



Global Automotive Digest^â

"What You Need To Know Today!"^â

May 1, 2000

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GLOBAL ECONOMIC TRENDS

Global Overview

Currency Update: Euro Falls to Records on Concern About Gap in Interest Rates

The euro fell to records after reports showing strong U.S. growth and higher-than-expected inflation increased concern Europe's interest rates will continue to lag those in the world's largest economy. The figures raised expectations the Federal Reserve will lift its 6% overnight bank lending rate several more times this year, or in bigger steps. That overshadowed a quarter-point interest-rate increase by the European Central Bank, to 3.75%, which analysts said was too small to boost the euro. The difference in interest rates between the US and the EU gap leaves dollar-denominated deposits with an advantage over those in Europe, which bolsters demand for the U.S. currency. The dollar rose to 108.20 yen, from 106.43 yen, strengthening above 108 yen for the first time since March 7. It rose about 2 percent against the yen this week. Against the euro, the dollar was little changed, gaining to 90.88 cents, from 90.99 cents yesterday. Europe's common currency fell to a record 90.33 cents earlier, and shed about 3 percent this week. Source: Bloomberg News

Asia & Oceania

Asian Economies Growing Strongly In 2000

Asia will remain the fastest growing region in the world in 2000 with its developing economies set to repeat their 1999 average 6.2% GDP growth, the Asian Development Bank said. Surging economies in South Korea and China drove growth in 1999 and 2000 will incur more widespread growth, the ADB's Asian Development Outlook 2000 reports. The Manila-based multilateral lending agency lists 37 countries in developing Asia, including those in central, south and southeast Asia, Indochina and the Pacific Islands, as well as China, South Korea and Mongolia. It does not include Japan and North Korea.

- South Korea, one of the countries most affected by the financial crisis, grew the fastest in the region in 1999 with a 10.7% increase in GDP and is expected to slow to 7.5% in 2000 and 6% in 2001. Economies of the other crisis-affected countries in Southeast Asia grew only between 0.2% and 5.4% in 1999, but there was strong growth in China at 7.1%. China's growth should slow to 6.5% in 2000, while growth should rise to 5.9% from 5.4% in Singapore and to 6.3% from 5.7% in Taiwan. South Asian economies grew 5.5% in 1999 and are likely to increase this to 6.4% this year with India recording 7% GDP growth.
- The ADB also warned of some risks, which could jeopardize steady growth in 2000, including sharp increases in U.S. interest rates, the likelihood of another oil price shock, and any slowdown in restructuring. It also said investment would have to rise to meet increasing demand. *Source: Reuters*

Japan's Industrial Output Drops

Japan's industrial production dropped 1% in March after a sharp increase in February but the decline was less steep than what economists had predicted averaging 1.9%. MITI said it expects output to fall 1% again in April from March and then increase 1.3% in May. The index of production at the nation's factories and mines registered 100.5 in fiscal 1999, as compared with the 100-point benchmark of 1995, after seeing a massive 7.1% drop in the previous fiscal year. Shipments rose 3.4% to 102.5, also the first increase in two years, while inventory declined 2.7% to 91.1 for the second decline in a row. Japan's industrial output rose 3.2% last fiscal year, and analysts say the first rise in two years underscores that the economy here is gradually recovering.

- Japan's trade surplus with the world fell nearly 15% in March as higher oil prices and a recovering economy boosted imports. The merchandise trade surplus (the measure of all goods exported minus those imported) shrank 14.8% to 1.11 trillion yen (\$10.57 billion) in March. The surplus was unadjusted for seasonal factors. For the fiscal year, which ended March 31, the trade surplus shrank 13.9% year-over-year to 12.1 trillion yen (\$115.2 billion), marking the first contraction for three years. During the January-March period, the overall trade balance declined a preliminary 5.9% on a quarter-on-quarter basis.
- Japan's unemployment rate in March remained at a record high 4.9%, unchanged from February. The overall figure was better than the 5.0% economists had forecast, but the rise in the rate for men to 5.2% from February's 5.1% underscored the severity of the job situation. The total number of jobless rose 100,000 from a year ago to a record high 3.49 million. In a separate survey that labor demand improved slightly in March, with 53 jobs offered to every hundred people seeking work compared to 52 in February. The new job offers ratio rose to 0.97 from 0.93, showing that there were 97 new jobs available for every 100 people seeking work.
- The average monthly wage of employees at companies with five or more workers dropped 0.8% from a year earlier to 354,094 yen in fiscal 1999, marking the second consecutive term of year-on-year decline. Though regular and overtime pay increased, bonuses fell 5.2% Actual working time fell by an average 0.6% to 153.8

hours a month. Due to an increase in the number of part-time employees, regular working hours declined by the same margin. However, overtime work increased for the first time in three years, by 0.4%. Particularly noticeable was a 6.1% surge in overtime at manufacturers. In March, wages dropped 0.9% to an average 303,850 yen, while total working time rose 1.6% to 157.2 hours. Overtime work increased by 5.1% for the fifth straight month of year-on-year gain.

- The composite consumer price index averaged 102.0 in fiscal 1999, down 0.5% from the preceding year and the largest fall since fiscal 1971. It is the first decline since the 0.1% fall in fiscal 1995 when the yen rapidly appreciated.
- Spending by households headed by a salaried worker declined 1.3% year on year in fiscal 1999 to an average 345,121 yen a month after allowing for inflation. Nominal spending fell 1.9%. It was the third consecutive decline, and the first time such an unbroken period of contraction has occurred since the survey began in fiscal 1963. The tighter spending is attributed to full-scale corporate restructuring. Average income of households dropped by just over 18,000 yen, or 2.5% in real terms, the largest fall since fiscal 1963. Disposable income fell 2.1%, also a record high. However, the propensity to consume, a comparison of consumption and disposable income, showed consumer sentiment moving out of the woods, rising 0.6 percentage point to an average 71.7%. Average spending by salaried households in March dropped 1.3% in real terms from a year earlier to a monthly 367,370 yen. The figures indicate that sluggish individual consumption, which accounts for about 60% of gross domestic product, underlies the protracted economic slump since fiscal 1997.
- Housing starts totaled 1.22 million units in fiscal 1999, up 4% on the year, the announced Friday. The result marks the first gain in three years, due in part to expanded mortgage loan tax breaks that became available in fiscal 1999. Starts of occupant-built homes came to 475,632 units, up 8.6%. Starts of built-for-sale housing starts, which include condominiums, grew 10.7% to 312,110 units. In March, overall housing starts fell 3.6% from a year earlier to 96,149 units, the first drop in three months. For fiscal 2000, the ministry projects housing starts of 1.22 million units to 1.23 million units. Sources: Ministry of International Trade and Industry Ministry of Finance, Ministry of Construction, Management and Coordination Agency, Associated Press, Bloomberg News, Financial Times, Japan Times, Nihon Keizai Shimbun, Reuters, Wall Street Journal

South Korean GDP Seen Growing 7.5% In 2000

South Korea's gross domestic product is expected to grow 7.5% in 2000, propelled largely by fixed investment, and 6.0% in 2001, the Asian Development Bank said. The central Bank of Korea has forecast GDP will grow 7.2% in 2000 compared to last year's 10.7% and a negative 6.7% in recession-hit 1998. The ADB said South Korea must continue financial and corporate restructuring if its economic recovery is to be sustained. Given these developments, the consumer price index (CPI) is projected to grow 3.2% per year in 2000 and 2001, it said. The Bank of Korea has projected CPI growth for 2000 at 3.1% while government officials have vowed to keep it below 3.0% compared with a record low of 0.8% in 1999. The ADB said Korea's unemployment rate would fall to 5.0% this year, down from 6.3% in 1999. Government data showed South Korea's seasonally adjusted unemployment rate stood at 4.1% in March, down sharply from 7.4% a year earlier. During the first quarter, the seasonally adjusted jobless rate reached 4.4%, down from 7.6% a year earlier.

- Industrial output rose 17.6% on year in March, versus a 20.3% rise in the year-earlier period. The March output data fell short of market expectations of 20% growth and was down from the 25.4% February. Industrial output declined 1.7% on month in March, versus a 0.9% on-month fall in February
- Producer inventory rose 12% on year in March on a broad-based increase across most industries, including semiconductors and office-accounting machinery, the statistical office said. Producer inventory was up 8.3% in February from a year earlier. Manufacturing plants operated at 79.4% of their capacities in March, rising slightly from 78.7% in February, because of increased production of assembled metal products and machinery equipment.
- Wholesale and retail sales rose 12.8% on year in March, slowing from 13.9% in February. Retail discounters and department stores maintained brisk sales in March, but automobile sales slowed during the month. Orders from the private sector rose 16.3% in March from a year earlier while those from public sector surged 33.2% because of increased orders from the transportation industry. Domestic construction orders climbed 55.7% on year in March due to a continued increase in housing construction. The March figure was sharply lower than the 74.5% on-year advance recorded in February. The proceeding general index, which is used to predict industrial activity three to seven months ahead, fell 0.6% in March from February, compared with a 0.2% on-month decline in February.
- Korea's trade surplus is expected to sharply decline to \$9 billion this year, falling far short of the original target of \$12 billion envisioned by the government. Exports are forecast to amount to \$170 billion while imports are expected to surge to \$161 billion, leaving a trade surplus of only \$9 billion. The surplus figure represents decreases of \$4 billion and \$3 billion from the early estimates of \$13 billion and \$12 billion by KITA and the government, respectively.

- Consumer prices in April fell by 0.3% from last month, marking the steepest monthly drop in prices ever. The consumer price index (CPI), the leading indicator for inflation, rose 1.4% for the first four months of the year compared with the same period last year. The April CPI represented a 0.4% increase from last year's end and a 1.0% increase from the same month a year ago. *Sources: National Statistical Office, Korea International Trade Association, Ministry of Finance and Economy Chosunilbo, Korean Herald, Korea Times, Reuters*

China Warns Us Over Trade Vote

Failure by the US Congress to support a landmark trade agreement with China would seriously damage relations between the two countries, said the Chinese government. Congress is due to vote next month on whether to grant China permanent normal trade relations. The agreement is necessary to activate the market access agreement reached last year as part of China's efforts to join the World Trade Organization. Meanwhile, members of the US Congress said a dispute over textile imports could derail a compromise plan to extend trade concessions to Africa, the Caribbean and Central America. Some congressmen have said they would oppose the agreement with China if there were no action to help the other regions.

- The Asian Development Bank said China was vastly underestimating its unemployment figures, and urged the Chinese government to focus its economic policies on job creation. China's official jobless rate of 3.1% only accounts for those workers registered with the country's ministry of labor and does not cover those with formal links to their state companies. The bank estimated that the true urban unemployment rate was 9.5% and predicted it would grow to 10.5% in the next year. In rural areas, the bank said that up to 150 million people were either unemployed or underemployed. *Source: Financial Times*

Taiwan's Jobless Eases

Unemployment data in Taiwan showed the jobless rate dropped 2.83% in March from 2.91% in February, meeting market expectations. The Taiwan dollar lost its edge as a fall in local stocks dampened investor sentiment. *Source: Financial Times*

Australia First Quarter Consumer Prices Rise 0.9%

Australian consumer prices rose at the highest annual pace in nearly four years in the first quarter, near the top of the central bank's comfort zone and boosting pressure on the bank to raise rates soon. Prices rose 0.9 percent in the quarter, giving an annual inflation rate of 2.8% for the year to March 31. Core inflation, which excludes volatile items such as petrol prices and government charges, was 0.5% in the quarter for an annual rate of 2.2%.

- The Australian dollar fell to 58.74 U.S. cents from 58.83 cents immediately before the report. The 10-year bond yield fell 1 basis point to 6.42%. The CPI data follows a wages report yesterday which showed pay rose twice as much as expected with a 1.4% gain for the three months through February and a 4% annual rise. *Sources: Bloomberg News, Reuters*

ADP Sees 4.5% Thai GDP Growth In 2000

The Asian Development Bank (ADB) forecast the Thai economy would consolidate its recovery this year and in 2001, expanding at an accelerating 4.5% and 4.6% respectively. The ADB forecast higher growth rates, compared to 4.1% gross domestic product growth in 1999, would still be lower than the average expansion of nearly 10% in the first half of the 1990s before the country plunged into financial crisis in 1997. The ADB said robust exports would grow around 7.0% in 2000 and 8.0% in 2001 compared with 7.4% 1999. Thai inflation is forecasted to rise to 2.5% in 2000 from 0.3% in 1999, the trade surplus to about 4.0% of GDP from 7.2% and the current account surplus to 5% to 6% of GDP from 9.1%.

- Thailand's trade surplus was \$1.24 billion in March and \$3.24 billion in the first quarter. Exports rose by 25.5% in the year in March, to a record monthly figure of \$5.99 billion. Imports were 11.3% higher on the year at \$4.75 billion. Exports in the first quarter rose by 30.3% year-on-year to \$17.07 billion, while imports were up 21.6% at \$13.85 billion. *Sources: Financial Times, Reuters*

Singapore CPI drops 0.3%

Consumer prices in Singapore dropped 0.3% in March compared with February but rose 1.2% on the previous year. The department of statistics said falling food, transportation and communications costs were behind the monthly decrease. Food prices fell 1.6% but clothing increased 1.4%. Housing and health care costs remained unchanged. *Source: Financial Times*

Philippine Production Up 16.7%

The Philippines' value and volume production indices for the month of February rose for the third consecutive month on a year-on-year basis, indicating that the manufacturing sector was on the path to recovery. The value

production index was up 16.7% year-on-year, while volumes rose by 6.8%. The value in net sales was up 18.8% with average capacity utilization of the manufacturing sector at 81.2%, up from 80.6% in the previous year. Sources: *Financial Times, Reuters*

Vietnam Industrial Output Seen Rising 14%

Vietnam said it expected industrial output to expand at a rate of 14% in the first four months of 2000, compared with the same period a year earlier. The country's general statistics office said it saw industrial output moving 15% higher in April year-on-year, compared with the April 1999 figure of 9.5%. The country's trade deficit in the first four months of 2000 was estimated at \$266 million, compared with \$312 million in the same period of 1999. Source: *Financial Times*

Europe

Plunging Euro Takes Financial Toll

The euro weakness poses a challenge not only to the European Central Bank but also to economies and individuals outside the zone of 11 countries that use the single currency. Among its casualties are British manufacturers, who are losing sales as they try to compete against goods priced in chronically weak euros. Americans investing in shares of European companies also are taking a beating. Swelling regional stock valuations look a lot less impressive once those shares are converted from euros into dollars. The euro has plunged almost 23% since January 1999, when it was launched amid hopes that it would one-day rival the dollar as a global reserve currency.

- The European Central Bank raised interest rates for a fourth time in six months as the euro's slide fans inflation. The move failed to buoy the currency, which declined to a record low. The central bank increased its benchmark refinancing rate, the amount charged on two-week loans to commercial banks, to 3.75% from 3.5%. The increase was predicted by analysts but many economists said the rise might not be enough to help the single European currency regain ground against the dollar. The euro has fallen by a fifth against the dollar since its introduction at the start of last year, driving import costs higher. The region's inflation rate, at 2.1% already exceeds the central bank's 2% limit. Sources: *European Central Bank, Bloomberg News, Financial Times, Reuters*

European Inflation Reaches Likely Peak

Euroland inflation apparently peaked in March and is now ebbing, according to preliminary price data released in recent days. Inflation in the 11 countries that share the common currency are forecasted to fall back to 1.8% in April, according to analysts with inflation reaching as low as 1.3% by the end of the year.

- Overall German prices will remain unchanged in April, compared with March, and increase by about 1.5% from a year earlier, according to analysts. That would represent a sharp downward turn from March, when prices increased by 0.4% from February, and 1.9% from the previous year. A similar pattern emerged in Italy, which together with Germany accounts for about half of Euroland GDP. Italy reported a 0.1% increase in prices in April compared with March, and a 2.3% increase from a year earlier. In March, the figures were 0.3% and 2.5%, respectively. Sources: *ISTAT, Associated Press, Bloomberg News, Financial Times, Wall Street Journal*

German Consumer Prices Unchanged

Prices paid by German consumers were unchanged in the month to mid-April, evidence that inflation may have peaked in Europe's biggest economy after rising steadily for more than a year. Prices rose 1.5% from a year earlier, compared with a 1.9% gain in March.

- German producer price inflation slowed in March. Year-on-year inflation remained flat at 2.4%, unchanged from February, and against analysts' predictions of a 2.7% rise. Producer prices remained unchanged month-on-month, excluding oil prices, and up 0.8% year-on-year. In February, prices remained constant month-on-month, and up 0.7% higher year-on-year. Sources: *Federal Statistics Office, Bloomberg News, Financial Times, Wall Street Journal*

Euro's Weakness Hurts U.K.....

Britain's economy expanded 0.4% in the first quarter, the slowest pace in a year, as the pound's surge against the euro curbed manufacturers' exports. The pound has gained more than a fifth against the euro since the European currency was introduced in January 1999, giving manufacturers in the 11-nation euro region an advantage over British rivals. UK's gross domestic product expanded 2.9% in the first quarter from a year earlier, down from 3% annual growth in the fourth quarter. The U.K. government expects GDP to expand about 3% this year. The euro region's industrial production rose 1.2% in February, while British output shrank 0.6%.

- U.K. manufacturers' confidence fell for the first time in a year in the first quarter, Britain's largest employers' group said. The Confederation of British Industry's index of manufacturing confidence fell to -2 from 9 in January. *Sources: Bloomberg News, Financial Times, Reuters*

... But The Euro Helps France

The French government forecasted its economy growing by 3.6% or more. Gross domestic product grew 0.8%, the slowest since second quarter 1999, after expanding 1% in the previous quarter. The euro region's second-largest economy grew 2.9% last year after expanding 3.2% in 1998, the fastest growth rate of the decade. The slowdown was chiefly the result of a slump in exports as recession-gripped Asia, Latin America and Russia early in the year.

- French industrial production rose 1.1% after falling a revised 0.2% in January. Economists had expected an increase of just 0.6%. Output for the three months ended in February rose 3.8% from the year-earlier period.
- French consumer spending on manufactured goods fell 1.7% after an unrevised 2.2% increase in February, national statistics office Insee said. Spending rose 4.1% from March 1999.
- French housing starts declined 4.7% in the first quarter from a year earlier.
- French consumer prices rose in March, led higher by an increase in oil and clothing costs. The consumer price index rose 0.5% in March, calculated using European Union standards. The index rose 1.7% from a year earlier.
- The French government reported that unemployment fell to an eight-year low of 10% in March. *Sources: Bank of France, Insee, Bloomberg News, Wall Street journal*

Italian Consumer Prices Rise 0.1% in April

Italian consumer prices rose 0.1% in April, led by food, clothing and health-care costs. The gain was the smallest in four months, a sign that inflation has passed its peak in Europe's fourth-largest economy. The consumer price index rose 2.3% from a year earlier.

- Italian workers' hourly wages were unchanged in March from February for the second month in a row, easing inflation concerns in the euro region's third-largest economy. Pay rose 2.1% from the same month a year earlier, below the nation's 2.4% inflation rate. *Sources: Istat, Bloomberg News*

Swiss Monetary Growth Slows

The Swiss seasonally adjusted M0 monetary base increased by 2.65% year-on-year in March, compared with a rise of 3.4% the previous month. The Swiss National Bank attributed most of the rise to banknote circulation, which was up 3.7% to Sfr1.1 billion. The wider M3 aggregate reduced by nearly 1% in the year to February 2000 - down from a rise of 0.7% for the 12 months ending January. *Source: Financial Times*

Greece Prioritizes Low Inflation

Sustainable low inflation is the main monetary policy objective for Greece, according to the Greek central bank. Headline inflation for March was at 3.1% year-on-year, because of a rise in oil prices, but the bank said it wanted to see sub-2% inflation levels to maintain an environment of stable prices. Greece is expected to join the single European currency in January 2001. *Source: Financial Times*

Russia's GDP Jumped More Than 7% In First Quarter

The Russian economy grew more than 7% in the first quarter; the biggest jump in gross domestic product since Russia began measuring the figure in 1992. The new data support a growing consensus that the economy is recovering far more strongly than expected after the country's financial markets buckled in August 1998. A sharp fall in the value of the ruble stimulated domestic industry, enabling Russia's economy to expand 3.2% in 1999, the first solid year of growth since the collapse of the Soviet Union. Russia also benefited from a spike last year in the price of oil, its biggest export.

- The committee also said the foreign trade surplus should shrink in the next few months. The surplus was \$4.2 billion in February compared with \$3.9 billion in January. *Sources: State Committee on Statistics, Financial Times, Wall Street Journal*

Lithuanian Industrial Output Up 14.4%

Lithuania's industrial output rose by 14.4 per cent in March over the previous month. The increase put the annual increase at 2.8 per cent. Manufacturing output, which discount state-regulated utilities and the country's small mining and quarrying sector, rose 17.9 per cent month-on-month, giving a yearly figure of 5.7 per cent. *Source: Financial Times*

Czech Central Bank Sets 2001 Net Inflation Target

The Czech National Bank said it wants a net inflation rate of 2% to 4% for the end of next year, easing concerns interest rates will rise later this year as the country prepares to join the European Union. The net inflation target for 2001 translates into a headline inflation rate of between 4.3% and 5.8%. In March, consumer prices were unchanged from the previous month. The annual inflation rate was 3.8% while the net inflation rate was 2.1%. *Source: Bloomberg News, Financial Times*

Poland Current Account Deficit Higher Than Expected

Poland's economy minister, said Poland's current account deficit was seen widening to around 8% of gross domestic product this year from 7.6% the previous year. The current deficit had been forecast to fall to 6.1% of GDP in this year's budget. Analysts argued that the forecast was inaccurate after 12-month current account deficit had already hit 8% of GDP February of this year. *Source: Financial Times*

Bulgarian Trade Deficit Rises To \$181.3m

An expanding trade gap pushed Bulgaria's current account deficit up for January and February 2000. The trade deficit hit \$181.3 million, up from a \$140.4 million gap in the first two months of 1999, helping push the current account deficit to \$250.4 million, up from \$201.7 million in 1999. An increase in oil prices by 2.7 times accounted for the bulk of the increased trade deficit. *Source: Financial Times*

Romanian Legislature Passes Austere Budget

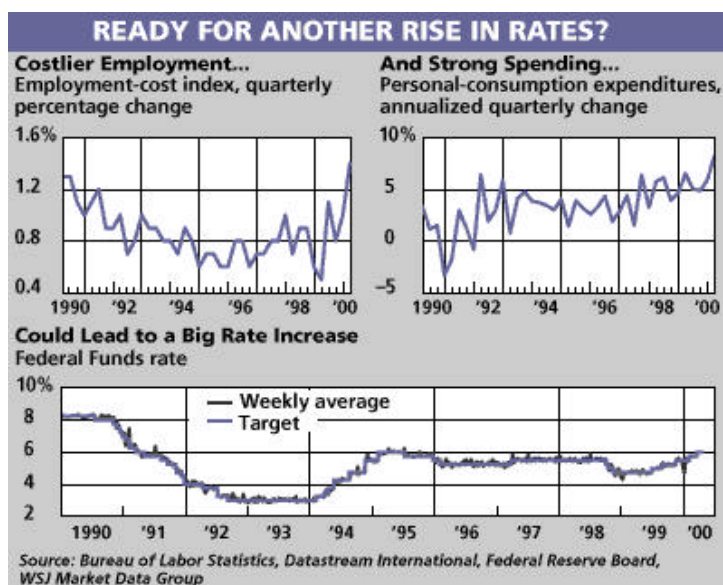
Romania's parliament adopted a budget for 2000 with a deficit of about 3 per cent of gross domestic product, as the country pushed forward with an austerity drive designed to halve inflation. The budget, which provides for inflation of 27 per cent and for 1.3 per cent GDP expansion, is expected to pave the way for renewed lending by institutional lenders. A \$540m stand-by loan from the International Monetary Fund is conditional on passage of a restrictive budget, and funds from the World Bank and European Union will now likely be approved as well. The vote to adopt the budget was 236 votes to 56. *Source: Financial Times*

North America

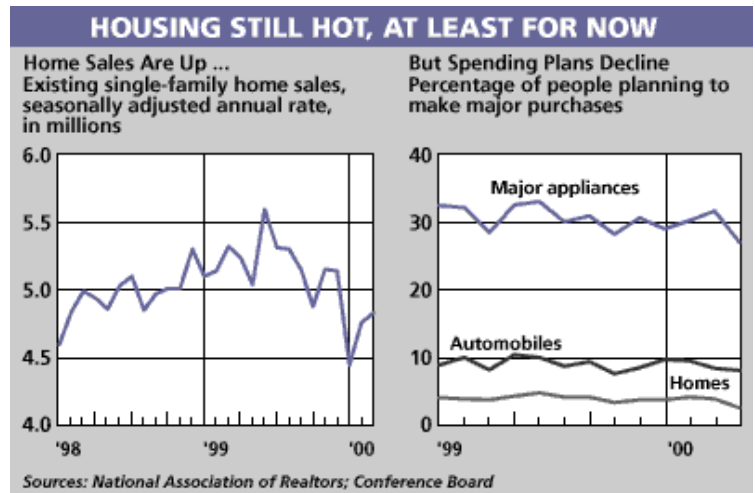
U.S. GDP Grows, Inflation Rises in First Quarter

The U.S. economy expanded at a 5.4% annual rate in the first quarter, led by the largest rise in consumer spending in 17 years, and inflation accelerated. With inflation ticking up, that could push Federal Reserve policy-makers to raise interest rates more aggressively than expected analysts said. Gross domestic product rose to an annual inflation-adjusted rate of \$9.2 trillion, more than a quarter of the world's output. The first quarter marked a third straight three-month period with growth above a 5% pace, the first time that's happened since 1983-84, when the economy was just emerging from recession. In contrast, today's economy is in the 10th year of expansion.

- U.S. personal incomes rose in March at a faster rate than spending for the first time in five months, paced by wage gains and Census hiring. Incomes grew 0.7% in March after rising 0.4% in February. Spending rose 0.5% after a February increase of 1.4%. The savings rate rose to 0.4 percent from February's record low 0.2%. The Employment Cost Index (ECI), a broad gauge of what employers pay in wages, salaries and benefits, jumped 1.4% in the January-March quarter, building on a 1.0% rise in the last quarter of 1999 for its biggest quarterly gain in more than 10 years.
- Home resales rose 1.5% last month to an annual rate of 4.83 million, said. In February, resales rose 7% to a 4.76 million pace. The booming economy has helped push the nation's home ownership rate to an all-time high of 67.1% in the first quarter of this year surpassing the previous record of 67% set in the third quarter of 1999.
- A Conference Board index gauging U.S. consumer expectations for the next six months rose to 108.2 in April, the first increase since January and up from a five-month low of 106.8 in March. The overall confidence index slipped to 136.9 this month from a revised 137.1 in March, close to January's all-time high of 144.7.



- Orders for US durable goods increased 2.6% in March month-on-month after recovering from decreases of 1.9% in January and 2% in February. The 2.6% increase was well in excess of the average 1.8% increase forecast. Durable goods orders increased at a 9% annual rate in the first quarter, compared with 5.2% pace in the final three months of 1999. Last month's orders to manufacturers for items made to last for three or more years rose 2.6% to a seasonally adjusted \$215.2 billion after declining 2% in February and 1.9% in January.
- The US's M2 money supply rose to \$4,760.0 billion in the April 17 week, an increase of \$14.6 billion. The four-week moving average of M2 supply was \$4,742.0 billion, against \$4,734.5 billion in the previous week. The broader M3 measure rose \$12.4 billion to \$6,629.2 billion.



- Last month, net new money into stock mutual funds fell 33.7% to \$35.6 billion from February's revised record of \$53.68 billion. March's intake qualified as the third-best month ever for stock mutual funds. *Sources: Commerce Department, Department of Housing and Urban Development, Investment Company Institute, Labor Department, National Association of Realtors, Federal Reserve, Associated Press, Bloomberg News, Financial Times, Reuters, Wall Street Journal*

Canada Retail Sales Fall 1.1%

Canadian retail sales fell by 1.1% in February month-on-month to C\$22.3 billion. Retail sales were down in all the sectors in February by at least 1% with the exception of food stores that increased by 1.8%. Auto sector led the declines. Motor and recreational vehicle sales fell 5.1%. *Source: Financial Times*

Mexico Trade Deficit Reached \$430 Million in March

The reported a preliminary trade deficit of \$430 million in March. March exports grew 15.4% to \$13.593 billion from March 1999, while imports rose 16.9% to \$14.023 billion. The accumulated trade deficit in the first quarter was \$1.33 billion. The cost of imported goods has fallen since a year ago with the appreciation of the peso against the dollar. The peso touched a 22-month high of 9.1850 pesos to the dollar in mid-March, about 3.4% stronger than its 1999 close of 9.5050 pesos. Imports of consumer goods in March rose 33.4% to \$1.302 billion from March 1999. Imports of capital goods rose 6.8% to \$1.920 billion and imports of intermediate goods grew by 17.1% to \$10.801 billion. *Sources: Finance Ministry, Wall Street Journal*

South America

Brazil Jobless Drops To 8.1%

Brazil's joblessness rate fell to 8.1% in March from 8.2% the previous month, following a sharp rise from January's figure. The rate for March of 1999 was slightly higher at 8.2%. Employment among construction workers was highest, with 9.9% joblessness, while services were lowest at 6.4%.

- Brazil's foreign reserves rose marginally to \$28.705 billion, down from \$39.217 billion at the end of March. Foreign currency reserves fell in the first weeks of April as the country repaid emergency loans put together by the international Monetary Fund.
- Brazilian customs officials voted to continue protest action for better pay and working conditions at the country's main ports. Customs officials started protest action last month with a series of 24-hour work-to-rule operations at the country's ports, which have gradually intensified. Unionists now threaten to block all customs clearance at ports, airports and land borders if the government does not respond to their demands. *Sources: Financial Times*

Argentina's Fiscal Deficit Narrows

Argentina's fiscal deficit narrowed 9% to \$705.8 million in March, excluding provincial pension accounts. The figure was in line with a target agreed with the International Monetary Fund and compares with a deficit of \$775.7 million in March of last year. The economy ministry attributed the narrowing deficit to an improvement in revenues from earnings from a fiduciary fund for provincial development that was agreed with the IMF, and the transfer of income from interest on foreign reserves held by the central bank. The ministry also said the country had met its \$2.15 billion fiscal deficit target for the January to March period. *Sources: Financial Times*

AUTOMOTIVE INDUSTRY TRENDS

Global Summary

Renault Stretches Limited Resources

Last week, Renault bought South Korea's bankrupt Samsung Motors, sold its RVI truck division to Volvo, and unveiled plans to boost sales with Nissan in Japan. Renault's expansion program began last year, when the group took a controlling 36.8% stake in Nissan and bought Romanian Dacia Automobile. Renault will now improve operating results at Nissan and Samsung and concentrate on South America. The Annual spending on new plants and equipment of \$2.5 billion (2.71 billion euros), or about 6% of yearly revenues, will rise as high as 7% in coming years. Renault and Nissan plan to boost efficiency together by cutting the total number of car platforms they make from 42 to 10 by 2009. They also aim to reduce their engine lineup from 29 to 8 over the same period. Part of that spending may go to outfit underused Nissan factories in Southeast Asia (specifically Thailand and the Philippines) to produce Renault models that would be a more cost-effective way of producing Renaults in the region than building new factories.

- With its \$562 million (620 billion won) purchase of 70.1% of Samsung Motors, Renault becomes the first foreign carmaker to gain a foothold in traditionally inaccessible South Korean market. The Samsung Group (South Korea's second-largest industrial group) which gave up management of the auto unit in June last year, will keep a 19.9% stake in the joint venture, and maintain its marketing network and after-sale service outlets. Samsung Motor creditors will have the remaining 10% stake. The South Korean market had been controlled by three domestic auto firms, Hyundai, Kia Motors and Daewoo. Nearly 1.3 million cars were sold in South Korea in 1999, of which only 2,401 were foreign-made. South Korea is Asia's third biggest auto market after Japan and China.
- Renault will invest as much as \$300 million over four years in its newly acquired Samsung Motor plant to expand into the South Korean car market. The investment will increase annual capacity by a third at the factory in Korea's Pusan City to 240,000 vehicles from 180,000 now. Renault has no plans to expand beyond the company's single manufacturing plant using about 95% of the existing Nissan and Renault platform systems. That expansion, less than some Korean auto-parts makers were expecting, could be modified if the plant proves a success. The new venture is set to restart production in July and Renault says it could be years before the auto unit turns a profit
- The new plant will initially build Samsung's sole model, the SM5, and will "progressively" introduce a range of vehicles from Renault and Nissan. Renault aims to sell as many as 200,000 cars a year from the plant by 2005. Many of those sales will be in Korea, where Renault hopes to grab a 10% to 15% share of the market for the "middle and upper segments of the domestic market as of 2001." The SM5 comes in four version, fitted with a four-cylinder 1.8 liter or 2 liter engine, or a six-cylinder 2 liter or 2.5 liter engine. The cars expected to be exported to the rest of Asia using the Nissan distribution network will be sold under the Samsung badge.
- Renault revealed plans to use its \$5.4 billion investment in Nissan to lift its sales in Asia. Renault will transfer its regional headquarters to Tokyo and market its cars in Nissan showrooms in Japan from next month. Renault aims to increase car sales in Japan, Asia's largest market, from 3,000 to 15,000 by 2004, and 30,000 in 2010. The group will invest Y4 billion (\$38 million) in the marketing network over the next three years. Renault plans to set up an importing company in Tokyo in order to sell four compact car models in 50 Nissan showrooms across Japan, eventually expanding this to 150 dealerships. The move marks the first collaborations on marketing, one of the most difficult but potentially lucrative areas of co-operation. Foreign carmakers have failed to garner 20% of total Japanese sales.
- Dacia will be used as the launching pad for a \$6,000 car aimed at developing markets but will require a strong cash injection. Renault plans to spend nearly \$1 billion over five years to upgrade the company's 30-year-old production facilities. Renault also plans to develop a modern but inexpensive new model with speculation the platform will target emerging markets. *Sources: Associated Press, Bloomberg News, Chosunilbo, Financial Times, Japan Times, Nihon Keizai Shimbun, Reuters, Wall Street Journal, Renault Company Press Releases*



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Mitsubishi Motors Plans Job Cuts

Mitsubishi Motors plans to eliminate 1,000 administrative jobs and cut costs by making purchases with its new ally DaimlerChrysler. Mitsubishi will slash its administrative staff by 10% to 8,900 by April 2004 from 9,900. Mitsubishi earned 5.67 billion yen, or \$53 million, in the fiscal year ended March 31, 1999, but it does not expect to report a profit for the year that just ended. Mitsubishi Motors projects sales of at least 3.5 trillion yen, or \$33 billion, for fiscal 2000 ending in March 2001, but expects to lose about 70 billion yen, or \$661 million.

- Mitsubishi Motors (Japan's fourth-largest automaker) is considering closing three of the five production lines at its plant in Okayama, Japan, which makes small passenger cars. MMC will also take other steps to reorganize its domestic production plants in an effort to lower its break-even point to 800,000 vehicles by the end of March 2004, from 1.2 million in March 2000.
- Mitsubishi Motors Australia (MMAL) is moving to secure its future by cutting 600 jobs from its 4,000-strong workforce after its worst ever result, a A\$130 million loss in calendar 1999 with sales dropping 17% to 70,000 in 1999. MMAL expects to lift annual sales to 79,000 units in 2000 and to be trading profitably by the end of the year. MMAL reported a A\$3.6 million net profit in calendar 1998, but said earnings were hit in 1999 by adverse currency exchange movements, global overproduction, softening domestic demand in the 1999 second half, and the speculation about the company. MMAL remained committed to an investment of up to A\$450 million in a new model Magna from 2005 and he hoped there would now be an end to damaging speculation about the company's future here. Mitsubishi is one of four carmakers in Australia, competing against General Motors Holden, Ford Australia and Toyota Australia.
- The sales strategy centers on global promotion of variations on a compact car model under development, which would increase Mitsubishi's share of the Japanese compact car market from 15% to 20%. It aims to lift annual sales in the US from about 260,000 units last year to 400,000 by 2005. This would be achieved through the launch of three new models (including a sports utility vehicle) developing the sales and production divisions, and increasing co-operation with DaimlerChrysler. Mitsubishi Motors and DaimlerChrysler reportedly will also jointly develop a compact car called the "Z car" for the world market in the next four years.
- DaimlerChrysler will sign a formal agreement by June promising Swedish truckmaker Volvo AB that it will not interfere in the truck operations of Mitsubishi Motors. The signing of such an agreement is expected to enable the two European firms to maintain their separate alliances with the Japanese automaker without any conflicts of interest. DaimlerChrysler promised its noninterference in Mitsubishi's truck business in a memorandum of understanding that it signed with Mitsubishi at the end of last month. The German automaker has also pledged not to veto at shareholders meetings Mitsubishi Motors' plan to spin off its truck and bus operations into an independent entity at the end of next year. *Sources: Associated Press, Bloomberg News, Financial Times, Nihon Keizai Shimbun, Reuters, Wall Street Journal, Yomiuri Online. Company Press Releases*

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Asia & Oceania

BMW Prepares for Internet Banking Operation in Japan

Bayerische Motoren Werke (BMW) is preparing to file an application for a bank license with Japan's Financial Supervisory Agency in anticipation of an Internet banking operation. The automaker will initially request a license to specialize in telephone and Internet banking in Japan. BMW's Japanese banking operations are expected to focus on extending financial support to BMW dealerships, in addition to accepting deposits. BMW said it hopes to begin its Internet banking operation in Japan by 2001.

- BMW currently owns banks in Germany and the U.S. Its German operation, set up in March 1971, now covers a wide range of services including deposits, credit cards, and financial support for dealers, lending to individuals and insurance brokerage. At the end of December, the bank held deposits totaling 2.5 billion marks, or 137.5 billion-yen. In the U.S., BMW obtained an Internet banking license in Utah in September 1999. The online bank offers insurance brokerage and direct loans. *Source: Nikkei News*

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Teikoku Piston Ring To Rationalize Manufacturing

Teikoku Piston Ring will spend 2.6 billion-yen by March 2002 to revamp its production lines as part of its effort to rationalize the production of piston rings and other mainline engine parts. Teikoku Piston plans to consolidate casting, grinding, polishing and other manufacturing processes under a single roof at a new facility at its key Nagano plant, which produces about 80% of the company's piston rings providing leadtime reduction from the current 15 days to about 10 days. Teikoku Piston also plans to automate processes at its Gifu plant, which makes piston rings and other products. The company hopes that the rationalization will yield cost savings of about 20%. In addition, Teikoku Piston intends to reduce its 1,200-member work force by 15% within two years. The manufacturer has initiated a business plan (covering the current fiscal year through the fiscal year ending March 2003) to raise its ratio of pretax profit to sales to 4%. In the fiscal year ended March 1999, the ratio stood at 1%. *Source: Nikkei Industrial Daily*

Yanase Moves To Boost Retail Operations And Sell Audi's

Yanase & Co. will strengthen its retail operations by shifting management resources from import to retail since it gave up the right to import General Motors's Chevrolets and Opels. The company hopes to reinforce its image as a luxury import car dealer with the import rights on two GM lines, Cadillac and Saab. To supplement its supply of luxury sports cars, the firm is also studying the possibility of restarting sales of Audi vehicles. Audi will end joint sales of Audis and VWs in Japan next year to focus on selling Audi cars through 30-40 Yanase dealerships as early as 2001. Yanase imported VWs and Audis until 1992, but withdrew from sales of both following disagreement with VW over the German carmaker's plan to set up an independent sales network.

- Yanase employed 4,500 staff at the end of 1999. Of its 1,000 employees involved in import and back-office operations, the firm will assign 200 to marketing positions this year. It will reclassify about 130 marketing units as "branches" to gain greater financial control over each. *Sources: Nihon Keizai Shimbun*

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Delphi After More Of Japan Market

Delphi Automotive Systems (world's biggest autoparts maker) continues to search for partners in Japan to increase sales in the world's second largest auto market. Delphi Automotive Systems Japan is looking for a variety of partnerships; capital, non-capital and business alliances, in Japan with "automakers, auto-parts makers, as well as companies from other industries and targeting GM group affiliates like Suzuki and Fuji Heavy, as well as Toyota and Honda. *Sources: Financial Times*

Daewoo Motor Seeks Talks As Strike Continues

Production at the main plant of South Korea's Daewoo Motor was halted for a third straight day on Thursday as workers downed tools demanding the release of seven union leaders arrested earlier this week. The stoppage at Daewoo's main plant at Pupyong, follows months of labor disputes at the embattled company and has so far caused an estimated 21 billion won (\$19 million) in losses, Daewoo reports.

- He said Daewoo's three other plants in South Korea were operating normally. Pupyong builds about 2,000 cars per day. Daewoo now in the hands of creditors, who plan to sell it to a foreign automaker, has become a target of unions who want the government to nationalize it. Police raided the plant on Tuesday morning, taking 20 union

members into custody and later arresting seven.

- A number of automakers including U.S. giants General Motors Corp and Ford Motor Co have expressed interest in Daewoo, whose creditors expect to sell the company by September. *Source: Reuters*

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South Korean Car Taxes Account for 17.4% of Government Revenue

Korean car owners paid more than W16.4 trillion in automobile-related taxes and fees last year accounting for 17.4% of government revenue in 1999, according to the Korea Automobile Manufacturers Association (KAMA). Out of the total, W2.14 trillion was for sales tax; W1.14 trillion for registration fees; and W13 trillion for ownership and operation taxes. Many have criticized government regulations in which the owner of a 10-year old car must pay the exact same amount of taxes paid by the owner of a brand new car. The average period for ownership of a single car is just 8 years in Korea, far shorter than the U.S. average of 17 years.

- The association added that the average amount of paid by owners of a 1,500cc compact car with a manufacturer-recommended selling price of W5 million came to about W209,000 in 1999, virtually the same amount as the W246,000 in property and land tax for a US\$400-million 40-pyong apartment unit in Seoul's ritzy Kangnam area. The KAMA said that car ownership and operation costs an average of W3.07 million a year. This is 6.5 times the W470,000 in the U.S., 1.7 times over the W1.84 million average in Japan and 1.4 times more than the W2.2 million in Germany. The association also pointed out that Koreans have to pay a total of six different types of taxes upon purchase of a car, far more than the one tax paid in the U.S. and Germany and the two kinds of taxes paid in Japan. *Source: Chosunilbo*

Japan's Automakers Production Results

Japan's overall domestic production of cars, trucks and buses rose 0.5% in March from the year-earlier period to 1.019 million units, the JAMA said. It was the second straight month of gains. Passenger-vehicle output rose 20.9% to 845,903, while truck production fell 10.3% to 168,186. Japan's auto market as a whole remained sluggish, with the nation's total vehicle production falling for the second straight year in 1999/2000 to total 9,932,333 vehicles. down 0.4% from a year earlier. *Sources: Japan Automobile Manufacturers Association, Associated Press, Reuters, wall Street Journal*

Japan Automakers 2000FY Production Summary				
	Japan		Global	
	March	YOYA△	2000FY	YOYA△
Toyota(Inc. Diahatsu)	400,586	6.1%	5,500,000	6.7%
Nissan	132,032	-11.4%	2,400,000	-2.5%
Honda	113,642	4.3%	2,440,000	4.4%
Mitsubishi	115,201	1.5%	1,730,000	2.6%
Mazda	84,710	3.3%	956,135	0.6%
Japan Only	1,019,000	0.5%	9,932,333	0.5%

Source: JAMA

China Auto 1999 Production

China produced 1.82 million units of motor vehicles in 1999 (world's ninth largest auto production country) which had a total output of 54.66 million units. China was listed No. 10 in 1998. China made 446,430 units or motor vehicles in the first quarter of 2000 and sold 445,000 units, an increase of 10.65% and 17.89% respectively over the same period of last year. Of the 67,500 units of increased sales, 80% were buses. Production and sales of buses were respectively 154,400 and 153,500 units, a respective increase of 43,000 and 54,000 units more than those of a year earlier were. *Source: China Association of Automotive Manufacturers, China Business Update*

Indian Car Sales Jump

A slew of new car models helped India's passenger car sales jump 55.8% in 1999/2000 (April/March) but analysts said the momentum was unlikely to last in the current year as the number of new models in the market run thin. Data released by the showed car sales rose to 638,815 units in 1999/2000 from 409,951 units in the previous year.

- Sales of commercial vehicles, mainly trucks and vans, rose 22.4% to 171,319 units in 1999/2000, up from 139,930 in the previous year. In March, commercial vehicle sales were up only marginally at 24,548 units against 24,032 a year earlier. Medium and heavy commercial vehicle sales fell to 15,906 units in March from 16,752 in the same month last year.
- Two-wheeler sales were likely to continue showing the tilt in growth towards motorcycles from scooters. Motorcycle sales in 1999/2000 grew to 1.79 million units from 1.39 million in the previous year, while scooter sales declined to 1.25 million units from 1.32 million during the period. *Sources: Reuters, Society of Indian Automobile Manufacturers*

Europe

Euro Valuation Hurting U.K. Auto Producers But Is Helping French Producers

Nissan will cut costs at its plant in Sunderland by 30% to help offset the impact of the pound's gain. Toyota opened its latest European plant in France, rather than the U.K. where it has previously invested. BMW is struggling to sell its U.K. Rover Cars unit, in large part because the strength of the pound has eroded Rover's overseas sales, while making imported cars cheaper in the U.K. Alchemy Partners, a U.K. venture capital firm that had agreed to buy Rover, today pulled out of the agreement. By contrast Renault reported first-quarter sales rose 12% as the euro's slide helped the company sell overseas. PSA Peugeot Citroen also benefited from the euro's decline with sales rising 13% March. *Sources: Bloomberg News, Financial Times*

BMW's Rover Sale To Alchemy Collapses

Bayerische Motoren Werke will start talks to sell its Rover Car Operation to British investors, the Phoenix Consortium, in what may be the last chance for Rover Car operations to avoid closure. BMW threatened to close Rover, its UK subsidiary, by the end of May unless a buyer emerges. BMW, which announced plans to sell Rover in March, had expected to sell the unprofitable business Alchemy Partners, but a nearly concluded deal collapsed Friday after Alchemy demanded that BMW provide additional incentives.

- Phoenix, which first expressed interest in Rover in early April, is led by former Rover boss John Towers and has had the support of the British government for its plans to maintain Rover as a volume car maker and preserve many of the 8,500 jobs at Rover's Longbridge plant. Closing the operations would mean the loss of thousands of U.K. jobs, not only at Rover but at parts suppliers, and big political trouble for British Prime Minister Tony Blair, who needs to maintain support among his Labour Party's union backbone. The closure of Rover's Longbridge plant near Birmingham, with the loss of 9,000 direct jobs and tens of thousands more among surrounding parts suppliers. However irrespective of what happens to Longbridge, the future of Rover's other car production plant at Oxford, which employs another 3,500, will remain a part of BMW operations. Talks were also said to be proceeding on schedule for the sale to Ford of Solihull-based Land Rover. *Sources: Associated Press, Bloomberg News, Financial Times, Detroit Free Press, Reuters, Wall Street Journal*

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Ford May End Dagenham Car Production

Ford is expected to end vehicle production at its Dagenham plant in an effort to cut costs at its struggling European business, analysts say.. Ford wouldn't comment on the future of its largest U.K. plant. Ford has said for several months it was considering cutting some of its surplus production capacity in Europe, estimated at 25% to 30%. It is set to complete a European cost reduction study in mid-May.

- The Dearborn-based automaker saw its European profit plunge 85% last year and market share shrank to 9.3% from 10%. In the first three months of this year, Ford vehicle sales fell by more than 6% to just under 370,000 in western Europe. Wherever possible, Ford intends to increase productivity by introducing a three-shift operation and achieving annual production of at least 300,000 vehicles per plant. Restructuring has already been successful at the group's Saarlouis plant in Germany. There, more than 300,000 of the Focus mid-range model have been produced annually for the last two years.
- The Dagenham plant, opened in 1931, employs 6,500 workers and builds Fiesta cars and small vans and gasoline and diesel engines. Dagenham is the weakest of Ford's seven main European assembly plants. Ending car production at Dagenham would cut about 3,000 jobs at the plant. Of the plant's 7,700 workers, 4,600 are employed in the car body and assembly operations. Another 1,800 workers at the complex make diesel and gasoline engines. The company has said it will expand diesel-engine output, and analysts said the automaker might shift a few hundred assembly plant workers into engine production.
- Union leaders, who urged workers in a series of recent meetings to fight for their jobs, said they would challenge a Dagenham shutdown. The US carmaker, which is next month expected to announce the end of car assembly at Dagenham, east London, is offering one-off payments of up to £55,000 for the initial 1,350 workers leaving the plant. Industry analysts estimate the average assembly line worker at Dagenham earns between £20,000 and £25,000 a year. The workforce is relatively old with long service; average age is about 45. It is thought that all employees aged 50 or over will be able to leave with full pension entitlements.
- Mazda is considering using some of Ford's spare manufacturing capacity in Europe for local production of Mazda models. The Japanese automaker will make this decision around the end of the year, according to Mazda's president. While Germany is Mazda's largest market, almost all of Mazda's European sales come from vehicles



manufactured in and exported from Japan. Mazda also indicated that it will increase its overseas components sourcing, again to cope with the currency exposure problem. This sourcing level has already risen from about 6% a few years ago to about 17% at present and the level could rise further, to about 20-25% over a two to three-year timeframe, analysts suggest. *Sources: Detroit Free Press, Financial Times, Handelsblatt, Reuters, Wall Street Journal*

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Nissan UK Unit Asks Parts Makers To Tighten Belts

Nissan UK has started asking its parts manufacturers to cut costs by 30%. Nissan's revitalization plan, which took effect this fiscal year, calls for a 20% reduction in procurement costs over the next three years. The pound's strength against the euro is eroding the profitability of exports to other parts of Europe, so the U.K. unit is requesting larger cuts to ensure that it can keep producing new models. Nissan UK now makes the Micra passenger car at its Sunderland plant. The company's president says it must be competitive with other Nissan production points in order to produce a new version that will go on sale in 2003. *Source: Nikkei*



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Volvo Acquires Renault's RVI/ Mack Truck Unit

Volvo AB and Renault are to form the world's second-largest truck maker in a \$1.74 billion deal that would free the acquisitive French company to focus on cars. Nearly seven years after full-scale merger talks between the two companies collapsed, the Swedish bus and truck maker agreed to buy all of Renault's RVI/Mack truck unit and give Renault a 15% stake in the combined company. Volvo AB, which sold its passenger car unit to Ford last spring has sought a truck partner since European Union regulators rejected its planned takeover of Scania. Renault plans to buy another 5% of Volvo in the open market, taking its holding to 20% and allowing it to stay in the truck business without devoting key management resources to it. The deal would make Volvo into the world's No. 2 truck maker behind DaimlerChrysler's Mercedes trucks unit.

- Nissan Diesel was been left out of the truck production agreement between Renault and Volvo. Although Renault has a 22.5% stake in Nissan Diesel, making it the largest shareholder along with Nissan, Nissan Diesel has been completely left out of the loop in the Renault-Volvo tie-up. Nissan Diesel has some 500 billion yen in interest-bearing liabilities on a group basis, almost double its annual sales. The acquisition by Volvo of the struggling Japanese truck maker would have hurt the Swedish maker's balance sheet, industry sources said. Volvo apparently believes an alliance with Mitsubishi Motors is sufficient to expand its presence in the Asian truck market, according to the sources. *Sources: Associated Press, Bloomberg News, Detroit Free Press, Financial Times, Nihon Keizai Shimbun, Reuters, Wall Street Journal, Volvo/Renault Press Release*

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GM Invests In Portugal

General Motors plans to invest \$121.9 million in its Adam Opel plant in Portugal by 2003 and will get some tax breaks in return. The investment will give the Opel plant at Azambuja 130 more employees and the capacity to produce 70,000 cars a year, said after its weekly meeting. The plant makes the Corsa Combo, which can be

used as a light commercial vehicle or people carrier, and has about 1,000 employees. *Sources: Detroit Free Press, Portugal's Council of Ministers*

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Taiho Kogyo To Build Automotive Parts Factory In Hungary

Taiho Kogyo Company (an affiliate of Toyota) will construct a factory in Hungary that will make compressors for air conditioners for General Motor vehicles. Taiho Kogyo recently established a 120 million yen, wholly owned European subsidiary in Hungary and will begin production in 2001. The move followed the establishment of production bases in the U.S. and Asia as part of a four-part global approach to product supply. Taiho Kogyo is targeting first-year sales of 200 million yen and future plans call for the production of engine bearings and metal gaskets for GM and other customers. Total sales are expected to rise to around 1 billion yen within three years. *Source: Nikkei Industrial Daily*

DaimlerChrysler Buys Leasing Firm In Poland

DaimlerChrysler acquired Leasing Polska (a Polish car-fleet manager) becoming the biggest fleet manager in Europe's seventh-largest car market. DaimlerChrysler did not give financial details of the acquisition. The takeover will add 1,700 vehicles to its worldwide fleet. The company's service unit, Debis, will manage the fleet. With the background of Poland's expected entry into the European Union in 2002, this is an important milestone in our DaimlerChrysler's expansion strategy. *Source: Financial Times*

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Car Import Limits Are Issue For Daewoo

Daewoo Motors may pull out of a carmaking venture with Ukraine's state-owned AvtoZAZ if the government doesn't restore higher import limits on used cars, the venture's spokesman said. Bowing to pressure from the European Union, the government decided last month to raise the allowable age of imported cars to eight years from five years and cut the mini mum customs value of imported vehicles. One of the major problems of the joint venture is low sales amid huge imports of used cars making it better to import cars than to produce them domestically. *Source: Financial Times*

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North America

Honda Breaks Ground for New Odyssey Plant in Alabama

Honda Manufacturing of Alabama (HMA) broke ground for its new auto and V-6 engine plant in Lincoln. Honda also announced it will accelerate the Odyssey minivan production launch from the original timetable of April 2002 to late 2001, and invest an additional \$40 million to add new production operations. This will bring HMA's total initial investment in Alabama to \$440 million. HMA will employ approximately 1,500 associates when it reaches its twin annual capacities of 120,000 vehicles and 120,000 engines. Expanding on its original plans, HMA will add several additional operations, including stamping of steel body parts, plastic injection molding and low pressure die-casting.

- Honda's investment in the U.S. to more than \$5.2 billion, increase U.S. employment to more than 20,000 associates and bring to ten the number of major Honda manufacturing plants in North America, all domestic and globally-sourced parts. Together with production increases at Honda's four other auto plants in the U.S., Canada and Mexico, HMA will help boost total North American auto production capacity to 1.16 million units by 2003. Honda builds more than 10 million engines globally per year. *Sources: Associated Press, Bloomberg News, Detroit News, Detroit Free Press, Nikkei Industrial Daily, Reuters, Wall Street Journal, Honda Manufacturing of Alabama Press Release*

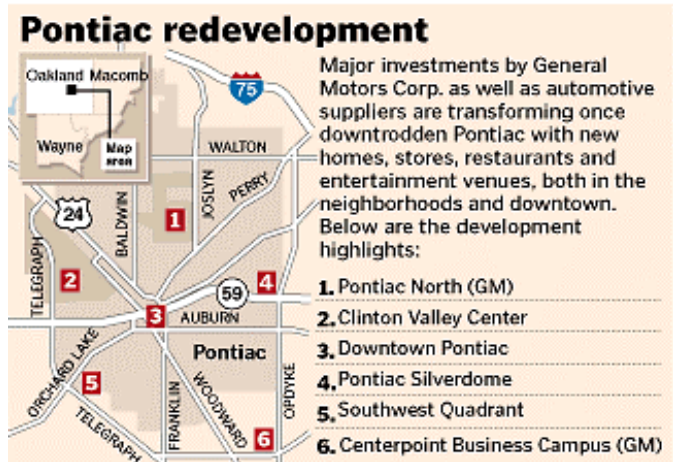


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GM Plan Is \$193 Million For Pontiac

GM this week is to announce a \$193 million investment in its Pontiac North engine design complex, preparing the facility to be its global powertrain engineering center. Pontiac, Michigan is emerging as a big winner in GM's \$2 billion strategy to streamline its Michigan operations. In sum, Pontiac has attracted close to \$700 million in new investment since 1993, both by the automaker and private developers. Under that plan, 37,500 salaried workers, once scattered as far north as Saginaw and west to Lansing, are being relocated into six major campuses. Two are here:

- GM's Pontiac North project calls for a new 400,000-square-foot engineering building adjacent to what served for decades as the headquarters of Pontiac Motor Division. The site is home to 5,400 workers. Another 1,200 engineers will be added by 2005. Also included is a massive landscaping effort, global reception and visitors center, museum and new roads. GM says its goal is to transform a stark industrial center into a setting resembling a college campus. Portions of the 500-acre site might also be sold for use by private developers or key suppliers.
- The template for Pontiac North is GM's Centerpoint Business Campus. Since 1993, GM has demolished close to three million square feet of obsolete plants and renovated another 1.4 million square feet of space. Today Centerpoint houses GM's truck product group, auto suppliers, stores, restaurants and two hotels. *Source: Detroit News*



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GM Faces May 3rd Strike Deadline At Ohio SUV Plant

General Motors continued negotiations over the weekend with the union representing workers at its Moraine, Ohio, sport utility vehicle assembly plant with a looming May 3 strike deadline. The International Union of Electrical Workers (IUE) Local 798, which represents approximately 3,834 workers at the plant filed a five-day letter of intent to strike, with a deadline of 11:59 p.m. on May 3. The union's chief negotiator remains confident the two sides will be able to reach resolution without a strike. The plant is the lead facility for GM's all-new mid-size sport utility vehicles, including the 2002 Oldsmobile Bravada unveiled at the New York Auto Show last week. Union members at the plant, upset with a two-tier wage system that pays a third crew of workers less than two other crews, voted against last November's tentative contract. Union officials have said that issues include production speed-ups and pay. New employees start at \$11.90 an hour, 55% of base pay. It takes 10 years to reach wage and benefit parity with veteran employees. *Sources: Reuters, Detroit Free Press*



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DaimlerChrysler Expand Warren Truck Plant

DaimlerChrysler plans to invest more than \$156 million to retool its Warren Truck Assembly Plant to prepare for a new generation of full-size pickups. The automaker has applied for an industrial facilities exemption certificate that would reduce the personal property tax on the new machinery and equipment by 50% for 12 years. With approximately 7,000 workers in Warren, Daimler-Chrysler is the second-largest employer in the city, ranking only behind General Motors.

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Ford Windsor & Essex Casting Plants Transferred To Nemak

Ford's Windsor and Essex Aluminum plants are to become part of Nemak. Nemak makes cast-aluminum engine parts for car companies, including General Motors, DaimlerChrysler and Renault, as well as Ford. It was formed in 1979 by Ford and the joint venture's majority owner, Mexico-based Alfa SA, a chemical, steel, telecommunications and auto-parts conglomerate. The two plants make aluminum engine blocks and cylinder heads. Ford owns 20% of Nemak, which had 1999 annual sales of \$355 million. The automaker's ownership stake is to rise to as-yet-undetermined levels once the two Windsor plants join Nemak

- In a labor agreement similar to one at Ford's Visteon Automotive Systems, the 900 workers at the Essex plant and 400 workers at the Windsor plant are to remain Ford of Canada employees. They also will continue to be represented by the Canadian Auto Workers union under the terms of the four-year agreement negotiated with Ford last summer. Ford has announced plans to hire 350 to 400 workers at two other engine plants in Windsor and Essex.
- Those plants, which make Ford's Triton engine for Mercury, Lincoln, Jaguar and Mazda, employ about 3,900 between them. Ford plans to expand both engine plants. Construction is to begin this month to add 500,000 square feet to Windsor Engine. Essex Engine is expected to add 250,000 square feet of production space. *Source: Detroit Free Press*

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TI Group Gets \$50M Parts Contract From Ford

TI Group PLC announced a \$50 million contract to supply Ford with parts for its new Ranger and Mazda 'B' series pickup trucks. TI's automotive systems arm, which already sells brake lines for the current Ford Ranger, will supply fuel and brake lines for the new vehicle in a deal expected to be worth as much as \$13 million a year over four or five years. The new Ranger launches in 2002, and is expected to run at volumes of 300,000 vehicles a year. TI said the contract reinforces what is already a strong position in the light truck and sports utility market. *Source: Reuters, Wall Street Journal*

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American Axle & Manufacturing Announces New Business with Ford

American Axle & Manufacturing Holdings, Inc. -- a leader in the manufacture, engineering and design of driveline systems, chassis systems and forged products for trucks, buses, SUV's, and passenger cars -- has been selected as the supplier of rear axles and driveshafts for a future Ford vehicle. AAM currently produces a variety of components for Ford, but this will be their first opportunity to produce axles. With this new program and other recently acquired new business, AAM will further reduce its concentration of business with GM to

79%. Source: AutoChannel.com

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Unisia Jecs To Establish U.S. R&D Center

Unisia Jecs Corp. will set up an engine parts R&D facility in the U.S. to help it respond quickly to customer demands. The company plans to boost production of valve-timing controllers in the U.S. this summer, and to start supplying them to major automakers there. The facility will likely be adjacent to Unisia's existing sales office in Detroit, and will include equipment for evaluating and prototyping engine parts. The company plans to keep investment costs down to about 100 million yen by leasing equipment. Some 80% of Unisia's consolidated turnover now comes from sales to Nissan. Unisia hopes to bring that figure down to 50% by strengthening sales in North America. Source: Nikkei Industrial Daily

South America

Mexico And Brazil Reach Auto Trade Deal Slashing Duties

Mexico and Brazil, Latin America's top car producers, have reached agreement on slashing motor vehicle tariffs by well over half between them for the next two years. The agreement, hammered out in talks that ended Monday, sets an 8% duty. During the first year of the accord, there will be a reciprocal export quota of 40,000 vehicles for each country in the first year would increase to 50,000 autos the second year.

- Brazil now levies average tariffs of 35% on vehicles imported from Mexico, while Mexico charges an average 20% tariff on Brazilian-made vehicles. The deal also provides that if quotas are not met over two years, the remaining may be filled in a third year. The accord applies to trade in cars as well as trucks weighing up to nine metric tons. The accord is expected in May.
- Mexico's motor vehicle output in 1999 was about 1.5 million and Brazil 1.34 million. Argentina, Latin America's No. 3 producer, trailed with an output of 304,000 motor vehicles. Mexico's auto industry suffered a setback earlier in the year, when Mexican trade officials annulled preferential tariff rates for the Mexican subsidiaries of Volkswagen and DaimlerChrysler. Last year Mercedes Benz Mexico imported some 1,400 cars from Brazil, more than 50% of domestic sales. Volkswagen de Mexico imported more than 21,000 units of its popular Pointer, or about 17% of local sales. Other companies with major operations in Brazil and Mexico are General Motors, Ford, and Renault. Source: Reuters

Chilean Light vehicle Sales Up10%

Chilean auto and light truck dealers sold a total of 27,273 vehicles in the first quarter, up 10% from the same period last year, the, or ANAC, said Wednesday. In a statement, ANAC said March sales totaled 9,711 new vehicles, up 17% from March 1999. During the first quarter of this year, 17,348 new passenger cars were sold in Chile. While light commercial vehicle sales totaled 9,925. Sales for the month of March consisted of 5,972 passenger cars and 3,739 light commercial vehicles. The association doesn't provide statistics on vehicle production in Chile. General Motors, Renault and Peugeot (are the only companies that assemble vehicles in Chile. Sources: National Automobile Association of Chile, Wall Street Journal

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AUTOMOTIVE TECHNOLOGIES & INNOVATIONS

Vehicle Highlights

Escape, Rivals Target Youth; Experts Predict A Hot Seller

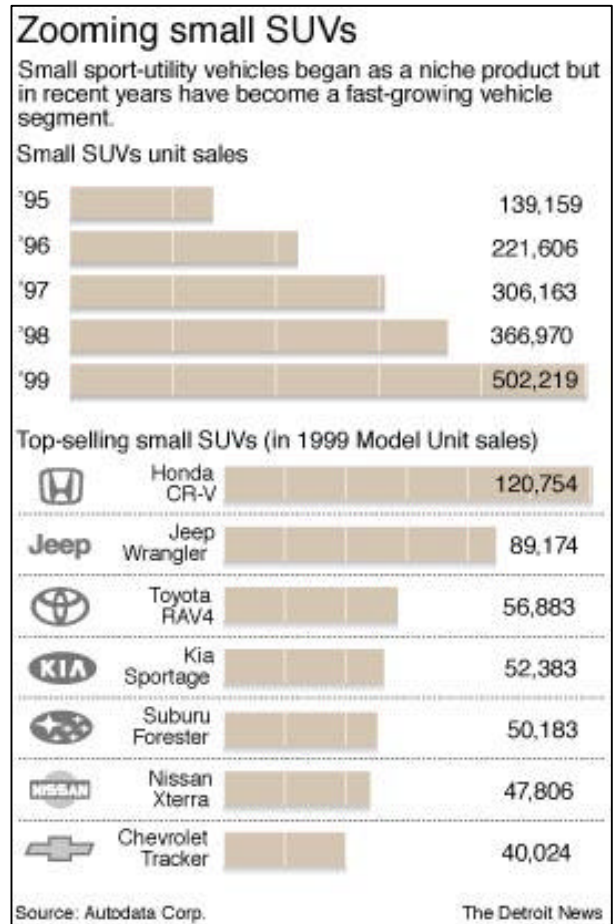
Ford is finally thinking small with the launch of the Escape, a small SUV that promises to be a major player in an increasingly competitive segment. Consumers who want a light truck with storage space, car-like ride, good looks and versatility have driven the increased popularity of small SUV's. They might want off-road capability but not an expensive truck or a dowdy station wagon. By closely watching what other automakers have done, Ford believes it was able to create the ideal vehicle for the segment. Escape is roomier than most competitors and is priced between \$18,000-\$21,000. The vehicle is built with an independent rear suspension for a more refined ride and comes equipped with extras like a CD player, roof rack and remote keyless entry system. A 200HP V-6 engine is available. Last year, small SUV sales increased 37% in the United States, making it the industry's fastest-growing segment. Some projections show the small SUV segment doubling to one million unit sales in three or four years. One reason for optimism is Generation Y -- the 75 million 16- to 23-year old Americans expected to profoundly influence the marketplace in coming years. *Source: The Detroit News*

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Land Rover Features Four Special-Edition Range Rovers

Land Rover unveiled four exclusive, special-edition Range Rovers at the 2000 New York International Auto Show.

- **The 2001 30th Anniversary Range Rover:** This model celebrates the 30 years of Range Rover production. It possesses both the capabilities of the world's leading 4x4s and the amenities and feel of the world's best luxury cars. To date, over 461,000 Range Rover units have been sold around the world. The 30th Anniversary model is highlighted by a Wimbledon Green paint scheme with body-color bumpers, side mirrors and doorsills. The vehicle is fitted with Lightstone beige interior and Classic Green leather seats with contrast piping. Burr Maple wood veneer trims the door panels, dash fascia and center console. Each vehicle is fitted with a dual-tone, leather-trimmed steering wheel and a unique 30th Anniversary badge. The vehicle, which features bright finish 18-inch Hurricane alloy wheels and an advanced version of Land Rover's GPS navigation system, will go on sale in North America in September 2000 at an estimated MSRP of \$71,000.



- **The 2000 Range Rover 4.6 HSE Rhino:** The Range Rover 4.6 HSE Rhino is a showcase for unique leather, interior trim and exterior paint -- in this case all are rendered in the natural colors and textures of an African rhino. The exterior is coated in Bonatti Grey paint, an unusual ash-grey hue. Inside, the seats are covered with contrasting light and dark rhino-texture leather and finished with ash-grey highlights and piping. Dark rhino- texture leather adorns the transmission shift handle, handbrake, cubby-box lid, glovebox cover and grab handles. Initially, only 125 of these special edition models will be produced for sale in the U.S. beginning the end of April. The estimated vehicle MSRP is \$77,000.

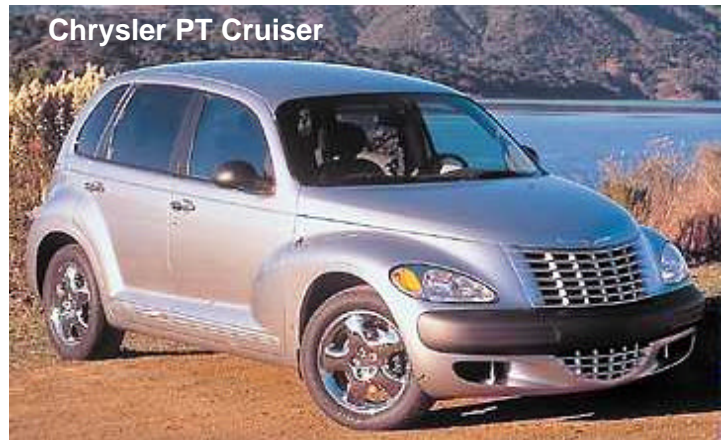
All the top-line Range Rovers are powered by a 4.6-litre V8 engine that turns out 222HP at 4,750 rpm and 300 pound-feet of torque at 2,600 rpm. Power is sent to all four wheels through an electronically controlled, ZF four-speed automatic transmission, equipped with a locking torque converter that provides prompt, smooth gear changes. *Source: AutoChannel.com*

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PT Cruiser Waiting List Grows

Some Chrysler dealers have stopped taking deposits for the PT Cruiser just a month after the car went on sale. Armed with waiting list of 200 or more buyers, dealers are telling PT Cruiser shoppers to wait until Christmas or later to take delivery. To keep up with demand, Chrysler has increased PT Cruiser output twice and added a second production site in Europe. DaimlerChrysler will build just 130,000 PT Cruisers this year, with 30,000 shipped overseas. The long waiting lists mean prices for PT Cruiser are going up, too - some recent shoppers are willing to pay \$2,500 above the car's sticker price. A fully loaded PT Cruiser sells for about \$20,400. *Source: The Detroit News*



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2002 Infiniti Q45 Luxury Flagship

Nissan's Infiniti Division will launch a redesigned Q45 sedan next spring, as well as a rear-drive mid-sized sedan in spring 2002. The Q45 will have a 4.5L 32-valve DOHC aluminum V8, with 340HP and 333 lbs./ft. of torque. Zero-to-60 acceleration is rated at 5.9 seconds. Among the advanced features utilized in the engine design are modular cylinder heads, titanium valves, lightweight pistons, torque demand



powertrain control, continuous variable valve timing control, variable intake system, super silent single-stage cam drive chain, microfinished crankshaft and dual mode variable capacity muffler. The vehicle also has dual exhaust, a gate-type 5-speed automatic shifter with manual shift feature, fitted leather and wood shift knob and P225/55R17 or P245/45ZR18 tires. Standard

features include Traction Control System, Vehicle Dynamic Control, 4-wheel power-assisted vented disc brakes with Anti-lock Braking System, vehicle speed-sensitive power rack-and-pinion steering, an advanced Air Bag System with dual front-seat supplemental air bags, new inflatable side-impact SRS curtain/thorax air bags for head and chest protection, 17-inch wheels, trip computer, eight-speaker Bose stereo, five-speed automatic transmission with manual mode and a claim to "the world's brightest headlights." But what about luxury? The vehicle will have North America's first adaptive cruise control system that varies vehicle speed based on the distance to the car ahead. Although the overall length of the car is the same, the wheelbase is longer, providing more cabin space. The price of the new Q45 probably will not increase from its present level.

Source: Automotive News / PR Newswire / AutoChannel.com

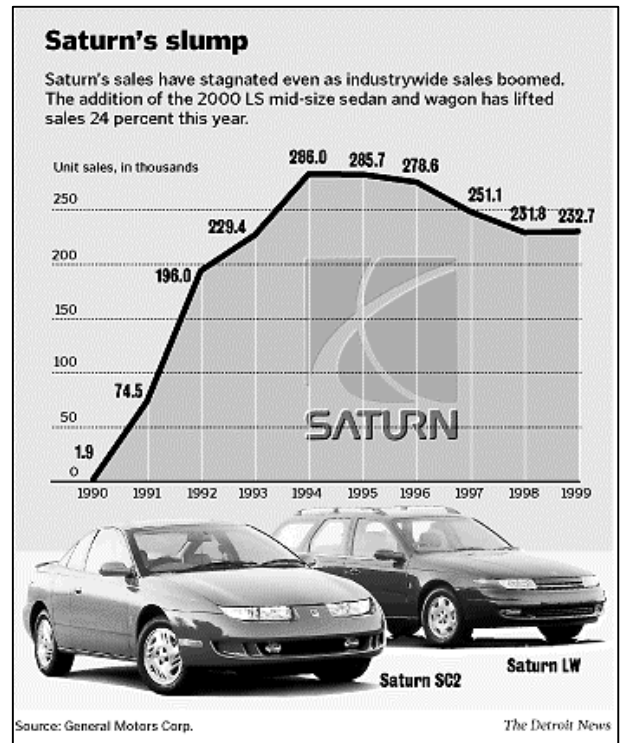
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GM To Invest \$1.5 Billion In Saturn, Approves New SUV

Saturn received more than \$1.5 billion from GM to upgrade its factories for up to four future products, including one that is expected to be the first GM vehicle to offer a six-cylinder engine from Honda. The investment signals a vote of confidence from GM in its 11-year-old division, which has struggled to sustain sales in the sluggish small car market, while missing out on the light truck boom. The financial package includes \$1 billion to upgrade the Spring Hill plant to enable the facility to build both cars and trucks on the same production line. GM also gave formal approval for Saturn to make a small SUV that will compete against the Honda CR-V and the RAV4 from Toyota. Production on the new 2002 model SUV will start next year at Saturn's Spring Hill, Tenn., and assembly plant. GM also will spend \$500 million on a 450,000-square foot addition and machinery to build a new line of 4-cylinder engines for use in Saturns and other GM cars. Source:

Reuters

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Audi's New Allroad Marks Successful Quattro Era

Audi celebrates 20 years of Quattro technology with the launch of its '01 Allroad Quattro, a luxury car-based crossover. While based on the A6 Avant station wagon, Allroad has a wider track, a slight increase in body height and design nuances, such as boldly shaped bumpers, flared wheel arches and a roof painted in contrasting colors. The Allroad features a four-level air suspension system that adjusts the ride height automatically depending on the vehicle's speed, or the driver can engage the low-range mode on versions with a manual gear box. The multi-suspension feature sets Allroad apart from typical SUVs. Both axles have air spring struts controlled by separate height sensors, which vary the ride height at every wheel to ensure ample ground clearance in off-road situations and optimum aerodynamics at highway speeds. The U.S. which is expected to be the largest market for the Allroad,



will get a 2.7L 250HP V-6 engine with dual

turbochargers. The European version comes equipped with a 2.5L 180HP V-6 TDI engine. The transmission is offered in a 6-speed manual or 5-speed automatic with Tiptronic. In the past 20 years, Audi has produced 800,000 Quattro vehicles, with Quattro models this year expected to account for 30% of Audi sales. The car goes on sale in Europe in May and in the U.S. this fall. *Source: Ward's Automotive International*

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Additional Highlights From The New York Auto Show.....

Japan Launches Tough Competition To Gain Detroit's SUV Market:

Japan's automakers stumbled badly on their first steps into the big U.S. truck and SUV market and Detroit profited. Now the Japanese are mounting a second product assault that is more likely to succeed. Toyota's new Highlander SUV is aimed at buyers of Ford Explorers and Jeep Cherokees. Toyota's full-size Sequoia SUV is aimed at buyers of Chevrolet Tahoes and Dodge Durangos. The Japanese see big bucks in trucks and SUV's - so do the Germans with the success of the Mercedes-Benz M-Class, the arrival of BMW's new X5 and the coming joint-venture SUV from Volkswagen and Porsche. To fight back, Detroit is fielding new products designed to exploit its strengths



in profitable truck segments without substantially increasing manufacturing costs. For example, GM's Chevrolet Avalanche, Ford's Lincoln Blackwood and DaimlerChrysler's PT Cruiser. Second, Detroit's automakers also are targeting the profit centers of rivals based outside the United States. GM's Opel Zafira, a compact minivan, is now threatening the dominance of Renault's Scenic van. Moreover, both GM and DaimlerChrysler are joining with Japanese rivals to build micro-cars for developing markets; a segment long dominated by Asian automakers. With deep pockets and global reach, GM and Ford also are trying to become credible players in the global luxury car business. Jaguar and Volvo are fielding some of their best cars in generations. In addition, Ford soon will own Land Rover, which will compete against high-end BMW SUV's. When almost anyone can deliver good quality at competitive prices, industry dominance is short-lived. *Source: The Detroit News*

Lexus Unveils SC 430 Convertible

Toyota's Lexus division will introduce its first luxury convertible model next year. The two-door SC 430 will compete with the Jaguar XJ8 and Mercedes-Benz SL. Lexus expects to sell 10,000 of the convertibles annually at a price in mid-\$50,000 range. The car, which features a V-8 engine and retractable hardtop roof, will be available initially only the United States and Canada. Luxury-vehicle sales are growing even faster than the overall car and truck market, with Lexus' sales rising 7% in the first quarter of this year. The company is operating at a nine-day supply of vehicles -- 60-day supply of inventory is considered average. *Source: Associated Press / The Detroit News / AutoChannel.com*

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Lexus 300 Takes On BMW 3- Series:

The Lexus IS 300 — based on the Toyota Altezza — is the closest any Japanese automaker has come to creating a rear-wheel-drive sport sedan in the image of BMW's popular 3-series. Exterior dimensions are remarkably similar; the BMW's wheelbase is two inches longer, but the Lexus has the slightest edge in overall length and curb weight. For the IS 300, Toyota engineers crafted a well-balanced chassis that incorporates double wishbones and stabilizer bars at both ends. Speed-sensing variable-assist power steering is standard. In combination with an extremely rigid body structure, the result is a stable and controlled ride with crisp, responsive handling.



What really sets the IS 300 apart is the powertrain. Toyota installed an inline six-cylinder engine — a double-overhead-cam design displacing 3.0 liters, compared with BMW's 2.8 liters. The IS 300 has more power and torque — 215HP and 218 pounds-feet, compared with 193 and 206 for the 328i. All cars are fitted with an electronically controlled fivespeed automatic — Manual transmission will not be offered for another year. Also standard are four-wheel disc brakes with antilock, plus traction control to minimize wheel spin on slick pavement and front and side air bags. Is the new Lexus as good as BMW? You can tell for yourself when the 2001 models arrive at Lexus dealerships in June. *Source: Associated Press / The Detroit News / AutoChannel.com*

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SEAT's Spicy Salsa Concept Coupe Is Red Hot

Production versions of SEAT's 250HP all-wheel-drive concept car are expected to go on sale in late 2002 or early 2003. A range of niche Multi Purpose Coupe Salsa models is planned, offering front and 4-wheel-drive and a variety of gasoline and diesel 150-mph 2.8L V-6 engines. Salsa, which aims to combine the concept of a small MPV with the styling appeal of a coupe, is based on the platform of the Leon M4 Cupra, due late this year. They share the same 250HP-version engine, as well as the Haldex 4wd system already seen on the Golf 4Motion and Audi TT and S3. Modern electronics and computer power mean the ergonomics of the interior and the driving dynamics can alternate between three different modes. At the press of a button, the driver can change the gearbox from manual to automatic; read full instrumentation or multimedia functions; adjust the damper settings, engine note and throttle response; even change the color of the interior. Fiber optics enable the headlights to move with the steering, while the intensity of the taillights changes from normal to bright depending upon pressure of the brake pedal. SEAT started work on the Salsa in December 1999, going from a clean sheet to a 1:1 model in just six weeks. SEAT sales reached a record 516,902 in 1999, up 25% on the previous year. The company has been profitable for two years but remains burdened by debts run up in the mid-1990s. *Source: Ward's AutoWorld*



Mazda Unveils 2001 B-Series Truck

Mazda's 2001 B-Series pickup truck debuted at the New York International Auto Show. Mazda offers three engine choices with the 2001 B-Series line. The top-of-the-line B4000 is equipped with a new 205HP, 4.0-liter SOHC V6, which replaces the previous 160HP OHV V6. With almost 28% more horsepower, a standard limited-slip differential, trailer hitch and the only available five-speed automatic transmission in the import-brand compact class, the B4000 boasts a towing capacity of nearly 5,900 lbs. The new B2300 will be powered by a new 134HP, 2.3-liter four-cylinder engine. The vehicle will replace the previous B2500 model, with its 119HP, 2.5-liter engine. The B3000 will continue to be powered by a 150-horsepower 3.0-liter V6. The 4x2 Dual Sport model features body-colored front and rear bumpers, fender flares, front grille surround and lower front fascia, as well as a raised suspension, for the ground clearance of a 4x4. The Dual Sport is available in three cab configurations: regular cab, two-door extended Cab Plus and four-door extended Cab Plus 4. All models come with four-wheel anti-lock brakes and dual air bags standard, which disconnect when transporting children. *Source: AutoChannel.com*



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Panoz Unveils Z8 Alternative

Panoz Auto Development unveiled the Esperante at the New York International Auto Show. With an MSRP of \$79,868, the Esperante is the only viable American entry in the market segment that includes the BMW Z8 and Aston Martin DB7. The handcrafted, aluminum intensive luxury sport convertible was intentionally styled to recall images of European sports cars from the 1950's and '60's. It combines the romance and exclusivity of those cars with today's standards of reliability and tomorrow's technology. Initial tests show that with its 320HP, 32-valve aluminum V8 engine, the Esperante will outrun a Ferrari F355 Spyder to 60mph. It also stops shorter than an Acura NSX and has more lateral grip than a Porsche 911 Cabriolet. The lightweight aluminum body is made using Superplastic forming, a process developed for the aerospace industry. Its modular extruded-aluminum chassis is as rigid as those in most high performance coupes. More than 160 deposits have been placed since a prototype was first seen last year and Panoz expects to build 250-300 Esperantes this year. Panoz can be found on the Internet at <http://www.panozauto.com>. *Source: AutoChannel.com / Road & Track*



Highlights European and Asian Markets This Week.....

Skoda Auto Plans Bigger Version of Fabia Hatchback

Skoda Auto, the Czech unit of German carmaker Volkswagen, is working on a larger design of its Fabia hatchback. The company plans to unveil the new version, which will have a boot unlike the hatchback model, in European markets by 2002. The Fabia, which competes with the Opel Corsa, Ford Fiesta, Fiat Punto and Peugeot 206, is important for Volkswagen as its success could spur more models using the same platform. Skoda Auto, whose sales rose 9.2% in the last three months, has sold 10,000 Fabia's since they were unveiled in September. *Source: Bloomberg Automobile News*

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Honda Boosts 2000 US Sales Plan for Insight by 63%

Honda plans to sell 6,500 Insights this year, up 63% from the original 4,000 planned because of stronger-than-expected demand. The automaker sold 397 Insights in the first three months of this year in the U.S. and 414 since the cars arrived at dealerships in December. Consumer demand has created waiting lists for the two-seat car. Ratings from the U.S. Environmental Protection Agency state indicate that vehicle gets 70 miles a gallon in highway use and 61 in city driving. The car is built in Japan and is priced from \$18,880 to \$20,080. It combines a 1-liter, three-cylinder gasoline engine with a nickel metal hydride battery that recharges when the car is slowing down, which meets California's stringent Ultra Low Emission Vehicle (ULEV) standards. *Source: Bloomberg Automobile News / Reuters*



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Nissans Electric Gasoline Tino Reaches Order Target In 1 Day

Nissan has reached its target of 100 advance orders for its Tino hybrids. The Renault affiliate began taking orders on the Internet for the vehicle on April 14, and by midnight, it surpassed its 100-unit target. 60% of orders came from individuals, with the rest coming from companies and local governments. Nissan has not decided whether to continue to sell the Tino after the initial 100 are delivered. The debt-strapped automaker may find it difficult to expand hybrid



sales in the immediate future because it cost more to make the vehicles than they are being sold for. The Tino sells for 3.15 million yen and has a 1.8-liter engine. It emits half the carbon dioxide of the gasoline-only model and uses 50% less fuel. Nissan rivals Toyota and Honda have offered hybrids, which pollute less than conventional vehicles, as governments around the world enact stricter laws against harmful automobile emissions. The three automaker rivals have lagged in offering hybrid vehicles in part because development costs can run into billions of dollars and the demand level is unclear. *Source: Bloomberg*

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Subaru To Boost Impreza Forester Output Capacity By 15%

Fuji Heavy Industries will invest 1 billion yen to boost production capacity of its Impreza sports sedan and wagon, and Forester sport utility vehicle by 15% at its main plant this summer. The producer of Subaru cars will renovate the welding and automatic transmission lines at the Gunma plant, which produces vehicles for both domestic sale and export. Combined production capacity of the two vehicles will be raised from 15,000 to 17,000 vehicles a month. Output capacity of automatic transmissions will rise from 22,000 to 25,000 units a month, so the plant will be in a position to supply more transmissions for the firm's other key model, the Legacy, produced in the U.S. The move is part of Fuji Heavy's efforts to expand both domestic and overseas sales, following its recent capital tie-up with GM. *Source: The Nihon Keizai Shimbun*

Toyotas Indonesian Venture Begins Producing Solunas

Toyota's Indonesian joint venture, PT Toyota-Astra Motor, has started full operation at its second auto assembly plant, located in the Jakarta suburb of Karawang. Total investment in the plant was about 460 billion rupiah, or ~6 billion yen. The plant, which has an annual production capacity of 30,000 vehicles, will mainly produce the Soluna, Toyota's strategic "Asia car." Initial production will be ~1,000 vehicles a month. Construction on the Indonesian plant was begun in 1995, and production was initially scheduled to begin in 1998, but was delayed after the Asian financial crisis reduced demand. Last year, Indonesia eased taxation on automobiles with a capacity below 1.5 liters, and demand for this class of vehicle is expected to grow. The Soluna is powered by a 1.5-liter engine that features twin cams and electronic fuel injection. It is quieter than other cars in its class because of advanced noise control for the engine and scientific deployment of materials for absorbing sound and isolating vibration. The broad rear seat accommodates three adults, and the trunk holds 405 liters of luggage. The retail price is estimated at 95-125 million rupiah. *Source: The Nikkei Industrial Daily*



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Mazda's MPV Minivan Popular In Japan Not In US

Sales of Mazda's MPV minivan are strong in Japan, but that success has not carried over to the U.S. market where sales are slipping. In the fall of 1999, Mazda rolled out the latest version of the MPV in the U.S., but monthly sales for the January-March quarter averaged 2,700 units, well below the monthly target of 4,500 units. Meanwhile, Mazda sold 6,412 MPV's in Japan in March, easily beating the domestic monthly target of 2,500 units. Hoping for a revival in the U.S. market, Mazda will debut an SUV it has developed with Ford this summer. *Source: The Nikkei Industrial Daily*



MMC Alliance To Unveil Z car In 2002

Mitsubishi has announced that it will market the compact Z car -- dubbed its "first world strategic compact passenger vehicle" -- in Asian countries soon. The company will also introduce the car to the domestic market in 2002 and to the European market in 2004 as part of a capital alliance with DaimlerChrysler. According to the midterm alliance plan, Mitsubishi plans to increase sales in North America from about 260,000 vehicles in 1999 to 400,000 in 2005 and develop vehicles targeting American consumers. The plan's other major goals include cutting costs for passenger car operations by 500 billion yen, for trucks and buses by 150 billion yen, and slash group interest-bearing debts from the current 1.5 trillion yen to less than 1 trillion yen by the end of March 2004. *Source: Japan Times*

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Proton to Introduce First Domestically Designed Car

Perusahaan Otomobil Nasional, Malaysia's biggest carmaker, plans to introduce its first domestically designed passenger car next month as it bids to remain an independent automaker. The new model will be the fourth introduced by the company, known as Proton, in less than three months. Proton is bringing out new models as decade-low interest rates prompt consumers to borrow again and buy more cars. Lending rates at finance companies have fallen to ~7% from more than 10% in 1998, and in March, total vehicle sales rose to their highest in more than two years. Some analysts are predicting that total vehicle sales in Malaysia could increase 21%. Proton sold 155,720 cars in 1999, below its production capacity of 230,000 units a year, and the company makes six out of every 10 new cars sold in the country, but Proton is facing tougher competition after 2003, when Malaysia lowers import duties. The government is also considering allowing Proton to raise selling prices after it capped prices for more than three years to make the cars affordable. *Source: Bloomberg Automobile News*

Vehicle News Briefs - Asia Market

- The Songhuajiang Zhongyi, a minivan designed by Pininfarina of Italy and manufactured by the Harbin Aircraft Manufacturing Co., was on display at the Geneva Auto Show in late February, the first time a Chinese made vehicle is on display at a major international auto show.
- Two economy vehicles were developed based on the EQ6590 model by the Dongfeng Special Purpose Vehicle Factory. The new models are equipped with a new engine and are therefore more powerful than the CY4105. *Source: China Business Update-AutoEnews*

Systems & Components

Passat's 4Motion Moves German Brand Upscale

Beginning this spring, 4Motion -- which is technically the same as the Quattro system in the Audi A4 and A6 models -- is available in the U.S. as a \$1,600 option exclusively on 2.8L V-6-equipped Passats with 5-speed automatic transmission plus Tiptronic, a feature that allows clutch-free shifting. The 4Motion system goes beyond 4wd to offer a traction enhancing system that continuously distributes power to all four wheels all the time at all speeds. An automatic locking Torsen center differential distributes engine torque to the front and rear axles. Additionally, 4Motion distributes power side to side using an Electronic Differential Locking system. The lateral capabilities combined with front-to-rear power distribution make it possible for one wheel of traction to propel the vehicle. The 4Motion Passat version will serve as the brand's technological flagship, strengthening its position in the midsize segment. The target for the Passat will continue to be college-educated professionals, aged 30 to 50 years, mostly married with young children and incomes of around US\$80,000. VW expects ~33% of Passats to be sold with 4Motion, with wagons the popular choice. GLS 4Motion sedans in the U.S. are priced at US\$26,525; wagons are US\$27,325. *Source: Ward's AutoWorld*



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Honda Motor To Double Engine Output Abroad In FY2000

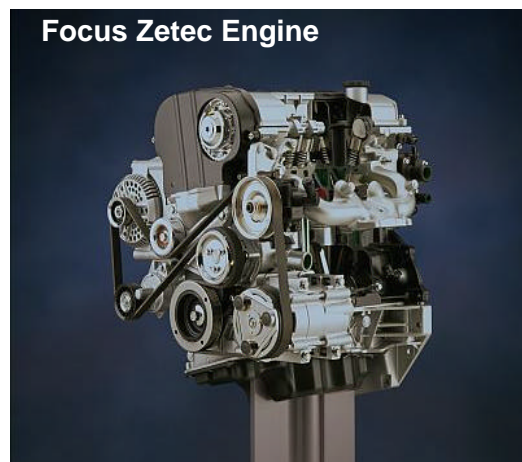
Honda plans to roughly double foreign production of general-purpose engines in fiscal 2000. The company will produce a total of 4.39 million general-purpose engines, or 160,000 units more than in fiscal 1999. It will lower domestic production from 3.47 million units to 2.97 million units, but will raise foreign output from 760,000 units to 1.42 million units. Specifically, Honda Motor will raise output of motors in the U.S. to 1 million units, up from the year-earlier 710,000 units, as well as bolster local output in other countries. The company's goal is to remain competitive with rivals through the expanded local production. Honda's annual sales in general-purpose engines total is ~100 billion yen. *Source: The Nikkei Industrial Daily*

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Ford Delays Shipments Of Focus Due To Engine Noise

Ford announced that shipments to customers of its Focus subcompact passenger car will be delayed until June due to difficulties in making the car's engine noise conform to Japanese standards. Ford discovered the engine noise problem immediately prior to shipping the vehicles, and plans to replace bearing parts around the engine both at the production site in Spain and at the servicing center in Japan. Despite the delay, Ford-Japan does not plan to lower its goal of selling 5,000 vehicles in the first year. Shipments will begin in June. 700 orders have already been received for the car, which has won "Car of The Year" awards in Europe and the U.S. *Source: The Nikkei Industrial Daily*

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Volkswagen Readies Glass Factory For New Luxury Car

VW's Glass Factory, so named because its inner and outer walls are made of glass 12 mm thick, will produce the first prototype of the luxury car known as "D" in less than five months. VW is currently handcrafting its luxury car in Wolfsburg for crash tests and development. Production ramp-up will take at least a year, with the goal of manufacturing 30,000 annually. Car bodies will be welded and painted at VW's Mosel plant, they will then be loaded onto the ground-floor level 5 m underground, and lifted by elevator to a storage area on the top floor, the 25-m level. When a car is ready for construction, five containers of parts specific to that car will be prepared in the logistics center on the ground floor and lifted by elevator to the assembly area. The parts arrive at the factory on a special tramway that will connect the factory in Dresden with a component logistic depot about 8 km away. Construction on the tram will not be complete until next spring, after the plant begins its serial production. The USD \$75,000 car will have the option of a V-12 gasoline engine or a V-10 diesel. *Source: Ward's Automotive International*

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New 36 Volt Car Battery -- Bolder Technologies Provides Power For Change

The MIT/Industry Consortium is an assembly of auto makers and suppliers, such as Bolder Technologies, supporting a cooperative, coordinated environment for research and discussion of issues relevant to automotive electrical and electronic systems. The consortium focuses on a 36-volt battery since the current 12-volt system is not adequate to provide the electrical power for vehicles of the future. Converting to a 36-volt battery, which automotive experts predict will happen by 2003, would run features such as power steering, power brakes and air conditioning electrically off the battery, rather than belt-and-pulley mechanical systems. Bolder already introduced the SecureStart instant engine starter, a compact, lightweight product that uses Bolder's Thin Metal Film battery technology to start engines in seconds. Bolder licensed its TMF

technology to Johnson Controls which produces batteries for Daimler Chrysler, Ford, Toyota and for Sears, AutoZone, Wal-Mart, Interstate and others in the aftermarket. *SOURCE: Bolder Technologies Company Press Release*



Lear & Piston Automotive Establish Joint Venture To Sequence Vehicle Parts for GM

Lear Corporation announced the creation of JL Automotive LLC -- a joint venture with Piston Automotive -- to sequence vehicle interior parts for GM at a new assembly plant in Highland Park, Mich. The facility will handle the sequencing of door panels, sun visors and headliners for vehicles built at GM facilities located in Hamtramck and Lake Orion, Mich., and potentially for other GM facilities outside of the Detroit area. Start-up for the new plant is scheduled for later this month. Lear purchased in excess of \$200 million in products and services from minority sources last year, more than any other supplier, with a goal to reach \$600 million by 2005. *Source: Automotive Intelligence*

Carlisle Acquires Consumer Tire & Wheel Business Unit from TWI

Carlisle Companies Inc. announced that its Carlisle Tire & Wheel subsidiary - a supplier of tires and wheels to lawn and garden, golf, leisure equipment trailers -- has acquired the consumer tire and wheel business of Titan International in a cash for assets transaction valued at a price not to exceed \$95.0 million. The acquired business serves consumer markets for lawn & garden equipment, all terrain vehicles and light duty trailers. The transaction includes the purchase of the Clinton and Slinger plants and leasing of the Greenwood plant. Significant cost synergies are expected through the addition of the purchased plants to the existing Carlisle plants. In addition to new customers, the acquisition provides needed manufacturing capacity, wheel painting technology and expansion into tire sizes larger than currently produced by Carlisle. *Source: AutoChannel.com*

Bridgestone To Sell Lightweight Aluminum Wheel

Bridgestone plans to begin sales of a 15-inch aluminum wheel for low-pollution vehicles that weighs 3.7kg, or 50% less than existing aluminum wheels. The company reduced the wheel's thickness to lower its weight, adopting a special design that distributes forces in a manner that maintains the same rigidity as existing wheels. The product will be marketed for use with electric and hybrid vehicles, but can also be used on small passenger cars like the Toyota Corolla. The wheel costs 38,000 yen, and sales are targeted at 2,000 units a year. *Source: The Nikkei Industrial Daily*

Delphi Partners With DuraSwitch to Bring New Switch Technology Into Automotive Market

Delphi Automotive signed a licensing agreement with DuraSwitch Industries for exclusive rights to utilize and manufacture DuraSwitch's magnetically coupled switch technology for the automotive industry. Along with the licensing and manufacturing agreement, Delphi has an option to acquire slightly under 20% of DuraSwitch. Delphi's Packard Electric Division will utilize its knowledge of switches and switch packaging to adapt the DuraSwitch technology to the automotive industry. DuraSwitch utilizes a patented, magnetic-based design that provides reliability and durability, with a consistent tactile feedback or "click." This technology enables the switches to be used in applications where either membrane or electro-mechanical switches are currently used. The intent is to begin moving away from these types of switches typically used in vehicles and replace them with DuraSwitch technology, which has fewer parts. By doing so, switch degradation and failure rates can be minimized leading directly to more satisfied vehicle buyers. Delphi's diversified customer base and solid manufacturing footprint will help take DuraSwitch global. The automotive switch market is valued at \$4 billion, with a 6.8% compounded average annual growth rate. *SOURCE: DuraSwitch Industries, Inc. / Company Press Release*

BFGoodrich Unveils Inflatable Seat Belt

BFGoodrich has unveiled a patented, inflatable seat belt the company expects to become a standard feature in cars, planes, trains and school buses in the coming years. The company is in talks with Ford, DaimlerChrysler and GM on supplying its SmartBelt system, which could be available in new car models within two years. The SmartBelt system works in tandem with a car's airbag, inflating a fraction of a second earlier than the air bag to hold passengers firmly in place during a collision or rollover. The belt looks similar to traditional seat belts, but when it is inflated, it expands to about six inches wide, distributing the force of a crash across more of the chest and reducing the risk of injuries. In side-impact crashes, SmartBelt systems out-perform airbags and seatbelts, they even offer superior rollover protection. BFGoodrich developed the inflator as part of a system for inflating evacuation slides on airplanes, then adapted it for the automotive industry. Safety experts questioned whether the seat belt, which would cost less than \$40 per belt, will significantly improve upon current technology. The inflatable belt also does not address the largest shortfall of seat belts in the real world -- getting people to wear them.

Source: Reuters / The BFGoodrich Co. Company Press Release



Japan Storage Creates Low Cost Polymer Electrolyte Fuel Cell

Japan Storage Battery Co. has developed a low-cost polymer electrolyte fuel cell (PEFC). Platinum is an essential catalyst for electrochemically converting hydrogen and oxygen at the electrodes of a fuel cell into electric current. Because the surface of each carbon electrode is coated with platinum, the element makes up more than 50% of the materials cost for producing a PEFC. Japan Storage reduced the amount of platinum by creating a porous ion-exchange membrane over the carbon electrodes and coating only the pores of the membrane. This cuts the amount of platinum used in a 1-kilowatt PEFC to approximately 1/10th that of conventional models, significantly lowering materials costs. Japan Storage hopes to commercialize small home generators that incorporate the new PEFCs by 2001, and market cells for electric vehicles by 2004.

Source: The Nikkei Industrial Daily

IMPCO Awarded Patent for Fuel Pressure Regulator for Fuel Cells

IMPCO Technologies' Advanced Technology Center in Irvine, California, has been awarded a patent for its new In-Tank Fuel Pressure Regulator Technology for Hydrogen Fuel Cell Vehicles and Natural Gas Vehicles. The In-Tank Regulator combined with the company's "TriShield" ultra-light weight, composite fuel storage tanks offer a significant reduction in fuel system cost while increasing vehicle safety. In conventional gas systems, the fuel is transported at high pressure to the engine bay where the pressure is reduced prior to delivery to the engine. The in-tank regulator reduces the pressure of the gas prior to exiting the tank resulting in a large amount of high-pressure gas to be contained in the fuel delivery lines at all times. IMPCO solved this problem through the design of a high-pressure regulator housed inside the vehicle fuel tank. The IMPCO design not only minimizes fuel system operating pressure, but it can also reduce overall fuel system cost through tank filling, fuel filtering, fuel tank monitoring, thermal relief valve and tank isolation. The In-Tank regulator also enables low cost, low-pressure fuel delivery lines to be easily installed as the total number of parts required is reduced from seven to one. Source: AutoChannel.com

System & Component News Briefs- Asia Market

- A high-speed clutch test platform was recently developed by the Xi'an Aircraft Engine Group. The test uses a horizontal instead of the conventional upright platform.
- The FDI00 airbag was recently developed by the Aibeika Co. in Taizhou, Shandong Province. It can be installed in new as well as used vehicles.
- The Fuyao Glass Industry Group Corp. in southeast Fujian Province recently completed a production line of large size windshield glass for use on large buses with an annual output of 150,000 pieces. This is China's first production line of such scale in automotive glass production.
- The Xingyue Brake Components Co. in Hebei Province has been selected as the sole brake pad supplier for all of Jinbei's suppliers of brake assemblies. Xingyue has been supplying for the Hiace light bus over the past five years, installing over 300,000 sets of brake pads. Source: China Business Update-AutoEnews

Materials & Processes

Carmakers Join Up To Call For Sulfur Free Fuels

A coalition of industry groups launched a revised World-Wide Fuel Charter calling on oil companies to move towards gasoline and diesel fuel with a maximum sulfur content of between five and 10 parts per million. This is a response to emerging requirements for more stringent vehicle emission controls and reduced fuel consumption. The Charter's goals are to reduce the impact of motor vehicles on the environment through reduced vehicle fleet emissions; consistently satisfy customer performance expectations; and minimize vehicle equipment complexities by optimizing fuels for each emissions control category. The charter is supported by the European Automobile Manufacturers Association, the Alliance of Automobile Manufacturers, the Engine Manufacturers Association and the Japan Automobile Manufacturers Association. Japan has had sulfur-free gasoline for many years and one third of the gasoline pool in California is below 10 PPM sulfur. In Europe, Germany introduced tax incentives in August last year for the introduction of "sulfur-free fuels" which will be effective from January 2003. *Source: Reuters / Alliance of Automobile Manufacturers Company Press Release*

General Motors Sees `Very Much Lower' Metals Prices

Industrial metals prices will end the year "very much lower" than they are now because of increasing production and efficiency at mines and fabrication plants, said a global commodities manager at General Motors. "All the producers are getting more efficient," GM said. "You walk into an aluminum smelter these days, and you don't see any people." Though aluminum goes for around 70 cents a pound right now, 25 cents "is quite possible over the next few years," he said. Aluminum futures on the Comex division of the New York Mercantile Exchange, recently trading at 70.45 cents a pound for July delivery, already have fallen 10% this year, and copper futures are down almost 9%. GM's own metals consumption, from aluminum to steel to copper, will likely climb 6% in 2000. *Source: Bloomberg News*

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EU Aluminum Duty Could Soon Be Lifted

A 6% imposed by the European Union on aluminum imports from Gulf Arab states could be removed by the end of the summer, according to the Dubai government. Dubai's economic department is optimistic that continued pressure from Arab states on EU members would result in a positive outcome. The Gulf Cooperation Council has repeatedly argued for the lifting of the EU tariff, which it sees as discriminatory. The EU already exempts a number of countries from paying the duty. *Source: Financial Times*

Alcoa, Reynolds Metals to Win EU Approval

The European Union is close to approving Alcoa's proposed \$6.34 billion takeover of Reynolds Metals after the companies agreed to sell a prized Australian mine, said people familiar with the situation. In an 11th-hour concession, the two U.S. companies said they will divest Reynolds' 56% stake in the Worsley bauxite mine and alumina production facility in the Darling Range in western Australia. The companies also agreed to give up Reynolds' Corpus Christi, Texas, plant and its 50% stake in a plant in Stade, Germany. The acquisition also must be approved by U.S. Justice Department antitrust enforcers before it can be completed. EU and U.S. officials are cooperating in reviewing the combination. *Source: Bloomberg News*

Toyota Targets Zero Waste

Under a revised charter for environmental protection, Toyota aims for zero waste in all stages of automobile production and use. To achieve that goal, Toyota will set up an in-house laboratory by the end of this fiscal year to develop designs for all its new models to enable the achievement of a by-weight recycling ratio of 95% by 2005. The Ministry of International Trade and Industry guideline call for such a recycling rate by 2015. The company will also try to reduce pollution from its gasoline-powered vehicles, expand the lineup of its hybrid vehicles and develop a vehicle powered by a fuel cell as early as possible. Toyota will demand that the 421 affiliates and subsidiaries comply with the revised charter by 2005. *Source: The Nihon Keizai Shimbun*

Design & Supply Chain Innovations

Auto Shoppers Continue Internet Intensity

According to a recent survey, automotive consumer Internet usage and vehicle shopping increased significantly from the 1998 to the 1999 model years - general Internet usage by automotive shoppers increased nearly 12%, while Internet vehicle shopping for new vehicles increased by nearly 27% compared to 1998 model year figures. The test drive, experience with a previous vehicle, and consumer magazines were found to be the three most important information sources to automotive Internet shoppers nationwide in their new vehicle searches. Overall, European manufacturers were found to have the highest proportion of both general Internet users and vehicle shoppers, with Saab topping the list in terms of Internet users. Volvo and BMW had the highest proportion of Internet vehicle shoppers. Overall, the study indicates that the Internet will continue to grow in importance for new vehicle buyers, particularly for shoppers of upscale brands. Also, online scheduling of service visits, e-mail communications to inform customers of sales, and easy correspondence will help to build loyal customer bases. *Source: AutoChannel.com*

INTERNET USAGE BY SELECTED MARKET AREAS	General Internet Usage By New Vehicle Buyers	Internet Usage For Vehicle Shopping	Internet Usage For Vehicle Buying
Washington, D.C.	74.00%	52.50%	5.70%
Los Angeles	69.60%	44.50%	6.20%
New York	64.70%	36.00%	3.90%
U.S. Average	57.70%	34.10%	3.00%

Overall, European manufacturers were found to have the highest proportion of both general Internet users and vehicle shoppers, with Saab topping the list in terms of Internet users. Volvo and BMW had the highest proportion of Internet vehicle shoppers. Overall, the study indicates that the Internet will continue to grow in importance for new vehicle buyers, particularly for shoppers of upscale brands. Also, online scheduling of service visits, e-mail communications to inform customers of sales, and easy correspondence will help to build loyal customer bases. *Source: AutoChannel.com*

Online Supply Networks Boom But Some Major Hurdles Loom

In regard to online supply networks, in the past few weeks, 11 major retailers formed WorldWide Retail Exchange. Sears Roebuck & Kroger announced GlobalNetXchange; Seven large investment banks and energy giants are creating an online metals and energy market called IntercontinentalExchange; the nation's top auto suppliers, including Eaton, Dana and Motorola, have announced a group to study forming an exchange; and Ford, GM and DaimlerChrysler are assembling what promises to be the granddaddy of all the exchanges. But despite all the buzz, not much is actually happening with these B2B exchanges, or in the e-marketplace in general. Why?? The first is understanding the technology and getting it to work. Beyond that, there are considerations of antitrust and culture. Another hurdle for some companies is the amount of cooperation and sharing of information among competitors that's necessary to make Web-based exchanges work - some companies worry that a Web exchange will transform their products into mere commodities. Actually, B-to-B was supposed to enhance competition by creating a level playing field where little companies could compete for business with big companies, but it remains to be seen whether buyers will do business with unknowns. It is estimated that less than 1% of all trade this year will be done through e-marketplaces. That trade will mainly consist of used equipment, excess inventory and some spot commodity products, hardly high-profit or high-profile items. *Source: The Wall Street Journal*

GM to Unify Japanese Affiliates To Form Online Sales Network

GM plans to bring together its affiliated Japanese auto makers to form a single online parts-and-sales information network in a bid to cut costs and boost sales. GM's two-month-old electronic commerce unit, e-GM, will lead the venture, which will involve creating two sites: one targeting consumers; and one unifying parts data for all car makers with GM ties. Both sites will include Suzuki, Isuzu, and Fuji Heavy Industries, which produces Subaru-brand cars. A Japanese version of the online consumer site will be up and running by July. Car shoppers who visit the site will be able to place orders directly or request a referral to nearby dealers for any cars made by GM or GM-related auto makers. *Source: Dow Jones Newswires*

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Japan Needs More Flexible Labor Market In IT Age

A recent report indicated that Japan must continue to promote greater flexibility and adaptability in the labor market to remedy problems of excess labor stemming from productivity gains brought about by IT investments. While the report acknowledges that Japan's labor market is showing signs of change, including a higher share of part-time workers and alterations in wage systems, it points out that the U.S. has relied on low-wage

industries as a bridge as it has adopted information technology and has managed to avoid increases in unemployment. Japan's capital spending on IT has grown to about 30% of total capital spending, however, IT capital stock is about 30% below its optimal level. *Source: The Nihon Keizai Shimbun*

Red Flags Supply Chain Software

Numerous supply chain software vendors are now offering "alerts" -- red flags that signal something is amiss in the distribution operation, and many more are expected to join the ranks very soon. To manage today's complex global supply chains, shippers require advance warning of any problem, whether it's a delay in a freight shipment or a sudden surge in orders for a product. Notified of impending trouble, a manager can intervene before the problem becomes a crisis. Currently, a handful of software vendors are provide alerting capabilities: EXE Technologies, Manugistics Inc., J.D. Edwards World Solutions, Rockport Trade Systems, and The Descartes Systems Group, and number of other software makers are expected to unveil packages this year. Many experts foresee software developers writing routines that use the "alerts" to trigger other actions, such as notifying partners to follow contingency plans. Using expert intelligence to supplement "alert" technology would allow the computer to act to ensure availability of inventory for production or the on-time arrival of a shipment automatically. However, if all of the trading partners in an extended enterprise start transmitting "alerts" for every operational deviation, then logistics managers could find themselves overwhelmed with crises. Still, "alert" and the related event-management technology may give logistics managers the tool they need to coax optimal performance from their supply chains in a fast-changing world.

Source: Logistics Management & Distribution Report

Global PC Sales Rise 15%

Worldwide shipments of Personal Computers rose to 29.98million units in the first quarter of 2000, 15% up on the first quarter of 1999, because of a growth in the Asian, Pacific and Japanese markets, said Gartner Group Data Quest, the Japanese technology research company. PC sales in Latin America were also strong, while sales in the US and Europe were disappointing. Compaq Computer controlled 12.5% of the market with sales of 3.75 million units, while Hewlett Packard's sales rose 59.9% to 2.39 million units. *Source: Financial Times*

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May1, 2000

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