



Media Talking Points – Bankruptcy

NOTE: The following talking points are provided as a guideline for how to respond to any manufacturer bankruptcy questions in general.

- Bankruptcy could be a “knockout blow” to the auto industry. It should not be an option. No matter how it’s characterized and no matter the warranty protections – bankruptcy would drive buyers away. A recent study by CNW Market Research found that more than 80 percent of Americans who intend to buy a new car would abandon their plans if the automaker behind the brand filed for bankruptcy.
- Bankruptcy would make an almost impossible credit situation even worse. Auto dealers are on the front lines of lender attitudes. They know best whether lenders would be willing to provide the working capital and retail and wholesale credit necessary to do business. And they say lenders would be much less likely to do business with dealers representing a bankrupt manufacturer.
- Auto dealers are already making sacrifices. Auto dealerships that have been in business for generations are turning the lights off and closing their doors forever. Nine hundred dealerships closed last year. That translates into a loss of about 50,000 jobs in communities all over the country. Another 271 dealerships closed in the first quarter of this year.
- Keep in mind, the size of the dealer network has nothing to do with why GM and Chrysler sought help from the federal government. It’s the global credit crisis and the dramatic drop in consumer confidence and auto sales that forced GM and Chrysler to seek government help.
- The most important question is not the number of dealers but whether the dealers are a cost center for their respective manufacturers. And clearly they are not. A study by the Casesa Shapiro Group found that auto dealers provide a vast distribution channel “at virtually no cost” to their manufacturer.
- The dealer network is a huge asset to an automaker. Not everyone realizes that dealers are the automaker’s customer; they buy the vehicles from their manufacturer. In other words, dealers equal revenue for their manufacturer. It makes no sense to cut into your customer base in good times, much less during an economic downturn like the one we’re in right now. A radical reduction of dealers would further cut a manufacturer’s revenue and market share.

- Closing a dealership is not like closing a Starbucks store. If a Starbucks store is closed, corporate headquarters cuts down on direct overhead costs. A dealership is an independently-owned business that provides revenue to the automaker by buying its vehicles. When a dealership is closed, not only does the automaker lose a customer, but also local and state governments lose tax revenue for economic development, and more jobs are lost at Main Street dealerships around the country.
- A bankruptcy by an automaker would be different than an airline. With an airline, an individual buys a relatively inexpensive ticket and flies from point A to point B. It's a short-term relationship. Car buying is about long-term relationships. Car buyers -- when making the second most expensive purchase in their lives -- want to be confident that there is a brick and mortar facility to go back to for service and warranty work and recalls.
- A manufacturer bankruptcy is different from the airlines in another significant way as well: When it comes to flying from point A to point B, there are always a limited number of options on any given day. But that's not the case with the automobile. Why buy from a bankrupt automaker when there's such a wide choice of models and brands that are comparable in price and quality?
- A bankruptcy would further erode consumer confidence. And that's exactly the opposite of what we need.

Post-Bankruptcy and Dealer Reduction Talking Points

***NOTE:** These talking points have been issued in advance so that **IN THE EVENT** either Chrysler or GM file for bankruptcy, you will be in a better position to answer reporters' questions.*

- Bankruptcy is not the preferred option, but the dealers will work to ensure the future viability of the auto industry. And we'll be here to take care of our customers.
- It's important to get in and get out of bankruptcy as quickly as possible. Since NADA represents all dealers -- both domestic and international -- our concern is to minimize disruption to the entire auto industry. In other words, the shorter the bankruptcy, the better for the entire industry -- both domestic and international.
- Bankruptcy should not be used to rapidly reduce dealer numbers. For example, there are some reports that GM might close 2,000 dealerships. If that was to happen, more than 150,000 Americans employed in those dealerships -- as well as their suppliers -- will lose their jobs. Millions of dollars in tax revenue will be lost to local communities across America, and 2,000 facilities will be shuttered and placed for sale on an already-distressed real estate market. With each dealership

closing, customer convenience suffers and so does competition. None of this is good for the manufacturer or the consumer.

- Dealers equal revenue. Over nine of every 10 dollars of manufacturer revenue come from dealers. 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. According to GM executives, it takes GM 18 months to regain market share when a dealership closes. And that's a best case scenario.

Q and A on Bankruptcy and Dealer Reduction

1. *What has NADA done to help prepare its Chrysler and GM dealers in the event of an automaker bankruptcy?*
It's critically important for dealers to have a collective voice at the national level. NADA has worked with the National Dealer Councils of both Chrysler and GM to assist them in retaining separate legal counsel to represent the common interests of all dealers.
2. *Why shouldn't dealers be required to make sacrifices along with the other stakeholders?*
Auto dealers are already making great sacrifices. The economic downturn is causing a record number of dealerships to close. Nine hundred dealerships closed last year. That translates into a loss of about 50,000 jobs in communities all over the country. Another 271 dealerships have already closed this year.
3. *But everyone seems to agree that there are too many dealers.*
The most important question is not the number of dealers but whether the dealers are a cost center for their respective manufacturers, and they clearly are not. A study by the Casesa Shapiro Group found that auto dealers provide a vast distribution channel "at virtually no cost" to their manufacturers.
4. *So, you're saying there are not too many dealers?*
We're saying a rapid reduction in dealer numbers will hurt the industry and consumers. Both Chrysler and GM have included orderly dealer consolidation as part of their viability plans. They should not be forced to do anything that would make them less viable. Rapid dealer reduction would make them less viable in the short term. Keep in mind that with every dealership that closes, the consumer is hurt. There is less competition, less convenience and lost tax revenue for economic development in the local community.

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