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MONDAY
JULY 7, 2003
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JOBLESS RATE AT 9-YEAR HIGH. U.S. unemployment rose to 6.4% in June—its highest since March 1994—as another 30,000 jobs vanished, according to the U.S. Dept. of Labor. Some sectors of the economy added jobs, but manufacturing continued to cut back by trimming 56,000 employees last month.

Some 2 million people are now unemployed in the U.S. That's about 913,000 more than were jobless in March. The numbers are another indicator of the pace of America's economic recovery: sluggish at best.

U.S. AUTO SALES FLAT IN JUNE. Unit vehicle sales in the U.S. fell about 3.5% last month. But because June 2002 had two more selling days, the daily sales rate for last month rose by 4.4%. Seasonally adjusted annualized sales were flat at 16.4 million units, according to AutoData Corp.

The Big Three automakers reported 6.2% lower unit sales but a 1.6% higher daily sales rate for their domestic brands. Chrysler Group led the domestics with a 6% improvement in daily sales.

GM, Ford and Chrysler Group reported their unit sales in Canada fell 25%, 6% and 14%, respectively.

Daily sales increased by more than 9% for import brands. Those reporting the biggest June-on-June improvement in daily sales were Infiniti (43%), Nissan (29%) and Volvo (32%). The biggest losers were Isuzu (-56%) and Volkswagen (-15%).

FIAT COMPLETES SALES OF AVIO UNIT. Fiat SpA has signed off on the sale of its Fiat Avio aviation unit to the Dallas-based Carlyle Group and Finmeccanica, Italy's state-owned defense company. The buyers say the acquisition will be completed by year-end.

Fiat figures the deal, which it announced last April, will

reduce its debt by about \$1.6 billion and produce a net gain of about \$800 million.

Carlyle and Finmeccanica own 70% and 30%, respectively, of Avio Holding SpA, the entity created to make the acquisition. The purchase is being financed by a combination of debt and equity, with Finmeccanica investing about \$172 million.

Avio operates 14 factories and generates about \$1.6 billion in sales annually. The company was valued at \$1.8 billion in the deal.

PUBLIC SAYS SUVs ARE SAFER BUT NEED BETTER FUEL ECONOMY. Americans believe SUVs are safer than cars for their own occupants but are evenly split about whether such vehicles pose the same or greater danger to other motorists, according to a poll conducted for the Associated Press.

Slightly more than half of respondents think SUVs should meet the same fuel economy standards cars do. One-third say SUVs should continue to be allowed to meet lesser requirements.

FORD LOSES LAWSUIT OVER POLICE CAR CRASH. A jury in New Jersey has awarded \$1.9 million to the widow of a police officer whose Ford Motor Co. Crown Victoria cruiser crashed into a utility pole 10 years ago, reports the Associated Press.

This lawsuit has nothing to do with an exploding Crown Vic fuel tank, the subject of several other complaints by police departments. In this case, says AP, the widow contended the car had a defect that made it "difficult to steer through turns at higher speeds."

Ford, which is considering an appeal, suggests the crash was the result of driver error.

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DCX RESTRUCTURES COMMERCIAL TRUCK OPERATIONS. DaimlerChrysler AG will centralize product development, various back office operations and the overall management of its Freightliner and Mercedes-Benz heavy truck units, effective Jan. 1.

The restructuring also eliminates DaimlerChrysler Powersystems, the \$6.4 billion global unit DCX set up in April 2001 to combine the engine, gearbox, steering and axle operations of its Detroit Diesel, Mercedes-Benz and MTU Friedrichshafen operations. Those functions will be reassigned to the regional commercial vehicle units.

DCX says it will no longer buy "major components" from third-party suppliers under the new organization. It expects significant but unspecified cost savings. It also says the new structure may lead to closer cooperation with other Asian partners, including Mitsubishi Fuso Truck and Bus Corp., which is 43% owned by DCX.

JUNE SALES UP IN JAPAN. Vehicle sales in Japan, including buses and commercial trucks but excluding minivehicles, rose 2.6% last month to nearly 343,000 units, according to the Japan Automobile Dealers' Assn.

Domestic sales jumped about 64% for Mitsubishi and 62% for Isuzu. They fell 35% for Honda.

TOYOTA RECALLS TACOMA PICKUP TRUCKS. Toyota Motor Corp. is recalling more than 123,000 double-cab Tacoma pickup trucks to shield the fuel hose against possible damage in a crash. The recall involves vehicles built between 2001 and 2003.

AK STEEL BUYS ARVINMERITOR EXHAUST SYSTEM UNIT. ArvinMeritor Inc. is selling its stainless steel exhaust tube manufacturing unit in Columbus, Ind., to AK Tube LLC, a subsidiary of AK Steel Corp.

The deal, expected to be completed by the end of September, includes a multi-year agreement for AK Steel to supply exhaust tubes to ArvinMeritor.

HONDA TO STOP LEASING CARS IN NEW YORK. American Honda Finance Corp. confirms it will suspend leasing activities in New York state at the end of July.

The company said in May it would stop leasing vehicles in New York, Connecticut and Rhode Island unless those states repealed "vicarious liability" laws that leave it liable for unlimited damages caused by a leased vehicle in an accident.

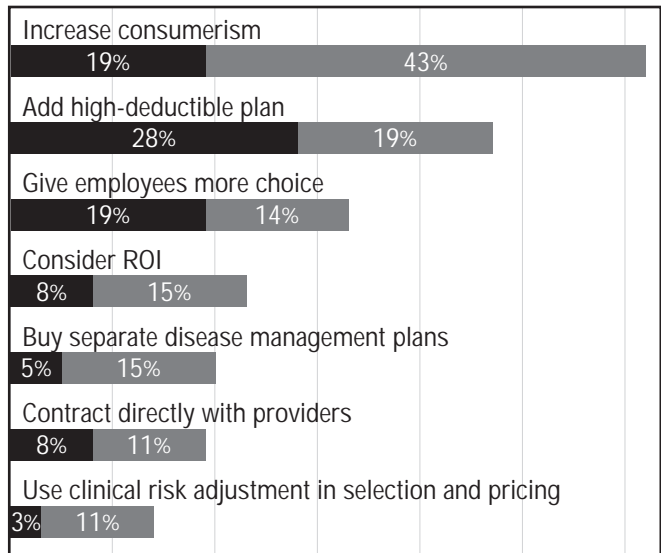
Honda says it will do the same in Rhode Island if the state's legislature fails to take action this week. Connecticut's legislature has unanimously passed a bill to change its vicarious liability law.

Ford Credit and Chase Manhattan Automotive also have suspended leasing activities in at least one of the



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Increasing healthcare costs are pushing employers to rethink their healthcare strategies.



Data: Watson Wyatt/WBGH survey

three states. Other leasing companies have threatened to do the same, and some have increased lease vehicle acquisition fees because of the laws.

ARE SOME DRIVERS CHRONICALLY LESS ATTENTIVE? People who regularly use cell phones while driving are more likely to be distracted even when they aren't on the phone, according to a survey by Response Insurance of Meriden, Conn.

The company, which conducted a similar survey in 1999, theorizes the existence of a "distracted-driver personality" that is chronically less attentive behind the wheel under almost any circumstance.

The survey asked 1,046 drivers about everyday topics that might divert their attention from driving. Its analysis says regular cell-phone users are 56% more likely than non-phoners to be distracted by thinking about what to eat. The same group is about one-third more likely to be distracted by thinking of job or relationship issues and about 20% more likely to be distracted by thoughts of family or money matters.

GM REOPENS OKLAHOMA PLANT. General Motors Corp. resumed production last week at its Oklahoma City SUV plant. The facility, which produces long-body Chevrolet TrailBlazer and GMC Envoy SUVs, was closed after being damaged by a tornado on May 8.

GM says it had enough vehicles in dealer inventory to avoid shortages during the plant's repairs.

VW CONSIDERS SHORTER WORK WEEK IN MEXICO. Volkswagen AG will decide this afternoon whether to implement a four-day work week in Mexico to avoid 2,000 layoffs in August.

VW said last week it would cut production 23% and idle 2,000 workers at its huge Puebla plant because of slumping export demand for the facility's Jetta and New Beetle cars. The company's daily sales rate fell 21% in the U.S. in June. VW announced a month ago it would stop building the original Beetle at Puebla this summer, also because of slowing demand for the car.

TOYOTA PLANS CHINA PARTNERSHIP WITH GUANGZHOU AUTO. Toyota Motor Corp. and Guangzhou Automotive Group are negotiating a new car-making partnership, reports the *Nikkei Business Daily*.

It says the deal is part of an aggressive plan by the city of Guangzhou, which owns Guangzhou Auto, to turn

AUTOBEAT DAILY
is a publication of Hampton AutoBeat LLC,
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Bloomfield Hills, MI 48303-3068

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the southern city into "the Detroit of China."

Toyota set up a partnership last year with China FAW Group Corp., and Guangzhou Auto already has a successful partnership with Honda Motor Co.

MAZDA TO BUY SMALL TRUCKS FROM ISUZU. Mazda Motor Corp. says it will begin buying about 6,000 diesel-powered trucks annually from Isuzu Motors Ltd. to sell under its own Titan brand. The deal begins at year-end and involves trucks with payload capacities up to three tons.

MONDAY'S CLOSING STOCKS

STOCK	SYMBOL	CLOSE	CHANGE	STOCK	SYMBOL	CLOSE	CHANGE
DOW		9,070.21	-72.63	EDS	EDS	21.69	-0.06
NASDAQ		1,663.46	-15.27	Ford	F	10.87	0.00
American Axle	AXL	24.47	-0.22	General Motors	GM	35.78	-0.16
ArvinMeritor	ARM	20.60	-0.12	Gentex	GNTX	30.74	-0.42
Autoliv	ALV	27.83	+0.16	Goodyear	GT	5.30	-0.14
BorgWarner	BWA	64.47	-0.14	Honda	HMC	19.90	+0.30
Cooper Tire	CTB	17.70	-0.19	Johnson Controls	JCI	85.89	-0.26
DaimlerChrysler	DCX	35.67	+0.28	Lear	LEA	46.90	-0.49
Dana	DCN	11.79	+0.02	Magna International	MGA	68.48	+0.56
Delphi	DPH	8.40	-0.15	Tenneco Automotive	TEN	3.91	-0.03
Dura Automotive	DRRA	9.86	-0.07	Toyota	TM	54.31	+0.56
Eaton	ETN	79.98	-0.18	Visteon	VC	6.75	+0.01

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