GM'S COMMITMENT TO THE AMERICAN PEOPLE

We deeply appreciate Congress considering General Motors' request to borrow up to $18 billion from the United States. We want to be sure the American people know why we need a loan, what we will do with your money and how it will make GM viable for the long term.

For more than 100 years, we have been serving your personal mobility needs, providing American jobs and serving local communities. We have been the U.S. sales leader for 76 consecutive years. Of the 250 million cars and trucks on U.S. roads today, more than 66 million are GM brands — nearly 44 million more than Toyota brands. We value your business and appreciate the confidence you have in our products. Our goal is to continue to fulfill your aspirations and exceed your expectations.

While we're still the U.S. sales leader, we acknowledge we have disappointed you. At times we violated your trust by letting our quality fall below industry standards and our designs become lackluster. We proliferated our brands and dealer network to the point where we lost adequate focus on our core U.S. market. We also biased our product mix toward pickup trucks and SUVs. And we made commitments to compensation plans that have proven to be unsustainable in today's globally competitive industry.

We have paid dearly for these decisions, learned from them and are working hard to correct them by restructuring our U.S. business to be viable for the long-term.

Today, we have substantially overcome our quality gap; our newest designs are widely heralded for their appeal, such as the Chevrolet Malibu and Cadillac CTS; our new products are nearly all cars and crossovers rather than pickups and SUVs; our manufacturing operations have greatly improved productivity, and our labor agreements are much more competitive.

GM is also driven to lead in fuel economy — with more hybrid models for sale and biofuel-capable vehicles on the road than any other manufacturer — and is determined to reinvent the automobile with revolutionary new products like the Chevrolet Volt* extended-range electric vehicle and breakthrough technology like hydrogen fuel cells.

Until recent events, we felt the actions we'd been taking positioned us for a bright future. Just a year ago, after we reached transformational agreements with our unions, industry analysts were forecasting a positive GM turnaround and our stock price reflected that confidence. We had adequate cash on hand to continue our restructuring even under relatively conservative industry sales volume assumptions.

Unfortunately, along with all Americans, we were hit by a "perfect storm." Over the past year, all of us have had to deal with volatile energy prices, the collapse of the U.S. housing market, failing financial institutions, a stock market crash and the complete freezing of credit. We are in the midst of the worst economic crisis since the Great Depression.

Just like you, we have been severely impacted by events outside our control. U.S. auto industry sales have fallen to their lowest per capita rate in half a century. Despite moving quickly to reduce our planned spending by over $20 billion, GM finds itself precariously and frighteningly close to running out of cash.

We know some Americans have questioned why the Federal Government should assist the auto industry, specifically when so many other sectors of the economy appear to be at serious risk too. The answer is because we have already lost a number of industries that spin raw materials into finished products that can be purchased by the citizens of this nation and, just as importantly, those of other nations.

A healthy manufacturing base generating exports is critical to the economy and national security of the United States. The auto industry is the backbone of this country's manufacturing base.

This is why we need to borrow money from U.S. taxpayers. If we run out of cash, we will be unable to pay our bills, sustain our operations and invest in important advanced technology. A collapse of GM and the domestic auto industry will accelerate the downward spiral of an already anemic U.S. economy. This will be devastating to all Americans, not just GM stakeholders, because it would put millions of U.S. jobs at risk and further deepen our recession, a crisis that would not merely be localized to the Midwest.

By lending GM money, you will provide us with a financial bridge until the U.S. economy and auto sales return to modestly healthy levels. This will allow us to keep operating and complete our restructuring.

We submitted a plan to Congress on December 2, 2008, detailing our commitments to ensure our viability, strengthen our competitiveness and deliver energy-efficient products.

Specifically, we are committed to:

- producing automobiles you want to buy and are excited to own
- leading the reinvention of the automobile based on promising new technology
- focusing on our core brands to consistently deliver on their promises
- streamlining our dealer network to ensure the best sales and service
- ensuring sacrifices are shared by all GM stakeholders
- meeting appropriate standards for executive pay and corporate governance
- working with our unions to quickly realize competitive wages and benefits
- reducing U.S. dependence on imported oil
- protecting our environment
- paying you back the entire loan with appropriate oversight and returns

These actions, combined with a modest rebound of the U.S. economy, should allow us to begin repaying you in 2011.

In summary, our plan is designed to provide a secure return on your investment in GM's future. We accept the conditions of your loan, the commitments of our plan, and the results needed to transform our business for long-term success. We will contribute to strengthening U.S. energy and environmental security. We will contribute to America's technical and manufacturing know-how and will create high quality jobs for the "new economy." And we will continue to deliver personal mobility freedom to Americans using the most advanced transportation solutions.

We are proud of our century of contribution to U.S. prosperity and look forward to making an equally meaningful contribution during our next 100 years.

*Chevy Volt Target Launch: 2010.

83rd year — No. 6337

latenews

Chrysler: Bankruptcy counsel supports its stance

DETROIT — Chrysler LLC confirmed Friday that it had hired global law firm Jones Day to assess financial alternatives — and said the firm's analysis supports Chrysler's stance that bankruptcy isn't a viable option.

Chrysler said Jones Day was one of several advisers hired. Regarding a Chapter 11 filing, Chrysler said, "The results of this evaluation determined the impact to the overall domestic automotive industry would be devastating."

— Bradford Wernle

Dealer Hecker hospitalized

Embattled Minneapolis auto dealer Denny Hecker was hospitalized in fair condition last week after the vehicle he was driving went off a road and struck a utility pole.

In mid-October, Chrysler Financial Services Americas LLC withdrew floorplanning for several Hecker dealerships and pulled credit for separate leasing and rental-car operations. Hecker closed six dealerships and sold three stores in Minnesota and California. Seven other dealerships remain open.

— Jesse Snyder

High-fliers Toyota, Honda are struggling, too

Some dealers wonder if ads, finance deals will be enough

Alysha Webb and Kathy Jackson
awebb@crain.com

LOS ANGELES — Toyota was supposed to clean up this fall, with its rock-steady finance arm and an ad blitz to promote 0 percent lending. Likewise, Honda, with a lineup of fuel-efficient cars, looked ready to ride out the storm.

But Toyota's promotion has been a disappointment. And while Honda has surpassed 10 percent market share this year, it has staggered since September. Some Honda dealers complain that the company isn't doing enough to jump-start sales.

In the downturn, the two Japanese high-fliers are taking different approaches. Toyota Motor Sales U.S.A. Inc., down 33.9 percent in November compared to last year, will continue to offer 0 percent financing on a dozen Toyota models. Lexus is spending 50 percent more this year on its annual "December to Remember" TV commercials.

American Honda, with sales down 31.6 percent in November, is offering special financing and leasing rates on some models. But Honda has not boosted advertising significantly.

"I don't think anything we are going to do in the short term is going to help spur sales," says Chris Martin, an American Honda spokesman.

Martin cites the Happy Honda Days campaign launched Nov. 24. But the ads are light on sales specials. In a statement, Dick Colliver, executive vice president of American Honda said: " 'Happy Honda Days' TV communicates a warm, simple seasonal greeting rather than focusing on an overt sales message."

Dealers want Honda to do more. "I would like Honda to be more aggressive," says an executive at a group with Honda and Toyota stores. "Will that move the market? No one knows. But by the same token, will that also be planting the seed for when consumers come back into the market?"

A finance director at a Honda store in Oklahoma said American Honda Finance Corp. has pulled back on financing. As for advertising, he says Honda is doing nothing different from last Christmas.

Ed Hartoonian, general manager of Galpin Honda in suburban Los Angeles, said: "Honda finance has changed some of their guidelines on tougher credit customers. For new cars, customers with tougher credit — maybe under 600 credit score — the extended term is harder to get."

Toyota will continue with 0 percent financing, and is rolling out its Venza small sedan, says Bob Carter, head of Toyota Division. Carter says Toyota's ads this month will focus on vehicles and that dealers will promote incentives regionally.

Lexus General Manager Mark Templin says the division is spending 50 percent more on the "December to Remember" TV commercials than it did last year. The campaign promotes getting a new Lexus as a Christmas present.

Templin said the dealer ad associations are running the same commercials regionally. He did not reveal how much Lexus is spending on the campaign but said: "It's heavyweight, a big blast. We still see a need for TV. It's a good branding tool." AN

Summer sizzlers fizzle in fall

November was a nightmare for all, including cars that were stars just months ago

Jesse Snyder
jsnyder@crain.com

In a time of tight credit, crashing consumer confidence and now cheap gasoline, those fuel-efficient cars that were scalding hot in May turned ice cold in November.

But November was nasty for every make and almost every model. Industrywide sales plunged 36.7 percent to 747,544 — the worst monthly volume since January 1982. The annual selling rate in November dipped to 10.3 million, a level not seen since October 1982.

More misery: November sales report > 21-23

With gasoline well under $2 a gallon, small, fuel-efficient cars were no refuge. Each of the seven small and mid-range cars that placed among the industry's top 10 sellers in May sold less than half their May volumes in November.

Sales of the Honda Civic, May's No. 1 seller (displacing the Ford F-series pickup), plunged to 17,690 in November, down 66.8 percent from 53,299 units in May. Now large pickups are regaining market share, and Ford is boosting production (see story, Page 4).

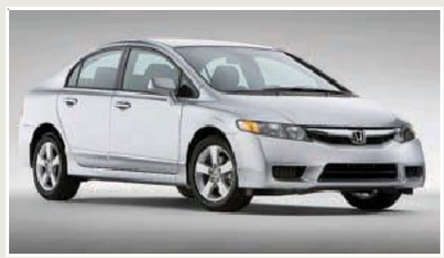
The year's two sudden and sharp shifts in what sells have made it almost impossible for automakers and dealers to balance inventories. In November, the pain was felt everywhere:

- Every car and light-truck segment fell from a year earlier.
- Every auto group lost volume, the same as in September and October.
- Country of origin made little difference. Sales of vehicles made in North America, Japan, Europe and Korea all fell 32 to 38 percent.
- In a year of model-mix volatility, light trucks in

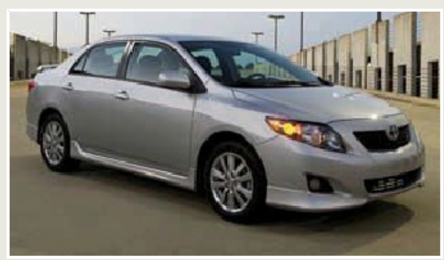
see **SALES**, Page **23**

Too hot not to cool down

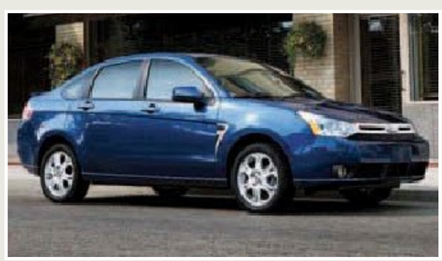
In May, fuel-efficient small cars were flying off the lot. That was then. This is now.



Honda Civic
unit sales
May **53,299**
November **17,690**



Toyota Corolla
May **52,826**
November **21,807**



Ford Focus
May **32,579**
November **8,194**

Dealers back Detroit 3 aid, want spiffs

Harry Stoffer
hstoffer@crain.com

WASHINGTON — Sen. Christopher Dodd is one of Congress' financial experts. But last week, he conceded that he's just now learning how auto dealer floorplans work.

The admission by Dodd, D-Conn., who heads the Senate Banking Committee, suggests the challenge that faces dealers and dealership groups. While they are lobbying hard for emergency federal loans to the Detroit 3, they worry that Washington is overlooking retailers' needs.

Dealers don't want mandated reductions in the number of dealerships to be a condition of aid, the National Automobile Dealers Association says. And they don't want Congress to ignore their requests for incentives to boost showroom traffic.

"Dealers are not part of the problem facing the automakers," said NADA Chairman Annette Sykora, a Texas dealer, as she lobbied on Capitol Hill last week. Nearly 150 dealers and state association executives are due here this week to press lawmakers on aid to the industry, including to retailers.

Also making the case last week was Jim Fleming, president of the Connecticut Automotive Retailers Association. Testifying before Dodd's committee, Fleming warned that talk of overriding state franchise laws to allow the Detroit 3 to shrink their retail networks could undermine the confidence private lenders have in dealerships to which they provide credit. AN

Ford modifies pricing promo to equalize rebates

Amy Wilson
awilson@crain.com

DETROIT — This month, Ford Motor Co.'s Employee Pricing Plus promotion really *will* give most customers the same bottom-line price any employee would get.

That wasn't the case when the program began in mid-November. Sure, the invoice vehicle price duplicated the employee price. But that was before additional rebate offers for customers and employees — the "plus" part of the advertising slogan.

The hang-up: Company employees and retirees and dealership employees qualified for bigger rebates than regular customers. That made their bottom-line vehicle price $2,000 lower in some cases.

Some dealers objected to that setup, saying it makes them and their employees walk an ethical line with customers expecting the same price as any employee.

"Where's the credibility?" said O.C. Welch, owner of O.C. Welch Ford-Lincoln-Mercury near Hilton Head, S.C. "When you have a Ford employee on television saying 'You get it for what we get it for,' that's not real."

By early last week, Ford had modified the program in most regions to offer the same underlying rebates to both employees and customers.

Lower rebates for employees are continuing in two regions where that business is strong: Detroit and Pittsburgh.

A Ford spokeswoman stressed that the starting price is exactly the same as the employee price. Because added incentives are always variable, particularly across regions, no programs offer the same bottom-line price to everyone, she said.

Jack Straub, a Lincoln-Mercury dealer in Keyport, N.J., said his region has resolved the discrepancy by reducing the employee rebate to bring it in line with the retail offer.

"Now everybody is equal," said Straub, who characterized the former setup as an oversight. "I think they did the right thing." AN

Koreatown dealer scrambles to hang on in L.A.

Community pillar jousts with economy and changing market

Alysha Webb
awebb@crain.com

LOS ANGELES — Dai Ryoung Lee sits munching on a Dove bar in a crowded office filled with Asian art in downtown Los Angeles. Lee says he has no time for lunch. He's too busy trying to save his Hyundai dealership in the city's Koreatown section.

"We are in survival mode," says the 62-year-old owner of Los Angeles City Hyundai, who built his business catering to L.A.'s large community of Korean immigrants.

But that customer base is shrinking. Last summer, Lee closed his nearby Chevrolet dealership. And now the Hyundai store is teetering.

"I've been selling cars in Koreatown for 35 years," says Lee, who arrived from Korea in 1968 to attend the University of Southern California. "They know me and respect me. They love to buy cars from me."

More than 80 percent of L.A. City Hyundai's new-vehicle customers are Korean. But Lee says the older first-generation Koreans, who are more comfortable buying from other Koreans, are being replaced by a generation born in the United States. The younger customers are much more mainstream. They'll gladly walk into any showroom.

Lee's growing demographic problem has been magnified by the overall market distress. So he came up with an idea: Expand his marketing reach by appealing to Korean Americans in other parts of the country. He plans to sell Hyundais to customers in northern California, Nevada, Arizona, Oregon and Washington state — all areas with large Korean populations. And, if need be, he'll fly or bus those customers to Los Angeles.

Dealerships in those places "aren't reaching out to the Korean market," he says.

At L.A. City Hyundai, which so far this year has sold about 630 new vehicles and 250 used, the staff has been cut to about 50, from 70 earlier in the year. Lee says he wants to trim that to 40 or fewer.

Lee says he will decide in February whether to close the dealership. If he keeps it open, he figures to lose up to $1 million next year.

"I can afford that," he says.

Lee says he might try to weather the storm as a commitment to the community.

In July he closed his Chevrolet dealership a few blocks from the Hyundai store. Sales had plummeted and the cost of inventory financing got out of

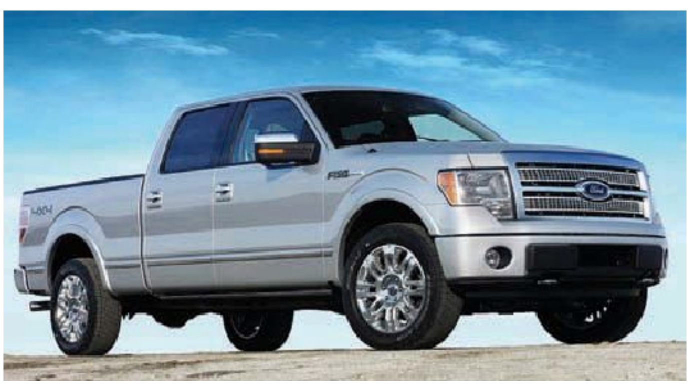
see **L.A. CITY**, Page **20**

ALYSHA WEBB PHOTOS

Advertising at Dai Ryoung Lee's Los Angeles City Hyundai store reaches out to the area's large ethnic populations.

Dai Ryoung Lee

Age: 62
Born: Pyongyang, North Korea
Attended: University of Southern California
Family: Wife, 1 daughter
Owns: Los Angeles City Hyundai
Career: Bought his first dealership in 1990 and added 5 more. Began selling stores in 2005 and now owns just 1.
First auto job: Salesman at Felix Chevrolet in Los Angeles, 1973
Early idea: Formed a company that helped Korean-American businessmen buy fleet vehicles.
First business venture: Bolstered his green-card application by investing in a hamburger stand.
New idea: Sell vehicles to Korean Americans in other parts of the country.
Quote: "Right now, this kind of economy, you can't plan. You just go on a weekly basis. I just want to hang in there and see what happens."



With demand unexpectedly high, Ford dealers are struggling to get F-150s.

Ford to add a shift, OT for F-150

Amy Wilson
awilson@crain.com

DETROIT — Against a backdrop of plunging fuel prices, Ford is restoring two shifts and overtime production of its re-engineered 2009 F-150 pickup.

With gasoline under $2 a gallon, demand for Ford's big pickup is up. Dealers in some parts of the country are complaining to Ford that they're running out of F-150s.

It's a far cry from the situation in late June, when gasoline prices were around $4 a gallon and pickup sales plunged. At that time, Ford killed two shifts of F-150 production and delayed the launch of the 2009 model to avoid inventory gluts.

Ford now plans to restore a shift of F-150 production at its suburban Kansas City, Mo., assembly plant next month, spokeswoman Angie Kozleski told *Automotive News*. In late October, the company announced that the other shift, at its Dearborn, Mich., plant would return in January.

In the meantime, overtime production is planned this month in Kansas City to meet demand, the plant's UAW Local 259 reported on its Web site.

"Frankly, a lot of regions and dealers in those regions are really concerned about their truck inventory," Jim Farley, Ford Motor Co. group vice president of marketing and communications, said last week. "We're starting to see quite a few regions where they're trading trucks across state (lines) now because we've run out of '08s, and the '09 shipment is not as fast as they would want."

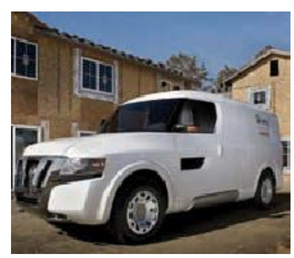
The 2009 F-150 went on sale in October. Through November, U.S. sales of the F series fell 25.4 percent from the year-ago period. But in the tough November, when Ford's overall sales plunged 32.6 percent, the pickup posted the narrowest drop — 18.6 percent — of any Ford-brand vehicle line.

Ford doesn't expect F-series sales to return to previous levels, Kozleski said. Through November, Ford sold 473,933 F series. In the truck's peak year of 2004, it sold 939,463 units.

Because of the restored shift in Kansas City, Ford is scrapping plans to rework its Dearborn plant over the holiday break to make regular-cab F-150s, a body style now made only in Kansas City. With extra capacity restored in Kansas City, Kozleski said, that need is gone. AN

Nissan bucks trend, will move to bigger trucks

Lindsay Chappell
lchappell@crain.com



Nissan unveiled this concept of a big truck it wants to sell in 2010.

DETROIT — Despite earlier disappointment in the truck business, Nissan North America Inc. is back to try again.

Last week, Nissan unveiled a workhorse concept truck here that it hopes will carry it even deeper into the depressed U.S. light-truck market, and challenge one of the few niches still dominated by Detroit 3 vehicles.

The unveiling of the concept, along with a second commercial vehicle concept, marked Nissan's first public showing of the U.S.-designed vehicles it wants to sell here through its new Light Commercial Vehicle business, starting in 2010.

Ford Motor Co.'s aged E-series van, formerly known as the Econoline, is squarely in Nissan's sight. Former Ford commercial vehicle executive Joe Castelli leads Nissan's charge.

"This is going to open up Nissan dealers to a lot of new product opportunities," says Castelli, Nissan North America's vice president for light commercial vehicles and fleet. "It's a great business if everything falls into place."

Nissan's 2003 effort to crack Detroit's hold on full-sized pickups fell flat. After spending more than $1 billion to develop the Titan pickup and build a plant in Mississippi to produce it, sales disappointed. In the first 11 months of this year, Nissan sold fewer than 32,000 Titans.

Nissan has said it would end production of the Titan in 2010 and obtain its next generation from Chrysler LLC.

The U.S. market for large pickups has deflated with the crash of the housing industry. Nissan's new market segment — light commercial trucks and vans used by plumbers, delivery services and airport parking shuttles — is not faring much better.

Through November, sales of Ford's E-series van fell 26 percent from the year-ago period. In October, Daimler AG said it was killing its U.S. Sterling truck brand, which sells in some of the same segments Nissan is now targeting.

Castelli notes that Nissan is still 1½ years from launch and that the market should rebound by then. AN