

autobeat

daily

AUTOBEATDAILY.COM
 SUBSCRIBE: 888/771-6430
 GOT NEWS? CALL 248/540-2530

WEDNESDAY
 JUNE 27, 2001
 PAGE 1 OF 3

GM WILL HOLD U.S. AD SPENDING AT 2000 LEVEL.

General Motors will spend about as much this year as last on advertising in the U.S.—meaning roughly \$4 billion— but move more of it to local media from national print and broadcast.

CJ Fraleigh, who replaced Phil Guarascio as GM's executive director of corporate marketing and advertising in January, says GM isn't overspending on advertising but does want to make its spending more effective. He tells *The Wall Street Journal* that GM's shift to regional advertising reflects the need to spend more effort getting buyers into the showroom.

FORD GIVES UP ON COMPANY DEALERSHIPS. Ford has decided to sell the 30 auto dealerships it previously acquired in New York, Oklahoma and Utah.

Thus ends Ford's Auto Collection, an effort to consolidate dealerships in certain markets and share them with their original owners. The three-year experiment, aimed at reducing retail costs, only created friction between Ford and its independent dealers.

Ford is selling all seven of its Tulsa, Okla., dealerships to United Auto Group, a Detroit-based company chaired by Roger Penske that owns 123 car and truck franchises in 19 states. Ford expects to find buyers for its remaining 23 dealerships, all of them profitable, by fall.

MITSUBISHI TO BUY 20% OF ANX. A Japanese newspaper reports today that Mitsubishi Corp, the Japanese trading house, is buying 20% of ANXeBusiness Corp., the Southfield, Mich.-based operator of a secure Internet-like network used for business-to-business communications among auto suppliers and OEMs.

Nihon Keizai Shimbun says Mitsubishi's investment is expected to be valued between about \$35 million and \$40

million. ANX was created by the Automotive Industry Action Group and sold to San Diego-based Science Applications International Corp. in 1999.

FORD OFFERS EMPLOYEES \$1,000 REBATE ON EXPLORER. Ford is offering its employees, their relatives and retirees \$1,000 off the price of a new Explorer SUV if they buy it by the end of next week.

Ford introduced the redesigned Explorer in April and sales promptly dropped 17% in May vs. year-ago levels. The company predicts record sales for the vehicle in June.

"SAFE" TIRE DEFINITION A YEAR AWAY. As anyone following the Ford-Firestone debate knows by now, there is no clear definition of what constitutes a "safe" tire. And there probably won't be one for another year.

Right now the National Highway Traffic Safety Administration collects tire safety data piecemeal, usually as it relates to a specific investigation. That helps NHTSA rule when a tire is defective, but it doesn't provide a systematic way to tell when one is safe.

Everything changes next June when NHTSA begins compiling standardized data under the "early warning" system required by TREAD, the Transportation Recall Enhancement, Accountability and Documentation Act passed last year. That alone won't define a "safe" tire, but just such an index appears very likely to emerge by then.

EVIDENCE PROVES THE ECONOMY IS RECOVERING, OR MAYBE NOT. A flurry of new statistics about the U.S. economy paints a conflicting picture of its condition.

Consumer confidence as measured by the Conference Board rose for the second month in a row in June, attaining its highest level since December. But consumers remain nervous about economic conditions



SDRC
Get There Faster

**SDRC Automotive
Delivers**

www.SDRC.com

TRIAL SUBSCRIPTION ENDING?

Call now to convert your free trial subscription to keep *AutoBeat Daily* coming.

Call (888) 771-6430. Still only \$99 per year.

and unsure about when the economy will improve.

Still, orders for durable goods grew 2.9% in May after dropping 5.5% in April. And new-home sales improved in May after dropping 4.5% in the previous month.

But the National Bureau of Economic Research sees growing risk of recession. Other analysts worry that weak foreign economies could still push the entire world into simultaneous recession. Many economists agree it's too difficult to determine whether the U.S. economy is in recession, near recession or in a recovery mode.

Analysts also have mixed views about the impact of this afternoon's expected rate cut by the Federal Reserve, which already has reduced the overnight lending rate among banks to a seven-year low.

EATON SEES NO REBOUND THIS YEAR. Eaton Corp., citing a sharp decline in its North American markets, sees "no convincing evidence" of a rebound before year-end. It has lowered its second-quarter operating earnings estimate 20%-30%, to \$1.21 per share.

The Cleveland-based company says overseas markets are beginning their own declines in delayed response to the slowdown in North America.

Eaton restructured its truck business in the first quarter and stepped up similar efforts in the second quarter within its fluid power unit. The company hopes to gain about \$30 million in the third quarter by selling some of its non-core businesses.

USCAR PUSHES TO KEEP SUPERCAR PROGRAM ALIVE. The United States Council for Automotive Research for the second time has urged Congress to retool the Partnership for a New Generation of Vehicles program and make it a part of U.S. national energy policy.

The Bush Administration considers the program—intended to develop an affordable family sedan that gets about 80 mpg—as outdated and wants to cut its funding.

USCAR admits PNGV's goals aren't yet practical. But it says some of the technologies involved are seeping into the marketplace. In testimony Tuesday before the Dept. of Energy's Office of Energy Efficiency and Renewable Energy, it suggested DOE refocus the program on such longer-term topics as the technical challenges of a hydrogen-based economy.

GM-DAEWOO TALKS DELAYED? A Korean newspaper says the second round of negotiations between General Motors and creditors of Daewoo Motor Co. has been slowed because of GM's offer of less than \$1 billion for the bankrupt company and demand for more financial help from the Korean government.

Korea had hoped for a higher bid. It also is trying to convince GM to buy more Daewoo assets than were reportedly included in the initial offer.

FORD TRANSIT VAN COULD BE HEADING FOR U.S. Ford is studying the idea of building and selling its Transit commercial van in the U.S. The vehicle, very popular in Europe, is offered in several body styles, sizes and both front- and rear-drive configurations. Ford of Europe CEO Davis Thursfield cautions that Ford is only considering the possibility and has made no decisions.

DIRECTV REPLACES ITS PRESIDENT. DirecTV, the satellite entertainment unit of General Motors, has promoted veteran Hughes financial executive Roxanne Austin to be president and chief operating officer. Eddy Hartenstein retains the titles of chairman and CEO.

Austin, 40, replaces Odie Donald, president since April 2000. Austin's assignment will be to build DirecTV sales and marketing. Both have lost momentum this year as DirecTV focused on the likelihood it and its parent, Hughes Electronics Corp., would be sold, probably to Rupert Murdoch's News Corp.

CUT YOUR

EDI BUDGET

BEFORE YOU'RE ASKED TO.

1.800.871.9136
www.anxvelocity.com

ANXvelocity™

Powered By Perogrine Systems®

Last month Hughes Chairman and CEO Michael Smith resigned and was replaced by GM co-chairman Harry Pearce to help speed the company's sale.

PENNZOIL-QUAKER STATE RESTRUCTURES. Higher motor oil prices and lower consumer driving have prompted Pennzoil-Quaker State Co. to cut its dividend and streamline operations within its lubricants, consumer products and international units.

The Houston-based company says the restructuring will cause a \$50 million after-tax charge in the second and third quarters this year. It expects earnings to be lower in the second quarter and full year than analysts expected. Says CEO James Postl, "We have not yet seen evidence that the recovery has begun."

FORD OF EUROPE TO CUT COSTS 30%. Ford announced yesterday it will reduce fixed costs associated with its European operations 30% over the next four years. It also expects to cut operating costs \$400 million this year.

Ford of Europe, which hasn't made a profit in two years, lost more than \$1.1 billion in 2000. CEO David Thursfield says the company's turnaround strategy launched last year will produce an operating profit this year and is on track to generate \$1 billion in profit by 2004.

Thursfield told the Automotive News Europe Congress in Prague that Ford of Europe will cut inventories in half, eliminate about \$1 billion in annual spending on logistics and move more of its \$12 billion in annual purchasing to

Covisint, the online business exchange.

The unit also aims to reduce product development from 42 months to 18 months and increase its proportion of cars built to order to at least 85%.

UNIONS REJECT VW JOB PLAN. Germany's unions have spurned a proposal by Volkswagen that would have created 5,000 jobs but underpriced existing contracts.

VW's "5,000x5,000" plan was to hire 5,000 unemployed and untrained workers and pay them 5,000 DM (about \$2,200) per month to work between 28.8 and 42.5 hours per week, including Saturdays. It also offered to add a bonus if the project worked out.

The unions pointed out that basic pay contracts limit a standard work week to 35 hours and pay overtime for additional work at night or on Saturday. After the talks collapsed yesterday, VW threatened to move some of its future work out of Germany.

FORD, MAZDA MAY COLLABORATE ON MINICAR. Ford tells *The Wall Street Journal* it may develop the next version of its European Ka minicar in cooperation with Mazda Motor Co., of which it owns one-third.

Ford is developing several variations of the Ka, the first due this fall, that will be built at the company's auto plant in Valencia, Spain. Mazda confirmed in March it would begin annual production of up to 40,000 subcompact Demio cars at the same plant in 2003.

Ford is exploring ways the two car lines could maintain separate body styles but share the same platform.

TUESDAY'S CLOSING STOCKS

STOCK	SYMBOL	CLOSE	CHANGE	STOCK	SYMBOL	CLOSE	CHANGE
DOW		10,472.48	-31.74	Ford	F	24.79	-0.29
NASDAQ		2,064.62	+13.75	General Motors	GM	62.60	+0.19
Autoliv	ALV	17.05	+0.22	Gentex	GNTX	25.06	+0.11
ArvinMeritor	ARM	15.70	+0.37	Goodyear	GT	27.39	+0.15
American Axle	AXL	14.65	+0.21	Johnson Controls	JCI	72.10	-0.10
Dana	DCN	22.09	+0.35	Lear	LEA	32.76	-0.83
DaimlerChrysler	DCX	44.60	-0.25	Magna International	MGA	60.71	-0.84
Donnelly	DON	14.01	+0.02	SDRC	SDRC	24.45	+0.08
Delphi Automotive	DPH	15.77	+0.26	TRW	TRW	40.93	+0.49
Eaton	ETN	71.46	+0.53	Visteon	VC	17.08	-0.14



Helping the auto industry manage their human capital, human resources technologies and employee benefits.

call Vicki Kozlowski at 248-358-7918 or visit our web site at www.watsonwyatt.com