bled from $31.57 a share in January 2000 to $7.12 a share the morning of the meeting.

The shareholder reminded Ford leadership of the Company's $7 billion profits by mid-decade and referred to leadership as a 'wealth destroyer," rather than "a shareholder wealth builder."

As in years past, some public shareholders attempted to change the way votes are counted by calling for a resolution for a recapitalization of the Company that would make all shares equal. Currently, the Ford family controls 40 percent of the Company through ownership of Class B shares, which entitles them to 16 votes per share.

While the resolution was defeated, it received far more votes than any of the other shareholder resolutions introduced at this meeting.

This should be a wake-up call for Ford!

Ford Motor Company Continues to Stumble

Ford has managed to alienate most of its "partners" in the industry. As we have all read in recent years, its suppliers are unhappy with Ford, its employees are unhappy with Ford, its shareholders are unhappy with Ford, and its dealers are unhappy with Ford.

The problem is apparent to all but Ford. It continues to aspire to be expert in all arenas of the industry and has not fully returned its focus on its core business – building saleable products. It wants to change all arenas of the industry and that distracts from its core responsibility – building saleable products. It wants to control by micro-managing all arenas of the industry, instead of focusing on its core business – building saleable products.

Ford continues to give lip service to changing corporate culture, but lip service is not going to get the job done. Thus far, Ford is failing at its own restructuring plan because it is unwilling to admit that it has no business interfering in the retail automobile industry. It neither has the skill nor the knowledge – it is only exacerbating the problem by perpetually introducing programs that interfere with what should remain solely our responsibility – selling and servicing Ford, Lincoln and Mercury products.

This should be a wake-up call for Ford!

FORD DEALERS FDA ALLIANCE

NEWSLETTER

www.dealersalliance.org

401 Continental Plaza, Hackensack, N.J. 07601 (201) 342-4542 FAX (201) 342-3997 May 2006

REDUCED MARGINS FOR DEALERS IN A FINANCIAL CRISIS…A BOLD MOVE?

We have not been critical of Ford since our last newsletter because we wanted to see if the new regime was truly committed to a new direction for Ford and its dealer body.

We were initially heartened by some of the positive comments that were made by key Ford executives. Dealers were especially pleased that Ford was taking the initiative and not following the loser - General Motors.

BUT, Ford's recent announcement to reduce dealer margins destroyed its credibility.

In addition, its logic in reducing discounts is not valid:

- Ford states it wants clearer and simpler pricing for those using the Internet.

  Pricing can be just as clear and simple at higher margins. Customers will pay a fair price for the right product.

- Ford states that customers dicker from invoice; therefore, the sticker does not matter.

More importantly, customers are more concerned about what they are getting for their trade-in. These days many customers are upside- down, so any reduction in margins makes it extremely difficult to satisfy the customer and the lending agencies.

- Ford states, in some instances, grosses actually increase when margins are cut.

That is really a stretch! Ford does not understand how differences in dealer accounting practices can impact the outcome of what is reflected in their financial statements when looking at the New Vehicle Department profits.

In reality, history shows us, as margins are squeezed, grosses go down. In the last 10 years, margins have gone from about 8.5 percent of sales to slightly above 5 percent – an approximate 40 percent drop in gross.

These are The Facts

It is common knowledge that Ford dealers are in desperate straits. Nationally, 36 percent of the dealers are operating in the red (in metropolitan markets it is far worse). Most oth-

ers are marginally profitable because they are subsidizing Ford's new vehicle department with other departments of the dealership.

Ford's misdirected marketing efforts in the last few years have not moved the needle. In a recent article in Automotive News, when responding to the journalist's question about increasing the volume of certain lines, Jim Press, newly promoted president of Toyota Motor North America, states, "If we succumb to the siren on the rocks and go for short-term return and profits, we'll lose the goose that's laying the golden egg. It will affect our ability… to maintain exclusivity, customer satisfaction and treatment. **We want to help our dealers protect their margins…**"

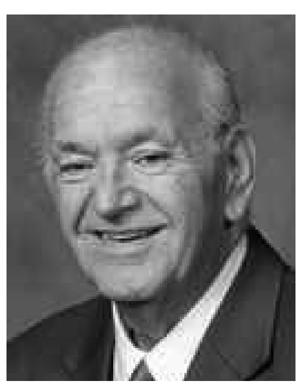
Conversely, Ford continues to reduce dealer margins. The margins of the 2006 models were reduced by 1 to 4 percentage points only a year ago. Ford continues to lose market share while Ford and its dealers continue to lose profitability.

NADA's recent figures show nationally Ford dealers losing more than $300 per vehicle in the New Vehicle Department. Lowering margins, as we have shown, only lowers grosses, which exacerbate the problem.

We urge Ford to refocus its marketing efforts to:

- Feverishly accelerate new innovative product development. Successful manufacturers do not reduce margins, because they have saleable products even at higher margins.
- Promote current products by advertising their features and benefits in comparison to the competition. Stop wasting valuable marketing dollars on slogans that do not motivate the consumer such as, "Life in Drive."
- Regain customer confidence by improving and promoting quality, which is not currently meeting their expectations (see Consumer Reports Automotive Guide).
- Tag advertising with attractive monthly payments, with reasonable margins for dealers.
- Stop subsidizing one of the divisions at the expense of another. This does not gain conquest sales. Instead, it eliminates a level playing field and severely impacts the franchise system.
- Make a *really* **"Bold"** move by increasing margins on new and saleable vehicles, rather than reducing them!

Every month Automotive News reports that across the country Ford is losing some of its best dealers and prime retail locations. Some, Ford will never regain. Ford needs to recognize the importance in returning its dealers to profitability. Instead, its solution has been to reduce margins even further. Ford needs to heed the warning and take significant action to stop the bleeding – before it is too late!



IN MEMORIAM

It is with great sadness that we inform you of the passing of Terence L. Morris, a dealer of over 34 years.

Terry was owner and President of Morris Auto Group, Morris Ford-Mercury, Inc., established in 1972, and Terry Chrysler-Jeep, established in 1984; both dealerships located in Burnt Hills, New York. He received the Time Magazine Quality Dealer Award for Business Achievement & Community Service in 1992.

Terry was relentless in his advocacy for dealer rights. He was a longtime Director of the Ford Dealers Alliance, a former president of the New York Automobile Dealers Alliance, and Chairman of the New York State Insurance Fund. He also served on the Board of Directors of the First National Bank of Scotia.

Governor Pataki honored Terry in a released statement addressing Terry's passing. "Terence Morris was a self made businessman and dedicated public servant who truly represented the very best of what New York State has to offer. Mr. Morris was a successful upstate auto dealer, as well as a business and civic leader, who still found time to be a dedicated public servant."

He is survived by his wife of over 40 years, Noella, his two daughters Maria and Terri Jo, his son Charles, and his four grandchildren. Terry was true original and a true friend and will be sorely missed by all at the Ford Dealers Alliance.

FORD CORPORATE CULTURE CONTINUES TO PLAGUE ITS RELATIONSHIP WITH DEALERS

We had hoped that the change in Ford Motor Company's leadership would have resulted in an improved relationship between Ford and its dealer body. Unfortunately, it appears to be the same old corporate culture and not much has changed. Perhaps Ford could take a page from Toyota's lesson book and learn from it.

DEALERS' WISH LIST

These are the brands that dealers say they would most like to sell.

Rank	Brand	Previous Rank
1	Toyota	1
2	Nissan	2
3	Honda	6
4	Saturn	5
5	BMW	3
6	Acura	7
7	Subaru	n/a
8	Volvo	11
9	Cadillac	9
10	Chevy	8
11	Buick	16
12	GMC	13
13	Chrysler	12
14	Pontiac	15
15	Mercedes Benz	14
16	Volkswagen	17
17	Dodge	18
18	Lincoln	19
19	Mitsubishi	20
20	Ford	10

Source: USB Automobile Dealer Survey The Detroit News

In a recent article in the *Detroit News*, a Detroit area Toyota dealer praises Jim Press, Toyota's top North American executive, for his annual visits to the Detroit area dealerships and Toyota's overall cooperative corporate culture, describing it as "from the top down…interactive" with its dealers. Imagine that.

According to a Wall Street investment firm, UBS Securities LLC, "the Big Three must overcome a corporate culture that does not work as well with their front-line retailers." It describes this failure a key part as to why Ford Motor Company has fared so poorly in its recent national survey, "Dealers' Wish List."

When dealers were asked what brands they would most like to sell, the Ford brand fell to the bottom of the list. According to the article, "Ford Motor Company had been improving… but now its reputation [with dealers] has 'fallen off a cliff.' Toyota was number one on the "Dealer's Wish List." See Chart

This should be a wake up call for Ford!

Dealers Surrender Ford Franchise

It has been almost a year since many of us read the front-page headline in Automotive News, "It's a no-brainer." It described Donald Toresco, a New Jersey Ford dealer of over 23 years, "giving back" the Ford franchise from the Autoland group in favor of expanding the Toyota dealership.

In April 2006, the trend hit closer to home when we lost one of our finest dealers, Peter Griffin of Griffin Ford, Inc., in Greenwich, Connecticut. Peter's relationship with Ford Motor Company spanned over 47 years. Peter's relationship with the Alliance has been almost as long. Peter was forced to make the decision of surrendering his Ford franchise in order to expand his Lexus service department.

Most recently, we all read or heard about Jerry Reynolds' resignation at Prestige Motors in Texas. As published in the *Dallas Morning News*, his reason is that the business "is no longer fun." He further states, "it dawned on me that I couldn't control my own business anymore." His resignation is particularly poignant when you consider his well publicized advocacy of the Ford Motor Company.

This should be a wake-up call for Ford!

Ford Motor Company Leadership is Blasted at Recent Meeting

At its May 12th annual stockholder's meeting, Ford Motor Company was forced to defend its leadership when a shareholder, apparently fed up with the downward spiral of Ford stock values, blasted current management on their inability to "turn things around." Ford's stock has tum-