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Virginia Dealers React To GM Bankruptcy Filing

RICHMOND, VA – The Virginia Automobile Dealers Association is disappointed by General Motors decision to enter bankruptcy. VADA’s concern lies in GM’s potential use of the bankruptcy court to avoid their obligations to their loyal dealers.

“We witnessed it with the Chrysler bankruptcy recently where Chrysler simply abandoned 26 loyal dealers in Virginia,” says Don Hall, VADA President. “Those dealers were left with thousands of vehicles that they will be unable to sell, a parts inventory they cannot use for warranty work, and tools they were forced by their manufacturer to purchase and Chrysler just washed their hands of it. We are obviously concerned that GM will do the same thing.”

In Federal Bankruptcy Court, a bankruptcy judge is empowered to ignore state franchise laws designed to prevent manufacturers from avoiding their obligations to their dealers and with customers those dealers serve.

“Prior to the bankruptcy filing, numerous GM dealers received letters stating that GM had decided not to renew their contract,” continues Hall. “Outside of bankruptcy GM was required by Virginia law to buy back those unsold vehicles, unused parts, and specialty tools. In bankruptcy court GM can petition, like Chrysler, to have those laws ignored.”

And while many dealers will ultimately be impacted, the impact will be far broader in local communities around the Commonwealth.

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“The real losers are the communities and car buyers,” Hall explains. “Fewer dealers means less competition which generally results in higher prices to consumers. It means many owners will have to drive significantly further to get warranty work done, particularly in smaller communities. It means the loss of hundreds, possibly thousands of jobs around the Commonwealth. And it means the loss of some of the primary sources of funding and support for local charities and civic organizations.”

And the closing of dealerships will not provide GM with any additional cost savings.

“At the end of the day, closing dealers will not save GM any significant amount of money, or Chrysler for that matter,” states Hall. “Dealers don’t cost the manufacturers money; they are their primary source of revenue. Dealers buy the vehicles they build and re-sell them. And dealers pay all of their own costs; they own the building and vehicles, pay their employees salaries and benefits, and cover their own expenses. They even pay the lion’s share of local advertising!”

“This is about one thing and one thing only: control,” explains Hall. “Manufacturers believe that reducing the number of dealers will give them more control of dealers. And it is Virginia communities and citizens who are going to pay the price for that.”

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