions have the specific vehicles recommended by their AAX Buy List.
- “Lithia Will Switch to No-Haggle;” Oregon-based mega-dealer plans to switch to no-haggle vehicle pricing at all of its more than 100 dealerships within three years (think they have about 130 stores). Has started the program’s first phase at dealerships in California, Texas, Nevada, Washington and Alaska. Lithia sold 66,000 new vehicles last year.

CAR RENTAL:

- “Car Rental Companies’ Problems Trickle Down;” Be ready for an older vehicle when you rent and fill it up near the airport. Rental cars with 25,000-30,000 miles now common as the companies run them longer (switch from program to risk), have gotten very aggressive in returning a vehicle with a full tank. At Dollar-Thrifty, you have to show a receipt that the gas station where you refueled was within 10 miles of the turn-in location. With car rental companies making \$5 on a \$50 rental-and gas at \$3 a gallon-they are watching everything.

GENERAL MOTORS:

- GM is spending \$100 million on advertising to introduce the all-new Malibu on November 2, their Accord-Camry fighter. (2008 Accord is all-new and flying out of the showrooms, Camry and Altima were both totally redone for 2007 and remain very hot sellers). Last year, GM sold 138,000 of the old Malibu-but 40% went to rental companies. Toyota sold 417,000 Camrys and Honda 350,000 Accords; less than 10% of the Camrys went to fleet purchasers-rental or commercial; 0% Accords went to either-all retail. The 2008 Malibu will start at \$19,995-\$2,000 more than the 2007 model-and will offer a hybrid version for \$3,000 more.
- With the almost approved UAW deal, GM has now shrunk its labor cost gap with Toyota down to \$800 per vehicle (was as high as \$4,000 a few years ago). Where did the savings come from: \$2,000 from GM’s 2-year old turnaround plan (closing plants, early retirements and buyouts of workers), \$400 from new work rules negotiated with the UAW and \$800 from the new health care fund for its retirees that it will shift to the UAW (GM to contribute \$35 billion to the fund which will take \$51 billion in health care liabilities off its books). If Ford gets a similar deal, they would have to come up with \$20 billion.





FORD:

- “Changing Five Hundred’s Name to Taurus Doesn’t Boost Sales:” Combined September sales of the new Taurus and old Five Hundred were 30% behind September a year ago. One thing that hurt was that Ford halted Taurus ads for four weeks before resuming them on Labor Day.
- Lincoln will probably outsell Mercury in 2008—they only trail by 27,000 right now—as Lincoln sales are up 15% for the first nine months of 2007, Mercury’s are off 11%. Mark Fields of Ford has publicly said that Lincoln will become the volume brand for Lincoln-Mercury (will probably happen next year with new product Lincoln has coming in mid-2008). There are also no new Mercury products in Ford’s pipeline beyond 2009 models, which suggests that Mercury’s days are numbered.
- Ford’s only entry in the small car market until late 2009 or early 2010 will be the restyled 2008 Focus—no sub-compacts for 2-3 years. The next-generation Focus—a U.S. version of the redesigned European Focus (which sells very well overseas)—is expected in 2011. Ford is counting on the redone 2008 Focus to revive sales which dropped from 286,000 in 2000 to 177,000 last year, a 38% drop.

TOYOTA:

- Toyota last month sold its 2 millionth certified vehicle, has sold 208,000 certified units this year (up 6% over year). 50% of Toyota Certified buyers have never previously owned a Toyota.
- Toyota output for 2007 to overshoot plan: because of stronger than expected worldwide demand, Toyota will build 270,000 more vehicles than its original plan for 2007. For the first eight months of 2007, Toyota manufactured more vehicles overseas than at home: 2.82 million vs. 2.73 million units in Japan, the first time that has ever happened.

BMW:

- BMW plans a new-vehicle blitz in the U.S.: BMW has announced that they will launch six new vehicles in the U.S. in the next several years and all by 2010—all in niches where it does not now compete