

# auto**beat**

## *daily*<sup>™</sup>

**MONDAY**  
**MARCH 7, 2005**  
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**DELPHI CFO RESIGNS, PAST RESULTS TO BE RESTATED.** Delphi Corp. Vice Chairman Alan Dawes, who has served as the company's chief financial officer since it was spun off from General Motors Corp. in 1999, was forced to resign Friday after an investigation found accounting errors going back at least to 2001.

John Sheehan, 44, the company's chief accounting officer and controller, has been appointed acting CFO.

Paul Free, who was chief accountant and controller before Sheehan, also has left the company. John Blahnik, vice president of treasury, mergers and acquisitions, has been re-assigned to a non-officer position with less pay.

The probe says Delphi overstated cash flow in 2000 and pre-tax income in 2002 and 2003. It also confirmed errors in the way Delphi accounted for business with Electronic Data Systems Corp. between 1999 and 2004—the original focus of the probe, which began last November and later expanded.

The shakeup comes about two weeks after Chairman and CEO J.T. Battenberg III announced he will retire later this year. The company says Battenberg's decision is unrelated to the accounting probe.

The company continues to investigate other transactions but expects to complete its restatement by June 30, according to a filing with the U.S. Securities and Exchange Commission.

Delphi's shares plunged 14% on Friday, closing at an all-time low of \$5.46 in extremely heavy trading volume of 24.5 million shares.

Moody's Investors Service promptly announced it was placing Delphi's debt ratings under review for possible downgrade. Fitch Ratings did the same but also immediately downgraded its senior debt, trust and commercial paper ratings for the company.

**JOB GROWTH DOUBLED IN FEBRUARY.** U.S. business added 262,000 jobs in February up from a downwardly revised 132,000 positions in January, according to the U.S. Dept. of Labor. It was the largest one-month gain since November.

The department says auto workers returning from temporary layoff caused jobs in the manufacturing sector to improve for the first time since August.

But the nation's unemployment rate rose to 5.4% from 5.2% in January as more people went looking for work, according to a separate Labor Department survey.

Wages of production and non-supervisory workers remained at \$15.90, the same as January, easing concerns that the job growth will rekindle inflation.

**CONSUMER SENTIMENT DOWN SLIGHTLY.** Final February figures from the University of Michigan show consumer confidence in the U.S. economy slipped slightly from January to February.

The university's index declined from a revised 95.5 in January to 94.1 in February, according to those who have seen the subscription-only analysis. Experts shrugged off the movement as too small to indicate which way consumer mood is going.

**GM CONFIRMS RUSSELSHEIM CHOICE FOR MIDSIZE CARS.** On Friday General Motors Corp. confirmed media reports that it will consolidate production of its next-generation Saab 9-3 and Opel Vectra cars in Russelsheim, Germany, beginning in 2008.

GM said it determined the plant will be about \$265 million less expensive to run over time than a competing facility in Trollhattan, Sweden. A key factor: Russelsheim can build 60 cars per hour vs. 39 at Trollhattan.

GM also pledged not to close any plants in Germany or lay off workers in the country through 2010. In return, GM's Adam Opel AG workers agreed to reduce their annual wages by 1% annually between 2006 and 2010 and allow their work weeks to vary between 30 and 40 hours as long as they continue to average the current 35-hour norm.

GM says Trollhattan will continue to produce "selected" Saab cars through 2010 and add the Cadillac BLS, a model exclusively for the European market, in 2006.

**DETROIT CONTINUES TO LAG ASIA, BEAT EUROPE IN VEHICLE RELIABILITY.** New vehicles made by Detroit's Big Three automakers still have 42% more problems in the first year than those from Asian OEMs. But for the second consecutive year they have fewer flaws than cars and trucks from Europe, says *Consumer Reports*.

Asian vehicles average only 12 problems per 100

vehicles, according to the magazine. That compares with 17 problems for U.S. models and 21 for vehicles from European OEMs.

The average number of problems rise for all models as vehicles get older, but *CR* says regional rankings for three-year-old models remains the same: 32 problems per 100 units for Asian brands, 55 for U.S. brands and 71 for European models.

*CR* declares Subaru is America's most reliable vehicle brand with an average of eight problems per 100 units during the first year. Honda Motor Co. ranks second with nine problems per 100.

Among specific models, the Hyundai Sonata rates best with just two problems per 100 vehicles. The magazine's worst-ranked vehicles are Ford Motor Co.'s Lincoln Navigator SUV and Nissan's Quest minivan, each with 49 problems per 100 units.

The Ford Focus was the "top pick" in the compact sedan segment. But Japanese-brand vehicles captured the other nine categories and accounted for all 21 vehicles *CR* recommends because they earned "very good" or "excellent" ratings in the magazine's tests.

#### **CHRYSLER BOOSTS MANAGEMENT BONUSES.**

Chrysler Group's top 1,300 executives will get lump-sum bonuses ranging from half to more than triple their base salaries this spring, reports *The Detroit News*.

The bonuses compare to payouts of 8.5% of salary for low- to mid-level salaried employees and less than 3% for typical hourly workers.

Bonuses for top managers depend upon the overall performance of DaimlerChrysler AG. Payouts for hourly workers is indexed specifically to sales and profits of DCX's Chrysler Group.

Until this year, mid-level managers got bonuses according to a formula similar to the one used for hourly employees. This year Chrysler is moving them to a performance-based system that starts with the group's operating profits but rewards them for achieving targets relating to vehicle quality, productivity, market share and individual evaluations, according to the *News*.

CEO Dieter Zetsche has said he wants Chrysler Group to equal Japanese OEMs in quality and productivity in two years. The company has reduced its warranty costs

by 40% over the past two years, according to the *News*, but still lags Toyota, Honda, Nissan and General Motors.

#### **BORGWARNER OPENS RELOCATED HEADQUARTERS OUTSIDE DETROIT.**

BorgWarner Inc. officially moves into its new world headquarters in Auburn Hills, Mich., today. The 41,000-sq-ft leased facility replaces the company's former 80-member corporate headquarters in Chicago.

BorgWarner announced the move in September 2003. It already operates a powertrain technical center with 475 employees in Auburn Hills, a suburb located about 15 miles north of Detroit.

#### **SMALL CARS RATE POORLY IN SIDE IMPACT TESTS.**

Most of the 13 small cars tested for side impact protection were "poor" in their ability to protect occupants, according to the Insurance Institute for Highway Safety.

Only the Chevrolet Cobalt and Toyota Corolla—each fitted with side airbags—earned "acceptable" ratings. The institute says both cars would have rated "poor" if tested without side airbags.

Among the 11 models that did rate "poor," the IIHS condemned the performance of the Dodge Neon for allowing what it described as lethal blows to the car's test dummies. The IIHS conducts its side impact tests by ramming cars at 31 mph with a 3,300-lb barrier shaped like the front of a typical SUV or pickup truck.

Other models receiving a "poor" rating—none of them equipped with side airbags—were the Ford Focus, Hyundai Elantra, Kia Spectra, Mazda3, Mitsubishi Lancer, Nissan Sentra, Suzuki Forenza and Aerio and Volkswagen New Beetle. IIHS estimates that side airbag systems with head protection can cut fatalities in side-impact crashes on the driver's side by 45%.

IIHS says it will test the redesigned Honda Civic and Mini Cooper and Subaru Impreza later this year.

#### **NEW RECALLS FOR MITSUBISHI, CHRYSLER GROUP.**

In April Mitsubishi Motors Corp. will begin recalling some 65,000 of its 2004-2005 Endeavor SUVs to tighten a parking brake cable nut. If the nut comes loose, the parking brake may not work.

Separately, the Chrysler Group will soon recall about 43,000 of its 2005-model Pacifica crossover vehicles to

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replace components in their halogen headlamp systems that could fail and cause the headlamps to work intermittently or not at all.

**AUDI CONSIDERS U.S. ASSEMBLY PLANT.** Audi AG may build a U.S. assembly plant to make some of the vehicles it sells in the U.S., in part as a hedge against currency fluctuations, reports today's *Automotive News*.

The Volkswagen AG unit says no decision has been made, although the company tells *AN* it has ruled out the idea of building cars at VW's plant in Puebla, Mex.

The timing of such a plant isn't clear. Audi has said it intends to grow its global sales from a projected 800,000 vehicles this year to 1 million by the end of the decade, mostly by expanding in the U.S. and China.

But Audi's U.S. sales fell 10% to about 78,000 last year. The company expects to sell about 80,000 vehicles here in 2005. That is considerably less than the volume needed to support a new assembly plant, although *AN* notes Audi has several new models in its pipeline.

**GM CUTS PRICES IN CHINA.** General Motors Corp. says it has reduced retail prices in China by about 10%-15% on two Buick models it produces there through its joint venture with Shanghai Automotive Industry Corp.

The cuts, which apply to the Buick Regal and Excelle,

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are in response to 7% discounts announced a few days earlier by Honda Motor Co., according to Reuters.

China's largest joint-venture OEMs have been trimming prices for more than a year as competition among them continues to mount. Passenger car sales doubled in China from 2002 to 2004 but slowed to 15% last year because of government controls on credit. Analysts tell Reuters they expect sales to grow by a relatively sluggish 10% in 2005.

## FRIDAY'S CLOSING STOCKS

STOCK	SYMBOL	CLOSE	CHANGE	STOCK	SYMBOL	CLOSE	CHANGE
DOW		10,940.55	+107.52	General Motors	GM	34.84	-0.33
NASDAQ		2,070.61	+12.21	Gentex	GNTX	32.90	-0.05
American Axle	AXL	25.07	-0.11	Goodyear	GT	14.53	+0.14
ArvinMeritor	ARM	16.92	-0.05	Hayes Lemmerz	HAYZ	7.22	-0.14
Autoliv	ALV	50.00	+0.05	Honda	HMC	27.10	+0.26
BorgWarner	BWA	52.36	-0.94	Johnson Controls	JCI	57.53	+0.37
Cooper Tire	CTB	19.62	+0.18	Lear	LEA	45.85	-0.39
DaimlerChrysler	DCX	46.21	+0.36	Magna International	MGA	70.10	+0.12
Dana	DCN	14.11	-0.25	Nissan Motor	NSANY	21.70	+0.24
Delphi	DPH	5.46	-0.91	Tenneco Automotive	TEN	14.86	+0.19
Dura Automotive	DRRA	7.11	0.00	Toyota	TM	78.78	+0.82
EDS	EDS	20.94	-0.27	TRW Automotive	TRW	20.78	+0.50
Ford	F	12.40	-0.10	Visteon	VC	6.01	-0.49

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