



American International
Automobile Dealers[®]

NAMAD
NATIONAL ASSOCIATION OF MINORITY AUTOMOBILE DEALERS

July 27, 2015

Dear Senator:

On behalf of America's 17,000 franchised new car dealers who employ over one million individuals, we are writing to strongly oppose a controversial amendment by Sen. Blumenthal to the highway bill (Blumenthal SA 2339) that would instantly diminish the value of millions of customer trade-ins while not guaranteeing that a single recalled vehicle gets fixed.

The Blumenthal Amendment would ground all recalled vehicles at dealerships until remedied. Not only would this Amendment reduce the value of customer trade-ins, it would roll back safety protections by pushing recalled cars into the unregulated private market, making it less likely a recalled vehicle gets fixed.

Additionally, this Amendment is overbroad by indiscriminately grounding every recalled vehicle on a dealer's lot (but not private sales), even for such minor safety compliance matters as a misprinted phone number in the owner's manual; an airbag sticker that may peel off the sun visor; tire labels with incorrect gross axle weight ratings; and brake reservoir cap labels using pictographs rather than text.

The practical effect of the Amendment would be to make it more difficult or impossible for consumers to trade-in their cars, even if their vehicles are under recall for minor matters. Due to a shortage of auto parts, it often takes weeks or months for many recalled vehicles to be repaired. This Amendment would force dealerships to pay significantly less for trade-ins with open recalls, if they decide to accept them at all. Fully valued trade-ins are often critical to help consumers afford a newer, safer, cleaner vehicle.

Proponents of this Amendment have not addressed concerns regarding how this Amendment will devalue trade-ins. Depending on the model and year, a used vehicle can depreciate approximately 2 percent a month. For example, if a dealer was forced to ground a trade-in vehicle for one month while waiting for a part, a 2-year old, \$15,000 vehicle could sink in value by \$300. If grounded for six months, the same vehicle could be worth only \$13,300. Luxury brands, seasonal vehicles (such as convertibles), and vehicles traded-in just before the start of the new model year typically have even higher depreciation rates. What's more, these estimates do not include storage costs (assuming the dealer has the extra space to store vehicles), the cost of insuring against the risk of loss or damage to the vehicle, or inventory financing charges.

For recalls where the wait for parts is months or more, most dealers will simply refuse to take the trade-in, meaning consumers will have fewer options. And under this Amendment, very few franchised dealerships in the future may be willing to risk taking "off-brand" vehicles in trade. For example, a

Chevrolet dealership is unlikely to accept a Ford trade-in subject to recall since the Chevrolet dealer is not authorized to fix the vehicle and is barred under this Amendment from selling it to a Ford dealership that can repair the vehicle.

Rural consumers would be hurt the most. For some franchises, dealerships will be especially reluctant to take in trades subject to open recall if the nearest dealership authorized to do repair is a great distance away. For example, a dealership accepting a recalled Volvo in trade in South Dakota would have to take the vehicle out-of-state to have it repaired as there are no Volvo dealerships in South Dakota.

Unrepaired vehicles will be pushed into the unregulated private market. By devaluing trade-ins and not similarly regulating private sales, it is highly likely that vehicle owners will resort to selling their vehicles on Craig's List or other places where the consumer has almost no safety or consumer protections. This makes it even less likely that the vehicles will get fixed.

In addition, we estimate that there may be between 250,000 and 500,000 in lost sales of new vehicles per year as consumers are trapped with vehicles that cannot be traded or sold. This is the equivalent of removing two auto assembly plants from operation and could cost thousands of good paying jobs.

The Blumenthal Amendment will diminish the value of millions of trade-ins and force consumers to have fewer options than they have today to sell their vehicles. By devaluing millions of vehicles, the Blumenthal Amendment will push more vehicles into the private market with no requirement that the recalled vehicle actually gets fixed.

The Blumenthal Amendment, which has never been the subject of a hearing, was rejected by the Senate Commerce Committee on July 15. We urge the Senate to similarly reject this ill-conceived Amendment.

Sincerely,



Peter Welch
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Association



Cody Lusk, AIADA
President, American International Automobile
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Damon Lester
President, National Association of Minority
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