

Dealers hit by credit crunch

In Italy, 80% of requests for new-car loans are rejected, up from 50% just 6 months ago

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Automotive News Europe

The global banking crisis is hurting car dealers, who are already struggling to survive in a falling European auto market.

After a stagnant 2007, new-car sales are dropping fast this year as financial institutions reduce their lending to new-car buyers.

The result: August car sales fell by 15.6 percent to 955,300 in the 28 countries covered by European manufacturers' association, ACEA.

In the year to date, sales are down 3.9 percent to 10.4 million cars.

The trouble comes as the world's financial markets are in turmoil. Major banks, especially in the US, are collapsing at an alarming rate, wiping out hundreds of billions in shareholder wealth and shaking consumer confidence.

The backlash from the credit crunch is seeping into the European market.

"The current credit situation is definitely making it harder to sell cars," said Charles de Marcilly, European public affairs manager at the European dealers' association CECRA. "July and August were very bad months."

In Italy, 80 percent of requests for customer loans are now rejected, said Nicola Loccisano, owner of Ifas Group, Italy's largest dealer group.



The parking lot at Car World Italia in Milan has a lot of unsold vehicles. Europe's No. 2 market for new-car sales suffered a 26.4% decline in volume in August and is down 12% after 8 months.

The rejection rate stood at less than 50 percent six months ago.

Italy, despite a 12 percent sales drop in the first eight months, remains Europe's No. 2 auto-sales market with a volume of 1.53 million.

"The credit crunch is affecting loans to Italian customers, thus

pushing down a market that already was falling fast," Loccisano said.

Based in Turin, with 30,757 new-car sales in 2007, Ifas Group is Europe's 30th largest dealer group and the No. 1 in Italy, according to France-based research company Autobiz.

Ford's captive finance arm, Ford Credit Europe, has not changed its lending practices, but was aware that others had. "Many other institutions wrote a higher percentage of subprime and lower-tier loans in the past environment of easier credit; now they're pulling back," said Christopher Makin, Ford Credit's communications director. "Ford Credit isn't in that position."

The issue is not the price of loans, which has gone up slightly, but the availability of credit, said Paul Williams, chairman of the Retail Mo-

tor Industry Federation in the UK.

In Britain, new-car sales were down 18.6 percent in August to 63,225.

Bigger deposits needed

Williams said: "What we used to call subprime lending, the ability to fund a car with a very small deposit, has totally disappeared."

Lending institutions are more rigorously checking people's credit worthiness and customers now need bigger deposits to buy on credit, Williams said. "It is having a severe impact on sales," he said.

With fewer cars being sold and the mix of cars trending lower, dealers' profit margins are shrinking.

David Kendrick, business development director at Trevor Jones Ac-

countants in the UK, said average profit margins in the year to August had fallen to 0.6 percent from 0.8 percent a year earlier at the 4,500 dealerships Trevor Jones and its sister company ASE works with in the UK.

In Germany, Europe's biggest market, the sales slide will hurt the recovery from 2007, when sales fell 9.2 percent.

"The German market was weak in 2007. We had a reasonable first half of 2008 but now the market is going down," said Volker Borkowski, CEO of AVAG Holding, the biggest German dealer group.

Added Giorgio Elefante, European auto retail leader at consultants PricewaterhouseCoopers: "This will accelerate the current reduction in dealerships. I believe we could lose quite a high number."

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Nicola Loccisano,
owner of Ifas, Italy's largest dealer group



French will get Chinese-made SUV that is banned in Germany

Lawrence J. Speer
Automotive News Europe

PARIS ■ China Automobile France plans to sell the controversial, Chinese-built Shuanghuan CEO here starting early next year.

In June, a Munich court banned German sales of the CEO after BMW claimed the model infringes on its design rights.

BMW claims the CEO closely resembles its X5 premium SUV. Shuanghuan's German importer, China Automobile Deutschland, is appealing the ban.

The CEO is sold in Italy by Martin Motors of Milan. Some 90 CEOs have been sold in the country this year, according to the UNRAE association of foreign car manufacturers in Italy.

China Automobile France marketing director Benoit Chambon said it will position the CEO as a low-cost alternative to premium SUVs. The CEO's entry price in France will be €25,900.

The company also plans to sell the Zhejiang Jonway UFO, which starts at about €16,000. The UFO resembles early versions of the Toyota RAV4 medium SUV.

China Automobile France says it will set up a 100-showroom dealership network by 2010 to sell Chinese cars.

The company has opened a showroom near the city of Bordeaux,



BMW claims the Shuanghuan CEO (above) is a copy of its X5.

southwestern France, to present its planned lineup to potential dealer partners. The company claims to already have signed 30 contracts with potential retailers.

Paris press conference

"Our goal is to launch the brand in early 2009 with a solid group of dealers," Chambon told *Automotive News Europe*.

Chambon said the company had no objectives regarding sales volumes.

China Automobile France will disclose more about its plans during a

press conference at the Paris auto show October 3.

The company will show the CEO and UFO at the Paris auto show alongside a concept for a 2650mm-long electric city car and a dune buggy-like vehicle powered by a 52hp, 800cc three-cylinder gasoline engine made by China's Chery Automobile.

The two cars are manufactured by Shanghai Tandem Motor, an 11-year-old manufacturer of motorcycles, scooters, utility vehicles and go-karts that is branching into automobiles.

Luca Ciferri contributed

Union boss: GM must keep open Strasbourg plant

John Revill
Automotive News Europe

General Motors Europe's top union official says the carmaker should keep open its transmissions factory in Strasbourg, France, if it does not find a buyer for the plant.

GM announced September 24 that it wants to sell the factory, which is one of six transmissions factories that the automaker operates in Europe.

The sale is part of GM's plan to dispose of assets to raise up to \$4 billion (about €2.7 billion) by next year. GM is selling non-core asset to reduce losses, which reached \$9.1 billion in the second quarter.

The Strasbourg factory makes six-speed automatic transmissions for GM and BMW, and six-speed manual transmissions for GM.

"GM must guarantee future production there if there is no buyer," said Klaus Franz, chairman of GM Europe's workers union.

Franz said GM should also ensure that a new owner does not change the pay structure and working conditions of the plant's workers.

Franz does not think other GM Europe factories will be threatened with sale or closure because the company has made agreements with unions to build the next generation

Opel/Vauxhall Astra from 2010 at four plants in Europe.

"I am not concerned about our plants because we have contracts for the future Delta and Epsilon cars," Franz said. "At the moment everything is OK."

Delta is the code-name for the lower-medium platform, which will be used for the Opel/Vauxhall Astra car starting in 2010. Epsilon is the name for the upper-medium architecture used on the Opel/Vauxhall Insignia.

Securing the future

Franz said he was also working on securing the long-term future for GM's components plants including its factory in Kaiserslautern, Germany.

GM tried to sell the plant in 2005 but failed to find a buyer. Kaiserslautern manufactures body parts, sheet metal and aluminum components, and axles, was put up for sale by GM in 2005, but the company failed to sell it.

Franz said he was working on an agreement that would guarantee Kaiserslautern's future until 2019.

GM will start looking for buyers for Strasbourg the factory next month when it also begins a search for buyers sale its Hummer SUV brand.

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