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SCHREMP, OTHERS OFFER TO RESIGN OVER MITSUBISHI PULLBACK. Daimler-Chrysler CEO Juergen Schrempp offered to resign last week after the company decided not to invest in a bailout plan for Mitsubishi Motors Corp., Reuters says, citing two unnamed sources.

A German newspaper, *Frankfurter Allgemeine Zeitung*, reports the same thing and says DCX's supervisory board tabled discussion of Schrempp's proposal until its meeting today in New York City.

The paper also claims two other DCX officers who helped Schrempp craft his Asia strategy—commercial truck leader Eckhard Cordes and strategy chief Ruediger Grube—have offered to resign.

Earlier this month the board extended Schrempp's contract by three years. And a report two days ago said DCX planned to go through with plans to appoint Cordes as a part-time member of the Mitsubishi board.

HYUNDAI TOPS TOYOTA IN J.D. POWER QUALITY STUDY. Korean vehicles from Hyundai and its Kia affiliate outrank American and European models in this year's initial quality ratings from J.D. Power and Associates.

And Hyundai outranked all other brands, including Toyota, for the first time ever. It was a stunning achievement for the South Korean company, which ranked 10th in last year's survey. Hyundai's vehicles for 2004 averaged 102 problems per 100 units vs. 104 problems for Toyota branded models.

By region, South Korean OEMs averaged 117 initial problems per 100 vehicles vs. 122 problems for European automakers and 123 for Detroit's domestic models. As a group, Japanese manufacturers again led the industry with an average of 111 of problems per 100 vehicles.

By manufacturer, Toyota again beat all others with a combined Toyota/Lexus/Scion brand average of 101 problems per 100 vehicles. Hyundai, at 102 problems per 100 vehicles, vaulted to a second-place tie with Honda. BMW came in third with a score of 116. The four companies were the only ones with above-average scores in this year's survey.

By nameplate, Toyota's Lexus luxury car line led with only 87 problems per 100 vehicles. Cadillac was second with 93 problems, followed by Jaguar (98), Honda (99) and Buick and Mercury (tied at 100).

The worst-scoring nameplate in initial quality this year is Hummer (173 problems per 100 units), followed by Volkswagen (164), Porsche (159), Scion (158), Mazda (157) and Nissan (154).

HALF-PRICE RESCUE PLAN SUGGESTED FOR MITSUBISHI. The Japanese team plotting a new turnaround plan for Mitsubishi Motors Corp. says the job can be done for \$3.2 billion—half as much as the plan formulated and then abandoned by DaimlerChrysler AG, reports the *Financial Times*.

DCX's plan, which included a hefty product development budget, called for a capital infusion of \$3.2 billion from DCX and the same from MMC's three Mitsubishi group investors.

But the *Times* says Mitsubishi Corp., Mitsubishi Heavy Industries and Mitsubishi Tokyo Financial Group—which currently own about 20% of MMC—now think they can bankroll a half-price restructuring among themselves, their 29 affiliates and perhaps outside investors.

The group does not plan to ask for help from the Industrial Revitalization Corp., a Japanese government agency that aids faltering companies. Japan's *Nihon Keizai*



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Shimbun says the three companies will announce on Friday they are contributing about \$1.8 billion of the total.

DCX holds a controlling 37% interest in MMC. But the crisis committee set up to formulate a new rescue plan is dominated by Mitsubishi group representatives.

CHINA READY TO REIN IN ITS ECONOMY. Wen Jiabao, China's premier of one year, tells Reuters his country will take "very forceful measures" to resolve its runaway growth, excess development and threat of inflation.

Reuters says China has just restricted bank lending and issued new land-use rules to help control industrial growth. The country's economy grew by 9.7% in the first quarter of 2004.

Wen ruled out any drastic change in the country's currency policy, in spite of complaints from the U.S. and others that the Chinese yuan is being kept artificially weak to enhance exports.

The premier warns that any rash change to the system "will certainly bring unpredictable problems" to China's economy and could destabilize Asia and beyond.

QUALITY REPORT MIXED FOR DOMESTIC NAMEPLATES. Six domestic nameplates rank at or above average in initial quality in this year's J.D. Power and Associates survey. And nine—including all Chrysler Group nameplates—fall below average in the survey, which looks at owner-reported problems during the first 90 days of ownership.

Domestic nameplates as a group improved in initial quality by 9% over last year. But the industry overall improved by 11%, and Korean brands slashed reported problems per 100 vehicles by a startling 23% since 2003.

U.S. TRAFFIC DEATHS ROSE LAST YEAR. About 43,200 people died on U.S. roads in 2003, up from 42,800 in 2002, according to a preliminary analysis by the National Highway Traffic Safety Administration. Traffic injuries declined slightly to their lowest level on record.

Because Americans drove farther last year, the death rate per 100 million miles traveled in 2003 remained unchanged at 1.5.

Nearly three in five of those killed in vehicle crashes last year weren't wearing seatbelts, and 40% of fatalities were alcohol-related, according to NHTSA. Among other preliminary results:

- Passenger car fatalities dropped by 778.
- SUV fatalities rose by 456—more than half occurring in rollover crashes.
- Motorcycle fatalities rose 11% to 3,600.
- Pedestrian deaths dropped by 2.8% to about 4,700.
- The death tolls declined for small children and teenage drivers.



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NHTSA says there were 230.2 million registered vehicles in the U.S. last year, up 2%, and they traveled almost 2.9 trillion miles, up about 0.7%.

CRUDE OIL PRICES HIT 3.5-YEAR HIGH. Crude oil prices reached \$34.78 per barrel in London yesterday, their highest since October 2000. Prices in the U.S. rose to \$37.98, slightly below a 13-year high reached in March. The increases are attributed to worries about the Middle East and surging demand for oil in China.

U.S. FUEL ECONOMY AVERAGE FOR 2004: 20.8 MPG. The 2004 model cars and light trucks sold in the U.S. have a real-world fleet average fuel economy of 20.8 miles per gallon, up from 20.7 mpg in 2003, according to the Environmental Protection Agency.

This year's real-world averages (EPA laboratory tests adjusted downward to more closely match actual driving results) are 24.6 mpg for cars and 17.9 mpg for trucks.

Fuel economy peaked at an adjusted fleet average of 22.1 mpg in 1987-1988 but has slipped since then because of the growing popularity of trucks, especially SUVs, and a general trend toward more powerful vehicles.

EPA calculates this year's vehicle fleet is 26% heavier, 24% faster (0-60 mph) and 76% more powerful than in 1987.

This year's most fuel-efficient car is the Honda Insight two-seater hybrid with an adjusted city/highway average

of 62.6 mpg. The least efficient car is the Lamborghini L147 at 10.6 mpg.

The most- and least-efficient trucks this year are the front-drive Toyota RAV4 SUV (26.3 mpg) and four-wheel-drive Ford F-150 pickup (13.2 mpg).

VOLKSWAGEN ANNOUNCES THIRD BIG RECALL.

Volkswagen AG says it will recall 870,000 Audi and VW cars worldwide to repair rubber boots that could allow premature front axle wear or failure. About half the cars are in Germany.

It's VW's third significant recall so far this year, according to Reuters. The campaign encompasses Audi A4 and A8 sedans made between 1994 and 1999, Audi A6 sedans built in 1997 and 1998 and VW Passat cars produced from 1996 to 1999.

The recall comes as VW prepares to release first-quarter results tomorrow that CEO Bernd Pischetsrieder has warned will be "miserable."

CHINA NOW THE WORLD'S MOST PROFITABLE AUTO MARKET.

Automakers such as Buick, Honda and Toyota are earning profits up to \$4,000 or more on each small car they sell in China, making the country the world's most profitable auto market, according to Michael Dunne, president of China-based Automotive Resources Asia Ltd.

Dunne describes Chinese automakers as determined, aggressive, eager to expand globally and strongly focused upon making money

By 2010, he predicts China's auto industry will have capacity to produce 15 million vehicles and serve a domestic market of about 9 million annual sales. The gap between the two figures, he says, means China will be exporting cars and trucks in significant volumes by the end of the decade.

Dunne says China is "wide open" for sub-tier suppliers

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but cautions companies not to rush into the market unprepared. "There isn't necessarily an advantage to being first in China," he says.

Dunne made his comments yesterday during a sold-out conference about opportunities in China. The event's primary sponsors were WWJ Newsradio 950 and law firms Baker & McKenzie and Raymond & Prokop.

ZF SALES DECLINE IN 2003, REVIVE IN FIRST QUARTER.

ZF Friedrichshafen AG says restructuring its ZF Batavia transmission venture with Ford Motor Co. last year resulted in a 25% drop in North American annual sales to \$1.8 billion.

Global sales fell nearly 4% to \$10.5 billion for the German-based supplier of driveline and chassis systems.

But ZF, which predicts full-year revenue in 2004 will rise 5% and top \$11 billion, posted an 8% year-on-year increase in sales for the first quarter. The company hasn't reported earnings.

WEDNESDAY'S CLOSING STOCKS

STOCK	SYMBOL	CLOSE	CHANGE	STOCK	SYMBOL	CLOSE	CHANGE
DOW		10,342.60	-135.56	Ford	F	15.50	-0.43
NASDAQ		1,989.54	-42.99	General Motors	GM	48.50	-1.00
American Axle	AXL	38.91	-0.22	Gentex	GNTX	40.60	-1.25
ArvinMeritor	ARM	21.49	-0.56	Goodyear	GT	8.92	-0.24
Autoliv	ALV	43.07	-1.13	Hayes Lemmerz	HAYZ	14.55	-0.09
BorgWarner	BWA	85.64	-1.48	Honda	HMC	20.51	-0.44
Cooper Tire	CTB	21.81	-0.37	Johnson Controls	JCI	56.34	-1.25
DaimlerChrysler	DCX	45.91	-0.71	Lear	LEA	62.30	-1.16
Dana	DCN	21.20	-0.70	Magna International	MGA	79.00	-2.95
Delphi	DPH	10.23	-0.31	Tenneco Automotive	TEN	14.56	-0.64
Dura Automotive	DRRA	12.80	-0.14	Toyota	TM	73.76	-1.24
Eaton	ETN	59.81	-0.83	TRW Automotive	TRW	21.45	-0.45
EDS	EDS	18.83	-0.17	Visteon	VC	11.30	-0.17