



# THE WANADA BULLETIN

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

WANADA Bulletin # 49-08

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## BREAKING NEWS!

### **Auto Rescue Plan Runs Out of Gas in Congress... ...But White House “Stands Ready to Prevent Imminent Failure”**

#### *Senate Deadlocks Over Wages Big 3 Look to Bush as Last Hope*

An eleventh-hour effort to salvage the \$14 billion rescue plan for the domestic automobile industry collapsed late last night as Republicans and Democrats failed to agree on the timing of deep wage cuts for union workers, killing the legislative initiative and threatening America's automakers with bankruptcy.

Following the collapse of the talks, the Senate vote was 52-35 (10 Republicans joined 42 Democrats to vote “yes”), eight votes short of the 60 needed to override a Republican filibuster. On Wednesday, Dec. 10, the House voted, largely along party-lines, 237-170 to approve the Auto Industry Financing and Restructuring Act (H.R. 7321), which would have provided \$14 billion in loans to the nation's ailing automakers.

With the issue now dead in Congress for this year, the only viable option left is an appeal to the Federal Reserve for the loan, or to Treasury Secretary Henry M. Paulson to exercise his executive authority in providing emergency funding from the government's \$700 billion financial rescue program. The White House has resisted this strategy so far because, arguably, these funds are intended to stabilize the financial services industry, and that alone.

However, the Bush White House negotiated a compromise with House Democrats that led to passage of the bill in that chamber, and urged approval of the proposed plan in the Senate. So, hot on the heels of the Senate's action voting down the legislation last night, President Bush and Secretary Paulson signaled this morning of the

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#### *WANADA Joins Massive Dealer Lobbying Effort for Aid to Automakers*

WANADA representatives were among 150 or more dealers and association executives who stormed Capitol Hill this week as part of an NADA “fly in” lobbying effort in support of a rescue plan for the Big 3. WANADA Chairman Tamara Darvish, along with WANADA CEO Gerard Murphy and former WANADA Chairman Jack Fitzgerald joined with sister associations in Maryland and Virginia to speak with congressmen and senators from the region.

Contact was made with Sen. Ben Cardin (D-Md.), Rep. Chris Van Hollen (D-Md.) and Rep. Frank Wolf (R-Va.). In addition, WANADA has arranged numerous broadcast and print media interviews with WANADA dealers speaking on the issue, which this week included Ms. Darvish, Mr. Fitzgerald, Vince Sheehy of Sheehy Auto Stores and Sam Weaver of Chevy Chase Acura. WANADA also remains in close communication with NADA and other dealer associations through regular conference calls organized by NADA's Legislative Office

#### **NADA Issues National “Call-to-Action”**

NADA continues to stress the following “talking points” to dealers speaking to public officials and news reporters:

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## BREAKING NEWS

## Dealers Lobby for Relief

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**1. Inaction by Congress would devastate not only the manufacturers, but dealers and the economies of "Main Streets" across America.**

Dealers employ 1.1 million people nationwide. Forced dealer closings will put people out of work, increase foreclosures, shutter storefronts, idle real estate, and reduce state, county, and town tax revenues.

**2. Bankruptcy is NOT an option.** Bankruptcy of an automaker would destroy consumer demand for that company's vehicles and put dealers out of business.

**3. Dealers are part of the solution.** Dealers are independent entrepreneurs who invest billions of dollars of their own money in land, buildings, training, advertising, personnel and advanced technology to sell and service vehicles.

- Without revenue from dealers, the factory assembly lines would screech to a halt.

- Manufacturers have externalized the significant risks of retailing automobiles to dealers. Dealers carry on average \$4.9 million of new car inventory, and must bear the risk of the huge capital investments in retail facilities and operations.

**4. State franchise laws are critical to maintaining a strong dealer network.** All 50 states have enacted motor vehicle franchise relations laws to inject balance in the inherently one-sided financial interaction between a dealer and the manufacturer, which provides consumers with a reliable, convenient and competitive retail network for automobile sales and service.

- The cost of capital for investment in a dealership would be significantly greater without the prospect of fundamental fairness provided by the state franchise laws.

- Rather than stabilize the troubled automobile industry, the pre-emption or suspension of state franchise laws would further threaten the economic stability of Main Streets across the nation.

**5. Congress should pass legislation providing tax incentives to boost auto sales.** S. 3684 and H.R. 7273, put in motion by Maryland Senator Barbara Mikulski, would permit new car buyers to deduct the interest on their car loans as well as title tax from their personal income taxes. The car loan deduction would be available for the life of the loan.

Dealers are urged to open a channel of regular

communication with their elected officials in Congress and stay in touch with them on this issue. Members of Congress can be reached locally through the Capitol switchboard at (202) 224-3121 and NADA's Legislative Office has set up a dealer hotline for questions at (800) 563-1556.

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## Senate Deadlock

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administration's openness to intervene and make the loans to the automakers. By midday today, Secretary Paulson said that the Treasury Department "stands ready to prevent an imminent failure until Congress reconvenes and acts to address the long-term viability of the industry."

The House bill called for an immediate \$14 billion in loans to General Motors and Chrysler LLC that would tide the companies over until March 31, 2009. Ford, which said it had enough cash to make it through 2009, would also be eligible for federal aid.

The legislation had tight strings attached, however, the basics of which were as follows:

- The president would appoint a "car czar" who could compel automakers, their creditors, workers, suppliers and dealers to agree on restructuring by March 31, 2009 for long-term viability, or the loans would be due and payable. The czar could also impose his or her own restructuring plan, with the option of sending a company into bankruptcy reorganization under Chapter 11.
- The interest rate on loans would be five percent for the first five years and nine percent thereafter.
- The bill would require repayment of government loans before any of a company's other debts.
- The auto czar would have authority to review, and reject, any automaker transaction valued at \$100 million or more.

In the Senate, the two sides agreed to most issues—including those requiring automakers to reduce their debt obligations by at least two-thirds through an equity swap with bondholders—but could not agree on the timing of wage reductions with the United Auto Workers.

The WANADA Bulletin will continue to stay on top of this critical and fluid issue. Stay tuned!

## 2009 WASHINGTON AUTO SHOW PREVIEW

## *Dancing for Toyotas Returns to 2009 WAS* *Three New Toyotas to be Awarded*

A signature Washington Auto Show promotion is back after an enthusiastic response from contestants and fans alike last year. *Dancing for Toyotas* will encore onsite at the Auto Show, schedule to run Feb. 4 – 8, 2009, at the Walter E. Washington Convention Center. In contention will be a brand new Toyota Camry Hybrid and a Prius for contest winners of the ballroom dancing competition. A third car – a Toyota Yaris – will be awarded to a fan who votes for the winners online.

Thousands crowded around the sweeping 45-foot auto show dance floor to watch last year's contest finale, hosted by Monique Coleman of *High School Musical*, and voted online to determine who got to trade in their dancing shoes for the keys to a new Toyota. Event sponsors include the Washington Area Toyota Dealers, Arthur Murray Dance Studios, WANADA, and MIX 107.3 FM.

"Building on the huge success of the event last year, we couldn't think of a more entertaining and exciting way to give away three Toyotas," said Tamara Darvish of DARCARS Toyota and chairman of WANADA.

A thrilling live reality show, the *Dancing for Toyotas* contest pairs each competitor, an amateur dancer, with an instructor from Arthur Murray for a chance to win either a new Toyota Prius or Camry Hybrid. Male dancers will compete in Swing Dancing and female dancers, the Cha Cha.

Six male and female contest finalists have been selected by a panel of judges and will shortly begin six weeks of dance instruction before competing on-site with their Arthur Murray partner at The Washington Auto Show on Fri., Feb. 6 and Sat., Feb. 7, with the finale scheduled for Sun., Feb. 8. The dancers will perform before a panel of celebrities and dance experts – and for an audience of hundreds of thousands, who will be able to vote for their favorite dancers and register online for a chance to win the third Toyota – a new Yaris!



**The crowd pleasing event is back for a return engagement for the 2009 WAS.**

At the *Dancing for Toyotas* stage, attendees also will be able to view audition videos, watch the previous night's competition, vote for their favorite contestants, and even learn dance moves from Arthur Murray instructors.

"We're eager to get started this year," said Mark Theiss, Arthur Murray Dance Studios. "Our participating dance instructors are ready to get on with the practice sessions." Prior to the performances, Arthur Murray instructors will present their own award-winning dance routines for the audience.

The Washington Area Toyota Dealers have a long history of giving away new cars in the most innovative ways at the Washington Auto Show, evidenced by the ever popular and emulated *Hands On Contest*, which preceded *Dancing for Toyotas*.

The 67th staging of The Washington Auto Show: The Automotive Seat of Power will bring more than 700 new cars, trucks, mini-vans and sport utility vehicles from over 42 domestic and import automakers to the Walter E. Washington Convention Center from Feb. 4 – 8, 2009.

For more information and a complete list of rules and submission requirements, visit the Washington Auto Show online at [www.washingtonautoshow.com](http://www.washingtonautoshow.com). Throughout the event, fans will be able to check out the profiles and photos of each contestant on the Washington Auto Show's website.

**SIGN UP TODAY!****If You Missed the MADA/WANADA Dealer Seminar, “Surviving the Tough Times,” NADA Has It Online, Dec. 18 & Jan. 13**

In response to the challenges facing dealers during these uncertain times, NADA is offering a presentation featuring two speakers who can explain the options and detail the steps dealers need to take to protect their businesses. *Tough Times, Tougher Dealers: Saving Your Dealership's Assets* will be offered as a virtual seminar in December and January and as a workshop at the 2009 NADA Convention & Exposition in New Orleans.

Presented by Michael Charapp, Esq., of Charapp & Weiss, LLP and Bradley Nicklin, CPA, Beers + Cutler, the seminars will discuss the tough issues facing almost every dealer today. It is intended to help dealers and managers understand the steps required to protect their dealerships' assets during these tough economic times.

In this presentation, participants will learn valuable information on cash management, expense control, and franchise rights issues. They will also learn how to deal with bankruptcy—both at the manufacturer and dealership level—as well as franchise terminations, brand terminations, and the legal ramifications of reducing a workforce. Additionally, the speakers will present other practical considerations for surviving this tough environment, both legally and financially.

The virtual seminar will be offered twice—on **Dec. 18, 2008, 1–3 p.m. EST**, and on **Jan. 13, 2009, 1–3 p.m. EST**. The registration fee is only \$50 per computer connection. For more information or to register, visit [www.nada.org/seminars](http://www.nada.org/seminars).

The Convention workshop will also be offered twice—on **Saturday, January 24, 2009 at 11:00 a.m. CST**, and on **Monday, January 26, 2009 at 8:30 a.m. CST**.

**DEALERS IN THE SPOTLIGHT!****Mandell Ourisman Inducted into 2008 Washington Business Hall of Fame**

**Event MC Leon Harris, Channel 7 TV, congratulates Mandell Ourisman.**

Kudos to Mandell Ourisman, Chairman of the Board, Ourisman Automotive, who was one of five distinguished Washington business leaders inducted into the 2008 Washington Business Hall of Fame. Founded in 1988 by the Greater Washington Board of Trade, Junior Achievement and The Washingtonian, each year the Washington Business Hall of Fame inducts outstanding individuals who have had far reaching impact on the business growth and character of the Greater Washington Region. Proceeds from this *black tie* dinner and awards ceremony, which occurred last week, benefit Junior Achievement and its mission to inspire and prepare young people to succeed in a global economy. In the Greater Washington Region, 1,400 volunteers from the business community help Junior Achievement make a positive impact on 40,000 students per year.

Besides Mr. Ourisman, other awardees were Richard D. Fairbank, Capital One; Donald E. Graham, The Washington Post; Milton Petersen, The Petersen Companies; and Linda D. Rabbitt of Rand Construction. WANADA salutes

Mandy Ourisman on the well-deserved recognition!

**Christmas and New Year's fall on Thursdays This Year**

(Optional Holiday closing signs went out to members last week.)

**Thought for the Week...**

*Plan A was Congress and that didn't work. Plan B is the president.*

**Sen. Carl Levin (D-MI)**, commenting on the failure of auto rescue plan.