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## *daily*<sup>™</sup>

FRIDAY  
JULY 25, 2003  
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### DCX EARNINGS PLUNGE ON CHRYSLER LOSS.

Second-quarter net earnings at DaimlerChrysler AG plummeted 90% to \$100 million as its Chrysler Group unit reported an operating loss of \$1.1 billion.

The company's operating profit fell 62% to \$736 million, worldwide revenue dropped almost 13% to \$39.5 billion and vehicle sales declined by nearly 8% to 1.2 million units.

DCX says second-quarter earnings improved for all divisions except Chrysler, which had reported a \$476 million operating profit for the period in 2002.

This year, Chrysler Group's revenue fell 11%, unit sales declined by 5% and factory shipments to dealers dropped 12% as retailers reduced inventories.

DCX's commercial vehicles unit, which includes its U.S.-based Freightliner business, reversed an \$8 million quarterly operation loss last year by reporting \$243 million in operating profit for this year.

The company predicts continued weak sales in Europe at least through this year but a "gradual stabilization in demand" for light vehicles in the U.S. in the second half. DCX concedes the competitive U.S. market creates a "substantial risk" to Chrysler Group's goal of reaching an ongoing "slightly positive operating profit."

**SENATE MULLS A NEW ROUND OF FUEL ECONOMY PROPOSALS.** The U.S. Senate has resumed debate on a broad energy bill, including a new round of proposals to boost fuel economy standards, reports Reuters.

One Democratic amendment would require OEMs to improve average fuel efficiency to 40 mpg by 2015. Another Democratic amendment would leave current standards in place and give the Dept. of Transportation several years to decide whether to change them.

Other proposals due today would require light trucks, including SUVs, to match car fuel economy requirements by 2011. The Bush Administration has suggested light truck standards be raised by 1.5 mpg by the 2007 model year.

Current corporate average fuel economy standards are 27.5 mpg for cars and 20.7 mpg for trucks.

**JOBLESS CLAIMS DECLINE.** The number of Americans applying for new unemployment benefits has declined to a five-month low of 386,000 claims, according to the U.S. Department of Labor.

Such figures are volatile, but economists consider any figure less than 400,000 as indication of an improving job market. The Labor Department's four-week moving average also declined modestly but is still at 419,000.

**RECORD SALES, PROFITS FOR AMERICAN AXLE.** American Axle & Manufacturing Holdings Inc. earned a record \$51 million in the second quarter, up 5%. Revenue rose 4% to a record \$914 million.

The Detroit-based maker of truck axles, which derives about 80% of its business from General Motors Corp., says its content per vehicle rose 6% to almost \$1,200 during the quarter. It reiterates earlier guidance that it expects to earn \$3.65 per share this year.

**GM SUED OVER DAEWOO DISTRIBUTION RIGHTS IN THE U.S.** Daewoo Motor America Inc. has asked a California court to block plans to distribute cars in the U.S. that are being made by GM Daewoo, reports Dow Jones Newswires.

Daewoo Motor America and its 500 U.S. dealers had been the exclusive U.S. distributor for cars made by Daewoo Motor Co. until the company went bankrupt and



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GM Daewoo was created from some of its assets.

GM Daewoo is now preparing to market vehicles in the U.S. and Canada under the Chevrolet and Suzuki brands through dealers handling those nameplates beginning later this year. GM owns 42% of GM Daewoo and 20% of Suzuki.

The lawsuit says Daewoo Motor America retains rights to distribute the vehicles because they were originally developed by Daewoo Motor to be distributed in the U.S. under its brand. The suit, filed with the U.S. District Court for the Central District of California on Tuesday, claims breach of agreement and estimates damages in the hundreds of millions of dollars.

Last year a group of 23 Daewoo dealers in Florida cited similar arguments in asking state regulators to block the sale of Daewoo vehicles by GM under other brands.

**ARVINMERITOR'S TAB FOR DANA: \$3.7 BILLION.** ArvinMeritor Inc. figures it will need just over \$3.7 billion in financing to execute its offer to buy Dana Corp. at \$15 per share. So far it has nothing lined up, according to documents filed yesterday with the U.S. Securities and Exchange Commission.

Chairman and CEO Larry Yost said previously he expects financing to be no problem with the proposed deal, which Dana's board rejected on Tuesday as "high risk" and "inadequate."

ArvinMeritor figures it needs \$2.2 billion to buy Dana's outstanding shares, another \$1.03 billion to finance Dana's debt, \$290 million to refinance its own accounts receivable securitizations and \$200 million in various fees.

**DURA SHEDS ITS RED INK.** Dura Automotive Systems Inc. says restructuring and favorable exchange rates helped it generate nearly \$11 million in profit in the second quarter after losing \$8 million a year earlier. Revenue declined 5% to \$606 million.

**FORD SUES OVER USE OF FUTURA NAME.** Ford Motor Co. has asked a federal court in Detroit to rule that it may use the Futura name for a sedan it will introduce in 2005 to replace the Taurus, reports *The Detroit News*.

Ford has used the Futura name between the 1950s

and 1980s, but not in recent years. But early this month Pep Boys, the Philadelphia-based aftermarket parts chain, warned the company that using the name would infringe upon its trademark for a line of tires.

The two companies resolved a previous dispute over the use of the name in 1995. Ford says that agreement covers its use of Futura on future products; Pep Boys says it doesn't.

**NISSAN LIFTS PROFITS FOR RENAULT...** Renault SA reported a net profit of nearly \$1.4 billion in the second quarter, up one-third over last year, because of a \$986 million contribution by Nissan Motor Co., in which it holds a 44% stake. Renault's own sales revenue declined about 2% to \$21.4 billion for the period.

**...AS PSA EARNINGS SLIDE.** First-half profits dropped 12% to \$997 million for PSA Peugeot Citroen. Revenue and unit vehicle sales for the French OEM were up slightly.

PSA gained market share in western Europe in the first half of the year and claims it did so without as much retail discounting as competitors offered. But the company says an upswing in the value of the euro, coupled with 8% lower sales in France, drained profits.

PSA's gloomy description of the European auto market in the second half of 2003 is for a "slightly less unfavorable environment."

**FORD F-150 TRUCK TO DEBUT WITH A SALES INCENTIVE.** Ford Motor Co. is debuting the redesigned version of its most successful vehicle, the F-150 pickup truck, with a low-rate financing offer.

The new F-150 began production in mid-June and, according to analysts, costs \$1,000 or more per unit to build than the previous model. Ford hopes to offset the difference by coaxing buyers to spend more on options.

The current F-150, which will continue as a price-leader "heritage" model through next year, currently is offered with a \$3,000 rebate, zero-percent financing for up to five years or a combination of rebates, cut-rate loans and other offers.

Ford says the redesigned 2004 model will be presented with three-, four- and five-year financing at

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2.9%, 3.9% and 4.9%, respectively. The F-150 has been America's best-selling vehicle for 21 consecutive years and generates a huge portion of Ford's revenue.

**TEXAS JUDGE GRANTS PRELIMINARY APPROVAL FOR FIRESTONE SETTLEMENT.** A plan to settle a class-action lawsuit in Texas over Firestone tire recalls won preliminary approval yesterday, reports Reuters.

The settlement, which is still subject to a fairness hearing, doesn't apply to people who had actual property damage or suffered injuries as a result of accidents involving Firestone's recalled AT and ATX tires.

Thousands of similar lawsuits across the U.S. are attempting to associate Firestone's 6.5 million-tire recall with everything from consumer fraud to impaired vehicle resale value. Bridgestone Corp., which owns the Firestone brand, has successfully blocked efforts in Indianapolis to combine such non-injury claims into a single nationwide class-action lawsuit.

The proposed Texas settlement would pay 45 named plaintiffs \$2,500 each. Bridgestone also pledges to spend \$15.5 million on a three-year consumer education program and take steps to improve the high-speed performance of its Firestone tires. And it will pay \$19 million in legal fees.

**MITSUBISHI TRIMS OUTLOOK.** Mitsubishi Motors Corp., which two months ago predicted it would earn \$84 million in the first half of its fiscal year ending September 30, now thinks it will lose \$674 million during the period instead.

The company, 37% owned by DaimlerChrysler AG, blames the turnaround primarily upon slumping sales in North America.

Mitsubishi now says it will earn about \$84 million for the full fiscal year, down 75% from its previous forecast. But analysts are skeptical because of continuing pricing pressure in the U.S.

**AUTOBEAT DAILY**  
is a publication of Hampton AutoBeat LLC,  
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Mitsubishi also has adjusted its unit sales forecast in North America downward by 8% to 340,000 vehicles.

Today's *Nihon Keizai Shimbun* speculates that Mitsubishi faces more restructuring and may be trying to clean up its balance sheet in preparation for asking more financial support from DCX.

**LINK TO REPORT ON REDUCING HEALTHCARE COSTS.** Yesterday's issue included a Viewpoint commentary by Watson Wyatt Worldwide about the steps companies can take to reduce their long-term healthcare costs.

Among the tips: Switch to PPOs, use workforce demographics to shape strategies and add financial incentives that sensitize employees to actual healthcare costs.

The Viewpoint included an inactive Web link to a report containing more details, *Creating a Sustainable Health Care Program 2003*. The report can be accessed by clicking [here](#).

## THURSDAY'S CLOSING STOCKS

STOCK	SYMBOL	CLOSE	CHANGE	STOCK	SYMBOL	CLOSE	CHANGE
DOW		9,112.51	-81.73	EDS	EDS	20.80	-2.15
NASDAQ		1,701.42	-17.76	Ford	F	10.68	+0.09
American Axle	AXL	29.04	+0.18	General Motors	GM	36.27	+0.07
ArvinMeritor	ARM	18.21	-0.09	Gentex	GNTX	33.64	-0.80
Autoliv	ALV	29.19	-0.66	Goodyear	GT	4.89	+0.01
BorgWarner	BWA	66.13	-0.51	Honda	HMC	20.04	-0.06
Cooper Tire	CTB	16.30	-0.13	Johnson Controls	JCI	95.48	-0.85
DaimlerChrysler	DCX	35.71	+1.01	Lear	LEA	51.74	-1.11
Dana	DCN	15.35	-0.25	Magna International	MGA	72.97	-0.53
Delphi	DPH	8.32	+0.06	Tenneco Automotive	TEN	5.45	-0.03
Dura Automotive	DRRA	10.96	-0.12	Toyota	TM	52.27	-0.38
Eaton	ETN	84.73	-1.17	Visteon	VC	6.17	-0.11