

Hybrids gather dust at AutoNation dealerships

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AutoNation CEO Mike Jackson has a problem: There are way too many Toyota Prius hybrids sitting on his car lots across America.

They stretch "as far as the eye can see," Jackson remarked at The Wall Street's Journal ECO: nomics conference. He estimated he had some 600,000 hybrid cars "that no one wants."

Fort Lauderdale, Fla.-based AutoNation is the nation's largest car dealer, operating 302 new vehicle franchises in 15 states. In the final three months of 2008, its new vehicle unit sales dropped nearly 40 percent.

"I'm looking for a change in consumer behavior," Jackson said.

One way to motivate consumers to buy more hybrids is a national gasoline tax that would push gas-pump prices to the neighborhood of \$4 a gallon, Jackson said. This would help drive down petroleum prices, something that benefits U.S. chemical and airline companies.

This "would keep money in the good ole USA. What's wrong with that?" Jackson remarked.

One problem with changing consumer behavior is perception.

"This whole idea that small cars are unsafe needs to be exploited," said marketing guru Richard Edelman, CEO of PR firm Edelman. He shared the stage with Jackson for the discussion focused on what consumers

want and what they'll pay for it.

When home prices were soaring and the home refinancing business was raging and people had jobs and gas prices were low, Americans bought SUVs and big trucks in droves. Then last year, when everything went into reverse, U.S. car makers pulled the plug on SUV assembly lines and started pumping out the hybrids.

But now, gas prices have fallen from \$4 to around \$2 a gallon, and the economic argument for owning a hybrid is not as strong.

When consumers come to AutoNation looking to buy a hybrid on an economic basis, Jackson said the retailer closes a very small percentage of those deals. He said 5 percent of the retailer's customers buy a hybrid solely based on their environmental philosophy.

Hybrids aren't cheap. The suggested retail price of a Prius starts at \$22,000. It is said to get at least 45 miles to the gallon. By comparison, a Toyota Yaris sells for about \$14,000. It has a conventional engine and gets 36 miles to the gallon on the highway.

Added Ford CEO Alan Mulally, who was in the audience: "Until the consumer is involved, we're not going to make any progress."

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