

DAN MAFFEI JOINS BOB CORKER IN TRYING TO REWRITE BK LAW JUST FOR CAR DEALERS

Somewhat related breaking news: Ruth Bader Ginsburg has stayed the finalization of the Chrysler BK so the full court can decide whether to hear the Indiana Pension Fund's appeal.

Dan Maffei is introducing a bill called the "Automobile Dealer Economic Rights Restoration Act," which basically restores Chrysler and GM dealer contracts even though both companies are in bankruptcy. In his bill, he makes the following claims:

- (1) Automobile dealers are an asset to automobile manufacturers that make it possible to serve communities and sell automobiles nationally;
- (2) Forcing the closure of automobile dealers would have an especially devastating economic impact in rural communities, where dealers play an integral role in the community, provide essential services and serve as a critical economic engine;
- (3) The manufacturers obtain the benefits from having a national dealer network at no material cost to the manufacturers; and
- (4) Historically, automobile dealers have had franchise agreement protections under State law.

Uh huh. "The manufacturers obtain the benefits from having a national dealer network at no material cost to the manufacturers." That's nice.

That's also really funny, because the BoGlo has

a story up that—while it allows the manufacturers (particularly GM) to inflate the benefit they'll get from paring their dealer network—nevertheless gives an idea of how important cutting dealers will be to any future success of these companies.

Remaining dealerships will be able to charge more for cars, analysts say, because fewer dealerships make it harder for buyers to spark bidding wars. And as auto companies scale back factory production, heavy discounts and dealer incentives will dry up.

Tom Wilkinson, a GM spokesman, said once the "current glut" of car brands disappears, prices for GM cars will increase anywhere from \$2,000 to \$6,000 for a new vehicle.

Chrysler expects to see a price increase on new cars in the range of \$1,000 to \$2,000 over the next year or two, said Kathy Graham, a company spokeswoman. She cautioned, however, that prices are ultimately "market-driven."

[snip]

Paul Bertoli, co-owner of Pride Motor Group in Lynn, which sells Chevrolets, said that after GM emerges from bankruptcy – which is expected in 60 to 90 days – customers will flock to him.

"The Chevrolet competition is going to be the Ford dealer, the Toyota dealer, the Honda dealer," he said. "Not another Chevrolet dealer." Sales figures bear it out. GM dealerships across the nation sold 440 new vehicles on average in 2008, compared to Toyota's 1,150, according to Ward's Dealer Business. Chrysler sold 480 on average, compared to Honda, which sold 760.

This is exactly right (and the dealers all know

it): the sheer number of dealers has been forcing American brand dealers to get into bidding wars with their close neighbors, driving down the price of the car and with it the profitability and perceived value of the car in the marketplace. Trimming dealer networks is probably the single biggest thing GM needs to do (aside from getting rid of its huge debtload) to become a more effective company. Without a smaller dealer network—and the profitability it brings—GM will be doomed to mediocrity and continued decline in the future. Nevertheless our legislators want to pass laws that exempt dealers from the bankruptcy process, as if dealer employees are somehow more cherished than all the other workers and small businessmen getting screwed by this deal and this downturn.

Dan Maffei has gotten \$20,000 from the UAW over the course of his short career—one of his top donors aside from the DFHs using ActBlue. I wonder how the UAW would feel if they learned that their jobs were somehow less an integral role in their community than dealer employees?