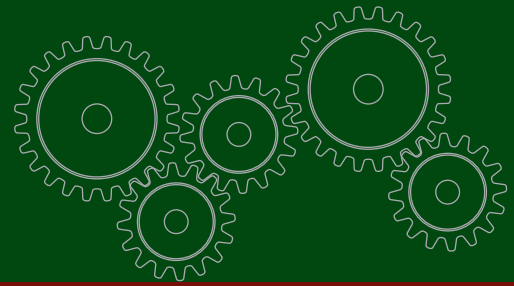




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Accelerate Your Business →

August 2007

OVERALL INDUSTRY:

- July new-car and light truck sales were down 12% from July a year ago, and it was the first month EVER that imports captured 50% or more market share (51.9%). GM down 22%, Ford down 20% and Chrysler down 8%. Even Toyota was down 7%.
- July sales pace was the lowest in nine years.
- Housing, high gas prices and credit-market turmoil were the main factors. For example: \$400 billion in adjustable rate mortgages are scheduled to reset for the first time this year, another \$1trillion are due next year.
- The # 1 selling SUV in June (don't have model breakout yet for July)-of any size or brand-was the totally restyled and fuel efficient Honda CR-V. It is on pace to sell 200,000 this year. The Ford Explorer's best sales year was 2000-445,000.
- Industry forecasters now look for total industry sales for full-year 2007 to be 16.1 million vehicles, down 500,000 from last year.
- Freefall in domestic market share since 1970: 1970 = 86.8%; 1980 = 76.1%; 1999 = 68.5%; 2006 = 56.4%. Total industry sales 1970 to 2006 were up 63% from 10.2 million to 16.6 million last year.
- Big Three are currently in contract talks with the UAW, current four year contracts expire on September 14. Since 1979, UAW membership has dropped from 1.5 million to 500,000 today.
- Profit or loss per vehicle in 2006 (Report just released): Chrysler lost \$1,111 per vehicle (vs. a profit of \$144 prior year); the Big Three lost an average of \$1,073 per vehicle last year while Toyota/Honda/Nissan averaged making \$1,593 per vehicle-a \$2,666 per vehicle gap.
- How over-dealered are The Big Three ? Toyota has 90 dealers per one-point of market share (1,400 dealers for 16% share); GM is at 300 (6,900 dealers for 23% share), Ford at 280 (4,200 dealers and 16% share) and Chrysler at 270 (3,700 dealers and 14% share).
- Starting with the 2008 models, the EPA will adjust its mileage calculation methodology for the first time since 1984. Estimated highway mileage will drop by 8%, city mileage by as much as 25% (particularly on hybrids, will not be 25% on



regular engines, they will be around 10%). The new methodology includes the use of air conditioners and heaters, higher highway driving speeds than earlier methods. Whole intent is to have the EPA #s more closely resemble real-world results; it does NOT change the actual mileage.

FORD:

- Industry reports state that Ford is targeting to have a tentative deal for Jaguar/Land Rover by September 30, ditto for Volvo by 12/31/07.
- Last year, Jaguar was 1% of Ford's sales, Land Rover 4% and Volvo 7%.
- In March, Ford sold Aston Martin for \$848 million.

CHRYSLER:

- Started offering a lifetime full-powertrain warranty on all new 2006, 2007 and 2008 models delivered starting July 26, 2007. Balance of vehicle covered by 3/36 basic limited warranty.
- New Chairman and CEO of Chrysler, now private and owned by Cerberus Capital Management, was announced this past Monday-Bob Nardelli, former CEO of Home Depot and one of the original three finalists to succeed Jack Welch at GE when he retired in 2001. Nardelli didn't get that job, so went to Home Depot. Lots of unknowns here, given his autocratic style, lack of auto experience and \$210 million severance package from Home Depot. He did have a very successful manufacturing career at G.E., which likely will come in handy. His take no prisoners approach is one of the big question marks.

CAR RENTAL:

- Dollar Thrifty Automotive Group announced a few days ago that it is eliminating 25% of management positions at its headquarters, in addition to other support staff. That is on top of the 10% reduction in executive management positions announced last year.

FRANCHISED DEALERS:

- For April 2007 YTD-latest data available from NADA-average gross profit on a new car was \$1,498-or a 5.2% margin on average selling price of \$28,574.
- Same numbers for used: average gross profit was \$1,800-or an 11.8% margin on average selling price of \$15,237.
- Average gross margins on used cars are more than twice those on new; in pure dollars, a dealer makes \$300 more on a used car that sells for about half the price of a new car.

