"Lessons Learned from the Crisis"
Remarks By
NADA Chairman John McEleney
to the
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I'm pleased to be with you here in Orlando today and I'm sure you're as pleased as I am that 2009 is behind us.

Before we talk about what the future holds, though, I want to take a moment to update you on the Trucks for Haiti campaign that was featured in the video.

Within 72 hours of launching the initiative, just a couple of weeks ago, we had commitments for more than 100 trucks, and donations are still coming in.

That story illustrates that, even though the past 12 months have been the most turbulent in the auto industry since the Great Depression, America's dealers found the resources to help those in dire need.

That is one of the reasons I'm so proud, as I know you are, to be a part of this industry.

It doesn't seem possible that one year has passed since I addressed the NADA convention in New Orleans – You may recall at the time I was 6'4' and had a full head of hair – It has been a challenging year! I want to talk to you for just a moment about what we've learned from this past year. As the video showed, last year was truly historic. Who would have thought that we would experience:

- A global financial collapse;
- An unprecedented loss of consumer confidence;
- The lowest rate of auto sales since World War II;
- GM and Chrysler approaching liquidation; and
- And worst of all, over 2,000 dealerships closed.

Needless to say this tragic series of events caused NADA to take immediate action to support dealer interests in this nightmare. And I am proud of the way NADA's board of directors has represented dealers during these troubled times. The industry has been well served by this dedicated group of 63 dealers and the premier trade association staff in Washington, D.C.

My travel this year was not unlike that of previous NADA chairmen. Like them, I was on the road for about 180 days; however, 90% of my travel involved meetings with government officials and manufacturers in Washington and Detroit. 2009 began with our industry threatened more than at any time since World War II.

The federal government intervened in the crisis and life changed dramatically—particularly for General Motors and Chrysler and their dealers.

Fortunately, President Obama's task force was decisive and responsive, providing critical financial support. They insisted on radical restructuring allowing Chrysler and GM to be profitable at U.S. sales levels of 10 million units—an amazing feat considering that in recent years they were unable to be profitable at 16 million.

However, a key part of the restructuring plan was elimination of 2,000 (or roughly 25%) of GM and Chrysler dealers. Our biggest challenge was convincing the President's Task Force that dealers are not an incremental cost to manufacturers. You would think this would have been easy, but Task Force members came to the meetings pre-disposed to think otherwise, which made things much more difficult. The fact is, the distribution system that exists for automakers today is extremely efficient. All costs of the retail side of the business are paid for by dealers.

But this was not what the Automotive Task Force wanted to hear. I'm sure the Task Force was well intentioned, but it took a theoretical approach to the situation, treating this multi-billion dollar crisis much like an Ivy League MBA case study. Task Force members by design had no automotive background. In fact, we asked one of the Task Force members how long he had been working on this project ... and he said, 'Six hours.' It's no wonder many of their decisions were ill advised.

Despite the serious nature of our talks, there were some entertaining moments. During an appearance before the House Sub-committee, I gave sworn testimony alongside GM CEO Fritz Henderson and Jim Press of Chrysler. The atmosphere was tense. The room was packed. Members of Congress asked a number of probing questions about the decisions to terminate dealers. Many of the questions were directed at Henderson and Press ... until John Dingell (the esteemed congressman from Michigan with a long history of support for the Detroit automakers) directed a lengthy question to me.

Mr. Dingell's question, which I suspect was crafted by a manufacturer's lobbyist, was intended to put me on the defensive. But the question was rather convoluted and confusing. I said to Mr. Dingell, 'Sir, I am pleased to answer your question but I am afraid I don't completely understand it', to which Mr. Dingell responded, 'Well, I am not sure I do either.' The committee room erupted in laughter and the tension was broken—at least for a few moments.

Undoubtedly the most difficult part of my year in office was hearing first-hand from so many dealers who either lost their Chrysler franchises or were placed in wind-down with General Motors. The damage inflicted on these dealers, their families and their employees is unimaginable. They were essentially denied an opportunity to make a living in this industry. Third and fourth generation dealerships were shuttered.

A lifetime creation of capital was wiped out by the stroke of a pen. And many of these dealerships were financially solvent and even profitable during the most challenging selling environment in decades.

I continue to hear from a number of these dealers on a regular basis and their stories are heart wrenching. I am reminded of a dealer family in Whittemore, Iowa—the Elberts (Dan and Maureen and their parents, Mary and Eddie). They've been friends of my family for decades. For over 55 years, the Elberts have represented GM admirably. The Elberts are the 'face' of General Motors in Whittemore and the surrounding region.

They have unfailingly provided support to the local schools, churches and youth programs. Closing their dealership is a loss for GM, but it's also a loss to the community. And, the tragedy is magnified by the fact that they were effectively closed by the dictate of a group of Wall Street MBA's who have never set foot in the State of Iowa—and certainly not in Whittemore.

On the other hand, I am heartened by the story of George Nahas, a member of the NADA Board, who lives right here in the Orlando area. George has two dealerships in Florida and Alabama, which were impacted by the Saturn brand elimination. This is not a new experience for George.

Twice in the last decade George's GM brands were terminated—first Oldsmobile in 2004 and now Saturn. One could understand bitterness in this circumstance, but George remains positive about his future and that of his company. His main concern is for his employees. George says, 'If I'm going to anguish over this, it's going to make me a lesser person. You take life as it comes. You have to be able to adapt to change.' George is already looking for another brand for his Saturn store. George, like most dealers, is resilient. He's a survivor. He will succeed. This has been a painful process for everyone but there were positive elements.

The general public, thanks to unprecedented media coverage, is more aware than ever of the central role that dealers play in their communities. This fact also is no longer lost on government officials. Countless mayors, governors and Members of Congress expressed concern about the unilateral, shortsighted treatment of dealers by the Task Force and the manufacturers.

Dealers from every state came forward to tell their story and to explain why Congress should intervene in support of terminated and wind-down dealers. As a result, after significant efforts to reach a non-legislative solution, legislation was passed in December that provides these dealers with a 'second chance.'

This legislation requires the manufacturers to give dealers evidence of why they were selected and an opportunity for the dealer to present his or her case, along with the manufacturer, to an independent, third-party arbitrator.

We hope the manufacturers have learned something from this crisis. Three lessons come to mind: Listen to your dealers; respect your dealers; and help your dealers succeed. If it's positive results you seek, then embrace a positive approach.

While I am personally disappointed that we don't have participation from all manufacturers at this convention ... in the future it's important that every manufacturer support NADA and present a cohesive front. Ultimately, dealers and manufacturers are in the business of selling cars ... and we have to do that together.

An excellent example of this is the Toyota recall. Of course, it remains to be seen how Toyota's sales and market share will be affected. But dealers are working diligently to install the remedy on vehicles as quickly as possible, and that will prove to be an important component in bolstering Toyota's reputation. This underscores the importance of having a strong dealer network in place to handle just such situations.

And while I'm talking about Toyota, let me assure you that NADA is asking Congress, as it begins to investigate the recall, not to give countenance to any unsubstantiated rhetoric, which has the effect of unjustifiably alarming the public about the Toyota brand.

It's also important that they not rush to judgment. Ill-advised comments reverberate through the entire buying public, impacting auto dealerships, their employees and our local and national economies.

For years Toyota has been a leader in producing quality automobiles, and Toyota dealers are among the best in the industry. It has been our experience over many years that Toyota and its dealers place customer safety as our first priority.

Now let's talk about us for a second. What have we learned? We've certainly learned why it's so important for dealers around the country to have strong relations with their members of Congress. Without these relationships, we would not have been able to educate legislators about critical industry issues. NADA harnessed the influence and power of 17,000 new car dealers and successfully leveraged that power in Congress to the benefit of dealers throughout the country.

Thirty-nine years ago, in 1971, at another NADA convention, the NADA dealer president at that time said, 'The ever-increasing influence and impact of government in our daily business lives makes it incumbent upon us to support those government programs that are positive and progressive … and vigorously oppose any programs by the government that are impractical or unreasonable.'

That NADA president was my father, Warren McEleney. His advice was good then and it's good now. If there is one thing that I have learned from my experience this past year, it's that NADA is well equipped to represent dealer interests in Washington. The consumer finance protection legislation is the latest example.

In the House bill, we successfully won an exemption for auto dealers. As it was originally written, the bill would not only have hurt dealers, it would have hurt our customers as well. It needed to change, and we got it changed. And we're fighting in the Senate for the same thing.

An article in *Politico* perhaps said it best: 'NADA and its dealers are a powerful force, and they flexed serious muscle to win an exemption in the House version of the CFPA bill, over the opposition of Committee Chairman Barney Frank.'

In a tough sales year there was one glimmer of hope ... cash for clunkers. This is one example of dealers, manufacturers and government working together for the good of the industry.

If it weren't for NADA, there would not have been a cash-for-clunkers program, period. There would not have been the initial one billion dollar funding and there would not have been the additional two billion dollar funding. This program was NADA working at its best.

The key question we're facing now is what is the 'new normal?' We know the car business will never be the same. Our industry will have to accommodate the demands of climate change legislation, changing consumer tastes, less available credit and new entrants from China and India. But I am confident our future is significantly brighter than our past.

I am also highly confident that NADA's leadership for 2010 will be exactly what dealers need at this time. I have had the privilege of working closely with Ed Tonkin in the last 12 months and I can tell you he will make us all proud. Ed is intelligent, hard working and genuine. He's well respected in Washington and by the manufacturers—both domestic and international.

He also comes from good stock: Ed's father, Ron, was one of NADA's great leaders and demonstrated that when he was president of NADA in 1989. I know we all pledge our support to Ed as he begins his term on Monday.

I'd be remiss if I didn't thank the people that have supported me throughout this difficult year: First and foremost, my wife Ginny, my son Drew, and my daughter Allison who just gave birth to our second grandchild.

Their love and support help me get through this past year and I look forward to spending more time with them; my two brothers, Tom and Dan, who also work in the business with me. Without them this year could not be possible. And my business partners, Mark Chasey, and Jere Wood. In my absences they have managed our businesses while I've attended to NADA's business.

And now for my NADA family: It took an amazing volunteer effort from everyone and I'd like to personally thank each of them. From every corner of this great nation, these are the individuals that supported us as the NADA.

This is the NADA. This is who we are. I am grateful for the opportunity I have been given this year on behalf of dealers. It has been an experience of a lifetime.

When I attended the 1971 NADA Convention as a college student in San Francisco as my dad concluded his term as president, I never dreamed I would be on this stage today.

It has been a pleasure and a privilege to serve as your chairman. God bless you.

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