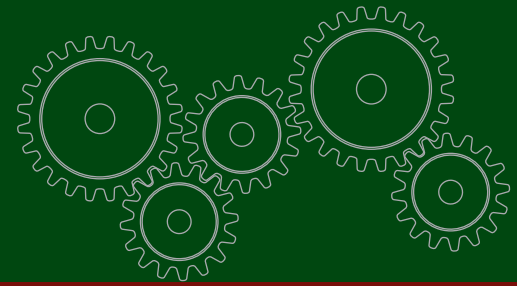




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Auto Industry Factoids

November 2006

OVERALL INDUSTRY:

- Forecast by CAR-the independent Center For Automotive Research in Ann Arbor, Michigan (with whom we interact often on data sharing): By 2009, fewer than half of all vehicles sold in the U.S.-cars and light trucks-will be made by Detroit's Big Three. Currently, the Detroit Three have 54% market share this year, down from 58% in same period last year and down from 65.6% in 2000 and 72% in 1996.
- CAR also forecasts that by 2011, U.S. car makers will produce about 45% of the vehicles sold in the U.S. with foreign companies making 55%.
- How fleet sales (daily rental, commercial fleet and government) by the Detroit Three can "mask" their real inventory problem. Using "day's supply" as the measure, with the industry norm considered 60-65, for the end of September (latest detailed stats out); total days supply (includes fleet) from GM-Ford-Chrysler in that order were: 76-75-82. If you exclude fleet to get at just retail, the #s are: 88-84-101, Toyota = 26. (AutoNation's CEO puts those numbers even higher at 94-105-128). Fleet sales for the Detroit Three are in the 30%+ range as a percentage of their total vehicle sales.
- With Detroit's vehicles out in the elements on dealers' lots for three to four months (versus a month for Toyota), factory paint jobs fade and chip. One of the biggest complaints about Detroit cars and trucks, according to J.D. Power, is paint quality.

GENERAL MOTORS:

- G.M. now showing signs of revival (November 6 U.S. News & World Report-"While Ford Stalls, GM's In Gear"). Although not out of the woods and still facing lots of challenges, G.M. has several bright spots: a.) it is succeeding overseas-has overtaken VW as China's top car seller, is also doing well in South Korea and improving in Europe; b.) G.M.'s restyled big





trucks and SUVs are selling decently; c.) G.M.'s high end-Cadillac-has been a real bright spot. The new 5 year 100,000 mile BASIC and powertrain warranty on all of its 2007 models will also help (most of its competition kept the BASIC warranty-the bumper-to-bumper deal-at either 3/36 or 4/50).

- G.M. is also revitalizing Saturn-they decided to invest \$3 billion in 2004-and the early results are very encouraging. The 2007 Saturn Aura-a Camry/Accord size vehicle-has gotten great reviews, the Sky roadster convertible is flying off their lots and in spring 2007, Saturn dealers will get an 8 passenger crossover called the Outlook.

FORD:

- Ford stopped building the Taurus on October 27 after a 21-year run; 5 points of Ford's 8 point sales gain in October came from Taurus. When the Taurus first debuted-December 26, 1985 as a 1986 model-it became the top-selling car for eight years. After the design changed in 1996, sales dropped like a rock and it never recovered, has been a "fleet only" (most car rental) its last few years.
- Ford's costs vs. GM's: Its fixed costs (\$57 billion) are two billion higher than larger GM; ditto its variable cost per vehicle-\$15,000 vs. \$12,000. It also outspent GM on R&D last year-\$8 billion vs. \$6.7-but is losing market share faster than GM.
- Among the cutback measures, Ford has announced: no merit pay increases for salaried employees in 2007, December paychecks will be delayed a week, health care benefits will be scaled back and premiums raised. Ford has also announced that it will cut production 21% in the fourth quarter of this year, and 12% in the first half of 2007 (just over half of the 2007 production decrease is because they have stopped building the Taurus).
- November 6 Fortune on the challenges that new Ford CEO Alan Mullaly faces: U.S. market share has dropped for 11 straight years; Ford has faced the same issues for at least 30 years-excess capacity, inefficient operations, a powerful and richly compensated union and robust foreign competition. It also is currently experiencing a brain drain as many executives leave-particularly women, it has the driest product pipeline for North America among its five main competitors, and it is the least globally integrated large automaker in the world.





DAIMLER CHRYSLER:

- Mercedes-Benz is doing very well, its Chrysler division is having major troubles. At Mercedes: 3rd quarter operating profit up 127%, sales are up 9.3% for the first 10 months and they have gotten their arm around quality issues. One negative: its costs per vehicle are as much as \$3,800 higher than for comparable BMWs. See next item for Chrysler.
- Chrysler: had a \$1.5 billion loss for the quarter, only one of the top six OEMs with a sales decrease in October, 70% + of its sales volume is from light trucks (minivans, SUVs and pickups) and it has a huge inventory problem, both on its dealers lots and because of its "sales bank" vehicles- vehicles it produced earlier this year without any dealer orders for them- at one point, the sales bank hit 100,000 vehicles (parked mostly around Detroit Metro Airport lots and at their Toledo assembly plant), very recently down to 50,000 and Chrysler says it will be zero by 12/31/06. These "sales bank" vehicles were also not counted in the official days supply of inventory figures that Chrysler released. Chrysler had lots of problems with "sales bank" vehicles earlier in its history, particularly in the '70s.

BMW:

- BMW: among the stats in a seven page article on BMW in October 16, 2006 Business Week on BMW's "Dream Factory" in Leipzig which opened in May 2005: since 2000, BMW has hired 12,000 new workers even as GM and Ford have slashed thousands of jobs. (Earlier articles on this revolutionary plant noted that it can assemble 10 different models, the "ultimate" in flexible manufacturing). BMW currently has 106,000 employees, its HR department receives more than 200,000 applications annually- a far cry from 1959 when BMW almost went bankrupt and was just a step away from being acquired by Mercedes-whom it has now outsold in the U.S. for the last several years.

TOYOTA:

- 10 "hottest" new cars and light trucks, based on how few days they stay on a dealer's lot: 8 of the 10 are Toyotas (includes Scion/Lexus), other two are Honda. They were on a dealer's lot from 5 days (Toyota Prius) to just 17 (Toyota RAV 4) in October.





CAR RENTALS:

- Why the big turnaround: Mike Jackson, chairman and CEO of AutoNation: "Detroit is still paying for the sins of the past, when it had an insular mindset that was production-driven, and it built cars with high cost and poor quality-a deadly combination. When the market shifted, their response was short term and incremental in nature. The Asian companies have used market-driven behavior for decades, as they combine long-term strategic goals with short-term flexibility."

MISCELLANEOUS:

- Power Information Network stats on vehicles with highest retained value after three years of ownership as a % of original transaction price: # 1 = Honda-68%; # 2 = Toyota-66%; # 3 Subaru = 63%. Industry average = 57%. Others above industry average: Lexus, Infiniti, Acura, Mazda, BMW. Below industry average: Mercedes-Benz, GMC, Volvo, Chevy.
- U.S. Job Market Stronger Than Thought: last Friday's jobs report showing 92,000 new jobs being created in October was below expectations in the range of about 125,000 but there was a lot of good news at the same time: unemployment rate was at a five-year low rate of 4.4% (down from 4.6% in September); the Bureau of Labor Statistics revised upwards by 139,000 its payrolls combined for August and September; and earlier, the government said that the economy added 810,000 more jobs for the year ended in March than previously believed.

