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Rebounding Economy Benefits Carmax Profits

By MICHAEL FELBERBAUM
AP Business Writer

RICHMOND, Va. (AP) — Used car dealership chain CarMax Inc. said last week that its first-quarter profit rose 25 percent as economic uncertainty continued to boost sales of secondhand vehicles.

The Richmond, Va., company easily beat Wall Street expectations and shares spiked more than 7 percent in morning trading.

CarMax, which runs more than 100 stores that mainly sell used cars and trucks, posted net income of \$126.3 million, or 55 cents per share for the three months ended May 31. That's up from \$101.1 million, or 44 cents per share, a year ago. Earnings included a 3 cents per share gain related to its financing arm.

Revenue rose 18 percent to \$2.68 billion on strong used car sales and higher prices. Sales at stores open at least one year increased 6 percent.

Analysts surveyed by FactSet forecast adjusted earnings of 47 cents per share on \$2.52 billion in revenue.

Shares of CarMax rose \$2.21 to \$32.73 in morning trading.

The company's results come despite economic and marketplace challenges such as lower consumer confidence, high unemployment, elevated gas prices, CEO Tom Folliard said in a conference call with investors.

"I do think there's still quite a bit of uncertainty out there in the economy, and I think people are still a little bit skittish about pulling the trigger and signing up for a loan," Folliard said.



PHOTO: CHRISTINE SNYDER

A new addition to GM 10 months ago, Randy Floresca, a test engineer in the battery lab, won the SAE International Rumbaugh Outstanding Student Leader Award at SAE World Congress 2011.

Volunteer Work is 'Much More Satisfying Than Going to a Party,' Says Young Tech Center Engineer

by Christine Snyder
Staff Reporter
Tech Center News

Randy Floresca may be relatively new to GM, but he's fast becoming a well-known face of the automaker.

Floresca has worked for GM a mere 10 months as a battery cell and module test engineer at the Global Battery Lab at the GM Tech Center in Warren, but his list of professional activities could make a veteran employee's head spin.

Floresca was recently honored with the SAE International Rumbaugh Outstanding Student Leader Award at this year's SAE World Congress for his work as SAE student chapter president and subsequent automotive career.

Now as a young engineer, he is involved in SAE's World In Motion and Young Adult Professional conference for its Detroit section.

At GM, he helped coordinate the "Take Your Child to Work Day" and is an early volunteer for the Chevrolet-sponsored 2011 Fireball Run, an adventure competition that raises awareness for, and helps fund, missing children.

Extracurricular activities and organizations have been very good to Floresca, who was recruited by GM because of his involvement in the student Formula hybrid competition, a spinoff of SAE Formula competition.

The international competition gives the student teams a year to design, build and compete.

It was an invaluable experience, said Floresca, who said it

gave him the opportunity to see a project from development to production.

He didn't set out to be an automotive engineer as he pursued his mechanical engineering degree, but he admits automotive had its appeal. Like most boys, he dreamed of racing cars and in high school was interested in motorsports and motorcycles.

He said his job is exciting and challenging. "I like that it's a new and growing field," said Floresca. "I've learned a lot. I have a lot to learn still."

He is glad that GM is supportive of charitable and community activities.

"It's a good thing GM is very involved in community outreach programs," said Floresca, who said it keeps him busy in his new home.

This is Floresca's first home away from his native California and the outside activities fill the gap that used to be filled with family parties and functions.

The weekend before our interview he helped build homes for Habitat for Humanity with a GM team.

"It's much more satisfying than going to a party," said Floresca. "I have a hard time saying no."

He is an avid photographer, and can often be seen shooting SAE and GM events. He shows off his special GM photographer's pass.

"Facebook helps," said Floresca, of how he keeps in touch with family out west. "I take photos of everything I do."

Considering Floresca's activities, that means a lot of photos.

Macomb Executive Hackel Welcomes \$1B in Autos

by Gerald Scott
Editor
U.S. Auto Scene

In his new role as Macomb County Executive, Mark Hackel is seemingly everywhere these days.

A couple weeks ago he was at the GM Tech Center in Warren to herald the groundbreaking of a planned \$125 million data center.

And last week, he was at the groundbreaking for a new paint shop for the Chrysler Sterling Heights Assembly Plant (SHAP), part of an overall \$850 million investment in that aging auto plant.

But right there — one investment from GM and one investment from Chrysler are together worth \$1 billion into Macomb County's legacy automotive industrial infrastructure.

Hackel was asked at the Chrysler paint shop event if he thought "automotive" would, indeed, come back in Macomb County as the proverbial 800-lb. gorilla.

"I think it came back with a vengeance — I mean, you stop to think about it, they kind of wrote it off, thinking the American auto industry was done, it's over, we're going to have to rely on foreign (providers)," Hackel said.

Ford Now Dealing with Customer Allergies in Cars

COLOGNE, Germany, June 22, 2011 — With an estimated 80 million Europeans suffering from some form of allergy, Ford engineers and scientists are going to great lengths to make the company's vehicles allergy friendly.

From dust to chrome, latex to pollen, almost any material or substance can be a potential allergen.

Besides potential harmful substances like banned azo dyes, Ford ensures allergising disperse dyes and formaldehyde are strictly limited to levels that are even acceptable for clothing.

Ford typically tests more than 100 materials and components on each vehicle for allergy issues.

Engineers avoid — or reduce to the absolute minimum — materials such as latex, chrome and nickel, which can produce an allergic reaction in some people.

In addition, all components that have direct and prolonged skin contact — such as the steering wheel and seat covers — are dermatologically-tested. Ford vehicles are also equipped with a high-performance pollen filter to prevent allergic pollens from entering the vehicle and ensure a high level of cabin air quality.

The new Focus is the latest Ford vehicle to undergo the "Allergy Tested Interior" approval process by Germany's renowned TÜV Rheinland testing authority — and Ford

"The reality is, there were many people that stepped up to the plate here. City officials, elected officials from the state and federal government, came to the realization that we've got to support them."

"They cleaned up the issues they had to clean up. . . (and now), this corridor here is the central hub to Macomb County's economic development. I'm referring to the actual corridor on Van Dyke."

"See this plant adding an \$850 million investment says to me they're (Chrysler) here for the long haul."

Indeed, for all the fuss about the corporate bankruptcies of GM and Chrysler back in 2009, today, in Macomb County, auto is still the No. 1 employer and with 15,000 workers, the GM Tech Center remains the largest single employer in the county — as it has been since the early 1960s.

But some overlook what a great concentration of auto - light and heavy industrial and defense work that the so-called Defense Corridor includes.

On Mound Road between 8 Mile and north to Shelby Township, there is the Detroit Arsenal / TACOM Army base as well as significant supplier plants supporting auto and defense. There is also the Chrysler Dodge

Truck and Chrysler Stamping plants located side by side between 8 and 9 Mile Roads along Mound.

Then on Van Dyke, besides the GM Tech Center, there is the huge new BAE military complex going up in Sterling Heights between 14 and 15 Mile Roads, which replaces the former TRW auto parts plant site.

Plus, there are legacy Ford auto parts plants at 17 and Mound and 18 and Van Dyke in Sterling Heights.

This legacy core of auto, defense and industrial continues to impress Hackel, the former Macomb County Sheriff who lately became the county's first such lead executive.

Asked if, in his vision, "auto" would still be the lead employer in Macomb County's future, Hackel replied:

"It will, we're concerned about some of those closed manufacturing plants — the majority of them are in the Groesbeck - Gratiot Ave. area, that's a concern, it really is, because the question is who is going to buy those up, who is going to use them?" Hackel said.

"There's a lot of remediation that has to be done with those facilities. . . brownfield issues are going to be a concern."

"So how do we help the south end? We need to figure out (how



PHOTO:GERALD SCOTT

New Macomb County Executive Mark Hackel at a recent TACOM event. Hackel has outlined the role he sees auto manufacturing and defense playing in the county's future moving forward.

to) bring back vitality to the southern end of the county."

Indeed, most industrial and automotive investment in Macomb County does seem to happen north of I-696, but it is still welcomed investment all the same.

Anyway, score Hackel as being very pleased with what he sees on the automotive landscape, as he surveys the jobs and investment geography of greater Macomb County.

because they spend so much time on the road," Riewer said.

"There are regulations and standards for offices and for home furniture, but until we started the certification process with TÜV Rheinland there was nothing in place for cars."

The testing process is ongoing, with TÜV Rheinland carrying out an annual spot-check on each car line. Certain parts or even the whole car are subjected to a multitude of tests each year to ensure the same high quality standards continue to be met.

TÜV Rheinland is an independent German testing and assessment organization that controls and certifies quality standards for industrial and consumer products. TÜV Rheinland certification assures a vehicle's interior materials are selected in order to minimize the allergy risk to the lowest possible level.

In February 2008, the Berlin-based European Centre for Allergy Research Foundation (www.ecarf.org), also awarded Ford with its quality certificate as an additional recognition for the company's "allergy-tested interior" initiative.

For more than 20 years, Ford's Restricted Substance Management Standard has spelled out which materials and substances are to be avoided or eliminated in Ford products, services and

processes, and in the parts and materials provided by suppliers.

To manage materials across vehicle life-cycles, Ford has developed a comprehensive set of processes and system tools called Global Materials Management. This helps the company in communicating materials requirements to suppliers, and in tracking the materials they use.

Ford has also implemented stringent internal requirements to increase the use of sustainable materials within its products. This includes increasing the use of recycled, renewable, and lightweight materials.

In Europe, material and substance management, including the TÜV Rheinland Allergy Label, is part of Ford of Europe's Product Sustainability Index.

The index is the automotive industry's most comprehensive approach to assessing the environmental, social and economic impact of vehicles.

Aside from substance management and the use of sustainable materials, Ford's PSI tracks six further product attributes identified as key sustainability elements of a vehicle.

These relate to life-cycle global warming and air quality potential, exterior noise impact, safety, mobility capability (seat and luggage capacity relative to vehicle size) and ownership costs.

Parent Group Requires Avis Europe for \$1 Billion

By TOM KRISHER
AP Auto Writer

DETROIT (AP) — Ongoing shakeups in the car rental markets continue apace.

Car rental company Avis Budget Group Inc. said last week it will take over Avis Europe in a \$1 billion deal, raising the possibility that Avis Budget may back away from a bidding war for U.S. rival Dollar Thrifty.

The move reunites Avis Europe, which separated from Avis in the 1980s, combines the Avis and Budget brands worldwide, and creates what the company said is the largest publicly traded rental car business in the world.

Avis Budget has been in a tug-of-war for more than a year with rival Hertz to buy Dollar Thrifty Automotive Group Inc., and the European acquisition is an indication that Avis Budget is moving away from the pursuit.

In a statement announcing the deal, Avis Budget said it has made progress with U.S. anti-trust regulators in talks about the Dollar Thrifty acquisition, but the European deal would be the company's priority.

"While Avis Budget will continue to monitor the Dollar Thrifty situation, the company's focus squarely will be on completing and integrating the significant acquisition of Avis Europe," the statement said.

In a conference call last week, Avis Budget CEO and Chairman Ron Nelson would not answer questions about the status of the Dollar Thrifty acquisition.

"I think that we've said all we're going to say about Dollar Thrifty," he said.

Shares of Dollar Thrifty fell \$7.13, or 8.9 percent, to \$72.74 in pre-market trading Tuesday. Avis Budget shares rose 21 cents to \$16.17 ahead of the market opening.

Last week, Dollar Thrifty's board recommended that its stockholders not tender their shares in Hertz's proposed \$2.25 billion buyout.

Dollar Thrifty agreed last month to cooperate with Hertz Global Holdings Inc. to get antitrust clearance for the bid, which includes \$57.60 in cash and 0.8546 shares of Hertz common stock. But on Monday Dollar Thrifty said it was advising stockholders hold off on any action.

Hertz has been competing with Avis Budget, whose overture includes \$45.79 per share in cash and 0.6543 shares of Avis, has been stuck waiting for antitrust approval.

That proposal is worth about \$1.77 billion at last week's prices for Avis shares.

Dollar Thrifty had asked Avis in October not to make a formal offer so that the two companies could work together with antitrust authorities. Avis agreed to wait.

Both Hertz and Avis Budget

are after Dollar Thrifty because its clientele is largely leisure travelers. Park Ridge, N.J.-based Hertz and Avis cater mostly to business travelers, so the acquisition would give them broader appeal.

The chase for Dollar Thrifty is a sign of the times in the car rental industry, as the sector has been consolidating for years. In 2002, Avis' parent company bought Budget, while Enterprise's parent company acquired Alamo and National in 2007.

In the European acquisition, Parsippany, N.J.-based Avis Budget, will pay \$5.16 per share, or 315 pence, for Avis Europe, based in Bracknell, England.

The bid is a 60 percent premium over the closing share price on Monday. As a result, Avis Europe shares soared 58 percent to 310.3 pence on the London Stock Exchange.

Avis Budget and Avis Europe said in the statement that they will have combined revenue of about \$7 billion and operations in more than 150 countries.

The companies expect to cut costs more than \$30 million a year by combining operations.

Avis Europe operates in 112 countries including a joint venture, formed in 2002, with Shanghai Automotive Industry Sales Corp. Since 2003, it has held rights to operate the Budget brand in Africa, the

Middle East and Europe.

Avis Europe was legally separated from Avis in 1986 and was floated on the London exchange, while remaining under the Avis brand.

It was then taken private again in 1989, acquired by GE Capital Services in 1992 and floated again on the London Exchange in 1997.

Nelson said the deal would give his company an increased presence in growing car rental markets in India and China.

"This transaction represents an outstanding opportunity for Avis Budget, and the acquisition of a business that we have long sought to own," said Nelson.

The deal is subject to approval by Avis Europe shareholders.

Auto analysts have said that the European market has traditionally been softer than the U.S. market as far as the premium rental car market goes.

That's because Europe has a robust public transportation infrastructure such that most visitors flying into Europe don't necessarily have to rent a car to move around the continent — they can take bus, local rail or other public transport after arriving at the airport. Still, Disney and Hertz just signed a big deal to rent cars at Disneyland Paris.

Associated Press Writer Robert Barr in London contributed to this story.