

Expresses Concern over Financial Impact on Dealerships

(LONE TREE, CO) – Rep. Mike Coffman (R-Aurora) yesterday sent a letter to the White House chiding the Administration's poor management of the Car Allowance Rebate System (CARS) program, commonly referred to as "Cash for Clunkers." The letter outlines how the program's mismanagement has put struggling dealerships in an even more tenuous and uncertain financial position.

"Unfortunately, the specifics of the program created additional stress on the retail automotive dealers and their operations. They have turned a program that could have been welcomed across many sectors into an administrative liability at best and business-crippling at worst," Coffman stated in the letter sent to President Barack Obama and Secretary of Transportation Ray LaHood. The letter was co-signed by fellow Colorado Congressman Doug Lamborn (R-Colorado Springs).

"The amount of time it will take for many dealers to receive government reimbursement will place many at economic risk. They could therefore very rapidly exhaust existing cash reserves or working capital lines that would have to support the gap from the time the dealer must pay off the vehicle to deliver clean title to the customer, to the time payment is obtained under the program conditions."

On July 31st Coffman voted against \$2 billion in additional funding for the program. He has maintained that while publicly popular the program is another government bailout for the auto industry, and unfortunately there is no proof the return will be equal to or greater than the expense to the American taxpayer.

"While this program has ended, it is our sincerest hope that you take our concerns to heart when contemplating any future government sponsored programs aimed to increasing consumer confidence and helping our struggling economy rebound," the letter concluded.

The text of the letter is below:

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August 25, 2009

President Barack Obama

The White House

1600 Pennsylvania Avenue

Washington, DC 20500

Dear Mr. President:

The CARS program, commonly referred to as Cash for Clunkers, has met its intended goal of increasing consumer automotive purchases and replacing older cars with newer, more fuel efficient vehicles.

Unfortunately, the specifics of the program created additional stress on the retail automotive dealers and their operations. The timing of regulation announcements, the application

processing difficulties, and the timing of payment approval are all legitimate concerns. They have turned a program that could have been welcomed across many sectors into an administrative liability at best and business-crippling at worst.

The program was announced several months ago, but unfortunately the regulations that would govern it were introduced on the Friday prior to the program starting. The effective operation of an automotive dealership is complex and requires the cohesive efforts of numerous parties to bring about timely and effective sale and financing conditions. Due to the lack of adequate time, the regulations were not allowed to be critiqued by those whom the program would govern and were therefore less practical than would otherwise be the case.

On the application side, the website and support of application processing was ineffective and time consuming. The program received a great deal of public interest and the staff and IT support available was not sufficient to handle proper applications, not to mention the inquiries that arose from the regulations and normal implementation issues. Many dealers experienced holding times of several hours, and when a person became available, the answer was not responsive or complete. The burden on dealers at an operational level was significant as many man hours were utilized inserting information on a website and then following up with phone calls to get clarification. This was especially troublesome due to the decreased staffing levels in the automotive industry over recent months and consumers insistence that the process be completed in a timely manner. This resulted in dealers having to make decisions on whether to sell a vehicle while not always knowing if he or she would be reimbursed under the CARS program. Many had multiple deals simultaneously in the approval process, so the economic risk is significant. As a poignant example, when the administration announced the program was ending on Monday, August 24, 2009, the website used by dealers to process applications was clogged continuously and crashed at least three times on the last day of the program.

The amount of time it will take for many dealers to receive government reimbursement will place

many at economic risk. Dealers were placed in the unenviable position of making a decision to sell a vehicle and work on reimbursement from the program after its completion. This puts the dealer at potential risk on each of the vehicles sold, as they will have to cover the amount that the CARS program was supposed to provide reimbursement for. They could therefore very rapidly exhaust existing cash reserves or working capital lines that would have to support the gap from the time the dealer must pay off the vehicle to deliver clean title to the customer, to the time payment is obtained under the program conditions. Once again, this type of economic stress would have significant adverse effects, especially when the dealer might already be under economic hardships with its lenders due to economic conditions over the last year.

While this program has ended, it is our sincerest hope that you take our concerns to heart when contemplating any future government sponsored programs aimed to increasing consumer confidence and helping our struggling economy rebound.

We appreciate your time and thank you in advance for your consideration.

Sincerely,

Mike Coffman

Doug Lamborn

Member of Congress

Member of Congress