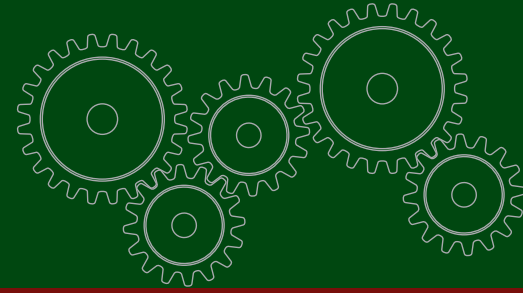




MANHEIM CONSULTING

6205 Peachtree Dunwoody Road Atlanta, Georgia 30328
phone: 678.645.3500 www.manheimconsulting.com



Accelerate Your Business

September 2008

OVERALL INDUSTRY:

- August auto sales down 15.5% from prior year; year-to-date sales down 11.2%. The SAAR was 13.9 million, up a bit from July's anemic 12.8m (Automotive News as source). Detroit Three as a group off 24.7%; GM down 20%, Ford down 26% and Chrysler off 35%. Their market share was down 5.6 points to 45.3%. For the first 8 months, Detroit Three are off 18.7%; GM down 18.1%, Ford off 16.5% and Chrysler down 24.2%. Honda is now #4 in year to date sales, Chrysler # 5 (by 8,000 vehicles).
- Leasing falls to four-year low in August: 13.3% of new vehicle transactions (from August 1-24 according to J D Power) vs. 18.4% in August 2007 and 18.0% in July 2008. In 2007, leasing was 20% of sales with highs of 60% at BMW and 55% at Daimler.
- "Auto Industry to Press Congress for \$50 Billion in Loans," Detroit News, September 8. With Congress returning from its summer break this week, the industry plans an aggressive lobbying campaign for low-interest loans to modernize plants and help them build more fuel-efficient vehicles. Lawmakers had authorized \$25 billion in last year's energy bill. With credit now tight, the automakers now want Congress to come up with money for the program--and double the amount to \$50 billion over three years. Loans will go first to firms in the worst shape, so Chrysler (according to Kiplinger) will be first in line. Money would be for automakers and suppliers.
- Cost for the auto industry to comply with the new 35 mpg CAFE mandate by 2020: \$85 billion, will add \$1,000 to the cost of cars and \$4,000 to the cost of trucks.
- Consumer Market Shift to Cars away from trucks: August 2005: passenger cars = 41% of market; May 2008 = 61%, 20 point swing in three years. Each point--annualized--is worth 150,000 to 160,000 units.
- Gas Prices etc. leading to consumers driving fewer miles: In the first six months of 2008 vs. same period last year, Americans drove 42 billion fewer miles. In May and June respectively, it was 10.2 billion and 12.2 billion respectively (vs. 3.6 billion fewer in January and 1 billion fewer in February), so rate has been accelerating.
- Manheim Index was up 0.7% in August, but year over year, it is down 3.8%. Biggest price increase by segment was for compact cars at 14.8%; full-size pickup prices down 18.2% and full-size SUV prices down 23.2% vs. last year.



- August unemployment rate jumped to 6.1%, eighth straight month of job losses, 605,000 total jobs lost so far in 2008, initial jobless claims up, overtime hours worked at their lowest level since 1991.

GENERAL MOTORS:

- GM has increased to 12 months, 12,000 miles bumper-to-bumper its warranty on CPO vehicles from three months or 3,000 miles. New warranty effective September 13.
- GM to spend \$500 million to launch Cruze in U.S. Cruze will be a 2011 model, launched in April 2010, to replace the Cobalt. Most of the \$500 million will go to modernize the Lordstown, Ohio plant. Capacity will be 330,00 cars a year. Cruze launches in Europe and Asia in 2009. Debuts at Paris auto show next month.

CHRYSLER:

- "A Strange Detour For Chrysler," Business Week: Chrysler, inventor of one of the best-selling ideas in automotive history--the minivan--is starting to turn itself into a marketer and contract manufacturer of other people's cars (deal with Nissan for a restyled Versa sub-compact with a Chrysler badge, word has it that there may be a similar deal for a Chrysler version of the Altima); Chrysler will build Nissan's full-size pickups in 2010 or 2011 when Nissan stops building the Titan. Will it work: the Toyota Matrix and the Pontiac Vibe are the same car built in the same GM-Toyota joint venture plant; the Toyota sells more and for more money.

TOYOTA:

- "Toyota To Cut Sales Target," Automotive News: Toyota's original plan was to sell 10.4 million vehicles worldwide in 2009, has revised that downward 5% due to slowing economies worldwide/gas prices/plunge in truck sales. It recently reduced its 2008 forecast by 3.7% to 9.8 million units. For the first half of 2008, Toyota's sales in both the U.S. and Europe were down 7%.
- "Toyota Delays RAV4 Production Plan in Canada," Automotive News (Sept. 5): Toyota's new \$1 billion RAV4 assembly plant in Woodstock, Ontario will still open late this year, but a second work shift that would have started next spring--doubling capacity to 150,000 vehicles a year--has been indefinitely postponed. RAV4 sales in August were down 19%.





HONDA:

- "Honda Will Give Dealers Fits a Month Early," Automotive News (August 20): the redesigned 2009 subcompact Honda Fit, originally slated to start arriving at dealerships October 1, began arriving August 26. In the first seven months of 2008, Fit sales were up 73% over last year. In July alone, Honda sold almost as many Fits as its entire Acura brand lineup. Honda has five plants worldwide building the Fits, U.S. models come from their Suzuka, Japan plant. Price increase on the 2009 model is \$600; the Fits gets 35 mpg highway and 28 mpg city.