



## **A New Order in the Auto World**

*Fiat Signs Up to Lead New Chrysler, GM Poised to Become "Government Motors"*

As June rolls onto the calendar it appears a certainty that WANADA dealer members holding GM franchises will join their colleagues holding Chrysler franchises and begin the summer with a partner they never expected in their wildest dreams: the U.S. government. (GM is expected to file Chapter 11 bankruptcy as soon as this Monday, June 1.) That's because the Treasury Department will be a majority shareholder in each firm (35% at New Chrysler and 72.5% at New GM) as they emerge from bankruptcy proceedings in the next few months. Treasury completed the orchestration of the managed bankruptcies this week and though it has said repeatedly it is not interested in running either company, its role in "structuring" the bankruptcies for both would seem to indicate that government appointed board members at both companies will influence any major manufacturer dealer relations issues that arise. Indeed, pundits are already calling GM "government motors."

Until then, however, WANADA dealers will be busy dealing with a landscape few could have imagined. In progress will be the dissolution of some 798 Chrysler brand outlets and the winding down of as many as 2,000 more GM franchise holders "sacrificed" for the good of the remainder. Fiat remains in the wings, ready to emerge to lead "NewCo" Chrysler. The end of the storied Pontiac franchise will be underway and possibly Hummer, Saturn and Saab as well. GM says no buyer has yet been found for Hummer while Saab is in the first month of reorganization in bankruptcy that may or may not succeed. There are two bidder groups for Saturn, one led by Roger Penske and the other by Teleso Ventures, a group of Saturn dealers and former Chrysler executives who each intend to use the existing dealer network to sell vehicles made outside the U.S. under the Saturn brand.

The Dodge Viper looks to be no more. The company had offered to sell the name, tooling and factory for the powerful sports car for a meager \$10 million, but got no takers.

In a fashion, dealers will be turning to the government for auto financing as well given the fact that Treasury will be a 34.5% owner of GMAC Financial Services as part of the bailout effort.

Most critically, however, dealers will be looking for an end to the abysmal new vehicle market they have suffered through for the past two years. Sales reports for May indicate that the end was not yet in sight as the industry's annual selling rate remained in the low nine million units range with year-over-year declines of 30% to 45% not extraordinary.

On a positive note, The Conference Board, said the number of Americans who planned on buying a car over the next six months rose to 5.5 percent, the highest in a year. There were also reports that service and used vehicles sales continue to improve in the region.