



WASHINGTON AREA NEW AUTOMOBILE DEALERS ASSOCIATION

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For Immediate Release
May 30, 2009

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The Difference between the GM and Chrysler Reorganizations is Time
GM Has Planned a Lot more and that's Better for Dealers

The General Motors corporate reorganization is similar to that of Chrysler insofar as GM is following Chrysler into Chapter 11 bankruptcy and the U.S. government is a major stakeholder in each. But that's pretty much where the similarities end.

Unlike Chrysler, where the Italian automaker Fiat will lead the "NewCo" post bankruptcy, GM will wake up with itself post bankruptcy, which explains GM's plan to reorder (thin) its dealer network over the next 18 months as opposed to one month as Chrysler is doing, pressured, as they appear to be, to hurry it up by Fiat. Cause and effect notwithstanding, the GM reorganization works better for dealers - those who have a future (franchise) in the new GM and those who don't - because everyone has until the end of 2010 to work things out. Compared to Chrysler dealers, who were only told earlier this month that they were losing their franchise June 9, 2009, GM dealers have far more reason to be optimistic that they can avoid financial catastrophe because they have the time.

"Eighteen months to wind down or ramp up a dealership in the new GM is an eternity compared to what Chrysler dealers are being forced to do in little more than one month and with a little more than a week from this point," said Gerard Murphy, president of the Washington Area New Automobile Dealers Association (WANADA). "Both companies may well emerge from these bankruptcies and be all the stronger for the reorganizations, but the Chrysler dealers, particularly the ones being dropped, are subjected to far greater hardship and potential ruin," he said.

GM is divesting itself of about one in five dealer franchisees nationwide, which will probably hold true in metropolitan Washington. Of the 63 GM franchise holders in the area, 12 may be losing their franchises. This compares with 53 Chrysler product franchise holders in the area, where one in four franchises were revoked, affecting 14 dealers.

"As was the case with Chrysler, the GM dealers slated to lose franchises won't necessarily lose the entire dealership, since most dealers in the region will have more than one franchise that they handle in different locations, or in some instances, more than one franchise under one rooftop," Murphy said. "In the end, there will be some dealers who lose their franchises and go out of the automobile business entirely," he said. "Most, however, will continue on as new car dealers with different brands in the same locations because they own the land."

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A lot can happen in 18 months, according to Murphy, and he believes that some GM dealers slated by the corporation to stay in will go out, just as some slated to go out will stay in. It is noteworthy that the group of 1169 GM dealers across the country who have been notified their franchises won't be renewed doesn't include the Hummer, Saab, Saturn and Pontiac franchise holders that GM will also be divesting itself of as it systematically sheds these brands in the months ahead.

"With the pressure Chrysler dealers are under to get it all done by June 9, there is greater risk of financial harm to these local businesses, which plays out in more lost jobs, lost revenue to state and local governments and harm to the community," Murphy said. "Hopefully, the GM reorganization works better for dealers."

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