Rebates for 'clunkers' aid Ford most as car sales climb

Nick Bunkley

A used vehicle on a Ford dealership lot advertises the government's "Cash for clunkers" program in Encinitas, California.

The government's "cash for clunkers" program gave automakers a desperately needed sales boost in July, though their relief could be short-lived if the Senate does not vote to extend the trade-in program after it ran out of money within days of starting.

The Ford Motor Company said on Monday that its United States sales rose 2.3 percent last month, the first year-over-year increase for any of the six largest carmakers since last August. Ford had not posted a monthly sales increase in nearly two years. Ford's compact sedan, the Focus, was the most common selection by people who used the trade-in program, the government said Monday.

General Motors and Chrysler fared better than in recent months but did not benefit from the program as much as Ford, which heavily promoted the government-sponsored rebate program at its dealerships, in television ads and on its Web site. G.M. reported a 19 percent decline in July from a year ago, and Chrysler said sales fell 9 percent.

Two other automakers, Hyundai and Volkswagen, reported increases. Hyundai, which said 22 percent of its sales were to buyers who turned in a "clunker," said sales rose 12 percent, while Volkswagen posted an increase of nearly 1 percent.

Toyota said sales fell 11 percent from a year ago, but it still outsold Ford for the first time since March. Honda's sales fell 17 percent, and Nissan's dropped 25 percent.

Over all, automakers said the new-vehicle selling rate rose in July to its highest level in 11 months. Through the first half of this year, sales were down 35 percent compared to the first half of 2008.

"I challenge anyone to show me a one-week program that has had as much benefit to the consumer and as much impact on the environment as this one has," George Pipas, Ford's chief sales analyst, said in a conference call Monday.

Ford said sales of seven of its models rose at least 60 percent last month. It sold 18 percent more cars and crossover vehicles than it did in July 2008, though sales of its trucks and sport utility vehicles fell 18 percent. The company did not say how many of its sales were made to people who turned in a vehicle to be scrapped under the program.

Chrysler, which offered to double the government rebate amount for buyers in July, replaced that program with a new round of incentives on Monday that included no-interest financing for up to six years on some models.

G.M., meanwhile, said it hoped to recapture some lost sales by resuming leasing programs in New York, New Jersey, Connecticut, Michigan and Ohio. G.M. has done virtually no leasing since the credit market tightened up last September.

All three Detroit automakers said the flurry of demand in the final week of July left their inventories of unsold vehicles at the lowest levels in many years. That could hurt sales of some popular models in August.

The government trade-in program, which began July 24, lets consumers give up an older, inefficient vehicle and receive a credit of up to $4,500 toward the purchase of a new vehicle with a higher fuel economy rating. Its unexpected popularity caused the program, formally known as the Car Allowance Rebate System, to quickly exhaust its initial budget of $1 billion, which was enough for about 200,000 people to take part.

The House of Representatives voted Friday to provide $2 billion more, and approval from the Senate is needed to extend the program. Many dealers are now unsure whether to continue taking trade-ins under the program, not knowing if the government will reimburse them.

Automakers welcomed the program at a time when high unemployment and low consumer confidence levels had pushed new-vehicle sales to their lowest level since the recession of the early 1980s.

Even if Congress allows the program to end suddenly, officials at G.M. say they are seeing more reasons for optimism in the months ahead, both in the latest economic data and in reports from their dealers.

“Clearly momentum is starting to build for a recovery, and we’re really starting to see car buyers return to the showrooms,” Michael C. DiGiovanni, G.M.’s chief sales analyst, said. “The bankruptcy talk and issues are clearly getting behind us.”

The Transportation Department said Monday afternoon that based on 80,500 cash-for-clunker applications — which officials believe is about a third of the total deals so far — average fuel economy of the new vehicles was 9.6 miles per gallon better than the old ones, 25.4 m.p.g. versus 15.8 m.p.g., an improvement of 60.8 percent. The improvement, the department pointed out, is much larger than the minimum required to be eligible for the government rebate: a gain of four miles per gallon for cars and two miles per gallon for trucks.

Part of the reason for the gain was that some people were turning in old trucks for new cars. So far, 83 percent of the “clunkers” were trucks or S.U.V.’s and 60 percent of the new vehicles were cars, the department said.

The department also said that Ford, G.M. and Chrysler supplied 47 percent of the new vehicles, slightly more than their overall share of the market, which is 45 percent. Four of the top 10 were also made by American companies, the department said. Of the remainder, it said, “preliminary analysis suggests that well over half of these new vehicles were manufactured in the United States.”

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