

WANADA Bulletin # 48-08

December 5, 2008

## INSIDE THE BELTWAY

### Washington Area Dealers Rally for Detroit Automaker Relief *Chrysler President Jim Press and Others Take Media To Main Street at DARCARS*

“This isn’t about Wall Street or board rooms full of high-brow executives. This is about Main Street. This is about jobs and preserving our manufacturing base in America. This is about maintaining our way of life,” said Chrysler president and vice chairman Jim Press in an address to Washington Area automobile dealers, who rallied at DARCARS Chrysler Jeep Dodge in New Carrollton (MD) on Wednesday (Dec. 3) in support of financial assistance from the U.S. government for the Detroit’s automaker.

Hosted by WANADA Chairman Tamara Darvish of DARCARS Automotive Group, the 200 plus rally, perhaps the first of its kind in the country, featured “a walk down Main Street” that included a lineup of speakers who depend in one way or another on dealers and the automobile industry.

Mr. Press offered a view from “the inside out at Chrysler” that stressed the multiple “restructuring and revitalization” steps his



**Jim Press (left) drew a large media turnout at the DARCARS dealer rally.**

company has undertaken in just the past year, which caused a profit in the first half of 2008. “But in the last 90 days, with the destruction of consumer confidence and credit constrictions, all the problems that began from outside are affecting

industries globally,” he said. “We’re not here [in Washington] because we want to be. This is a necessity. This is about jobs and preserving our company.” Without a bridge loan from the government,

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### NADA Commends Federal Action to Increase Availability of Auto Loans *Treasury Announces New Troubled Asset Relief Program*

The U.S. Treasury and Federal Reserve announced last week new programs to increase the availability of auto loans.

“This is great news for consumers and auto dealers alike,” said NADA Chairman Annette Sykora. “These steps will go a long way toward helping restore the consumer confidence that we need to return our country to economic stability. Dealers will be making sure their customers are fully aware of the new opportunities they have when it comes to auto financing.”

The Federal Reserve will establish a \$200 billion Term Asset-Backed Securities Loan Facility (TALF), which will, in turn, facilitate the issuance and sale of securitized auto loans. Utilizing the Troubled Asset Relief Program (TARP) funds, Treasury will provide \$20 billion of credit protection to the Federal Reserve in support of the TALF.

“By providing liquidity to issuers of consumer asset backed paper, the Federal Reserve will enable a broad range of institutions to step up their lending,” Treasury Secretary Henry Paulson explained. He added that this

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## New Vehicle Sales Here Track 2008 Downturn Through Sept. 30

### WANADA Area Report Shows 18% Decline

Sales of new vehicles in the Metropolitan Washington Area for the first nine months of 2008 were down 18%, compared to the same period in 2007. In total, 176,281 new vehicles were registered in three quarters of 2008 in the nine locality region measured for WANADA by R.L. Polk.

Fewer vehicles were sold here in the third quarter (57,804) than in the second quarter (63,916), but the third quarter yielded more sales than the first quarter (54,561). The third quarter (July-Sept.) was off more than the other two quarters, down 19.5%.

Trucks as a percentage of all new vehicles sold here were 39.5% of all sales for the nine months of 2008. For all of 2007, trucks were 45% of all sales, the downward trend in 2008 reflecting higher gas prices which peaked last summer. Import share, cars and trucks, was 68.3% of all vehicles sold in the nine month period.

Nationally, import brands edged out domestic brands thus far in 2008 at 52% of all sales. Correspondingly, new, light-duty truck sales nationwide are at about 48% of all sales so far in 2008, down from about 52% in 2007.

The complete WANADA Area Report, September 30, 2008 YTD, is enclosed with this Bulletin.



**Dottie Fitzgerald, Fitzgerald Auto Malls, answers a radio reporter's questions at DAR-CARS's dealer rally.**

#### WANADA Area Sales Report 3rd Quarter 2008 vs. 2007

Vehicles	'07 Sales	'08 Sales	YTD
Domestic Cars	8,943	8,407 (-6.0%)	24,625 (-17.1%)
Import Cars	30,992	26,878 (-13.3%)	81,952 (-8.7%)
Total Cars	39,935	35,285 (-11.6%)	106,577 (-10.8%)
Imports as a % of All Cars	77.6%	76.2%	76.9%
Domestic Trucks	14,802	9,730 (-34.3%)	31,279 (-31.8%)
Import Trucks	17,033	12,789 (-24.9%)	38,425 (-22.5%)
Total Trucks	31,835	22,519 (-29.3%)	69,704 (-27.0%)
Trucks as a % of All Vehicles	44.4%	39%	39.5% (-4.9%)
Imports as a % of All Trucks	53.5%	56.8%	55.1%
Total Imports (Cars & Trucks)	48,025	39,667	120,377
Total Imports as a % of All Vehicles	66.9%	68.6%	68.3%
Total Cars & Trucks	71,770	57,804 (-19.5%)	176,281 (-18.0%)
Source: R.L. Polk Company, by contract with WANADA			

## Availability of Auto Loans

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will allow borrowers to have access to lower cost auto loans.

"The economic health and well-being of our nation depend on a robust automotive industry," Ms. Sykora said in a Nov. 7 letter to Secretary Paulson and Federal Reserve Board Chairman Ben Bernanke. "Auto sales constitute 20 percent of all retail spending in the United States, and millions of Americans rely on our industry for their livelihood and financial security."

In establishing the TALF, the Federal Reserve retained the right to clarify its reach, which NADA is working through with the agencies to accomplish. "As pleased as we are with the actions by the Federal Reserve and the Treasury there is also a need for greater liquidity in the market for wholesale automotive inventory loans (floorplaning)," Ms. Sykora said.

"We call upon the regulators to confirm that the TALF eligibility requirements reach floorplan securitizations," she said. "This would help ensure that dealers have the selection of vehicles that consumers want to buy when they come in to use the auto loans that the government has now freed up."

## INSIDE THE BELTWAY



**WANADA Chairman Tamara Darvish (left) waves petition to be delivered to Congress at the DARCARS rally. NADA Chairman Annette Sykora, who also spoke at the rally, said "dealers are not the problem."**

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Mr. Press said, "Chrysler could run into trouble paying its bills in the next quarter."

The economy won't rebound unless the auto industry rebounds, Mr. Press said, and consumer confidence must be addressed. Tax incentives to vehicle consumers, like the proposal Sen. Barbara Mikulski (D-MD) recently put before Congress to make title tax and car loan interest deductible, is a step in the right direction, Mr. Press believes. Of course, government assistance is imperative, Mr. Press emphasized, because "that gets us from now until 2010."

#### The Domino Effect

Ms. Darvish used the DARCARS Automotive Group as an illustration of the impact dealerships have on their communities. With 19 dealerships representing 26 franchises, DARCARS has 2,000 employees, and typically sells 25,000 vehicles a year to Maryland consumers, which generates sales taxes approaching \$30 million a year. Residually, Ms. Darvish said DARCARS does \$83 million in its business dealings with 233 contractors and vendors, and raises or contributes over \$2 million per year to local charities.

"These are just a few examples of how deep the roots of a dealer organization go, and of where the pain would be felt locally if any of the manufacturers which provide us with vehicles slowed down or stopped doing so," said Ms. Darvish. "That's why these loans from the government are so critical," she said.

Both Ms. Darvish and NADA Chairman Annette Sykora, who also spoke at the event, rejected bankruptcy as an option. "Let me be clear," said Ms. Sykora, a dealer from Texas: "Nothing would do more to hurt the future of an automaker and its dealer body than if it declared Chapter 11 bankruptcy. Customers will simply not purchase a vehicle from that manufacturer. Who would?"

Ms. Darvish asked all in attendance to sign a petition supporting assistance to the industry, in the form of S 3684 & HR 7273, legislation providing tax



incentives to boost auto sales. "We want to tell Congress that if they don't let us down, we surely won't let them down," Ms. Darvish said.

#### Other Voices

The dealer rally at DARCARS, where scores of WANADA dealers turned out, also

fielded speakers from other professions and businesses who presented their concerns with the plight of the auto industry.

- Corky Crovato, president of Crovato Products and a WANADA Kindred-Line member, stated the importance of the auto industry to his success at the outset. He then distinguished between a bailout and a bridge loan. "The auto industry isn't in town this week seeking a handout, but rather they're here a loan from the government which they'll pay back with interest," he said. "The media needs to remember this, and stop over simplifying and distorting the facts."

- Ric Glenn, WANADA and MADA's regional manager for Automotive Youth Educational System (AYES), pointed out that AYES has placed 14,000 students – over 1,000 in the region – in productive jobs in the past 12 years, working through 400 high school programs across the country. He also emphasized the opportunities dealership jobs present to "at risk" students, such as those at Ballou High School in the District, where a WANADA supported program trained and placed 16 auto tech students last year. "They will become collateral damage if bridge loans to the industry are not provided," he said.



**Corky Crovato**

- Small businessman Phillip Gainly, owner of nearby Jerry's Seafood, said the weakness in auto retailing had contributed to a 30% decline in his restaurant business, which caused him to make cuts in his operations, which included staff reductions.

- Donna McKelvey, executive director of the regional Leukemia and Lymphoma Society, pointed out that the auto industry helped raise over \$2 million for them last year and over \$1 million in the Washington Area through the WANADA-supported Bobby Mitchell Hall of Fame Classic. "We are only a small example of charities that would be devastated with a compromised

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## **"Things a Dealer Should Know in These Challenging Economic Times"** **BWI Marriott, Thursday, December 11, 2008, 10:00 am to 12:30 pm**

Dealers, GMs, controllers and key managers won't want to miss this opportunity to polish their survival skills. WANADA & MADA will be hosting a seminar conducted by Mike Charapp, Charapp & Weiss, that will address the following issues:

- Dealing with Finance Sources-Floorplan;
- Dealing with Finance Sources-Retail;
- Getting What You Pay For From Your Suppliers;
- Protecting Against Customer Claims; Protecting Against Employee Claims;
- Establishing an Internal Loss Control Policy; and Franchise Rights;

Register today by completing the enclosed registration form and returning it to Maryland Auto Dealers Association at (their new address ) 7 State Circle, Suite 301, Annapolis, MD 21401.

### **INSIDE THE BELTWAY**



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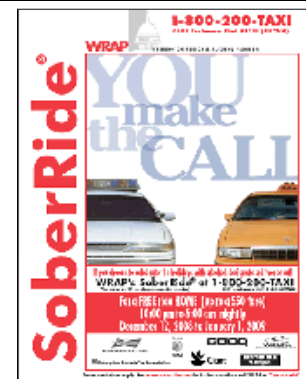
auto industry, so we're hopeful Congress will pass this legislation."

• Frank Rhodes, the great grandson of Chrysler founder, Walter P. Chrysler, charted the many contributions of the company over the past 80 years, and reminded the rally of the success of Chrysler in retiring the historic government loan it received in 1979.

"We're here to ensure that in these difficult times we emerge stronger than ever before," said Jim Press. "We're going to win this."

## **Holiday SoberRide Campaign** **Dec.12 - Jan. 1, 10:00 pm—6:00 am**

Get a jump on the Holiday season and do your community a great service by displaying the enclosed SoberRide posters. Revelers can receive a free cab ride home (up to a \$50 fare), by calling 800-200-8294 (TAXI) or #8294 (TAXI) on their AT&T phone. Callers must be 21 or older to use the SoberRide service. Visit [www.SoberRide.com](http://www.SoberRide.com) for details.



### **Thought for the Week...**

This isn't about Wall Street or board rooms full of high-brow executives.  
 This is about Main Street in America.

—Jim Press, president of Chrysler, at the DARCARS Rally for federal assistance to the auto industry.

### **Enclosures**

- WANADA Area Sales Report, Sept. 2008 YTD
- Polish Your Survival Skills Seminar Registration Form
- 2008 Holiday SoberRide Posters
- 2008 Holiday Closing Posters