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Dealer inventories, cash low as clunker program ends

Tue Aug 25, 2009 3:01pm EDT

By [Ed Stoddard](#)

FORT WORTH (Reuters) - Autodealer Cliff Johnson sold 70 vehicles under the government's "cash-for-clunkers" program, which offered rebates of up to \$4,500 to trade in older gas guzzlers.

But the day after the program ended he's only been paid for two and he's worried about how quickly the government will reimburse him for over a quarter of a million dollars and whether it will pay fully.

"They owe us \$279,000, that's the bottom line. We did 70 deals and we've been paid on two," said Johnson, president of Texas Motors Ford.

"My people have been paid, my sales people have been paid ... and all I'm left with is a piece of paper from the federal government saying that it is under review," he said as he waved a folder with the details of the deals.

Transportation Secretary Ray LaHood assured dealers last week they would be paid. "I know dealers are frustrated. They're going to get their money," he said.

The incentives, of \$3,500 to \$4,500 for people who traded in a vehicle made since 1984 for a new, more fuel-efficient one, boosted July U.S. auto sales to their highest level of 2009, and likely drove August sales even higher, according to analysts' forecasts.

But this shot in the arm has left some dealers anxious about cash flow at a time when inventories are low -- in part because of the program's success.

"Right now it's creating some temporary -- hopefully temporary -- cash-liquidity problems for a lot of dealers, but they are expecting that (U.S. President Barack) Obama will follow through on his word when he said that dealers would be paid," said Alex Kurkin, an attorney of Kurkin Brandes, LLP, who represents the Florida Automobile Dealers Association.

"I had one (client) call who said he'd just done 1,200 deals (under "cash-for-clunkers") and only got paid on 9 of them ... That's a lot of money that these dealers are fronting, some dealers were in financial hardship before," he said.

Courtesy Chevrolet sold around 100 new cars at its Phoenix dealership under cash-for-clunkers and around another 50 at their sister dealership in San Diego, California.

So far sales director Scott Gruwell said he has received only three payments from the government but has no liquidity crunch as the business' cash flow has been eased by GM, which has covered all the transactions for 30 days.

"Thank goodness the new GM was quick to react to this," said Gruwell. "It's a signal of exactly how things are changing with GM in a positive direction. They decided to come out with, 'hey! when you submit the vehicle as a sale, put this special code in and we'll float you the \$4,000.'"

Chuck Eddy, an owner of Bob and Chuck Eddy Chrysler-Dodge-Jeep in Youngstown, Ohio, said on Monday he had not received payment on any of

nearly 100 "clunker" deals he had completed, but was confident he would be reimbursed.

"They are going to pay us," Eddy said. "They never anticipated, nor did they understand what goes on inside a dealership."

The Transportation Department extended Tuesday's noon EDT deadline for dealers to submit "clunkers" rebate applications to 8 p.m., the second extension related to slowdowns with the government's online system for processing paperwork.

The government reports 665,000 sales totaling \$2.77 billion in rebates.

RUNNING ON EMPTY

Some dealers have run out of some of the more popular models snapped up under the program such as the Ford Focus and Ford Fusion sedans.

Fred Berliner, a veteran salesman at Don Reid Ford in Maitland, Florida, north of Orlando, said cash-for-clunkers had cut inventories to their lowest levels since 1994.

"We cleaned out," Berliner said.

At Johnson's Fort Worth Ford dealership, things were quiet and the massive lot looked about half empty.

"Our inventory is low ... cash for clunkers did what it was supposed to do," said Jeremy Pirotte, the dealership's vehicle director, as he surveyed the lot.

He had no shortage of large F-150 pickup trucks, which stood in a corner of the lot. Pick-up truck sales remain low.

Johnson said that as of the end of July they had sold 374 pick-up trucks versus 573 over the same period last year.

(Additional reporting by Pascal Fletcher and Thomas Brown in Miami, Tim Gaynor in Phoenix, David Bailey in Detroit and John Crawley in Washington)

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