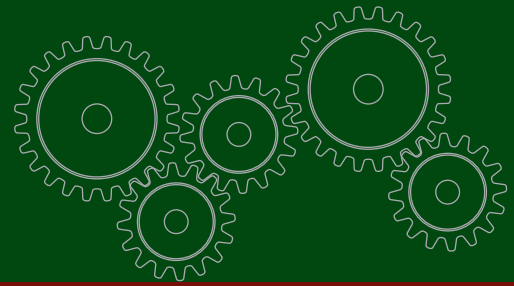




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Accelerate Your Business →

Auto Industry Factoids

December 2006

OVERALL INDUSTRY:

- Global auto sales are expected to rise 12% by 2010, from 65 million last year to 73 million in 2010.
- U.S. auto sales are expected to decline in 2007 to 16.0-16.3 million from this year's estimated 16.6 million. Bank of America, Wachovia, and Citigroup analysts are especially bearish. 16.3 million will be the lowest level since 1998. Main factors: slowing U.S. economy, slump in housing industry, adjustable mortgage rates resetting to higher rates (and higher monthly payments).
- 11 "hottest" cars and light trucks for October-based on how few days they stayed on dealers' lots-were all imports: Toyota/Lexus/Scion had 7; Honda -2; Volvo-1; VW-1.
- Saturn is one of the few domestic models ranking above average in latest "projected residual values after 36 months for 2007 models" forecasts from Automotive Lease Guide (as a percentage of their original sticker price): Saturn was 47.4% vs. industry average of 46.1%. Top 3 were: Honda-53.7%; Toyota-51.4%; and Subaru-51.1%. Bottom 3 were: Suzuki-40.4%; Buick-40.3% and Kia-37.2%.
- Results of J.D. Power customer retention survey, by brand, released December 6 measures the percentage of new-vehicle buyers and lessees who replaced a vehicle with another from the same brand. Toyota # 1 at 63.9%; Lexus # 2 but % not cited, Honda # 3 at 60.3%. Cadillac highest domestic brand and sixth overall at 55.5%, while Chevrolet was # 7 at 55.3%. Industry average was 47.9% (down from 49.6% a year ago). 9 of the 12 brands that ranked above average were import.
- Consumer Reports Vehicle Reliability Survey Results just out: 6 of the 47 models listed were domestics (Ford Fusion, Mercury Milan, Lincoln Zephyr, Buick Lucerne, Cadillac DTS and Chevy Tahoe/GMC Yukon). Still, 39 of the 47 vehicles earning Consumer Reports' highest predicted reliability scores were Japanese.
- On average, Toyota, Honda, and Nissan have a \$2,400 per vehicle profit edge over GM, Ford, and Chrysler. A recent study broke that down into 5 categories with associated dollar ranges: revenue (i.e., lower incentives)-\$250-\$940; excess capacity-costs the Detroit Three \$50-\$350 per car; interest and other costs (junk credit ratings for the Detroit Three etc.)-\$200-\$580; retiree health care-\$490-\$705; and labor (vacation days/break times etc.) \$590-\$630.





- Gasoline prices are up 8 cents a gallon since end of October and are 15 cents higher than a year ago. Increases are expected to continue until Christmas, rising another 5 to 10 cents a gallon. As of December 4, the average price-per-gallon for self-serve regular was \$2.30.

FORD:

- Ford recently put up almost all of its assets, including Ford Credit and assembly plants, to get an \$18 billion loan to help fund its restructuring, new product plans and "cash burn" of the next several years. First time in its 103 year history that it pledged core automotive assets as collateral on a loan. Ford should close on the loan by December 31.
- Ford's market share fell to fourth place for month of November sales (still in second place year-to-date) for the first time in its history. GM # 1, Toyota # 2, DaimlerChrysler # 3. This is the second month this year that Toyota outsold Ford.

GENERAL MOTORS:

- GM just completed its sale of a 51% stake in GMAC to a private investor consortium, will net GM \$14 billion.
- GM now the # 2 automaker in China in terms of market share-11%-trailing only VW at 16% (VW has been in China much longer).
- GM has canceled its next-generation minivan, abandoning that segment in favor of a new line of crossover vehicles. The minivans had been scheduled for a makeover for the 2010 model year. Total U.S. market minivan sales down 19% since 2000 to 1.1 million vehicles last year and there are basically just three players: Chrysler, Honda and Toyota.

TOYOTA:

- Motor Trend's 2007 Car of the Year Award winner: Toyota Camry (for the first time), beating 26 other models that were totally new or redesigned in the year prior to January 1, 2007. The real significance for Toyota is achieving this with a "mainstream" (i.e. bread and butter high volume) model-they sell 400,000 + Camrys a year (Honda sells a similar # of Accords). One of Toyota's biggest strategic concerns was to "not have the Camry become another Oldsmobile." The average age of a Camry buyer, prior to the totally redesigned 2007, was 52; it is now appealing to a much younger demographic without alienating its core audience. Oldsmobile, in contrast in 1986, sold 1.1 million vehicles; in 2000, GM announced that they were dropping Oldsmobile. The 2007 Camry is one of the "11 hottest cars" noted earlier, staying on a dealer's lot an average of just 12 days (most domestics are 60-70 days).
- Toyota's current cash reserve is \$30 billion; its net profit in its second fiscal quarter (ending 9/30/06) was up 34%.
- Toyota's looking at adding two more assembly plants in China to raise its capacity there to 900,000 to meet its 2010 sales targets.



**DEALERS/DEALERSHIPS:**

- Big drop by dealers in use of newspaper advertising over the last 10 years. 1995 = 54% of their ad dollars, 2005 = 33%.
- Toyota dealerships all being upgraded. By 2010, each of its 1,220 U.S. dealerships will have a new "look and feel" that it calls "Toyota Image USA II." Things like: warm interior designs with a residential feel, café's and children's play areas, brighter graphics.
- Toyota also, to help double the sales of its Tundra with the all-new, **really full-size this time**, Tundra that debuts next February, is pilot testing satellite sales and service outlets owned by dealers in major metro markets. The idea is that rural markets, farmers and ranchers, should be prime prospects for the new Tundra and to meet them where they live.

CAR RENTAL:

- Hertz (its IPO hit November 15 at \$15/share vs. a projected \$17), in its plan to extend its dominance in airport car rentals to the leisure market while still slashing costs, faces two major challenges from Enterprise: a.) Enterprise has historically dominated the leisure business and b.) Hertz is facing a huge cost increase that Enterprise is not: **huge increases in program car costs**. The value of Hertz's fleet fell about 8% this year, since 65% of its cars are no longer assured a good resale price. As the OEM's make major reductions in the **volume** of program cars and **increases** in their costs, car rental companies that historically have had a high % of program cars (such as Hertz/Avis-Budget/Vanguard-Alamo) are facing huge increases without being able to fully recover those with higher rental rates. Enterprise is a 100% risk car fleet, so doesn't face that challenge, **plus** Enterprise has three times as many off-airport sites as Hertz. Being private also gives it a lot of pricing leeway.

MISCELLANEOUS: AUCTION ACCESS IN THIS ISSUE:

- Auction Access was installed at 21 new auctions in 2006, 10 of which were ADESA locations. They also now have more than 300,000 **active** representatives in their system and 500,000 individuals total.

