Two great awards. One very sincere thank you.

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Mercedes-Benz
For some nameplates, ’09 hasn’t been so bad

John K. Teahen Jr.

Thirty-five of the car-truck nameplates on the U.S. market reported sales increases for the first eight months of this year.

That’s not all bad in a year that everyone agrees has been a real stinker. But let’s look at those successes. First of all, it’s 35 out of 228, or 15.4 percent, in a bad year. Eight of those were introduced midway or later in 2008, so they weren’t on the market for the first eight months last year. It follows that 2009 sales are higher.

Now we’re down to 27 winners, or 11.8 percent. And four of them posted gains of 100 or fewer. So, 23 major winners, or 10 percent.

What is a nameplate? Try this it way: Chevrolet is the brand, Malibu, the nameplate; LS, the series; and four-door sedan, the model.

Only 4 domestics on list

Only four domestics made the list. Two were Fords: the Fusion sedan and Escape crossover. The others were the Dodge Journey crossover and Pontiac G8 sedan. The Ford Flex crossover and Dodge Challenger muscle car were up, but neither was on sale for the full eight months of 2008.

The G8’s increase was tinged with irony: It won’t be around for the 2010 model year, and neither will Pontiac. Nine-tenths of the 23 big giants were imports — four from Land Rover and three each from Hyundai, Kia, Jaguar and Subaru. The Nissan 3 sports car, Nissan Rogue crossover and the Audi sedan were the others.

The biggest increase among the 23 was scored by the Fusion, up 16,163 or 15.0 percent, followed by the Subaru Forester crossover, up 15,711 or 29.4 percent. Next were the Pontiac G8 with a gain of 9,059 and the Hyundai Accent subcompact, up 9,282.

The first month out of bankruptcy didn’t help General Motors much with August sales. In fact, the company fell farther behind its net-so-great 2008 performance.

Sales declines for August vs. last year were Chevrolet, 8.1 percent; GMC, 45.3 percent; Buick, 51.1 percent; and Cadillac, 55.0 percent.

Pontiac, one of the makes GM is closing, was up 23 percent. But the other three discards had a miserable month, with declines of 58.4 percent for Saturn, 64.4 percent for Hummer and 67.8 percent for Saab.

GM as a whole was off 20.1 percent.

One reason for the decline, according to GM: Last year it was staging an employee-pricing-for-all program.

How they stand

After eight months, GM Co. led Toyota Motor Sales U.S.A. by about 211,000 for the top spot and probably will maintain its grip on first place for the year. Ford Motor Co. was third, followed by American Honda, Chrysler Group, Hyundai-Kia Automotive and Nissan North America.

American Honda Motor Co. is 133,586 sales ahead of Chrysler; last year Honda was up by only 7,787. Hyundai-Kia, now sixth, is 2,750 ahead of Nissan. Last year at this time, this year the Koreans by 202,530 sales.

Toyota, wanted, but just made low-key sales pitches on the showroom floor to each customer. Says the dealer paid salespeople $5 to $15 just to hook the presentation, whether or not they sold an accessory.

Nilsen says that from January through April, the store had a 15 to 20 percent penetration and made about $70 gross profit on each accessory sale. “That was business we never pitched before,” he says. “Before it was left up to F&I. It got pushed to the side.

“We think there’s potential for it, but not on the grand scale that Toyota thinks. It’s very labor-intensive, and you have to constantly promote it, but those dollars can add up. Over the three-month period, we added another $6,000 to the bottom line that wasn’t there.”

Nilsen is less enthusiastic about the program allowing consumers to accessorize online. “We also have three Honda stores where customers can accessorize online and buy accessories online, but we almost get no business from that,” he says.

But John Huston, owner of San Francisco Toyota, is eager to get started. He did not participate in the pilot program.

“We definitely feel personalization is important,” Huston says. “In the past there has not been a high emphasis on this on the Toyota side. Now they’re working with us to make it easier to facilitate it.”

Whitehouse says Toyota recently launched a new marketing strategy using the Web, print, direct mail and e-mail to help drive traffic to dealerships and promote accessories.

Toyota also notifies existing owners of new products or products they did not purchase with their vehicles and provides dealers with co-op money to help them market the products.

Survey, data: Including maintenance helps sales

Mark Rechtin

LOS ANGELES — Including maintenance in a car’s price boosts sales, according to a data from Volvo and a recent survey.

Volvo says its Safe and Sound program for the end of the 2009 model year — a plan that includes maintenance during the five-year warranty — has improved closing rates in the showroom. Normally, salespeople close 30 percent of their deals, Volvo says. But with Safe and Sound, the rate is more than 35 percent.

“More people are staying and buying the car rather than shopping around,” said Tassos Panas, executive vice president of Volvo Cars of North America. The program has done so well that it has been extended through 2010 models.

Panas declined to give the per-unit cost of the program but said, “People value the program more than what it costs us, or the equivalent amount of cash or substituted lease.”

Lincoln Merrthwold, senior vice president of the TNS Automotive consulting firm, called such maintenance programs “a time-release incentive.”

“They are less likely to damage residual values the way cash-back does, less likely to cheapen the brand image and more likely to foster a continued relationship between the brand, the dealership and the consumer, which is key to owner loyalty,” Merrthwold said.

Meanwhile, in a recent survey by AutoPacific, 86.8 percent of BMW owners ranked the importance of the brand’s maintenance program as important to their purchase decision, the highest of any analyzed luxury brand. Among luxury brands, only BMW, Volvo and Saab include in purchase prices the cost of maintenance through the warranty period. Lexus, Land Rover, Jaguar and Audi pay for the first oil change and service.

Volkswagen and Mini are the only mass-market brands that offer a warranty-length maintenance program.

In 2000, Mercedes-Benz USA began including maintenance for the duration of the warranty, covering oil changes, filters and fluids. But Mercedes halted the program in 2005 because of costs. Also, customers became confused as to what the program covered.

Mercedes customers now have the option of a prepaid service plan. Said Mercedes spokesman Donna Boland: “The sky didn’t fall. Sales continued to climb until the economy softened. Customer satisfaction scores are trending in a positive direction. Residuals are solid.”
The elements of style

Design genius? It’s often in the details. Here is a look at styling highlights from several vehicles that went on sale this year.

Cubism
The Nissan Cube pushes its design language further than the similarly styled Scion xB and Honda Element — from the repeated use of rounded squares for the side window glass to its asymmetrical rear window styling.

The XJ’s back
Jaguar design boss Ian Callum says the vertical taillights of the new XJ blend into the flowing roofline and leave a clear, unadorned trunk. From behind, you’d never guess that this is a Jag.

Same nameplate, different look
The horizontal rear deck and squared back end of the Nissan 370Z roadster, above, give it a softer, more refined look than the coupe version, which has a sharply sloped rear end.

Portholes go topside
Instead of being on the side of the front fender — a Buick cue for decades — three portholes on the redesigned Buick LaCrosse are placed on each side of the hood, running parallel to the hood’s edge.

Sedan profile
The greenhouse on Cadillac’s CTS Sport Wagon incorporates sedanlike styling elements. From the side, the eye is attracted to the thin chrome strip surrounding the window glass. The design cue creates the illusion of a sedan, with a large, stretched second-row passenger compartment.

Mazda’s little beamer
The most dramatic change to the new Mazda3 is the five-point grille, which looks like a big, bright smile.

Mini-Traverse?
Chevrolet’s new Equinox has strong fenders and good-looking wraparound headlamps. The wheels are pushed out to the corners so the overhangs are nice and short.

Lively Legacy
Subaru’s new Legacy sedan is more striking than its predecessor, with bolder headlights and prominent wheel arches to play up the all-wheel-drive capability.

Taurus in the hood
A line from the A-pillar over the hood of the new Ford sedan turns and runs across the car, giving it a “brow.”
Honda’s future designs are hidden in plain sight

Mark Rechtin

LOS ANGELES — Keeping prying eyes and spy photographers away from future vehicles is paramount for vehicle designers and product planners. And no company plays it closer to the vest than Honda.

So why did Honda install its North American advanced design studio amid a heavily-trafficked stretch of retail storefronts in the bustling suburb of Pasadena? Call it crazy like a fox.

The Pasadena studio, which opened in 2007, is one of three urban advanced design centers Honda has around the world. The others are in a skyscraper in Tokyo’s rascally Roppongi nightlife district and in the fashionable merca of Milan, Italy.

“It needed to be a hot zone, with a cool factor historically, culturally and automotive,” said Dave Marek, Honda R&D Americas’ division director of advanced design. “But it also needed to be something unusual so we could recruit.”

Honda looked at loft space in downtown Los Angeles, but the neighborhood was a bit too gritty. The corner of Hollywood and Highland boulevards was judged “too concreted.” And the spaces available in Santa Monica and Long Beach didn’t suit Honda’s needs.

As a bonus, the Pasadena studio is situated a protractor’s throw away from Art Center College of Design, one of the world’s leading vehicle design schools.

The only indication of what goes on inside the street-level storefront space are two small window decals. “Most of the cars we do are categorized as next-next generation,” Marek said. “We’re within the realm where we know we need to be pretty feasible. We try to extrapolate the future. You can’t just make up stuff.”

The studio also is a temporary staging area for Honda designers who may be worn out from working too close to the present day. It is a place for designers to recharge their batteries for a year or two.

“At the production-design studio, advanced projects would be the first things put on hold as we’re finishing a production car,” Marek said. “Japan decided we needed something outside the normal, to let people breathe and be more aggressive about the future, to do think-tank things that permeate design later.”

Inside the bubble

To keep the drawings and clay models secret from the outside world, studio architect George Yu created an 8-foot-tall “cocoon” of 99 undulating acrylic panels that surround the work space, leaving a 3-foot gap between the cocoon and the historical brick building’s wall of exterior windows.

In a 2007 interview with radio station KCRW-FM not long before he died, Yu described the cocoon as “an amorphous biological mass.” At night, the cocoon glows with designers’ desk lamps, illuminating the shadowy figures inside and giving the building a spooky, alien presence.

Cutting-edge inspiration

For designers it’s a 10-second walk to a retail district teeming with trendy stores such as Apple, Armani Exchange, Bang & Olufsen, Juicy Couture and Design Within Reach. The cutting-edge retail stores also provide designers with inspiration. With the Advanced Sports Car Concept — a two-seater, angular adaptation of the NSX supercar shown at the Detroit auto show in 2007 — “Before we did the sports car, our design was a free-for-all,” says Ikeda, who joined Honda R&D in Japan as a freelance designer before getting a full-time job with the company in the United States.

With the new philosophy, he says:

“We wanted to show how technology interrelates with people. The surfacing is very sheet with machining, but the line work is very emotional — what we pull from nature and the human side. We see a bright future with technology, rather than seeing it like The Terminator, where machines will kill the world.”

The opening statement from the new studio is Acura’s signature grille, formally called a “power plenum” but referred to informally as “the beak.”

“We felt like we needed to create an image that is more recognizable,” says Ikeda. “It’s a polarizing design, but you had to put some kind of

Honda’s new studio gives brand a ‘keen edge’

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LOS ANGELES — Twenty years after Honda created its Acura luxury division in 1987, the brand finally got its own design studio.

By that time, Honda’s U.S. styling team had designed several Acura models, including the 1994 Integra, 1995 CL coupe and 2000 TL sedan. But designers thought there was too much overlap between the Honda and Acura work going on at Honda’s studio in Torrance, Calif.

And since Acura was sold only in the United States, the bosses at Honda Motor Co. decided the upscale division needed its own styling center on Honda’s sprawling Torrance campus.

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“If you have two clay models competing to be full size, we can scan the quarter-scale and flux it up with computer graphics,” says Ikeda. “Within a week, we can look at it full size with the quarter-scale model on a desk in front of it. Sometimes it’s hard to make a decision looking at a little model because it may not translate into full size.”

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IS THE PLANET JUST REVOLVING
ON ITS AXIS OR ARE YOUR TIRES
MAKING IT SPIN THAT WAY?
Designers got some high-powered help with

design

Amy Wilson
awilson@crain.com

ASHVILLE, N.C. — Lon Zaback and the rest of the 2010 Ford Taurus design team needed a high-powered champion in Ford’s executive ranks to help push through some of the car’s most striking design elements. After all, what the designers wanted to do resulted in engineering challenges and added cost. It turned out that Mark Fields, Ford Motor Co.’s president of the Americas, was their guy.

Ford executives knew good looks would be crucial for the automaker to succeed in its attempt to reinvent the Taurus. Their devotion to that goal resulted in two major decisions made partway through the program, said Zaback, interior design manager for the Taurus, at the car’s media introduction here.

The designers wanted a center stack on the instrument panel raked back at an angle so sharp that CDs would have skipped on steep San Francisco-like hills. It cost some money, but engineers separated the CD player from the original electronics port and designed a unique interface, resolving the skipping risk.

They also wanted a lowered rear roofline that meant pricey sheet metal changes. But after crafting a model with the original high roofline on one side and the proposed low line on the other, executives voted for the sleeker low look, changing course about six months into the program.

Approving such expensive changes partway into vehicle development was a change of direction for Ford. Earlier this decade, “we had kind of put the designers in a box in terms of limiting their creativity,” Fields told Automotive News. But if the struggling automaker was going to complete its turnaround and start making money again, executives came to believe that would have to change.

“We’ve got to have desirable products,” Fields said. “That’s what drives the business. So we really tried to change it around, [and worked on] finding ways to say yes from a management standpoint, as opposed to finding ways to say no.”

Interior test

The interior of the 2010 Taurus, which went on sale in August, put that philosophy to the test. Designers had proposed a center stack swept back into the instrument panel at a 42-degree angle. Fields said he was “bowled over” by the look. But the engineers came back proposing the more typical 30-degree slope because of the CD-player problem, Zaback said.

Fields and Ford product chief Derrick Kuzack visited the studio to study the difference.

“When they saw what the 30-degree angle was going to do to the design, they opened up the pocketbook to make [the more aggressive slope] happen,” Zaback said. “Fields was there for us. Fields fell in love with this interior.”

The end result: A 38-degree slope, a little extra cost — and the distinctive look Ford’s designers and executives were seeking.

No more inferior interiors

In the past, Ford probably would have done a more staid interior. It of-
Taurus’ fresh look

The instrument panel, eliminating the unsightly seams that usually are apparent. The costs of that approach were defrayed because the Lincoln MKS, a sibling assembled in the same factory, is constructed the same way.  
- Interior door panels are covered with a polyurethane skin molded to give the appearance of hand-stitched leather.
- What Zaback describes as a Zen wave pattern repeats throughout the interior: on the door speakers, at the bottom of the console bin and on the climate-control intake near the steering wheel. A water-drop pattern adorns the bottom of the cupholders.

Search for redemption

Ford wouldn’t disclose how much the Taurus’ cost rose beyond the original budget. Fields and Zaback both said tradeoffs were made elsewhere to save money in areas that wouldn’t be noticeable to the customer. But those cuts didn’t overcome the budget spike entirely. “The money to do the roof and the center stack weren’t in the program, and no tradeoff was going to make it happen,” Zaback said. But making those investments for better looks, the designers believed, would give the Taurus a chance for redemption.

The nameplate has a tortured history. The Taurus debuted to widespread fanfare in 1985 and eventually became the best-selling car in the United States before falling out of favor and becoming a rental fleet fallback. By the middle of this decade, Ford executives thought there was no salvaging the name and dropped the old Taurus in late 2006.

But Alan Mulally arrived as CEO around that time and wondered what had happened to the Taurus. He had studied the original Taurus project in his previous job at Boeing and said, loud and clear, that Ford had made a mistake.

So in 2007, Ford revived the Taurus name for the former Five Hundred, a slightly larger sedan. But the conservative design didn’t live up to the heritage of the Taurus.

“The outgoing vehicle is a competent product,” Zaback said. But “it doesn’t make your heart beat any faster.”

Designers were determined to change that with the restyled 2010 model.

“‘The customers told us, ‘Yeah, I need a family car, but I’m not dead,’” Zaback said.

Followed home

The 2010 model doesn’t have a high sales hurdle to overcome to beat its predecessor. The outgoing Taurus sold just 52,667 units in 2008. Sales numbers will be the final determinant, but early reviews have been positive.

Fields got a special endorsement on a recent Saturday as he drove a red Taurus SHO to his home in suburban Detroit. As he drove north on a major thoroughfare, a police car driving south swung around and followed Fields until he pulled into his driveway.

As he unloaded gear from the car, Fields nervously watched two serious-looking police officers approach — only to hear them ask whether he was driving the new Taurus.

Said Fields: “I breathed a sigh of relief and gave them a demo.”  

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DETROIT — Bryan Nesbitt’s appointment as head of Cadillac is unprecedented in the U.S. auto industry. Never before has a designer risen to the top job at a major vehicle brand.

But Nesbitt views it as a logical ascension.

“As a designer, you are always looking at how they manage the brand,” he said.

Nesbitt, 40, rocketed to stardom a decade ago at Chrysler with his signature design, the PT Cruiser. He joined General Motors as Chevrolet’s chief designer in 2001 and later spent six years as GM’s European design director before returning to the United States in 2007 to run North American design.

He took over as Cadillac’s general manager on Aug. 1. Nesbitt spoke with Staff Reporter Richard Truett about his new position.

What can a designer bring to marketing?

It’s hard for the designer to avoid marketing. You are always wearing a marketing hat. As a designer, you are always looking at how they manage the brand. Most of our designers are looking very holistically at how they visually articulate the brand or the promise of the brand.

For me, I have always enjoyed that part of the business. So I am very interested in all those other interfaces, the components on the car, merchandising, the Internet and how you experience the Web site. For me it is natural to look at every single interface the customer is exposed to and look at managing it very holistically.

With Ed Peper responsible for Cadillac sales, presumably you’ll be managing the creative aspects of Cadillac, meeting with potential customers, helping craft the advertising messages.

That’s accurate. We’re a team. My job is really looking at all the basic marketing to the customer, all the interfaces that exist and driving consistency and an improvement in the whole experience. We have to appeal to luxury customers, and that’s not a commodity process or strategy. It takes something else.

Will you still have a voice in Cadillac’s design?

Marketing and design will interface always in product development. Marketing will say, “We believe these are the needs for this particular group of customers. This is really their expectations.” The design and marketing teams have to be very, very close.

Do you ever see yourself behind the boards designing again, or is that part of your career over?

I don’t know. It’s one chapter at a time. Ultimately in my position in design you are in an art director role. And now I am in an art director role for all those other interfaces. For me, it is a lot of fun.

How do you like the way the PT Cruiser looks on the road today, 10 years after it went on sale?

I didn’t like the update that they did where they [altered] the headlights. But I find it interesting that Chrysler decided to keep it in production. I believe it is the most profitable small car in Chrysler’s history. So, from a revenue standpoint, it seems like it has had a good run.

I’ve always liked the way it looks. I think it looks better when it is lowered 2 inches with 18-inch wheels. I loved doing the [Chevrolet] HHR. Everyone tells me they are the same vehicle. But when I talk to people, they don’t get the two vehicles confused. People get Camrys and Accords confused all the time.

When Toyota put the pedal to the metal, Michigan paved the way.

Toyota and the Michigan Economic Development Corporation have a lot in common. Toyota puts cars on the road. And the MEDC puts businesses on the road to success. Together, they are major forces on the high-tech R&D scene. Thanks to support from the MEDC, Toyota has finished a $187 million expansion of its key North American R&D Technical Center in Ann Arbor. It also is investing $100 million to create a new Research Institute on its Ann Arbor campus, which will develop cutting-edge technologies for sustainable mobility. These initiatives are strengthening both Toyota’s and Michigan’s presence as frontrunners in automotive engineering and innovation.

If you’re looking to build momentum for your business, Michigan is the place. Not only is it ranked No. 2 among all states for patents awarded to public universities, it also offers tax incentives, centrally located technology clusters and other resources designed to help your business excel. Visit MichiganAdvantage.org to learn more. Because wherever in the world you compete, Michigan can give you the Upper Hand.
The Callum years: How the look of Jaguar has changed in the past decade

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Jaguar has changed in the past decade. The Callum years: How the look of Jaguar has changed in the past decade.

Ian Callum, Jaguar Cars

The dramatic Jaguar XJ: “A sense of speed, form and more character.”

I set out on a mission to re-establish the brand the way I thought it should be perceived.

IAN CALLUM
Jaguar Cars

Ford training

For Callum, the road to Jaguar began at Ford of Europe in 1978 after attending the Glasgow School of Art and studying automobile design at the Royal College of Art in London. He spent 12 years at Ford’s design studios in Great Britain, Japan, the United States, Australia and Germany before being appointed design manager for the Ford-owned Ghia design studio in Turin, Italy.

Callum worked on the interiors and exteriors of the Ford Fiesta, Mondeo, the RS200 midengine sports car and the high-performance RS and Cosworth versions of the Escort.

In 1990, Callum left Ford to become chief designer for the English consultancy TWR, where he created the shapes of the Aston Martin DB7, Vantage and DB9. The Aston designs were a foretaste of his approach to re-designing vehicles — as “a deserving more modern car.”

Unconventional styling

Jaguar made a radical change in the shape of the new car, which replaced the S-Type.

“It has quite a high tail in that it respects physics and aerodynamics, and it has a wedge profile,” Callum says. “On top of that it has a sport coupe profile — it is not a conventional three-box car.”

The goal, he says, was to make the XF “absolutely modern, to take Jaguar back to its proper place” in the world of luxury cars.

Callum says the XF created a new face for Jaguar, which had had “an eclectic mix of front-end design” during the past 15 years or so.

“I wanted to establish the face with a brand identity,” he says, explaining the XF’s strong rectangular grille.

The look drew younger customers to Jaguar. Before the debut of the XF, the brand’s average buyer was 60 years old. Now the average age is 52, Callum says.

But his most dramatic re-do is the XJ replacement. The big sedan has represented the archetypal Jaguar shape for nearly 40 years, Callum says, and “it was time for change.”

Working with his team of young designers, Callum developed several new profiles and shapes early on, having decided on making the big sedan look sportier. The metamorphosis starts with upright taillights and a dramatic line that, Callum says, gives the car “a sense of speed, form and more character,” and it ends with the proud Jaguar leaper on the rear.

He calls the interior “simple architecture” with a low instrument panel and a line that runs from the door across the instrument panel. Wood is used extensively but as a “complement to the architecture,” Callum says. Prominent inside the Jaguar is an 8-inch screen for audio, video and climate controls.

Was the design inspired by owners or British tradition? No, Callum says. “We design what we feel is right for the brand,” he says. “If it’s modern and works well, it should appeal.”

Jaguar made a radical change in the shape of the new car, which replaced the S-Type.

“I set out on a mission to re-establish the brand the way I thought it should be perceived,” Callum says. His first car for Jaguar was the second-generation XK coupe and convertible in 2006.

“That car for me was the first stage of my career at Jaguar,” Callum says. “It was more of an evolution. When we get to the next generation, we will do something quite dramatic.”

The redesign of the XF mid-sized sedan that went on sale in 2008 was the first “big bold step,” Callum says.

Ford training

For Callum, the road to Jaguar began at Ford of Europe in 1978 after attending the Glasgow School of Art and studying automobile design at the Royal College of Art in London. He spent 12 years at Ford’s design studios in Great Britain, Japan, the United States, Australia and Germany before being appointed design manager for the Ford-owned Ghia design studio in Turin, Italy.

Callum worked on the interiors and exteriors of the Ford Fiesta, Mondeo, the RS200 midengine sports car and the high-performance RS and Cosworth versions of the Escort.

In 1990, Callum left Ford to become chief designer for the English consultancy TWR, where he created the shapes of the Aston Martin DB7, Vantage and DB9. The Aston designs were a foretaste of his approach to re-designing vehicles — as “a deserving more modern car.”

Unconventional styling

Jaguar made a radical change in the shape of the new car, which replaced the S-Type.

“It has quite a high tail in that it respects physics and aerodynamics, and it has a wedge profile,” Callum says. “On top of that it has a sport coupe profile — it is not a conventional three-box car.”

The goal, he says, was to make the XF “absolutely modern, to take Jaguar back to its proper place” in the world of luxury cars.

Callum says the XF created a new face for Jaguar, which had had “an eclectic mix of front-end design” during the past 15 years or so.

“I wanted to establish the face with a brand identity,” he says, explaining the XF’s strong rectangular grille.

The look drew younger customers to Jaguar. Before the debut of the XF, the brand’s average buyer was 60 years old. Now the average age is 52, Callum says.

But his most dramatic re-do is the XJ replacement. The big sedan has represented the archetypal Jaguar shape for nearly 40 years, Callum says, and “it was time for change.”

Working with his team of young designers, Callum developed several new profiles and shapes early on, having decided on making the big sedan look sportier. The metamorphosis starts with upright taillights and a dramatic line that, Callum says, gives the car “a sense of speed, form and more character,” and it ends with the proud Jaguar leaper on the rear.

He calls the interior “simple architecture” with a low instrument panel and a line that runs from the door across the instrument panel. Wood is used extensively but as a “complement to the architecture,” Callum says. Prominent inside the Jaguar is an 8-inch screen for audio, video and climate controls.

Was the design inspired by owners or British tradition? No, Callum says. “We design what we feel is right for the brand,” he says. “If it’s modern and works well, it should appeal.”

Jaguar made a radical change in the shape of the new car, which replaced the S-Type.

“I set out on a mission to re-establish the brand the way I thought it should be perceived,” Callum says. His first car for Jaguar was the second-generation XK coupe and convertible in 2006.

“That car for me was the first stage of my career at Jaguar,” Callum says. “It was more of an evolution. When we get to the next generation, we will do something quite dramatic.”

The redesign of the XF mid-sized sedan that went on sale in 2008 was the first “big bold step,” Callum says.

But his most dramatic re-do is the XJ replacement. The big sedan has represented the archetypal Jaguar shape for nearly 40 years, Callum says, and “it was time for change.”

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Innovation Takes the Driver’s Seat with 3D PLM

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See what you mean
Mazda’s new U.S. design boss brings VW’s youthful, stylish aesthetic

Mark Rechtin
mrechtin@crain.com

LOS ANGELES — Derek Jenkins, the new design director at Mazda North American Operations, will find the job has a lot in common with his previous styling job at Volkswagen. The two brands are among the youngest in terms of customer demographics. Both are positioned as smart, stylish and savvy. They rely heavily on front-wheel-drive platforms.

But Jenkins’ work at Volkswagen’s studio in Santa Monica, Calif., was limited to concept vehicles. As a result, he said, VW headquarters in Wolfsburg, Germany, “would just leave us alone and we could do our own thing.”

With Mazda, however, the Irvine, Calif., studio has great influence over production models, which means more interaction with r&d and product planning executives in Hiroshima, Japan. “At VW, we were isolated from the other disciplines,” Jenkins said. “I have more influence here. It’s a nice breath of fresh air. It’s really fun.”

The Audi A2 guy

Jenkins, 39, recently filled a position vacated last summer by Franz von Holzhausen, who left to take the top design post at electric-vehicle maker Tesla Motors. Jenkins’ past design credits include the Audi A2, a geometric pod that drew a love-hate (mostly hate) reaction from European customers. “Ecology was thrust upon Europe, so there was nothing cool about it,” Jenkins said. “The A2 was a laborious aerodynamic effort by [VW Chairman Ferdinand] Piech. Plus, there was the price point, which was too high.”

Former Mazda U.S. design chief Tom Matano described Jenkins as “the right guy to carry on the Mazda tradition.”

Jenkins noted that he is still adjusting to Mazda’s “fluid, sculpting” design aesthetic, which is much different from VW’s more “intentionally geometric” ethos.

“The most successful product designs have been simple, where there is a simple emphasis on proportion, strong graphic reads and purity,” Jenkin said. “But you need unique items like body line or how you treat the five-point grille. We are in constant discussions about ‘What is flow?’ and ‘What is Mazda’s surface language?’”

Japanese character

One area Jenkins wants to upgrade is Mazda’s interior design. And while the original Mazda3 received praise, Jenkins still sees room for improvement. He said VW, Opel, Fiat and the French carmakers are all “quite competent” in interior finishes, and Mazda needs to up its game.

“This is not just the tactile quality,” he said, “but the materials, the level of sophistication, the overall craftsmanship, device integration, displays and gauge clusters. These types of details are a battleground right now.”

Jenkins said Mazda’s desire to instill Japanese character in its designs will continue. That’s a different tactic from Honda and Toyota, which attempt to create American designs for the United States.

“Really successful companies and brands reflect some aspect of their origin,” Jenkins said. “There is a certain exotic, romantic nature in Japanese culture that we can express in our cars with line and flow. But there is also another side, which is precision and technology, so we need to show that as well.”

U.S. design chief Derek Jenkins appreciates having influence over Mazda’s production models: “It’s a nice breath of fresh air.”

Derek Jenkins

Age: 39

Title: Director of Design, Mazda North American Operations

Family: Married, 2 sons

Education: Art Center College of Design, Pasadena, Calif.

First car: 1974 VW Thing

Dream car: Lamborghini Countach LP400

Design credits: Audi A2, A8; VW Scirocco, VW Microbus concept
Redesigning the wheel

Tires and wheels set the stance and proportion of the vehicle. They’re a big deal for designers — really

Kathy Jackson

LOS ANGELES — Ben Ebel had a dream job.

He worked at Mercedes’ advanced design center in Irvine, Calif., for three years and helped create the Mercedes-Benz F 700 research car, a big four-door sedan that was shown at the 2007 Frankfurt show and previewed Mercedes’ future design direction.

But not only did Ebel leave sunny California for Detroit in the summer of 2008; he left to go to South Carolina to design tires for Michelin North America Inc.

Huh?

“People don’t realize how much work is put into tires,” said the 38-year-old graduate of the Art Center College of Design in Pasadena, Calif. “When you design a car, you look at three aspects — proportion, form and graphics. Tires influence all three.

“Tires and wheels help dictate what message you’re trying to get across with the car,” Ebel said. “They can completely change the image of a car.”

They like ’em big

There is one thing on which auto designers agree: They like to draw big wheels and tires. For many, it’s the first step in the creation of a car. For Kia and Toyota, big wheels and tires were key elements for recent additions to their product lineups: the Kia Soul and the Toyota Venza.

Tom Kearns, chief stylist at Kia Motors America, designed the Soul.

“Right from Day One, we’re negotiating with the engineers on tire size,” Kearns said. “Wheels and tires are so critical to the exterior. Not only the size but the location and placement of the wheels and tires...

“It’s like a men’s suit and tie. The suit is the car; the tie is the wheels. The tie can make the suit look really bad or good. The same for the tires on a car.”

The small Soul, which ranges in price from roughly $14,000 to $19,000, comes with optional 18-inch wheels, rare for a vehicle in that price range.

“We were able to encourage management to sign off on large-sized wheels and tires,” Kearns said. “In contrast to the boxy shape, the wheels are pushed out to the corners, and the larger size supports the larger mass of vehicle as well. It makes it look stable and sure-footed.

Kearns said he was fortunate. For a car the size of the Soul to get 18-inch wheels is pretty much unheard of.

“It makes the car look sportier, more capable, more grown up,” he said. “The first thing every car enthusiast out there wants is wheels and tires to upgrade the look. The wheels and tires can make or break a design.

The Venza, which went on sale last December, was Toyota’s first stab at the fast-growing crossover segment. Designer Ian Cartabiano knew the Venza had to make a statement since so many other crossovers were already on the street. The result: standard 20-inch wheels on the V-6 model and standard 19-inches on the four-cylinder model.

“We fought very hard for those 20-inch wheels to help tell the story of this new product,” Cartabiano said. “We chose the large size to make a statement, to broadcast a new type of vehicle. We knew we had to stand out.”

Venza is the only Toyota car with 20-inch wheels.

“We try to place them at the corners to put focus on stance, to make it look like it’s ready to spring,” Cartabiano said. “I teach at the art center, and I tell the students that trying to draw a car without wheels is like looking at a person without feet. It holds everything together.”

The Audi look

Some designers credit the positioning of wheels on Audi vehicles with the brand’s comeback.

Jae Min, chief designer at Audi’s Santa Monica, Calif., design center, said the brand’s vision is to be athletic. Not only is he a fan of wheels and tires; he said there’s a dedicated team at Audi that specializes in each vehicle’s wheel program.

“There’s a reason we call a car a set of wheels,” Min said. “Technically or visually, they’re very, very important. It’s the part of the car that sets the stance — how it sits on the road, the proportion of the vehicle. It’s like shoes on a person.”

He said the placement of the wheels happens at the beginning of the design process.

“All Audis have the wheels placed as far outside as possible,” Min said. “Our cars have the wheel surface close to the wheel opening to enhance that stable look.”

He cites the S3, which sits on 19-inch wheels, as a favorite example. “It really fits in with our vehicle philosophy.”

Min said, “sporty, athletic and solid.”

The future

Frank Saucedo, director of General Motors Co.’s California design studio, loves to draw big wheels and tires.

“For me, it’s the first thing I sketch,” he said. “Once I get that diameter, it sets up the whole proportion of the vehicle. A larger diameter helps a vehicle to look leaner.”

“I cannot stress enough the dynamic of wheels and tires to the overall proportion of a vehicle,” Saucedo said. “If it’s right, it’s right. If it’s wrong, it can be disturbing.”

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ContiTech. Get more with elastic technology.
These days, former BMW design chief Chris Bangle is getting his new industrial design company off the ground in Italy. He says he’ll get back into auto design in four or five years with “a fresh perspective.”

Where in the world is Chris Bangle?

Diana T. Kurylko

dkurylko@crain.com

Former BMW design chief Chris Bangle is building a home and a design studio 40 miles south of Turin, Italy, in the Piedmont wine country. He owns two vineyards, but Bangle says he’ll let local farmers take care of the grape growing and wine making. Bangle, 52, is back doing what he loves best — designing stuff.

His new company, Chris Bangle Associates, has to stay out of the automotive business until at least March of next year per his contract with BMW. So the bearded, boyish one says he’s busy lining up industrial clients. Bangle, an American who spent his career in Europe, left BMW last March after 17 years with the company and 28 years in the auto business. Through his company, Bangle says he will return to cars in four or five years with “a fresh perspective.” He says his new business is still in startup mode but that he has lined up some clients. He won’t say who they are.

“A wide range of products and services have talked to me, and I have talked to them,” Bangle said.

He’ll also do some consulting.

“After all, I have been a design manager for over 20 years,” he said.

“You try to bring more out of creative people than they ever thought possible. But you also try to show companies that you have worked with where creativity can really bring them something and perhaps some strategies that they can go about improving it.”

Bangle was hired by General Motors straight out of the Art Center College of Design in Pasadena, Calif., and sent to the carmaker’s German subsidiary, Adam Opel. Bangle worked at Opel from 1981 to 1985 and then moved to Fiat.

He shifted to BMW in 1992 to become head of design. At times he was controversial. His 2001 7 series drew loads of criticism, then lots of imitators.

Bangle hasn’t completely removed himself from things automotive. He’s working on a presentation for the Icsid World Design Congress in Singapore in November focusing on the challenges of personal, emotional mobility in 2050.

He says he’ll deliver a blunt message. “Cars are becoming uninspiring,” Bangle says.

By 2030, he says, “It is hard to imagine the love affair that we have enjoyed with sculpted metal in the sense that we know it today will still be a major driving factor for young people.”

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As a Detroit native with more than 30 years of automaking under my belt, I’ve seen the inside of a lot of different assembly plants. I can honestly say this team can’t be beat. Their efforts have made the Toyota Camry the best-selling car in America year after year, as well as the 2007 Motor Trend Car of the Year.

Kentucky government is just as dedicated. Whether it’s through tax credits, educational initiatives or simply a can-do spirit, Kentucky has proven time and time again that it will do what it takes to keep Toyota strong. Thanks, Kentucky, for providing the fuel we need to keep on growing.

Chris Bangle

Age: 52
Born: Ravenna, Ohio
Education: University of Wisconsin, Art Center College of Design, Pasadena, Calif.
Design career
1981-85: Adam Opel
1985-92: Fiat Centro Stile, promoted to director in 1992
1992-2009: Director, BMW Design Group
Memorable Opel design: Interior of Opel Junior concept
Memorable Fiat design: Fiat Coupe
Memorable BMW design: 2002 7 series, with controversial but influential trunk lid
Why he left BMW: “You have to know when to leave the party. The product palette was perfect.”
What he’s doing today: Running his own industrial design company, Chris Bangle Associates, in Italy
Can agency vet make Suzuki buzz like Nissan?

Siltanen gets one swing at home run with new Kizashi

Mark Rechtin 
markrechtin@crain.com

LOS ANGELES — Rob Siltanen built his reputation as a creative megastar during the 1990s while forging memorable Nissan advertising for the then white-hot agency Chiat/Day.

Siltanen’s string of hits for surfer-savant and creative director Lee Clow included launch campaigns for the 1993 Altima sedan and 1999 Xterra SUV, as well as the iconic Nissan Z “G.I. Joe” spot. He also was a force behind Apple’s “Think Different” campaign.

But agency politics being what they are, Siltanen left Chiat/Day in 1999 to hang out his own shingle. And despite the much-praised work for Nissan, it took Siltanen & Partners Advertising nearly a decade to land its first car account, American Suzuki.

Now he’s out to prove that both he and Suzuki are underdogs who can play with the big boys.

“Our motto here is, ‘Make it happen,’” said Siltanen, 45. “When you have a company the size of Suzuki, you have to figure out ways to out-smart, rather than outspend. Beating competitors with less … that’s what I love to do. We can make a difference.”

Siltanen’s big moment will come this fall when his agency launches Suzuki’s Kizashi mid-sized sedan. Suzuki is putting pretty much its entire 2009 advertising budget behind it. Some perspective: It’s less than what Toyota spends in a month on ads.

El Segundo 90245

Advertising agencies typically are enclaves in locales or glass-walled towers in exclusive neighborhoods. Siltanen’s shop is neither. It’s near the Los Angeles airport, and backs up to railroad tracks. Across the street is an ancient, cavernous oil pumpjack.

But Siltanen is a practical man. He knew a Beverly Hills 90210 address would chew up too much of his start-up operation’s working capital. Less spent on real estate meant more to spend on the work. “The inside of the agency is Spartan, with exposed brick walls and poured concrete floors. Accumulation from current and past advertising campaigns is scattered throughout. An employee’s rare open-cockpit Fiat car is parked inside, next to an Everlast punching bag.”

And while initially unable to land a car, Siltanen’s success started when he convinced EA Sports, Pandora, Everlast punching bag.

Fighting the giants

Siltanen’s first real shot at a major automotive client came in 2007 when he persuaded Hyundai Motor America boss Steve Wilhite to let his agency do some work on its Accent.

“The product was terrific, but the brand was terrible,” said Siltanen. “Their advertising said, ‘We’re not crap anymore.’ They were looking backward, not forward, and taint a whole new generation of buyers who didn’t know Hyundai had ever made bad cars.”

Siltanen’s unכותed pitch showing Hyundai as a smart buy, not a cheap buy, was enough to compel the automaker to conduct an agency review.

But Siltanen’s attempt to become agency of record fell short against much larger firms. Still, Hyundai aired Siltanen’s creative work during the agency transition in the spring of 2007. And, indeed, sales increased for the first time in 18 months.

“Getting a car account was a much harder task than I ever thought,” said Siltanen. “I guess I was pretty naive. But we could not break in. We wrote endless letters. And there were countless phone calls not returned, particularly from Detroit. There were bids I thought we could help.”

The Hyundai work was enough to attract the attention of Suzuki marketing boss Gene Brown, who gave Siltanen some project work. The attraction was that good work could persuade Suzuki’s Japanese bosses to release agency Denver America from its contract.

Siltanen won the account, and its “Live Large, Drive Small” campaign for the SX4 and Grand Vitara — launched amid soaring gasoline prices in 2008 — boosted Suzuki’s recognition and Web traffic considerably.

“Two years ago, Suzuki’s U.S. ad budget was $150 million. The recession has shrunken that considerably, which worries Siltanen.

“What they were spending was enough so that we could have made a dent and grown with it,” he said. “I liked that they were small and aggressive and receptive to the work. Now is the time to make a difference. Hyundai and Subaru have done it. I’d like to put our foot on the gas.”

In two months, Suzuki launches the Kizashi. It is pitched as a mid-sized sedan but actually fits between the Toyota Corolla and Camry in size.

Suzuki has held back much of its advertising budget to put its full weight behind the launch. That hasn’t exactly pleased dealers struggling with a 45 percent year-to-date sales skid.

But Siltanen is confident the Kizashi will be the turnaround car, just like Altima and Xterra were for Nissan.

As for the launch budget, Siltanen said, “These days, $10 million is nothing.” But he said the Suzuki could have a huge impact on the brand.

“This isn’t like half the cars I’ve had to launch before,” he said. “This is like the Xterra. I don’t believe in the holo effect of a great sports car like the Acura NSX. It doesn’t have enough rub.

“But when a sedan nails it, that goes across the sixes and small cars. When you get the mid-sized car right, you can get everything else.”

From there, Siltanen wants to expand the Suzuki name for vehicles — including motorcycles, ATVs, scooters and boat engines — the way the Nike brand propelled its reach beyond running shoes.

The working tag line: “Adventure-ready equipment.”

“I see great potential for these guys and want to get more people to believe,” Siltanen said. “All we need to do is shine a light and it can be successful. This could really change the world for Suzuki.”

SEPTEMBER 14, 2009 • 23
GMAC FINANCIAL SERVICES — Tim Russo, 46, to executive vice president in charge of North American automotive operations. Previously, he was CFO of GMAC Global Estate Services and Insurance.

Russo will oversee the development of GMAC’s financing programs and services for auto dealers and retail customers.

J.D. BYRIDER — J. Michael Pearce to vice president of franchise development. He has been senior vice president of development at bd’s Mongolian Grill.

 Pearce is responsible for licensing franchisee site selection and construction for consulting franchises.

J.M FAMILY ENTERPRISES INC. — Eric Gebhard to treasurer. He has been assistant vice president of product and business development and assistant vice president of portfolio finance at World Omni Financial Corp., a J.M family subsidiary.

Gebhard’s new duties include securing financing and managing interest rate risk for the company and forming strategies for capital allocation and cash management.

M (M Family Enterprises), of Deerfield Beach, Fla., is a diversified company that provides services to auto dealers.

Primary subsidiaries include Southeast Toyota Distributors; World Omni Financial Corp., which provides retail and wholesale financing for dealers; and JM&A Group, a provider of finance and insurance products to dealers.

The following table shows inventory data as of Sept. 1.

### Inventory — U.S. car and light-truck, on September 1

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<td>125</td>
<td>101</td>
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</tr>
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Frank-Peter Arndt, production chief, BMW - Automotive News, July 20, 2009

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tional Automotive News

Toyota uses roadside

sensors to warn driver

Hans Greimel

TOKYO — Imagine trying to merge onto a particularly tricky stretch of expressway while your view of the lane in front is zero. You can’t see behind you because of cause of buildings or trees, but suddenly a car from the other lane is approaching fast from your left. Accident averted.

Toyota Motor Corp. is rolling out an onboard safety system that does just that. It will be offered first in a car for Japan that Toyota didn’t identify but said would arrive “soon.”

The technology alerts drivers in real time to unseen obstacles such as traffic or sudden vehicle backups. Onboard systems, such as radar or cameras, are less common, because they constantly monitor traffic conditions and transmit updates to a car’s navigation system.

The technology, which uses a short-range communications unit with about 1,000 beacon cars installed on highways and lamp posts around Japan’s major cities. The network is maintained by the Japan Transport and Tourism plans to expand it nationwide by 2011. But the automaker is participating in several U.S. trials, including the Vehicle Infrastructure Integration System being developed by carmakers, suppliers and government agencies.

Automotive ad spending off in 1st half

Automotive advertising plunged $1.7 billion in the first half of 2009 compared with the same period of 2008, according to ad industry figures.

Car and truck advertising, from dealers and automakers combined, fell 32.1 percent to $3.6 billion in the first six months of 2009, according to Nielsen Co., the New York audience and ad-spending research firm. That’s down from $5.3 billion for the first half of 2008.

General Motors Co. and Chrysler Group LLC both are cutting back in light of their bankruptcy. Chrysler emerged from Chapter 11 protection June 10 and GM emerged from bankruptcy July 10.

Chrysler, meanwhile, is looking for a new creative agency. The automaker is working with both the Detroit and New York offices of BBDO Worldwide, the agency that has handled the Chrysler Dodge group of Jeep brands since 2000.

New-vehicle sales in Canada in August fell 8.0 percent from a year earlier to 135,409 units. Sales for the first eight months were down 15.6 percent to 996,257.

General Motors Co. was the top seller in August despite a 27.8 percent drop in sales to 23,034 units. The division saw 14.8 percent of its sales in August. It was the only GM brand to report an increase. Ford Motor Co. was the No. 2 seller, up 7.2 percent to 22,693 units. The third-place Toyota, dragged down by weak Toyota brand car sales, dropped 21.4 percent to 18,239. Ford’s pass-through dealers sold 13,039 vehicles from their August 2008 ramp.

Hyundai-Kia Automotive jumped 10.0 percent from a year earlier to 17,864 units. Sales for the first eight months were up 33.2 percent to 145,934.

Chrysler Group’s sales slid 7.2 percent to 14,342 units. Honda Motor Co. rounded out the top six — those with sales amounts of 10,000 or more. Honda’s sales fell 17.6 percent to 12,218.

— James B. Trewe
WHITACRE

Chairman leads GM board on new path

He is also calculating and will keep order in the boardroom, they say. “He’s very likable but very direct,” said one insider. “If you get the sense that he’s extremely knowledgeable on business and life in general. He’ll see through the BS.”

Whitacre also is frustrated at media leaks, and some say he is picky about who is on the board. Those inside GM insist there was never an ultimatum, though. Whitacre had complained that GM will start “seeing changes as soon as 12 weeks,” the source says.

Chairman leads GM board on new path

Whitacre might not have issued an ultimatum, but he’s not afraid to push people, sources say. Henderson is said to work well with Whitacre so far. Earlier this month, Whitacre told Bloomberg News that Henderson was the right leader for GM “at this point in time.”

shadow of old board

When Jerry York quit GM’s board in October 2006, he did so in a resignation letter: “I have not found an environment in the boardroom that is very receptive to probing much beyond the materials provided by management.”

But does not seem to be the case with the new board.

“If anything, this board is too independent,” the source close to the board says. Each director has his own point of view. “They are cordial, but direct,” says the source. “You have people here who really mean business, and Fitz likes that.”

Another source familiar with the board describes the members as aggressive, asking tough questions and willing to second-guess management. All sources agree that this board considers itself highly accountable to the public after the federal government provided $37 billion to bail out GM.

The new board faces a lot of hurdles. GM’s management is known for resisting change, right up to two months before filing for bankruptcy when the Obama administration forced Wagoner out.

For the most part, the new board has to learn — and revive — a complicated business in a short period while under considerable public pressure.

With his high profile, Whitacre certainly will be identified with GM’s challenges. The question is whether he’ll be credited with the solution.

In an attempt to create a fresh face and further from the truth.”

Lutz said GM has strong products and is performed well in the United States and Europe, adding that the company is well positioned in emerging markets.

Steering failure

The court filing includes a letter to the Toyota legal department in Torrance, Calif., dated March 26, 2002, from Vidal Schacht in New York City. He said the steering on his 2011 T100 failed that February while he was exting his driveway.

In response, Toyota Motor North America says customer complaints about Toyota vehicles go to a different entity, Toyota Motor Sales. Superior Court Judge Conrad Aragon will consider Toyota’s motion to dismiss the suits Oct. 8. Toyota spokesman Mike Michels said the three sets of suits are not related. “It is unusual and coincidental to have several pieces of litigation come to public attention in a short time period,” he said in an e-mail.

Toyota has declined to comment on the wrongfull-death suits. But the automaker has spoken out against Miller’s suit, calling his allegations “inaccurate and misleading.”

The automaker says Miller is violating attorney-client privilege and nondisclosure conditions of his exit agreement, which included a $3.7 million severance payment.

Billar also has filed a wrongful-termination and discrimination suit against his most recent employer, Los Angeles County.

Kathy Jackson contributed to this report

Opel-Magna deal still faces hurdles

GM says “several key issues” must be resolved over the next few months before Magna International and its partner, Frank Stronach, can take control of Opel.

Lucia Ciferri
lucia.ciferri@reuters.com

TURIN, Italy — General Motors Co. has agreed to sell a majority of Opel to supplier Magna International Inc., and its partner, Russia’s Sberbank. But the deal won’t close for months and faces considerable hurdles.

The agreement is backed by the German government, which faces elections Sept. 27 and is trying to avoid massive job losses in the country.

Magna and Sberbank would jointly own 50% of Opel. Company employees would hold 16%.

GM would keep 35 percent and says it will cooperate closely with Opel on platforms, powertrains, manufacturing and purchasing.

The German government says it will provide 4.5 billion euros (about $6 billion) in financing in addition to the 1.5 billion euros lent to Opel in May. Magna and Sberbank say they will invest 500 million euros (about $728.2 million).

In May, before filing for bankruptcy protection, the old GM chose Magna and Sberbank as its preferred bidders for Opel. The new GM board considered reversing course and hanging on to the European unit. Last week it agreed to the sale, but there is a long way to go.

“Talks were very difficult, and the deal’s structure is unprecedentedly complicated,” said Sberbank CEO German Gref. “It is too early to say that a final decision has been taken. This is only a very important, intermediate stage of the deal.”

In a statement, GM said “several key issues” must be resolved.

“I see no obstacles to getting the deal done successfully by the end of November,” said John Smith, GM’s chief negotiator for the deal.

Under the agreement, Magna cannot sell Opel models in the United States and in China but would be granted access to Russia and the ownership of two GM plants there.

Some Magna customers including Volkswagen AG have expressed concern about the potential conflict of interest the deal poses as Magna continues to supply Opel’s rivals.

Magna has promised to fence off its Opel operations from its component business.
Clunker shoppers didn’t play hardball; margins soared

Mark Rechtin
markrechtnat.com

LOS ANGELES — Dealership profit margins for several brands more than doubled during cash for clunkers because many shoppers weren’t bargaining as hard as shoppers did before the program, according to a firm that tracks vehicle transaction prices.

TrueCar Inc. says Dodge, Chrysler and Jeep dealers were among the leaders in profit increases per transaction as a result of the program. Kia, Suzuki, Volvo, Toyota and Hyundai also turned in the best profits.

For example, TrueCar says the average margin at Kia stores went from 2.4 percent in June to 5.1 percent during the Aug. 1-24 period. The incentive ran from July 24 to Aug. 24. Consumers were convinced that a $1,500 to $4,500 incentive to trade in a clunker was a steal, said Jesse Toprak, vice president of industry trends and insights at the Santa Monica, Calif., firm. So they didn’t seem to drive a harder bargain on their new vehicle purchase and left thousands of dollars on the table as a result. That boosted dealer profits, he said.

Toprak said consumers did not understand that the cash-for-clunkers rebate could be the starting point for negotiations, not the conclusion. As a result, he said, profits on some deals were thousands of dollars more than in June. He said dealer profits on compact cars were triple the June level.

“With October’s dealerships had their best months ever in terms of unit sales and profitability,” he said. “After the program, dealers thought they had a golden opportunity to sell vehicles at unprecedented prices. But when consumers found out, they immediately dumped their clunkers to purchase new vehicles.”

The TrueCar data do not include profits generated in the F&I office. The firm declined to disclose dollar amounts of the dealer profit increases by brand, citing client confidence.

Consumers also were dazzled by manufacturer-to-dealer incentives that were tacked on. On many vehicles, Chrysler Group matched the clunker cash with incentives of its own.

“If a consumer paid $21,000 for a $30,000 Chrysler SUV, they still paid sticker,” Toprak said. “Consumers still got a better deal than they would have without clunkers, but left money on the table.”

TrueCar’s calculation of transaction prices showed that consumers who bought a four-wheel-drive Nissan Xterra, for example, “overpaid” by $3,818 compared with the average transaction price before the clunker program.

The firm said consumers left an average of $2,868 on the table for the Mitsubishi Galant V-6; $2,574 for the Toyota Prius and $1,973 for the Mazda 6.

The data come from TrueCar surveys of 8,000 new-car dealerships, covering about 30 percent of all transactions nationwide.

CRASH
Post-clunker slump creates subpar SAAR

Continued from Page 1

Once sales are nowhere near the level of August — the dealership’s best month ever, with 207 new-vehicle sales — “it’s just starting to get back to normal,” he says.

White expects to sell 80 new units in September, on the low side of a normal range of 80 to 120.

Roger Mercer, a Nissan-Mazda dealership consultant in Lufkin, Texas, expects a “surprisingly big falloff from a strong August, but we’re not going to be able to buy many new cars,” he says.

“With sales in August, I’d tell them we have some used cars,” he says. “I’d tell them we have some short-term renewal options, brokers say.

Replacing sales are “trickling in,” he says, but last week Dinsmore was still waiting for his first 2010 model, a Dodge Journey.

Mazda values down even further in the next year

At one Virginia car dealership, an old car went into a trash bin to promote the cash for clunkers program. After the federal incentive plan ended Aug. 24, it was sales that went into the dumper.

On Sept. 10, Dinsmore of Anniston Dodge said the dealership had fewer than 20 new units in stock, most of them trucks. If anybody wanted a car, he says, “I’d tell them we have some used cars.”

Replacements are “trickling in,” he says, but last week Dinsmore was still waiting for his first 2010 model, a Dodge Journey.

Mercer says his early-September Nissan inventory is less than half of his normal 120 to 130 vehicles.

“I’m low on stock,” Mercer says. “I have no Armadas, Pathfinders or Xterras and one Cube.”

Sandler says they will try to improve gradually as manufacturers ramp up production and showroom traffic reappears.

Ford’s Pipas says a budding but “probably weak and pretty fragile” economic recovery will control the pace of auto sales in the fourth quarter.

“It’s a little bit like a new-born calf,” he says. “It might be up, but it’s wobbly.”

Amy Wilson contributed to this report

STORES
Credit crunch freezes acquisitions

Continued from Page 1

In the doldrums

And uncertainty is keeping the leases short. Some dealers acquiring franchises aren’t seeking typical five- to 15-year leases; they’re asking for one- or two-year leases with several short-term renewal options, brokers say.

“They’re afraid their franchises aren’t going to be around,” Johnson says.

In a year or two, when auto sales re-bound, the buyer “could meet the seller in the middle,” says Sheldon Sandler, a financial adviser and dealership broker in Skillman, N.J.

But even delaying a sale is a gamble.

Real Estate Partners, a Phoenix real estate company that specializes in dealership real estate, says appraisers tend to undervalue properties because of market uncertainty.

“It’s like running around in a pitch-dark cave,” Breuer says. “There’s nothing to give you a frame of reference where you’re headed.”

Rising dealership foreclosures are slicing values further. Banks often sell property at 50 cents on the dollar to a buyer who uses the real estate for a nonautomotive purpose, Breuer says.

More leases

Sellers seeking to avoid steep discounts are counting on short-term leases on dealership property with an option to buy so they can postpone the sale of their businesses for better times when real estate values recover.

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But even delaying a sale is a gamble.

Johnson warns that a commercial real estate glut could drive dealership values down even further in the next two years. By law, banks can hold nonperforming assets for no more than two years so they’re preparing to unload the commercial foreclosures that escalated when the credit crisis hit in 2007, he says.

Floorplan funk

Auto lenders’ acceptance of new floorplan accounts is selective, to say the least.

Large, well-capitalized dealership groups can obtain inventory financing on new dealerships, but the typical entrepreneur is out of luck.

“I’ve heard of banks designating closed stores as restarts or reopens and applying more stringent underwriting requirements,” says Breuer, which means treating a new enterprise like an extension of a dealership that went out of business. “It’s so crazy that banks actually ask new dealers for financials on the closed dealership operation.”

Some selling dealers are requiring prospective buyers to provide a bank letter guaranteeing a floorplan line of credit before any negotiation starts, Breuer says.

“Without flooring lines, the up-and-coming general managers trying to become dealers are not able to get into new deals,” he says.

Breuer says this further depresses dealership values because acquisition opportunities are limited to established dealers who already have floorplan lines.

Big spenders gone

The public dealership groups that drove up prices with their late-1990s buying spree have stopped actively shopping for dealerships. They have launched aggressive cost-cutting campaigns to shore up their balance sheets, Sandler says.

Late last year, Penske Automotive Group, of Detroit, the No. 2 dealership group on the Automotive News list and the most aggressive buyer among the public retailers, slowed the pace of acquisitions. “Investors wanted us to preserve cash and liquidity,” says Tony Pordon, Penske Automotive’s senior vice president.

Large, well-capitalized buyers also have lost their appetite for luxury dealerships, which are tacked on. “It’s also a came,” says Gordon Stewart, president of Stewart Management Group in Harper Woods, Mich., owns five dealerships and a dealership brokerage. He predicts the market — and prices — for domestic dealerships will pick up over the next two years as more domestic stores close, creating opportunities for survivors.

Sandler says many dealers are optimistic that they will be able to sell their dealerships at acceptable prices in the next two years. They’re making less money, but they’re still profitable and have a lot of cash with a much lower cost structure, he says.

“At some point the industry will go back to 14 million light-vehicle sales and the 60% of those 14 million sales will be distributed among fewer dealers,” he says.
Chrysler ends engine alliance

DETROIT — Chrysler Group has ended its engine-manufacturing alliance with Hyundai Motor Co. and Mitsubishi Motors Corp. It is said that the new management team led by Fiat S.p.A. and Mitsubishi have sold their interests in a Dundee, Mich., joint-venture engine plant with Chrysler, Reuters reported. The plant has built four-cylinder engines since 2005. The plant now will build engines only for Chrysler vehicles, including the Dodge Caliber and Jeep Compass and Patriot.

Beijing Auto in Saab deal

STOCKHOLM — Beijing Automotive Industry Holding Corp. will take a minority stake in Koenigsegg Group AB, one of the world’s largest textile suppliers, to help the Swedish company to buy Saab from General Motors Co.

Saab spokesman Eric Geers said, “We are completely convinced that we will be able to complete the deal by the end of October.” Koenigsegg Group AB, the latest suitor for Saab, declared bankruptcy in April and Koenigsegg declined to say how much capital would come from Beijing Automotive but told Reuters that Koenigsegg’s plans for Saab required about $1.5 billion.

Geely wants Volvo

STOCKHOLM — China’s Geely Auto, which owned Saab, will take a minority stake in Chrysler Group, which lost its bankruptcy battle with the U.S. government’s auto bailout program.

Milliken will sell auto unit

Koenigsegg CEO Christian von Koenigsegg said, “This decision has been taken after senior executives of the company and its board concluded that we will be able to complete the deal by the end of October.” Koenigsegg Group AB, the latest suitor for Saab, declared bankruptcy in April and Koenigsegg declined to say how much capital would come from Beijing Automotive but told Reuters that Koenigsegg’s plans for Saab required about $1.5 billion.

�� SUPPLIERS

No bloodbath, but problems remain

In contrast, Chrysler’s ties with its dealers were exclusive and direct, he says. That allowed dealershps to compete for parts delivered from competitors. “We didn’t close any Toyota stores,” Gates says. GM also paid most of its suppliers for parts delivered before the bankruptcy filing. The automakers went to great lengths to minimize the impact of their reorganization on their suppliers. Indeed, the automakers’ treatment of their suppliers contrasts starkly with the cutting of their dealers.

Keeping contracts

When Fiat S.p.A. took control of Chrysler at the end of the 41-day bankruptcy, it decided to keep contracts with 1,200 of the 1,300 direct parts suppliers that Chrysler had in its stable. If it had chosen to, Chrysler could have asked the court for permission to shed unwanted contracts.

Contrast that with the way Chrysler dealt with dealers while in Chapter 11. With the court’s permission, it chose not to pay nearly a quarter of the $1 billion in incentive payments it owed dealers. It followed that up by terminating 879 of its 3,200 dealership agreements.

Chrysler spokesman Max Gates says the company paid suppliers in bankruptcy to protect future production. “We were driven by self-interest,” he says.

Not having paid the claims would have damaged suppliers already hurt by production cuts, he says. Gears notes that Chrysler shares more than three-quarters of its suppliers with GM and Ford Motor Co., calling into question its claim that such suppliers would have encouraged a shakeout on its own.

Why they survived

Chrysler and GM banks and big production cuts didn’t spark the widely predicted liquidation of many suppliers. Here’s why.

Supplier pliers to file for bankruptcy. But few in the industry expect to see a mass wave of failures.

‘Too many mouths’

“We have a vehicle market of 10 to 12 million vehicles, which is about 60 percent of GM’s volume today, and we have too many mouths to feed out here.” Supplier pliers to file for bankruptcy. But few in the industry expect to see a mass wave of failures.

‘Too many mouths’

“We have a vehicle market of 10 to 12 million vehicles, which is about 60 percent of GM’s volume today, and we have too many mouths to feed out here.” Supplier pliers to file for bankruptcy. But few in the industry expect to see a mass wave of failures.
Z Roadster adds power, features—but little cost

Lindsay Chappell

SAN JOSE, Calif. — Nissan Motor Co. has stayed true to its roots with the 2010 370Z Roadster, which goes on sale this month. The Roadster, traditionally positioned as a lower-cost alternative to European sports cars, features more engine, new technology, better handling and reduced weight, at little additional cost.

Nissan has given the car a sticker price of $37,090 including shipping, just $100 more than the 350Z Roadster it replaces.

The basics: Nissan took the convertible’s redesign seriously, making the rear end more pronounced and pushing the rear window back 6 inches to give the two-seater a more BMW-ish look. The car’s length has been trimmed 2.7 inches compared to the 350Z. But it is 1.3 inches wider, sitting on a wheelbase that has been reduced 3.9 inches. Body stiffness has been increased 40 percent in the front and 45 percent in the rear.

Under the hood, the Roadster gets a 3.7-liter V-6 with 332 hp, a boost of 26 hp from the previous-generation 3.5-liter engine. Nissan has paired a six-speed automatic with its new SynchroRev Match technology, which recalibrates engine revs during downshifting to allow smoother gear meshing. The car also offers a seven-speed automatic.

Notable features: The biggest change is the switch from a vinyl top to a cloth top. The lined canvas roof, produced by Magna International Inc., was a key part of Nissan’s effort to shave the car’s weight. Despite adding more than 100 pounds of side-curtain airbags and other equipment, the Roadster comes in at 158 pounds less than the previous Roadster.

Weight savings also came from switching the hood from steel to aluminum.

What Nissan says: “The Z has always been a story of value,” says Larry Dominique, vice president of product planning at Nissan North America Inc. “The first Z went many years ago cost $2,100. We really wanted to get back to that sense of value.”

Compromises and shortcomings: The Roadster is designed to move forward. Moving in reverse can be tricky because of a raised back end that obstructs the view for parking. The shorter body also leaves the cockpit with legroom that is just adequate.

The market: The Roadster is a key piece of Nissan’s sports car business, since it accounts for 30 percent of Z sales. Dominique says Convertible sales represent an even higher percentage of some of the competitor models Nissan is targeting.

The skinny: Nissan has positioned the Z Roadster to be a moderately priced alternative for European roadster shoppers.
### Scheduled plant overtime for the week ending Sept. 19

**Plant** | **Ford Motor Co.**<br>Cuautitlan, Mexico<br>Michigan Assembly (Wayne)<br>**General Motors Co.**<br>Arlington, Texas<br>Flint, Mich.<br>Downtown (Ontario) Consolidated<br>Spring Hill, Tenn.<br>**Volvo**

### Plant closings

**Plant** | **Resumes**
--- | ---
Cuantitlan, Mexico | 1Qr. 2010<br>Michigan Assembly (Wayne)<br>**Other downtime**

### North America car and truck production

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### Plant closings

**Plant** | **Resumes**
--- | ---
Cuantitlan, Mexico | 1Qr. 2010<br>Michigan Assembly (Wayne)<br>**Other downtime**

### Output rises 43% over July

North America production for August was down 21.8 percent compared with August 2008. It is the third consecutive month in a row that production has improved from the previous month, with August increasing 43.0 percent over July.

Car production dropped 31.4 percent in the United States, 20.6 percent in Canada, 39.6 percent in Mexico and 31.0 percent in North America.

Truck output dropped 81.1 percent in the United States, 16.6 percent in Canada, 14.3 percent in Mexico and 10.3 percent in North America.

Vehicle output was down 19.8 percent in the United States, 20.6 percent in Canada, 39.6 percent in Mexico and 31.0 percent in North America.
Whitacre caught the disease: He’s an instant car guy

What is it about the automotive business that makes people believe they can come to town and magically be transformed into car guys?

Now Ed Whitacre, the nonexecutive chairman of General Motors Co., wants to be Lee Iacocca. Whitacre will pitch GM’s products on TV. It smacks of those spots from the early 1980s when Iacocca challenged consumers to look at Chryslers: “If you can find a better car, buy it.”

But almost as dangerous as the disease is the treatment. It smacks of the Disney flick “The Tonight Show” from Jay Leno. The car guy, is charismatic, car guy, is back.

Ford’s EV technology gets big PR boost from Leno’s leadfoot guests

For Jay Leno, the objective of the Green Car Challenge on his NBC show debutting this week is to get celebrities to drive an electric car fast.

But for Ford, the goal is to convince consumers that electric cars aren’t dreary futuristic science experiments. They can be driven fast and will look like the next car over in the parking lot.

To that end, Ford is loaning “The Jay Leno Show” two electric-powered Ford Focuses. Once or twice a week, celebrities will drive them. Tonight, “The Jay Leno Show” will drive an electric Focus on a handling track. They’ll race against the clock, competing for the best time of the season. Ford is getting ready to sell an electric Focus in 2011. That car will have a new design that won’t be unveiled until next year.

The Leno cars are electric versions of the current Focus.
Protecting the car.
Protecting the customer.
And while we’re at it, building your bottom line.

A full circle of coverage options, custom-designed for your dealership, your customers, and you.

Here’s a novel idea: an insurance company that can help you make sales and reduce risk. One company that offers protection for your dealership and peace of mind for your customers. Plus training and technologies to maximize sales opportunities. A full spectrum of dealership solutions for risk management, business development and F&I growth. Including GAP,* extended service and maintenance plans and more. Solutions that increase customer satisfaction and loyalty. Visit dealer.gmacinsurance.com, or call 877-357-8477, option 6.

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I’ve always known how to turn my inventory fast, but with vAuto my turn is even faster than I ever imagined possible.

— Adam Simms, General Manager
Toyota Sunnyvale
Sunnyvale, California

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