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July 2011

Japan Auto Crisis Update

March's record earthquake and tsunami in Japan devastated the land and the country's economy. Second to China, Japan is the world's largest supplier of cars in the world. Nissan Motor Company, Honda, and Toyota are dealing with the aftermath. Four months later, operations are not running at 100% after the natural disaster caused factory damages and shortages of parts and power.

Honda, headquartered in Tokyo, has said it expects car production to be running at 100% by the end of the year. Yokohama-based Nissan predicts to recover by October. Toyota expects global production to recuperate by November or December. As of mid-June Toyota reported roughly 30 types of car components are still significantly in short supply, compared to 150 in April. The deficiency includes mostly electronic components, rubber and plastics. Japanese carmakers also face possible blackouts after the natural disasters reduced the nation's power-generating capacity by 8 percent. Carmakers and auto-parts manufacturers will close their domestic plants on Thursdays and Fridays and instead operate during weekends from July to September. [\[1\]](#)

Production Statistics[\[2\]](#):

-Toyota Motor Corp. said production in Japan fell by 54.4 per cent from the year earlier to 107,437 vehicles. Global production declined 49.3 per cent to 287,811 vehicles.

-Honda Motor Co. also reported lower vehicle production at home and worldwide in May. The company's Japan production declined 53.4 per cent to

In This Issue

[Japan Auto Crisis Update](#)
[New Synthetic Oil Regulations](#)
[Fleet Solutions Spotlight: Fuel Integration With Telematics](#)
[Fleetcast Episode 5: Accident Management](#)
[Events](#)
[Remarketing Programs](#)
[Editor's Note](#)

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34,746 vehicles and its global production fell 50.4 per cent to 137,852 vehicles.

-Nissan Motor Co. reported that its Japanese production edged up 0.8 per cent to 80,035 vehicles and its worldwide production rose 19.3 per cent to 368,914 vehicles.

Sales Statistics^{[3][4]}:

-Sales of cars, trucks and buses, excluding minicars, fell to 225,024 vehicles in June, the Japan Automobile Dealers Association stated July 1st.

-Toyota's U.S. sales in June fell 21.1% from a year earlier, to 110,937 vehicles.

-Sales at Nissan, Japan's second-largest carmaker, rose 4.2 percent to 45,113 vehicles in June.

-Honda sales, the nation's third-largest automaker, fell 21.3%, to 83,892 vehicles.

-GM's U.S. sales rose 10.6% in June, to 215,335 vehicles, according to Autodata.

-Ford's June sales rose 13.3%, to 193,415 vehicles.

-Chrysler Group sales rose 30.2% to 120,394.

What does this mean for your fleet?



James Crocker, Director of Fleet Purchasing and Dispositions at Merchants Leasing says,

"There are still delays in parts availability, not only for new vehicle production, but for repairs on existing fleets. The replacement parts are also scarce. While this shortage in vehicles drove up the close of both new and used vehicles to all time highs we are now getting to the point where customers are holding on to existing vehicles rather than pay "top dollar" for 1-2 year old pre-owned vehicles. They realize that it is more cost effective to repair/run their existing fleet. The tide is turning and we will now start to see the price of used vehicles go down. Does this mean that in the next 6mo. to a year things will go back to normal? No,

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Sincerely,

Jessica Heizer
Merchants Leasing

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that's too unstable to determine, but prices have already started to decline on some vehicles as companies such as Nissan and Toyota are indicating that new product will soon hit the marketplace. We may never get back to a time when dealerships have lots full of vehicles with deep discounts but relief from the exorbitant prices is on its way. "

[1] Bloomberg

[2] CBC News - Radio Canada

[3] Bloomberg

[4] Los Angeles Times

New Synthetic Oil Regulations and What They Mean to Your Fleet

The industry is buzzing with talk about new synthetic oil regulations. Synthetic oil is a lubricant consisting of chemical compounds that are artificially made (synthesized). [1] They are created using chemically modified petroleum or other raw materials, rather than crude oil. These types of oils were first used in German and American aircraft engines in World War II, 1944. [2][3] Over the years many synthetic oil blends have been created by companies such as Chevron, Amsoil, Mobil, Shell, Lucas and Penzoil. In the near future, some manufacturers may require all models model year 2011 and beyond to use synthetic oil.

Synthetic oils have many performance benefits over conventional motor oil:

- Extended oil life due to strong chemical stability
- Resistance to oxidation, thermal breakdown and oil sludge
- Longer drain intervals, less oil waste for the environment
- Excellent protection against ash and other deposit formation inside the engine

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- Less oil burn off and engine clogging

- Better starting lubrication and overall performance at extreme high/low temperatures

All of the above qualities equal a longer engine life

There are also drawbacks to synthetic oil:

- Synthetic oil causes less friction which may be unsuitable for the desired "break-in" (wear) period of a new vehicle (new engine designs have made this less crucial)

- Industrial use decomposition problems in different environments

- Chemical makeup may cause stress cracking in plastic parts

- Caution needed when running engines on leaded fuel since synthetics do not hold lead in suspension as well as mineral oil

- Not recommended for use in rotary engines

General Motors is the first vehicle manufacturer to require all 2011 gasoline and E85 fueled vehicles and newer to run on their brand specific synthetic engine oil called "dexos 1." GM diesel engines are to use "dexos 2." GM states if a customer has difficulties with their engine due to oil problems, their warranty could be voided if they do not use dexos approved oil. This new and improved oil standard will eventually become common place across the market.

The current synthetic oil standard is called "GF-4" oil and "GF-5" is already being developed for use by all manufacturers in 2012. [4] The new oil formula is also compatible with older models. Therefore, you can update older model year vehicles with dexos, except those with diesel engines.[5] Similar to dexos, GF-5 oils have the same advantages. However, both are estimated to cost 15-30% more than GF-4 and other conventional oil blends. Why, because they provide great performance. Some claim to increase fuel economy with less engine friction, however studies show the savings at less than 1%.

The biggest return on investment comes from extending the time and mileage between oil changes. Dexos and GF-5 oils allow drivers to travel more miles

between oil changes without needing to worry about a loss of lubrication qualities, the buildup of sludge, or damage to sensitive emission control devices. Depending on driving habits and vehicle use such as hauling, oil changes could extend beyond 10,000 miles. Running the right oil might mean the difference between an engine that lasts hundreds of thousands of miles, and one that doesn't.^[6]

Check with your vehicle manufacturer for the most up-to-date information regarding the requirements and use of synthetic oils for your vehicle. For other resources and industry news, visit www.merchantsleasing.com.

^[1] Wikipedia Encyclopedia, "Synthetic Oil"

^[2] D.K. Wilson, Fleet tests of synthetic lubricants SAE Quarterly Transactions, April 1948, Vol. 2, No. 2, p. 242-250

^[3] C. Kratzer, D.H. Green and D.B. Williams, New synthetic lubricants SAE Journal (Transactions), Vol. 54, No. 5, May, 1946, p. 228-238

^[4] Rex Roy, AOL Article titled: "GM's New Oil: Use It Or Else!"

^[5] www.autopartners.net

^[6] Rex Roy, AOL Article titled: "GM's New Oil: Use It Or Else!"

FLEET **SOLUTIONS SPOTLIGHT**

Fuel Integration With Telematics

Telematics fuel reports have always provided customers with easy ways to monitor MPG, speed, idle time, emissions, geofence violations, and diagnostic trouble codes. Now, in partnership with Wright Express, the new Fuel Guard Report and Fuel Transactions Report provide even more information for Fleet Managers to track, control, and reduce rising fuel costs.

Fuel Guard Report

See location and time the fuel was purchased, along with the vehicle location and time to determine if the proper vehicle was being fueled or if there was a potential fraud event.

Fuel Card Transactions Report

Get all fuel transactions for a definable time period, and details regarding those transactions, including: location, gallons, and total cost.

If you have any questions regarding these new features, please contact client services at 1.877.870.4999.



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