

NEWS

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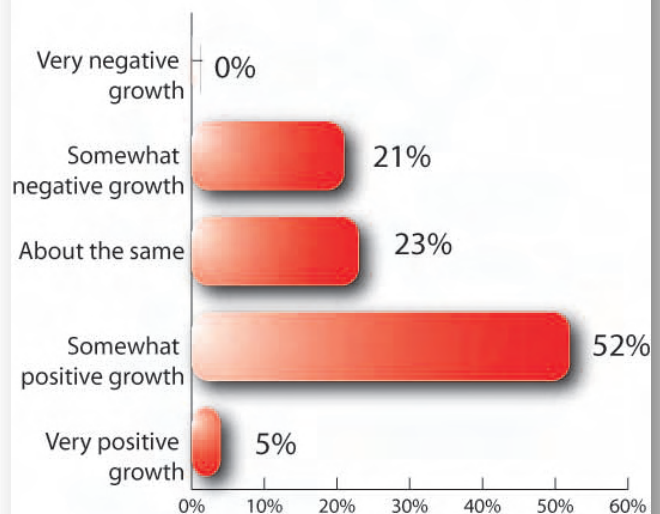
Jim Spoonhower

REPORT: Industry Manufacturers Upbeat About 2010

This year will definitely go down in the history books. Many are already calling 2009 the worst recession since the great depression of the '30s. Although the automotive specialty equipment industry typically is impervious to economic swings, the last two years have had a definite negative impact.

In August, **Fast Lane Research** conducted a survey of more than 2,600 industry manufacturers and found that 65% were experiencing sales that were less than the year before. Based on manufacturers' responses, the slide began in the last half of 2007 when 22% had sales less than 2006. The spiral accelerated to 31% of respondents with decreased sales in the first half of 2008. Then in the last half of 2008 and the first half of 2009 the percentage of companies with sales below the previous year increased to 62%.

Manufacturers' Expected Industry Sales Trend for 2010



Source: Fast Lane Research

This is a trend the industry is not accustomed to. In fact, this is only the second time in more than 25 years of recorded industry sales data that there has been negative sales growth—the first was in 1991 during the first gulf war. What’s worse is this is the first time there have been two consecutive years of decreased sales for the industry. When we asked manufacturers how they expected the automotive specialty products industry to do in 2009, 57% indicated that industry sales would be less than 2008. Another 30% of responding manufacturers expect 2009 to be about the same as last year, and 13% expect to see and industry wide increase. The good news is that these same manufacturers are expecting the industry to make a comeback in 2010. When asked what change they expect next year in the automotive specialty equipment market, 56% said that based on what they know of the marketplace business will be in positive territory again. If these people are right, and who should

A Down Year This Year

know better than they, we are seeing the light at the end of the tunnel (and it’s not an oncoming train!). In August the majority of manufacturers were indicating that their company’s sales this year were less than in 2008; 47% less than 2008 and 18% greatly less than last year. Another 17% find their sales about the same as 2008. Interestingly, 17% are reporting sales higher than last year; 12% moderately more than 2008 and 5% greatly higher than 2008.

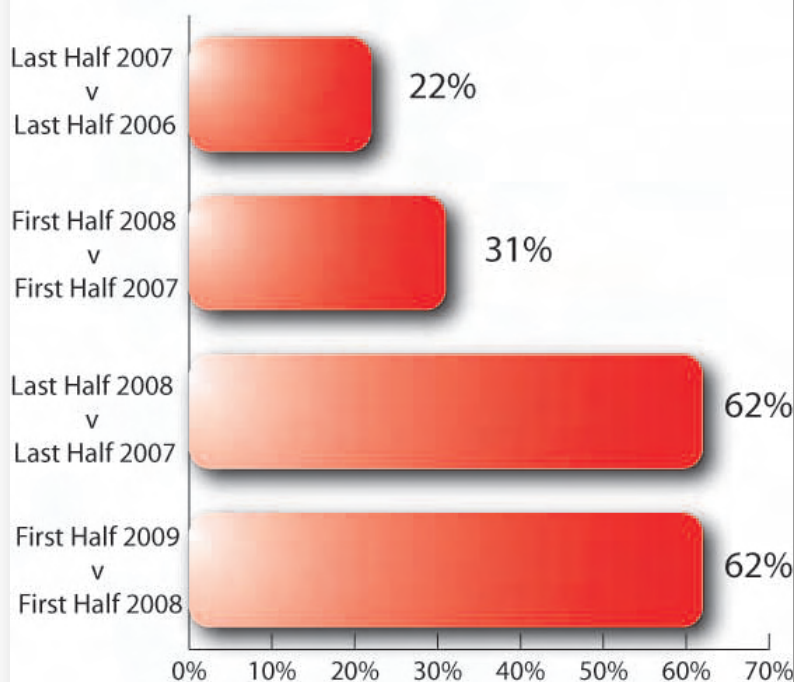
Based on responses from industry manufacturers, the whole trend began for real in the last half of 2008. At that point 62% of manufacturers indicated that their sales were less than the last half of 2007. Previous to that, in the first half of 2008, 31% of manufacturers were reporting that their sales were less than the same period the year before.

With the exception of the last half of 2008 vs the last half of 2007, there were typically about 23% of manufacturers reporting that their business was about the same as the previous year. In 2008, that response dropped to 10% of manufacturers.

It is obvious that the contracting economy was the root cause of this downward spiral in business, but what is not so obvious is how the negative sales growth manifested itself. Manufacturers saw a significant increase in supplier costs, with 42% reporting this change. Along with that, 38% reported a drop in their company’s overall profitability.

For a copy of the entire report, please contact us.

Manufacturers Showing Decrease In Sales Compared To Previous Year



Source: Fast Lane Research



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Automotive Digest: News & Features

Ford Forecasts 36% Compact Cars by 2013

Ford Motor Co.'s top sales analyst, George Pipas thinks a variety of factors will contribute to the continued growth of cars, especially smaller models. That includes continued gas price volatility, government policy that encourages consumers to buy more efficient models -- such as this summer's cash-for-clunkers program -- and changing demographics. By 2013, Pipas predicted that compact cars, subcompact cars and crossover vehicles built off small-car platforms will account for 36% of total new-vehicle sales in the United States.

Auto Affordability Reaches New Index Best

The purchase and financing of an average-priced new vehicle took 21.9 weeks of median family income in the third quarter of 2009, according to Comerica Bank's Auto Affordability Index. The third quarter reading improved 0.6 of a week, pushing the latest Index reading to the best affordability on record. Median family income was roughly unchanged in the third quarter. The average total cost of a light vehicle, however, fell by \$800 to \$25,500. The drop mostly reflected a 2.4 percent decline in the average amount spent on a new car.

Electric Avenue In Detroit Auto Show

The North American International Auto Show (NAIAS) has announced the debut of Electric Avenue, a 37,000 square foot feature on the main floor of the 2010 show. The new showcase will spotlight electric vehicles and technology of both traditional automakers and innovative entrepreneurs.

Industry's First Eco-Friendly Cylinder-Head Cover

Dana Holding Corporation announced today that it is supplying cylinder-head covers made of recycled material on Ford Motor Company's 3.0-liter Duratec engine, used in the 2010 Fusion and Escape vehicles. Manufactured using EcoLon® nylon, the cover is the first automotive product of its kind manufactured from post-consumer recycled (PCR) nylon.

Battery Cooling Technology

Dana Holding Corporation has developed a Long® heat exchanger designed to extend battery life in hybrid and electric vehicles. The technology, the first of its kind, recently debuted on Tesla Motors' 2010 all-electric Roadster Sport.

Top 10 Cars of the MAD MEN Era

Since its premiere in 2007, the popular AMC show "MAD MEN" has renewed an interest in the sophisticated lifestyle of the early 1960s. For professionals of this era, the ultimate sign of success was a new car. "Collector cars are a unique way to show off your sense of style and express your personality," said McKeel Hagerty, CEO of Hagerty. Below are Hagerty's picks of "How to Drive like the MAD MEN: Top 10 Cars of the MAD MEN Era."

1. 1963 Buick
2. 1963 Corvette Sting
3. 1961-63 Ford Thunderbird
4. 1961-63 Lincoln Continental
5. 1961 Chrysler 300G
6. 1963 Studebaker Avanti
7. 1962-63 Cadillac Coupe De Ville
8. 1962-64 Studebaker Gran Turismo Hawk
9. 1963 Buick Electra 225
10. 1963 Ford Galaxie XL Convertible

Ford Wins Best of What's New

Ford Motor Company won a 2009 "Best of What's New" award for Active Park Assist, which uses ultrasonic-based sensors to help drivers parallel park with the touch of a button. This is the third straight year that Ford Motor Company has been recognized with a Best of What's New award:

- Active Park Assist (2009);
- EcoBoost(TM) engine technology (2008);
- Easy Fuel® Capless Fuel-Filler System (2008); Ford SYNC® (2007)

Editor's Choice Award By Popular Mechanics

Jig-A-Loo USA, Inc. announced that Jig-A-Clean(TM) has been awarded the Editor's Choice Award from Popular Mechanics. This marks the second consecutive year an item from the Jig-A-Loo® family of products has received this honor following last year's win for the high-temperature lubricant Graphite Extreme. Jig-A-Clean(TM), is a multi-purpose waterless hand cleaner that removes ingrained dirt, grease, oil, tar and sludge without the use of water or towels.

Recession and Gas Prices Impacting Used-Car Value Stability

With people out of work, families are trying to reduce spending wherever possible, and this slow down in spending has hit the auto industry in various ways. One way Kelley Blue Book is seeing is that consumers are holding onto vehicles longer. In a recent study, more than half of car shoppers surveyed said they intend to keep their next vehicle for six years or longer. "In addition to lack of demand in the new-car market and unexpected demand in the used market, a lack of trade-ins coupled with reduced sales to fleet companies also has had somewhat of a negative impact on used-vehicle supply," said Juan Flores, director of vehicle valuation, Kelley Blue Book. "The shortage at auction has even led some dealers to scour eBay and Craigslist in order to supplement their used-vehicle inventory via private party listings."

Volkswagen Becomes World's Largest Automaker

With the partnership of Volkswagen and Porsche, the automotive group has become the largest vehicle manufacturer through the third quarter of 2009, according to the *Guardian*. As the benefactors of global government-backed stimulus programs in the United States, Germany, Britain and China, Volkswagen-Porsche reports selling 4.4million vehicles from January to September. Major product launches and marketing in China have given the brands a considerable boost in exposure and the sharp halt in production from Toyota has disrupted the rankings. Volkswagen has also issued a notice that deliveries for October were up 11.1%.

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