THE WANADA BULLETIN
NEWS AND INFORMATION FOR AND ABOUT FRANCHISED NEW CAR DEALERS IN THE WASHINGTON AREA

WANADA Bulletin # 23-09 **June 12, 2009**

Headlines…

Legislation Introduced to Restore Dealer Rights for Chrysler and GM Franchisees
GM Gives on Go Forward Agreement
Former Chrysler Dealers Win Key Rights
WANADA Dealer Briefing on Bankruptcies and Industry Turmoil
Saturn Looks to Create a New Auto Retailing Model
"Cash for Clunkers" Moves Forward
I want our $5 million
Zipcar Sees Big Things Ahead
American Honda Turns 50

Thought for the Week…..

"I don't know a thing about making cars."

New GM Chairman- Edward Whitacre

Dealers Get Legislation Introduced in Congress to Restore Rights to Chrysler and GM Franchisees

WANADA Dealers and MD Congressmen Lead the Effort

The culmination of numerous dealer meetings with most members of Congress over the past 60 days and countless inter association conference calls between new auto dealer associations across the country has resulted in legislation in the House of Representatives to restore rights to Chrysler and General Motors dealers who lost their franchise in the bankruptcy reorganization of the two OEMs no less than those invited to go forward.

HR 2743, The Automobile Dealer Economic Restoration Act, was launched last Friday by Reps. Frank Kratovil (D-MD) and Daniel Maffei (D-NY) to be immediately co-sponsored by Rep. Chris Van Hollen (D-MD) and House Majority leader Steny Hoyer (D-MD). Van Hollen, a ranking member of the Democratic Caucus, has become the lead spokesman on the Hill for HR 2743 after being persuaded by constituent Montgomery County residents and dealers Jack Fitzgerald and Tamara Darvish that the legislation was needed.

The measure would preserve General Motors and Chrysler car dealers' rights to recourse under state law and require the companies to reinstate franchise agreements in effect prior to each company's bankruptcy while making clear that the legislation is not intended to undo the bankruptcy court ordered transfer of assets from Chrysler LLC to NewCarCo Acquisition LLC or the transfer of General Motors assets that could be approved by a court after introduction of the act.

Rep. Chris Van Hollen (D-MD) announcing to the media the Kravotil-Maffei-Van Hollen bill to restore Chrysler and GM Dealer rights on the lawn of the U.S. Capitol. He is flanked by sponsors including, Majority Leader Steny Hoyer and dealers including, WANADA Chairman Tamara Darvish and WANADA immediate past chairman Jack Fitzgerald.

As noted above, the legislation doesn't just reinstate rights for dealers being terminated in the bankruptcies, but also those who have been invited to continue on. Word from dealers slated to go forward with Chrysler and GM is that the new franchise agreements they've been offered are fraught with onerous franchise obligations that they didn't have before and could be difficult, if not impossible, to meet.

Shortly after the Supreme Court lifted its stay of the sale of Chrysler to Fiat this week, the bankruptcy judge wasted no time ruling on Chrysler's motion to terminate the 789 dealers in its U.S. network the OEM announced only a month ago. GM, which is engaged in its own bankruptcy reorganization, is going forward with a stated plan to accomplish dealer terminations by the end of 2010, although terminated GM dealers have been told they will receive no more new vehicles going forward.

Congressman Van Hollen assembled a media conference on the lawn of the Capitol this week with the original sponsors that included Rep. Hoyer and Maryland House Republican Roscoe Bartlett. Besides Mr. Fitzgerald and Ms. Darvish who had speaking parts at the conference, was a crowd of dealers and dealer association representatives who came out for the announcement of the legislation that already has 72 co-sponsors.

NADA and the U.S. network of state and metro associations affiliated with the Automotive Trade Associations (ATAE) are behind the legislation and are actively rallying members of the

House and Senate to come on board. While there has been concern for dealer rights expressed by senators, no companion bill as yet has been introduced in the Senate.

Besides WANADA leaders Darvish and Fitzgerald being on hand at the press conference, there were dealer leaders from MADA and VADA in attendance along with leadership from NADA, AIADA and NAMAD.

At this writing, Congressman Gerry Connolly (D-VA) from Northern Virginia is onboard with HR 2743 with WANADA working to bring on Reps. Jim Moran (D-VA) and Frank Wolf (R-VA) from Northern Virginia and Rep. Donna Edward (D-MD) from the Maryland suburbs to round out the Washington area delegation.

Rep. Hoyer said Rep. Barney Frank (D-MA), chairman of the powerful House Financial Service Committee would consider the bill in the next week or so. “This legislation says that the dealers’ contracts should be honored, and closings should be done in accordance with those contracts and state law,” Hoyer said, acknowledging that time is of the essence on the bill.

WANADA will keep all dealer members informed of the progress on HR 2743, here in the weekly WANADA Bulletin and via special Bulletin alerts.

GM Gives on “Go Forward” Agreement

Meeting with NADA leads to important rights for dealers

GM dealers going forward with the company gained some significant concessions last week as GM responded to outrage from dealers and NADA over the initial Participation Agreement it offered them.

In a letter sent this week, the company makes clear that while sales and inventory requirements may be greater for ongoing dealers; these will be mutually agreed upon in the course of a reinvention business plan meeting with each continuing dealer in the first quarter of 2010. GM says the increased sales expectations will be implemented in the second half of 2010 or in the 2011 calendar year, and will be based upon overall market factors. It also notes that inventory requirements will be based on these agreed upon sales expectations.

The letter also makes clear that:

- All dealers will be expected to have an exclusive GM showroom by December 31, 2009.
- In some markets, GM will expect totally exclusive GM facilities, while in others there may be dual use facilities other than the showroom allowed.
- GM will meet with dealers to develop a plan for exclusive facilities or facilities where there may be shared elements.
- GM is willing to work with dealers reasonably with respect to exclusivity decisions and dates for completion.
- GM intends only to realign dealers, not add dealers to a market.
- GM will only seek a remedy for breach of contract under the terms of the Dealer Agreement construed according to state law.

- The language of the Dealer Agreement will largely be governed by the dealer's state law.
- The clarification letter is to be signed by the dealer to supplement the Participation Agreement.
- Dealers have until June 15, 2009 to return the Participation Agreement.

Former Chrysler Dealers Win Key Rights to Ease Wind down

Tuesday June 9, 2009 marked the end for 789 Chrysler franchise holders. But before it all became final and after a great deal of pressure from Capitol Hill, NADA and their state and metro associations, like WANADA, they did manage to hold on to a few critical elements of their businesses.

Site control - Chrysler agreed that the site control agreements will be rejected along with the dealer agreements, meaning that rejected dealers will be free to use their real estate as they see fit.

Preemption of state dealer laws - Chrysler agreed to limit the preemption solely to dealer laws that conflict with the terms of the bankruptcy court order or the impact of the rejection and removed the provision extending it to assumed dealers.

Right to advertise, sell or repair Chrysler products – Chrysler agreed that these things can be done by a rejected dealer as long as it does not hold itself out as "an authorized dealer." Rejected Chrysler dealers can also trade Chrysler vehicles.

Use of trademarks - Rejected dealers may use Chrysler brand and model names to identify and advertise vehicles for sale to the extent permitted by state law for any dealer.

Rejected Chrysler dealers were also given and extra week, until June 15, 2009 to opt into the vehicle allocation program.

And significantly, Chrysler affirmed that warranties will follow Chrysler vehicles sold by rejected Chrysler dealers, an important comfort factor, not just for the dealers, but for existing and prospective customers too.

WANADA Dealer Briefing on Chrysler and GM Bankruptcies and Industry Turmoil Draws Dealers of All Brands

In the fray and swirl of the auto industry turmoil, WANADA sponsored a member briefing this week with auto dealer lawyer Mike Charapp, bankruptcy lawyer Jason Gold and NADA chief counsel Andy Koblenz to discuss the "works in progress" of the Chrysler and General Motors bankruptcies in the context of an auto industry in the throes of recession.

WANADA Chairman Tamara Darvish opened the Briefing with a perspective report from her position on the Unsecured Creditors Committee to the court proceedings on the Chrysler bankruptcy.

WANADA dealers of all lines were in attendance to hear the latest developments in the bankruptcies and their impact on dealers which each automaker is terminating, no less than those invited to continue on. While the circumstances of each OEM bankruptcy are unique,

many of the manufacturer/dealer relations issues are on common ground with important lessons and alerts for all dealers.

Mike Charapp, who heads the National Association of Dealer Counsel and has been substantially engaged in the Chrysler and GM reorganizations from the dealers' standpoint, chaired the briefing panel which fielded a wide gamut of dealer questions in the hour-long briefing which ran nearly two.

WANADA is grateful to Messrs. Charapp, Gold and Koblenz for a well constructed, timely and useful briefing.

Saturn Looks to Create New Auto Retailing Model

Purchase by Penske Opens Door to Greater Local Control

When Roger Penske puts pen to paper and completes his proposed purchase of Saturn, he will be inaugurating a new model in automotive retailing, one where the local retailer will play a significantly larger role in determining what models will sell in the area and what level of inventory for each they will carry. They will also have much greater control over the look and feel and sales and service experience of their retail operation. That's because Saturn retailers will not be franchise holders, but rather retail points for the Saturn distribution company.

Saturn will continue to retail Saturn products built by GM for the next three years, but Saturn will determine what those will be and how many it will buy from GM. Over the next 12 to 18 months, it will also be adding to that line-up with vehicles sourced from around the world. Saturn retailers aim to be in new car retailing what Carmax is in used vehicle retailing, a distinctive and recognizable retail operation with a variety of brand products to suit every taste.

Carmax builds it inventory largely on the basis of what the local market demands and prices the vehicle in the same manner. Economist would describe this as a "pull" system. Franchise auto dealers, in contrast, are "push" systems, functioning largely as a buffer between a manufacturer's need to run its plant at optimal and the local markets ability to absorb that production.

Franchised dealers have long argued for more local control but manufacturers have never granted it because, until very recently, they have never had the flexibility in their plants to be able to fine tune production to consumer demand

The new Saturn comes along at just the right time with GM needing a retailer to continue to deliver its Saturn product, many new car makers looking for low cost entry into the U.S. market and still others looking for outlets for profitable niche products. Penske has already demonstrated he understands these needs in securing the exclusive Smart Car distribution rights.

“Cash for Clunkers” Moves Forward

House passes legislation to trash gas hogs for cash, boost new car sales

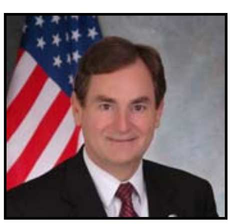
The House overwhelmingly passed legislation this week to give consumers vouchers worth $3,500 to $4,500 to turn in a vehicle rated at 18 mpg or less for one rated at 22 mpg or greater. The effort, which has the support of the White House and the backing of NADA, AIADA and the automakers is expected to boost sales of new vehicles by as much as one million units.

Whether similar legislation passes the Senate is still up in the air. Objections have been raised about the source of funding for the front running plan, sponsored by Sen. Debbie Stabenow (D-Mich.) and Sens. Diane Feinstein (D-Calif.) and Susan Collins (R-Maine) who together this week introduced a measure that calls for the voucher to be made available for trade-in vehicles rated at 17 mpg or less, rather than the 18 mpg in the House legislation.

As the Bulletin went to press, it appeared the Senate and House had reached compromise on the legislation and provided funding for the plan that will total approximately $1 billion. That should be sufficient to cover the cost of the program through September of this year, when the legislators hope to find the additional $3 billion likely needed to fully fund the program.

I want our $5 Million Back

The Indiana Man who almost scuttled the Chrysler/Fiat Alliance



Say what you will about Indiana State Treasurer Richard Mourdock, but he is a persistent man and determined to stand on principle. It was he who pursued his pension fund’s rights to the bitter end in the Chrysler LLC bankruptcy proceedings and it all turned on about $5 million. That is the loss the Indiana State Pension Trust and the Indiana Major Moves Construction Fund would have suffered in the structured bankruptcy proposed by the Auto Task Force and ultimately accepted by the bankruptcy court.

Mourdock felt that as a secured creditor, the funds would have gotten more in liquidation, however, and so he pursued every legal challenge available. Now, it appears the funds will get significantly less that the 16 cents per share loss they were offered when they bought at 47 cents per share and were offered 29 cents per share) and have to wait quite some time even for that money. It is also unclear how much the state spent in pursuing its claims, though it is known that the attorney it hired charges as much as $900 per hour.

Zipcar Sees Big Things Ahead
IPO planned

Zipcar Inc., the car-sharing company that began with a single lime-green VW Bug in 2000 and has grown to a fleet of 6,500 autos, plans to file for an initial public offering early in 2010.

CEO Scott Griffith says the company will post sales of $120 million this year and aims to grow to $1billion in sales within a decade. It currently has 300,000 members who pay an annual $50 membership fee and operates in 28 states.

The potential market for car-sharing worldwide is thought to be in the range of 37 million customers and $10 billion a year in revenue, which has prompted Hertz to announce its own sharing service with 1,000 vehicles in New York City by 2010.

American Honda Turns 50

Honda reached its 50th anniversary in the U.S. this week. Hard to imagine for a little motorcycle company that began with a handful of dealers selling the Honda 50 scooter size bike. Today the Honda brand is everywhere and the company is renowned for the quality and performance of all its models and products, a long way from the $1,295, N600 two-cylinder car with which it began.

WANADA congratulates all its Honda/Acura dealer members on this eventful anniversary!