

Administration Plans to Wind Down Clunkers Program



In this photo taken on Aug. 16, 2009 a 1997 Cadillac Sedan De Ville that was traded in as part of a government rebate program is at a Ford dealership on Sunday, Aug. 16, 2009, in Centennial, Colo.

(AP)

-- The Obama administration is developing plans to wind down the popular Cash for Clunkers program and could announce by Friday when the incentives will no longer be available.

Transportation Secretary Ray LaHood said Wednesday the department would announce within 48 hours how it intends to discontinue the program that offers car buyers rebates of \$3,500 or \$4,500 for trading in older vehicles for new, more fuel-efficient models. Department officials met with car dealer trade groups on Wednesday to discuss how the program will eventually end and respond to complaints over a backlog of rebate payments to dealers.

Through early Wednesday, auto dealers have made deals worth \$1.81 billion and are on pace to exhaust the program's \$3 billion in funds in early September. The incentives have generated more than 435,000 vehicle sales but dealers want a clear plan on when the rebates will no

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longer be available so they don't end up on the hook for any of the incentives.

"We want to make sure that dealers know when we're getting close" to running out of the money that was allocated for the program, LaHood told reporters. LaHood said he recognized that "dealers are frustrated. They're going to get their money."

On Thursday, General Motors Co. said it would begin providing cash advances to its dealers to help cover any cash shortfalls related to the program. The automaker said it will provide the advances for up to 30 days for dealers who have already completed a sale and they will be available as long as the program remains in effect.

The National Automobile Dealers Association said its trade group met with Transportation officials to discuss dealer concerns about reimbursement delays and ways of fixing the problems. NADA spokesman Charles Cyrill said the association "stressed the importance of addressing - as soon as possible - how the program will end, including the possible suspension of the program."

Dealers have complained of delays in getting their reimbursements approved, causing a cash crunch at their dealerships. Dealers typically borrow money to put new cars on their lots and must repay those loans within a few days of a sale.

"We do not know how many deals are in the pipeline. We don't know how many dollars are left in the program at this very moment," said Ted Smith, president of the Florida Automobile Dealers Association. "That's fundamental to the health of the dealerships that are participating. If you run out of money before you run out of deals, that's not a

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good situation."

Some dealers are no longer participating in the Clunker program. The Greater New York Automobile Dealers Association, which represents dealerships in the New York metro area, said about half its 425 members had left the program because they cannot afford to offer more rebates.

Melanie Bible, spokeswoman for the Pennsylvania Automotive Association, also said about half of the state's 950 dealerships have stopped cutting new Cash for Clunkers deals. She said the figure was anecdotal because no formal survey of dealers had been conducted.

The financial arms of several automakers have begun offering help to cash-strapped dealerships, in some cases by floating loans to help cover clunker-related shortfalls. Toyota Financial Services is offering loans to dealers for up to 60 days to cover the lag between a dealership's payment and its reimbursement. The financial-services arms of Honda Motor Co., Nissan Motor Co., Ford Motor Co. and other automakers are offering similar programs.

The government's online reimbursement system was flooded with reimbursement requests shortly after the program began in late July, overwhelming the computer system and staff set up to process the deals. That led to big delays for dealers trying to file the paperwork they needed to get paid back for the rebates.

LaHood said some of the submitted paperwork has been incomplete or inaccurate, leading to delays. He acknowledged the Transportation Department did not have enough people to process the paperwork but said DOT was ramping up staff.

DOT said earlier this week it was tripling

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its work force to handle the rebates and expected to have 1,100 workers dealing with the paperwork by the end of the week.

Michelle Primm, managing partner of a four-franchise dealership in Cuyahoga Falls, Ohio, said her store has stopped making deliveries on clunkers purchases until the sales are approved by the federal government. Primm's dealership has made 31 clunkers deals since the program was launched last month, but has only been paid for 3.

"I've got payroll and I've got taxes to pay and all those things," she said. "We're small."

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