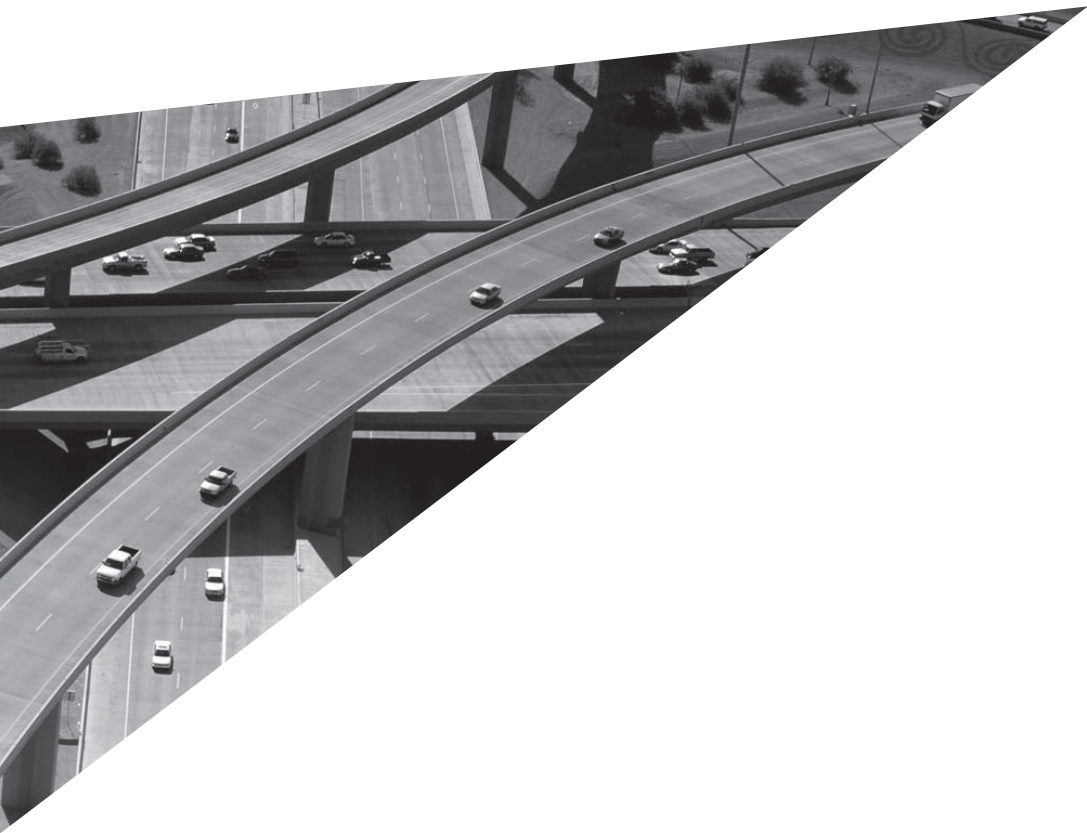


Drive for the green survey results



Drive for the green survey overview

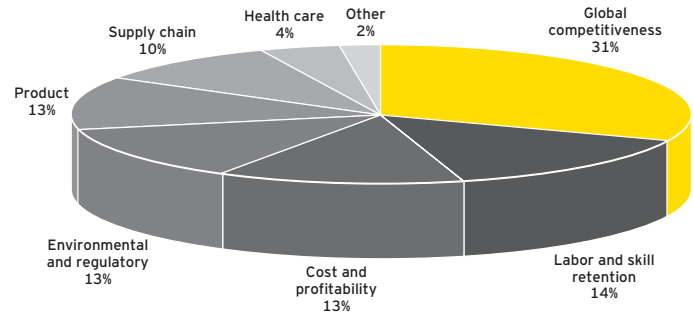
The Ernst & Young Drive for the green survey was developed to improve awareness of the key risks that North American automotive executives are faced with in day-to-day operations, as well as their major concerns over the next five years. The survey had three main questions; participants were asked to write in responses as well as rank and select key risks most applicable to their companies.

The survey was conducted at two of the year's major automotive events: the Global Automotive Aftermarket Symposium in May 2007 and the Management Briefing Seminars in August 2007. More than 280 executives representing aftermarket manufacturers, vehicle manufacturers (VMs) and original equipment component suppliers completed the survey; their responses are summarized in this report.

What is the most important challenge facing the automotive industry in the next five years?

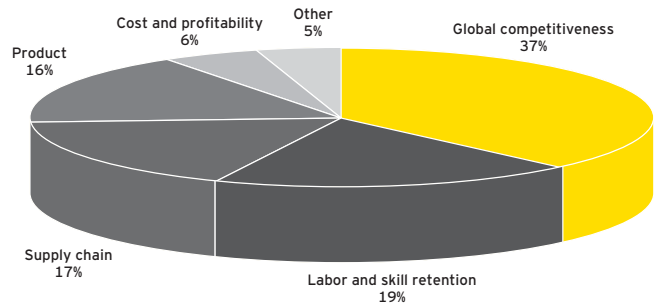
Executives were asked to write in a free-form response to this question, and when limited to listing just one top challenge the answers were quite illuminating. Ernst & Young grouped the responses into several categories, and as expected, the issue of global competitiveness dominated the discussion. Several other issues of roughly equal concern were ranked next by the entire survey population, including environmental and regulatory issues, cost and profitability challenges, product complexity and proliferation and labor and skill retention issues.

All respondents

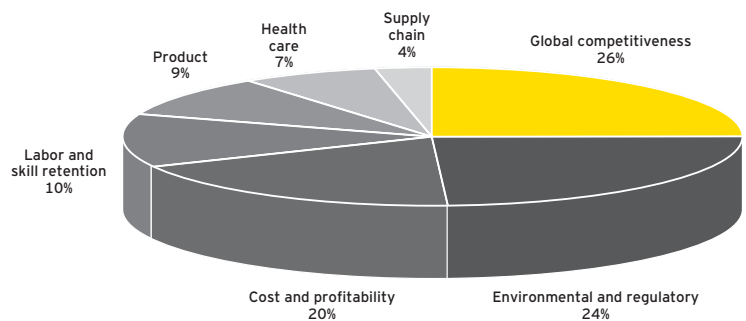


Looking at the aftermarket and VM/supplier respondents separately, some stark differences become evident. The current debate in the US Congress over fuel economy standards, as well as an increasing awareness of global warming issues, have put related challenges in this area almost on a par with global competitiveness for VM/supplier respondents. The issue was less important for aftermarket executives. Cost concerns for aftermarket respondents are likely wrapped up in global competitiveness challenges and competition from overseas manufacturers. Labor and skill retention, and supply chain challenges are more often top of mind.

Aftermarket respondents

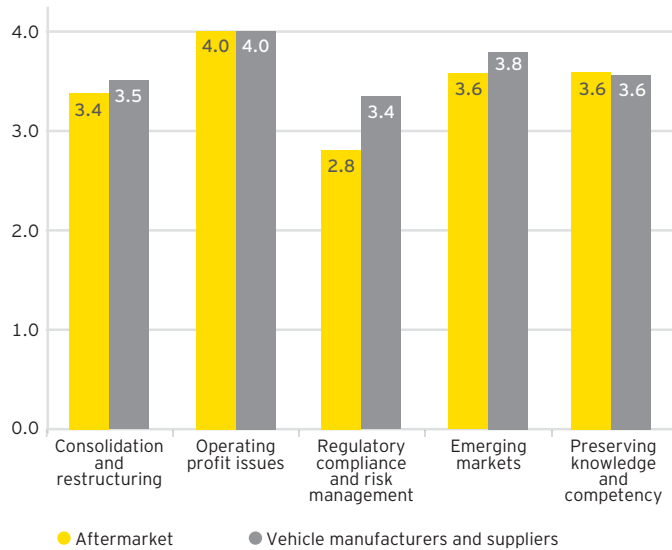


VM and supplier respondents



Rating mega trends

Executives were asked to rate the following mega trends as they related to their organization on a scale of one to five, where one is “not at all relevant” and five is “very relevant.” There was an opportunity to write in other responses as well.



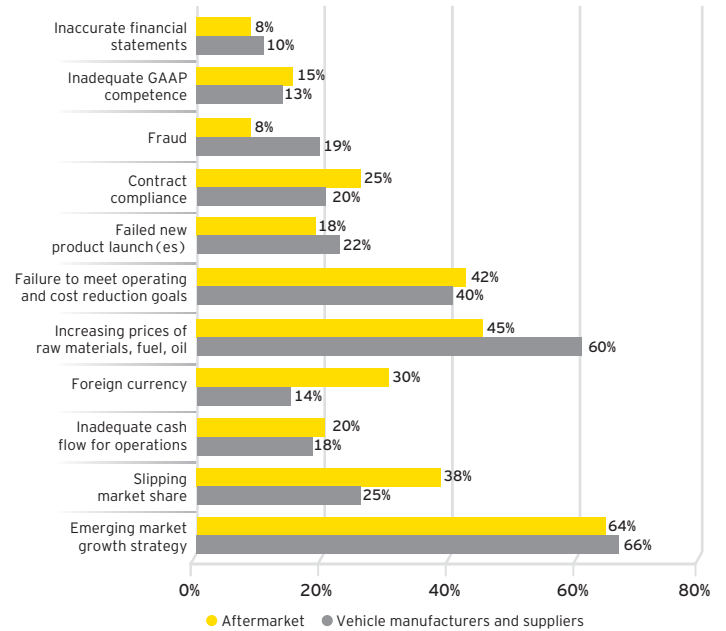
Operating profit issues were ranked the most relevant to both sets of respondents, reflecting the current environment in North America, where many manufacturers are experiencing poor operating performance, reduced profitability and increasing financial and bankruptcy risk. These profitability challenges have led to ongoing changes in organizational and operating structures, creating significant process improvement and cost reduction needs in these companies.

Emerging markets was the second most relevant trend for VM/suppliers, while preserving knowledge and competency were ranked as equally important by aftermarket respondents. As workers are displaced in the North American automotive industry and operations continue to globalize, the need to retain knowledge regarding key processes, including engineering, procurement, finance and accounting is increasing.

Regulatory compliance and risk management are currently overshadowed by the other industry trends, but could become more important as federal and state oversight of all aspects of the automotive industry becomes more prevalent.

Risks currently having the largest impact on your business

Executives were instructed to select from a group of risks the three that are having the largest impact on their business.



Emerging market growth strategy, increasing prices, and failure to meet operating and cost reduction goals were the top risks cited by both groups of respondents. While both VM/supplier and aftermarket respondents ranked emerging market growth strategy highest, the drop off to the second most cited risk of increasing prices was much smaller for the aftermarket executives. Increasing fuel prices harm their business in two ways. Drivers have less disposable income and are spending less on vehicle maintenance as a result, and the expense of shipping parts to and from retail outlets is increased. Factor in more complex logistics due to product proliferation and increasing part return rates, and it is easy to see why aftermarket producers are also highly concerned about meeting operating and cost reduction goals.

Other notable risks on the aftermarket side were slipping market share and failed new product launches, while VM/supplier respondents concerns about slipping market share were followed by foreign currency risks, even as the US dollar remains at historically low levels. Compliance (contract compliance, fraud) and financial reporting (inaccurate financial statements, inadequate GAAP competence) risks are seen as having less of an impact than the more strategic or operational issues cited above, but even here notable variations emerged. Aftermarket respondents are more likely to view fraud as a significant risk, while contract compliance is a more pressing issue for VM/supplier respondents.

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EYG No. ED0021

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