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Automobile Dealers Might Yet Be Pulled Into The Consumer Financial Protection Agency

Thanks to NADA, automobile dealers are slated to be exempted from oversight by the federal consumer protection agency being proposed by Sen. Christopher Dodd, (D-Conn), chairman of the Senate Banking Committee. But whether this remains the case will be determined as Congress weighs pressure from a variety of consumer groups *and* the Department of Defense to include them. The Dodd measure comes after months of haggling on Capitol Hill about whether such an agency needs to exist at all, though President Obama has made it the cornerstone of his plans to square away the banking system and credit providers so consumers get more respect.

The Obama administration wants nearly all lenders under federal oversight for the first time, but Sen. Bob Corker (R-Tenn.), the leading Republican on the Senate Banking Committee, has insisted on limiting the scope of the proposed consumer agency and also whether it should be an independent agency, arguing there is no reason for increased oversight of industries that played no role in the financial crisis.

An alliance of consumer advocates and banking trade groups argue that the government should impose equal stringencies on all lenders, banks and non-banks alike. And, now even the Defense Department has joined in, sending a letter to the Treasury Department urging that auto lenders be included for oversight because of a pattern the agency says exists of abusive lending to military personnel.

"We believe the intervention of the [Consumer Financial Protection Agency] in overseeing auto financing and sales for service members will help protect them and will assist us in reducing the concerns they have over their financial well-being," Defense Undersecretary Clifford Stanley wrote in a letter dated Feb. 26.

Ed Tonkin, chairman of the National Automobile Dealers Association, said the practices cited by the Defense Department are already illegal.

"Creating new regulatory mandates on top of the numerous federal and state requirements that already govern auto financing will only drive up costs, limit vehicle financing options and, for many consumers, effectively eliminate their ability to obtain financing to meet their vehicle needs," Tonkin said.

Sen. Dodd will introduce his measure on Monday and hearings on the proposal are set to commence shortly thereafter. Stay Tuned.

Rep. Van Hollen Calls on Chrysler to Follow GM's Reinstatement Example

Rep. Chris Van Hollen (D-Md.) the sixth-ranking House member and the leader of the Democratic Caucus this week called upon Chrysler to follow GM's lead and reinstate rejected dealerships.

"There's no quicker or easier way to rebuild sales and the value of the Chrysler brand than to reinstate its terminated car dealerships," Van Hollen, D-Md., told *Automotive News* earlier this week.

Van Hollen, who represents numerous WANADA members who do business and/or reside in Montgomery County, Md., played a pivotal role in the passage of legislation that provided the arbitration option for rejected GM and Chrysler dealerships seeking reinstatement.

GM this week finished notifying 661 of the 1,160 dealers it rejected that it is prepared to reinstate them *without* arbitration if they meet the terms of its new agreement. Chrysler has said it has no plans to do the same with *any* of the 400 or so dealers that it terminated in the bankruptcy proceedings of last spring who are seeking arbitration.

"Dealer appointments will be a function of the arbitrations," a Chrysler spokesperson told *Automotive News* in an e-mail. "The company looks forward to the expeditious completion of the arbitration process."

Chrysler also denied a request by Tamara Darvish of DARCARS, co-chairman of the Committee to Restore Dealer Rights, "To discuss the reinstatement of the rejected dealers who had their franchises so abruptly taken and were unfairly terminated."

Meanwhile, the arbitrators for those GM dealers who weren't invited back will proceed forward in arbitration, along with the Chrysler dealers. As prescribed in the law, arbitrations to determine reinstatement are slated to conclude by June 30, or 180 days from initiation of the legally-mandated start time of the arbitration.

Social Media and Selling Cars

What motivates consumers to begin looking for a new vehicle? Need, is usually the first answer, but new research suggests that social media is playing an ever increasing role, serving as the “nudge” that gets someone thinking about buying a new vehicle even though he or she may not need one or need one right away.

CNW Research, a firm that has been looking into how consumers use media to help them decide on what, when and where they will buy a vehicle, has just released a new study which suggests that blogs, chatrooms, Twitter, Facebook and the hundreds of other social media sites are the major motivators in getting consumers thinking about buying a car or truck. Indeed, fully 56% of all buyers indicate they got their initial “push” through these media.

That may explain why all the auto companies are ramping up to utilize social media, particularly for smaller entry-level vehicles targeted at young adults. To cite just one example, Chevrolet is making extensive use of social media at the upcoming South by Southwest music festival in Austin, Tx. to promote its Camaro, Volt and Cruze models.

In one instance it is partnering with a social network called Gowalla to allow its users to “check in” with friends on where they are, sign up for a free ride and receive icons redeemable for festival gear. In another, cell phone users can take a photo of a Quick Response code on selected Chevrolet vehicles which launches a micro site on their phone with detailed information on the vehicle. In still another, cell phone users can download an iReveal application that will allow them to see the vehicle in 3D on the streetscape the viewer is seeing on their cell phone.

GM envisions consumers being able to use the technology to “download the price and options for a vehicle on a dealer lot right to their cell phone and/or preview different colors for the Camaro in their own driveway,” says Christopher Barger, director of global communications and technology for GM.

CNW Research suggests social media will continue to grow in importance as a source of information to consumers and that automobile manufacturers and dealers ignore it at their peril.

GM envisions consumers being able to use cell phone technology to “download the price and options for a vehicle on a dealer lot right to their cell phone and/or preview different colors for the Camaro in their own driveway,”



Most important media at beginning and end stages of purchasing a vehicle

Beginning –Blogs/Chatrooms (56.5%), TV Ad (10.7%), Consumer Magazine (9.9%)

One Month from Purchase – *Consumer Reports* (12.3%), Friend/Relative (11%), Newspaper Ad (10.7%), Third Party Site (8.3%), Dealer Site (6.2%), Blogs/Chatrooms (3.2%)

Two Weeks from Purchase – (Newspaper Ad (17%), Dealer Site (11.5%), *Consumer Reports* (10%), Blogs/Chatrooms (2%).

Source: CNW Research

The U.S. Fiat 500 Gets a Brand Manager



Chrysler has appointed a new executive to oversee the launch of the Fiat 500 into the North American market.

Laura Soave, who last worked for Volkswagen of America where she held marketing, advertising and communications responsibilities, is joining Chrysler to make sure the entry of the tiny Fiat 500 goes as planned in December this year.

She will report to Sergio Marchionne, CEO of both Chrysler and Fiat SpA, and joins Chrysler's four other brand chiefs who are responsible for Chrysler, Jeep, Dodge Car and Ram.

The 500 will be built at Chrysler's Toluca, Mexico plant. Production plans call for about 100,000 cars initially, increasing to about 130,000 a year. It will be sold in select Chrysler dealerships in urban markets and will be targeted at younger buyers.

Soave also worked as a brand DNA manager at Ford Motor Co. helping with the Ford, Lincoln and Mercury brands.

Volvo's Future Hinges on \$1.4 Billion Investment

Zhejiang Geely Holding Group Co. may have to spend at least \$1.4 billion to revive Volvo Cars after buying the Swedish brand from Ford Motor Co., Volvo union officials and board members said this week.

The figure would be “an absolute minimum” for financing car development, marketing, production and distribution in the next year, and the money needed could be double that amount, Glenn Magnusson, head of the managers’ union at Gothenburg, Sweden, said in an interview with *Bloomberg News*.

Ford and Geely are expected to sign a purchase agreement on the estimated \$2 billion transaction imminently with a formal agreement to be signed by the end of this month.

Regulatory approvals would come after that, followed by a transfer of ownership by June 30.

Geely has received funding in the past week to cover the purchase price from a combination of Chinese financial institutions underwritten by provincial governments there.

Ford, which lost \$30 billion company-wide in the three years beginning in 2006, put Volvo up for sale in late 2008 as part of a strategy to drop European luxury lines and concentrate on its namesake brand. The U.S. company acquired the division for \$6.5 billion in 1999. Geely, China’s largest private automaker based on 2008 sales, wants to gain insights into Western vehicle development and manufacturing through buying a mainstream European brand.

Geely hopes to build 200,000 Volvo cars a year in China. Volvo’s goal is to become profitable next year or possibly late this year through the introduction of smaller models. The last time Volvo reported a profit was in 2005 when it had pretax earnings of \$377 million.

Save the date: May 10, 2010

2010 WANADA OPEN

The 2010 WANADA Open will be played this year at Lakewood Country Club on Monday, May 10. The registration fee for the 2010 WANADA Open is \$225 per golfer and \$100 for those coming for cocktails and dinner only.

Register *early* by calling or e-mailing Kristina Henry, WANADA's director of events at (202-237-7200, ext. 18) or kh@wanada.org, or [click here](#) to download the registration form.

Note: With only one course, golf slots are available on a first come, first served basis.

From the Congressional Sausage Factory...

"We'll pass the bill, then you'll know what's in it."

House Speaker Nancy Pelosi, on the Democrat's healthcare legislation

Thought for the week ...

The Irish are well known for their toasts and blessings, so here's a curse:

May the curse of Mary Mallone and her seven blind, illegitimate step-children be upon you and chase you so far into the hills of damnation that the Lord himself couldn't find you with a telescope!

Don't try this at home

(Happy St. Patrick's Day)