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## Penske calls off Saturn deal with GM

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*The Detroit News*

Detroit tycoon Roger Penske has terminated a deal with General Motors Co. for the Saturn brand after Penske's prospective provider of new vehicles pulled out.

The deal broke down after the Renault-Nissan Alliance decided Wednesday not to proceed with a deal to supply Penske with future vehicles for Saturn dealers, according to a source familiar with the discussions.

The deal's unraveling dooms about 340 dealers and the Saturn brand, which appeared to have been rescued this summer when Penske announced he had reached a memorandum of understanding with GM.

The deal was expected to be finalized as early as Wednesday, and dealers already had signed and returned new two-year sales and service agreements to Penske. Instead, GM will gradually shutter the dealerships, "in accordance with the wind-down agreements that Saturn dealers recently signed with GM," the automaker said Wednesday. Details are expected to be announced soon.

"This is very disappointing news and comes after months of hard work by hundreds of dedicated employees and Saturn retailers who tried to make the new Saturn a reality," GM President and CEO Fritz Henderson said in a statement. "Today's disappointing news comes at a time when we'd hoped for a successful launch of the Saturn brand into a new chapter."

Penske had hoped to finalize an agreement with Renault, whose South Korean subsidiary Samsung was expected to produce the vehicles. He had met with Renault SA CEO Carlos Ghosn as well as Ghosn's No. 2 at Renault, Patrick Pelata, according to the source familiar with the negotiations.

GM had agreed to supply the Aura sedan and the Vue and Outlook SUVs on a contract basis for a period of time. When the memorandum of understanding was announced in June, Penske said GM would supply those vehicles for at least two years.

Penske Automotive Group said in a statement Wednesday it had negotiated a deal with another manufacturer to provide vehicles once GM stopped supplying the three models. But the agreement was rejected by the unidentified manufacturer's board of directors. "Without that agreement, the company has determined that the risks and uncertainties related to the availability of future products prohibit the company from moving forward with this transaction," the Penske group said in the statement.

"The Saturn dealership network represented a unique opportunity for Penske," said Jeremy Anwyl, CEO of Edmunds.com. "The risk was sourcing product and that proved to be too much to overcome to complete the deal."

The expected sale had been hailed by dealers who were looking for Penske to bring stability to the brand and stop an erosion of vehicle sales that has accelerated since GM said it would shed Saturn along with Hummer, Saab and Pontiac as part of a massive restructuring. This year, Saturn sales are down 59.2 percent, the second-greatest decline among GM brands behind Hummer, which is down 61.5 percent.

"Wow, I'm, like, in shock," said Stuart Lasser, who owns three Saturn stores in New Jersey and was expecting to hear Wednesday or Thursday that a deal had been completed. "We've been hanging in there literally 8 to 10 months, waiting for this to happen, and now it's not happening."

GM, which emerged from bankruptcy court July 10 after shedding brands, billions in debt and thousands of employees, is focusing on Chevrolet, Cadillac, Buick and GMC.

Penske's deal with GM included the Saturn brand, the parts operation based in Spring Hill, Tenn., and a network of about 340 dealerships, and was expected to preserve 13,000 jobs.

The Penske Automotive Group Inc., which operates 310 franchises in the United States and internationally, sells 40 brands. Penske also distributes the Smart car, made by Daimler AG.

The Smart car and Saturn vehicles would have been sold in separate dealerships, Penske said.

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