

# SHOWROOM

## JOURNAL

### Congress turns to clunkers to boost auto sales

WASHINGTON -- The House on Tuesday approved a "cash for clunkers" bill that aims to boost new auto sales by allowing consumers to turn in their gas-guzzling cars and trucks for vouchers worth up to \$4,500 toward more fuel-efficient vehicles.

President Barack Obama has encouraged Congress to approve consumer incentives for new car purchases as part of the government's work to restructure General Motors and Chrysler. The House approved the bill 298-119.

Supporters pushed for the measure to stimulate car sales and increase the fleet of fuel-efficient vehicles on the nation's highways. The auto industry has sought the incentives after months of poor auto sales. In May, overall sales were 34 percent lower than a year ago.

"Stimulating sales is the only way to get the auto industry back on its feet," said Rep. Donald Manzullo, R-Ill. General Motors

Corp. and Chrysler LLC have received billions of dollars in government aid and the entire auto industry has watched car sales plummet during the past year. In May, overall sales were 34 percent lower than a year ago.

"Our industry has been stuck in neutral and really has not started to move," said Larry Kull, president of Marlton, N.J.-based Burns Kull Automotive Group, which includes General Motors, Honda and Toyota dealerships.

The vehicle scrappage bill has been under negotiations for months as lawmakers try to find a solution that boosts car sales while providing some environmental benefits. Proponents have pointed to similar programs in Europe that have enhanced auto sales.

Opponents said the bill failed to include incentives for used vehicles and represented an artificial incentive for the industry.

"It's defying the laws of economics and saying we can manu-

facture enough of a demand to keep the auto industry afloat," said Rep. Jeff Flake, R-Ariz.

Separately, House and Senate appropriators were discussing providing \$1 billion to a supplemental war funding bill for the "cash for clunkers" program, which aims to generate about 1 million new auto sales. Since the yearlong vehicle program is expected to cost \$4 billion, lawmakers would attempt to find the additional money later this year.

Under the House bill, dealers participating in the program would receive an electronic government voucher for the trade-in to apply to the purchase or lease of a qualifying vehicle. The old vehicle would be disposed of rather than resold.

Car owners could get a voucher worth \$3,500 if they traded in a vehicle getting 18 miles per gallon or less for one getting at least 22 miles per gallon. The value of the voucher would grow to \$4,500 if the mileage of the

new car is 10 mpg higher than the old vehicle. The miles per gallon figures are listed on the window sticker.

Owners of sport utility vehicles, pickup trucks or minivans that get 18 mpg or less could receive a voucher for \$3,500 if their new truck or SUV is at least 2 mpg higher than their old vehicle. The voucher would increase to \$4,500 if the mileage of the new truck or SUV is at least 5 mpg higher than the older vehicle.

Rep. Betty Sutton, D-Ohio, the bill's chief sponsor, said the bill showed that "the multiple goals of helping consumers purchase more fuel efficient vehicles, improving our environment and boosting auto sales can be achieved." Sen. Debbie Stabenow, D-Mich., has backed a similar version in the Senate, which has the support of automakers and their unions.

The bill would direct dealers to ensure that the older vehicles are crushed or shredded to get

the clunkers off the road. It was intended to help replace older vehicles - built in model year 1984 or later - and would not make financial sense for consumers owning an older car with a trade-in value greater than \$3,500 or

\$4,500. The US industry is expected to generate about 9.5 million vehicles sales in 2009, compared to more than 13 million in 2008 and more than 16 million in 2007. (AP)



THE SHAO SPEAKS. NBA star Shaquille O'Neal responds to reporters questions during a news conference before the start of the IndyCar Series Bombardier Learjet 550 auto race at Texas Motor Speedway in Fort Worth, Texas, Saturday June 6, 2009. O'Neal, was the race's Grand Marshall. (AP Photo/Tony Gutierrez)

### Gas prices flatten for first time since April

by JOHN PORRETTO  
AP Energy Writer

HOUSTON - While crude flirted with \$70 a barrel Tuesday, gasoline prices failed to rise overnight for the first time in 42 days, signaling a possible break for motorists as summer driving shifts into high gear.

Benchmark crude for July delivery rose \$1.26 to \$69.35 a barrel in trading on the New York Mercantile Exchange. Oil briefly crossed the \$70 mark last week for the first time since October.

Meanwhile, retail pump prices have risen steadily since late April to a national average of near \$2.62 a gallon. The pace at which gasoline prices spiked throughout May caught many forecasters off guard. Still, compared with last summer, gasoline is a bargain.

This week last year, gas crossed the \$4 barrier for the first time during crude's historic run toward \$150 a barrel.

On Tuesday, the average national retail price flattened at \$2.619, according to auto club AAA, Wright Express and Oil Price Information Service. That marked the first time since April 28 prices haven't risen overnight.

In the past month alone, gas prices have jumped more than 40 cents a gallon.

Fred Rozell, retail pricing director at the Oil Price Information Service, said part of the run-up can be linked to signs of a stabilizing economy, but there's no ignoring that fuel demand remains weak. Demand fell again at the end of May, according to the Energy Department. Also, refiners have begun at least somewhat to crank up production in recent weeks after months of scaling back.

"We probably had a mini-bubble here and, like all bubbles, they tend to go beyond what they should," Rozell said. "That doesn't mean prices won't start marching up again this week, but a lot of people are scratching their heads about why we've seen prices run up as much as they have."

Crude prices are rising because of an influx of money from Wall Street. Investors have used oil and other commodities as a hedge against a weak dollar. The dollar has fallen in large part because of the billions the government has spent on corporate bailouts, and that has attracted enormous sums of money to the oil markets.

The dollar, which fell further Tuesday against the pound and the euro, "seems to be driving the price of oil again," said Phil Flynn, an analyst at Alaron Trading Corp.

Crude touched above \$70 a barrel last week, the highest since October. Just how long a weak dollar can support prices like that, with the economy still in recession, is questionable. Crude in storage remains near record highs and demand in the US, the world's largest consumer of oil, is sluggish. But there are signs the global economy is improving. China's passenger car sales shot up nearly 47 percent in May from a year earlier, buoyed by tax cuts and other government incentives, the China Association of Automobile Manufacturers reported Tuesday.

Wednesday's release of petroleum inventory data from the Energy Department's Energy Information Administration could provide additional insight about crude demand. Analysts expect a rise of 800,000 barrels.

These days, "it's just a market that goes up easier than it goes down," said Jim Ritterbusch, president of energy consultancy Ritterbusch and Associates. "It's the opposite of a few months ago when oil seemed to fall on any kind of news," he said.

In other Nymex trading, gasoline for July delivery rose 1.1 cents to \$1.947 a gallon and heating oil rose 2.9 cents to \$1.797. Natural gas for July delivery fell 3.1 cents to \$3.70 per 1,000 cubic feet.

In London, Brent prices gained \$1.30 to \$69.18 a barrel on the ICE Futures exchange. ■

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