

Testimony of Damon Lester, President
National Association of Minority Automobile Dealers (NAMAD)
Before the House Judiciary Committee
Hearing on
May 21, 2009

Thank you Chairman Conyers and members of the Committee

I want to thank you for inviting me to speak on behalf of the small new automobile dealers in the United States.

My name is Damon Lester, and I am the President of the National Association of Minority Automobile Dealers (NAMAD). NAMAD represents ethnic minority automobile dealers in the United States. Currently, there a total of 19,000 new automobile dealerships of which less than 1,200 or 5% are owned by ethnic minorities.

I am here today to not simply to talk about ethnic minority automobile dealers but the owners of all small dealerships in the country. Since the Auto Bailout hearings last year and with the submission of both Chrysler and General Motors viability plans, it has been well documented by these manufacturers to either rationalize or reduce its dealer body by consolidation and brand elimination. For the dealer body that I represent and my counterparts at NADA and AIADA we have long fought the need that rationalizing and reducing the dealer body has absolutely nothing to do with the viability of the manufacturer. In fact, dealerships:

- are independently owned and independently financed franchises
- are the middle man between the manufacturer and the consumer
- represent the only distribution channel for manufacturer products
- generate income to manufacturers, not expense line items to manufacturers

So using the excuse for consolidating and eliminating brands, as a reason to save a manufacturer money is not true.

Today, small dealerships throughout the United States are in a crisis and need help now. The help needed is largely due to the lack of consumer confidence, lack of confidence for retail credit, lack of lender confidence to provide loans to automobile dealers for both working capital and floor plan loans even with government backed guarantees. Small dealerships are not in a crisis because they are an expenditure to the manufacturer. In fact, since our government provided working capital loans to automobile manufacturers, fair consideration should have also be given and needs to be given now to automobile dealerships to receive working capital loans directly from our government via the SBA. As the Chrysler bankruptcy filing and its announcement to terminate 789 dealerships in which these stores must close their doors by June 9, 2009; will result in over

40,000 direct dealership job losses; a projected loss of over \$10 billion in local and state economic dealership contributions in employees, taxes, customer services, suppliers, and charities. The bankruptcy filings will save Wall Street but tear down Main Street, as most of the displaced employees will not be able to find other employment quickly

For minority dealers our representation has always been disproportionate compared to the entire dealer network, at our peak we've reached a maximum of over 2,000 dealerships in the U.S. and today we are less than 1,200 with another reduction due to the Chrysler and General Motors terminations. This reduction in our dealer body will and has began the elimination of wealth in minority communities.

The Bankruptcy filing will allow Chrysler to evade the dealer franchise laws in the various states. More importantly, the federal statute intended to protect dealers, in the Automobile Dealers Day in Court Act (ADDCA) is negatively implicated by the recent filing. It is because of the filing allows Chrysler and any other manufacturer that may file for bankruptcy to hide behind the bankruptcy code and the bankruptcy filing in order to terminate the dealers franchise agreements and reduce its dealer body without providing reasonable and just compensation.

Therefore, we request that Congress consider relieving the individual small dealers from personal liability as guarantors on floor plan and term loans in addition we believe that the small dealers should be allowed to keep the sales proceeds from the parts inventory, special tools, and fixed assets to provide these dealers with a fresh start. Any financial institution that received TARP money as well as Captive Finance companies such as Chrysler Financial take back the inventory and sell it themselves.