

Congress of the United States
House of Representatives
Washington, DC 20515-1316

May 14, 2009

The Honorable Barack Obama
The White House
1600 Pennsylvania Ave., N.W.
Washington, DC 20500

Dear Mr. President:

I am writing to express my serious concern regarding the demand by Presidential Task Force on the Auto Industry for the rapid and potentially disorderly elimination of thousands of Chrysler and General Motors dealerships. This action, if implemented, could put approximately 150,000 people out of work. Since these dealer reductions and its ripple effects would have a serious and adverse impact on the state of Illinois, I would like to ask that you revisit the forced closure of thousands of dealerships.

To justify these job losses, the Task Force is apparently relying on a misperception that new car dealers create a cost burden to auto manufacturers. This is not true. On average, about 90 percent of an automaker's revenue comes from dealers purchasing the automakers' vehicles. Far from saving money, a rapid reduction in dealerships would further reduce GM's and Chrysler's revenue and market share.

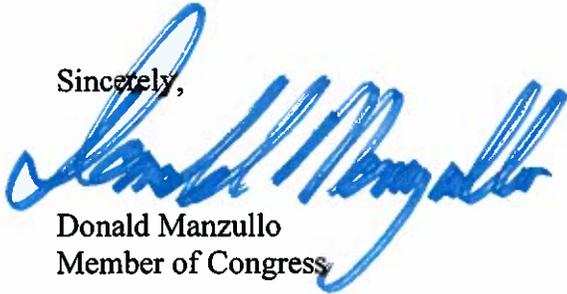
Automobile dealers are one of the largest private sector employers in Illinois, providing more than 43,000 jobs and contributing hundreds of millions of dollars of tax revenue for state and local government. Each dealership creates an average of 52 neighborhood jobs and these positions typically pay twice the national average as other retail-sector jobs. Dealers have invested about \$233 billion to create an auto sales network that provides a vast distribution and service channel for consumers. In fact, automakers created the franchise dealer network specifically to *lower* their costs, as they outsource virtually 100 percent of the cost associated with selling and servicing cars.

Last year, more than a thousand auto dealers closed their doors for good. Further thinning of the dealer ranks through normal market and other forces is inevitable. However, the Task Force is apparently using the present crisis in the auto industry to arbitrarily close auto dealerships. This action is being proposed without regard for the impact on communities and workers and without any evidence that massive and immediate dealer reductions are necessary to restore the financial health of GM and Chrysler.

I appreciate the enormity of the task your Administration has undertaken to help the auto industry. However, I am concerned the Auto Task Force has gone beyond the purview of

their mission by forcing the dramatic and accelerated reduction of dealerships. At a time when the national unemployment rate is 8.9 percent – and the unemployment rate in Rockford, Ill., is more than 13 percent – it is unconscionable for the government to create more job losses for no discernable gains. I respectfully request that the Auto Task Force revisit this decision and consider the damaging effects on local communities.

Sincerely,

A handwritten signature in blue ink, appearing to read "Donald Manzullo". The signature is fluid and cursive, written over the printed name and title.

Donald Manzullo
Member of Congress