



# National Automobile Dealers Association



## NADA OPPOSES UNNECESSARY, FORCED DEALERSHIP CLOSURES

### Issue

The Obama Auto Task Force has demanded the rapid and disorderly elimination of thousands of Chrysler and General Motors dealers. The Task Force is relying on a dangerous misperception that new car dealers somehow create a cost burden to auto manufacturers. Instead of being cost centers, dealers are the primary source of revenue for manufacturers. Dealers purchase their vehicles and outsource almost all the costs associated with selling and servicing cars. The President and Congress must reexamine the Task Force dealer plan and the destructive consequences of dramatic and rapid dealership reduction plans on employment, communities, consumers and auto industry viability.

### Background

On March 30, the Auto Task Force, an unelected panel of advisors with no automotive experience, mandated that Chrysler and GM revise their dealership reduction plans and make more dramatic and accelerated cuts. The Chrysler reorganization calls for the quick elimination of as many as 1,000 dealerships, out of about 3,500 dealers. The task force wants GM to aggressively move to close down 2,600 of its 6,246 dealerships (about 40 percent) by 2010. In the next few weeks a total of over 3,000 Chrysler and GM dealerships throughout the country could be targeted and forced to close their doors.

### Key Points

- **The Auto Task Force is Unnecessarily Putting Nearly 150,000 Employees Out of Work.** With unemployment at 8.9 percent, it doesn't make sense to eliminate nearly 150,000 well-paying jobs at dealerships across the country. Just this year, dealership closures have already put more than 50,000 Americans out of work. Employees losing jobs will find it especially difficult to find new employment due to the dire state of auto retailing.
- **Forced Dealer Closings will Hurt Communities.** Dealerships are owned by independent entrepreneurs who buy their land and buildings, pay for new motor vehicles from the manufacturer, and even buy the sign out front with the manufacturer's logo on it. There will be significant ripple effects with the loss of dealer's expenditures in the local and state economies. It is extraordinarily difficult for a dealer to represent another vehicle franchise; therefore, closures will result in shuttered storefronts, and idled dealer real estate that is not easily transferable to other uses.
- **Fewer Dealers Would Mean State And Local Governments Will Lose Millions Of Dollars in Auto Sales Tax Revenue.**
- **Fewer Dealers Would Mean Reduced Competition And Convenience For Consumers.** Dealers have invested about \$233 billion to create an auto sales network that provides a vast distribution and service channel for consumers.
- **Cutting Dealers At This Time Would Do Nothing To Make GM Or Chrysler More Viable.** Dealers equal revenue to manufacturers, not costs. Dealers generate more than 90% of manufacturer revenue. Auto manufacturers created the franchise dealer network to outsource virtually 100 percent of the cost associated with selling and servicing cars. A rapid reduction in dealer numbers would further *CUT* manufacturer revenue and market share and do *NOTHING* to improve the manufacturer's viability in the short term. Even according to GM executives, under a best case scenario, it takes 18 months to regain market share when a dealership closes.

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