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June 12, 2009

The Honorable John D. Rockefeller, IV
Chairman
Committee on Commerce, Science and Transportation
531 Hart Senate Office Building
Washington, DC 20510

The Honorable Kay Bailey Hutchison
Ranking Member
Committee on Commerce, Science and Transportation
284 Russell Senate Office Building
Washington, D.C. 20510

Dear Mr. Chairman and Senator Hutchison:

Thank you for your letter regarding rationalizing of the General Motors dealer network. I appreciate the time that you have devoted to understand the issues facing GM and the efforts we are undertaking to restructure the company for future viability. I appreciate the thoughtful questions and comments concerning how we decided which dealers should remain with the new company and the impact of those decisions on the dealers and the communities in which they operate.

Dealers are critical to the future of GM. Strengthening our dealer network will make that future possible, and preserve over 200,000 jobs at GM's remaining dealers, along with hundreds of thousands of jobs with GM's direct manufacturing and supplier network. As I stated in my testimony, restructuring our dealer network is quite painful – for us, and especially for our dealers. Many of our dealers operate businesses that have been in their families for generations. Our actions affect them personally as well as financially. They also affect the communities and states where our dealers live and work.

That is why we are conducting our GM dealer restructuring thoughtfully and objectively and in consultation with our dealers. We decided not to outright terminate dealers, and instead developed a unique wind-down process that we believe is considerably more equitable.

The issues that you raise generally result from our bankruptcy. I have stated on many occasions that bankruptcy was not the preferred option for GM to restructuring itself for future viability. Many in and outside of Congress called for a GM bankruptcy, and urged the company to use a court administered bankruptcy process. As economic conditions worsened, and we face the

equivalent of an economic depression in the auto market, bankruptcy became the only option for GM to restructure and survive.

Wind Down and Participation Agreements

During the hearing, many issues were raised about the agreements GM asked its dealers to sign, either to wind down operations or continue with the New GM. GM crafted these agreements to provide dealers with more options than they would otherwise have.

With respect to the wind down agreements, we carefully drafted them to provide the dealers financial assistance, flexibility and choice regarding the time they take to orderly wind down their business. We did not terminate any dealers, rather providing them with options to sell and service vehicles for up to 16 months. This approach is in stark contrast to what happens to most contracts in bankruptcy, where contracts are typically simply rejected with no assistance.

With regard to the participation agreements, we continue to respect and follow state franchise law and provide a new operating approach that will benefit both the dealer and GM. We respectfully disagree that the participation agreements are onerous or otherwise improper. At the hearing, the National Automobile Dealers Association witness and some Senators raised questions about the participation agreements. I committed to you that we would quickly meet with NADA to better understand their concerns. We are pleased to report that GM and NADA, as well as representatives of the GM National Dealer Council, reached an understanding of the key issues and as a result, on June 9, GM sent a letter to each dealer we had asked to sign a participation agreement which clarified the important issues, including that the dealers retained certain rights afforded by state law. I have attached for you a copy of the dealer letter as well as the GM and NADA press releases on these clarifications. I can assure you that GM respects the rights of dealers and consider them key and critical to the success of the New GM.

Dealer Market Re-Entry

You have also asked about situations where GM will authorize the establishment of a new dealership near the location where a current, profitable dealer has been asked to wind down operations. It is not our plan for current dealerships to be wound down only to open up new dealerships. Rather, our plan is to reduce overall dealer count. However, in those rare instances where we do open a new dealership, in an area previously served by a winding down dealer, we commit to provide advance notice to former dealers and allow them an advanced opportunity to apply to run the new dealership.

When rationalizing our dealer network we looked at several factors, including profitability. Over two thirds of the dealerships that received wind down agreements were not profitable. Profitability is only one measure of a dealer's suitability for a future dealership opportunity. Equally important are the dealer's prior sales performance, customer satisfaction performance, needed funding and ability to provide acceptable dealership facilities. While a profitable dealer may provide high levels of customer service, it is not always true, and unfortunately a profitable dealer may rank among our poor performers. Even after the dealer rationalization General Motors will continue to have the largest and most extensive dealer network in the U.S.

Litigation Pending Before Bankruptcy Filing

The treatment of lawsuits and other claims is an important issue. All claimants will have the opportunity to submit their claims and have them resolved as provided by the Bankruptcy Code and other applicable law, both as to amount and priority. We understand that the Bankruptcy Court routinely addresses these issues, taking into account the concerns of the claimants and the bankrupt company. An unfortunate consequence of bankruptcy is that many claims do not receive the priority that the plaintiff would prefer.

Service in Rural Areas

We also carefully considered our dealer network coverage in rural areas and small towns versus urban/suburban markets. We know that our strong presence in rural areas, small towns and "hub" towns gives us a strong competitive advantage on average of more than 10 points in market share, and we would like to maintain that advantage. When our rural and small town dealers perform to our standards, they are a huge asset, and so we intend to retain an extensive rural network of 1,500 dealers nationally. With this comprehensive network in place we are confident we can continue to provide all of our customers with reasonable access to dealers and service, obviating the need for "service only" outlets. However, we will conduct market analyses to ensure that there is sufficient representation of GM dealers so that we meet the needs of customers, especially in rural areas.

GM Technician Placement

GM is proud of the dealer technicians who service GM vehicles. Many of these technicians are highly trained and possess multiple technical certifications. Factory trained individuals with these skills and credentials are highly sought after in the industry. GM shares your concern that these technicians may lose their current positions. In response to your letter, we commit to taking actions, such as by making training records and certifications available, with technician consent, to employment services and resume sites. In addition, we have already begun a review with our National Dealer Council to develop ideas on how GM can help the dealers' technicians transition to other dealers.

General Motors appreciates the support of Congress and President Obama and takes very seriously our responsibility to create a healthy GM for generations to come. Thank you for the opportunity to respond to your concerns.

Sincerely,



Frederick A. Henderson

cc: Members of the Commerce, Science and Transportation Committee



2009-06-08

CONTACTS

GM Media Statement attributed to Mark LaNeve, GM North America Vice President, Vehicles Sales, Service & Marketing regarding GM's ongoing discussions with NADA on Dealer Participation and Wind-Down Agreements

"The consolidation of GM's dealer network nationwide is a very difficult, but necessary part of GM's overall reinvention efforts. During testimony last week before the Senate Commerce Committee on this topic, the National Automobile Dealers Association (NADA) expressed concern over some specifics in GM's Participation Agreements for our dealers. In his corresponding testimony, GM President & CEO Fritz Henderson committed that GM would meet with the NADA and come to an understanding over these concerns. We are happy to report that after meetings last Friday and Saturday with both NADA and GM's National Dealer Council (NDC) leadership, we now have a better collective understanding of the issues. As a result, GM will be sending our dealers a letter clarifying various subjects in the Participation Agreement, most notably dealing with competitive makes and performance standards.

"To date, we are very pleased with the overall dealer response to the proposed agreements. Nearly 90 percent of GM dealers have signed or verbally agreed to the participation agreements, while almost 75 percent have done so with the wind-down agreements. In both cases, we expect to have at least 95 percent of the signed documents on hand ahead of our Friday, June 12 deadline.

"While these efforts are extremely difficult for all involved, we believe that the GM dealers moving forward with the company strongly support actions to improve their long-term competitiveness and business opportunities.

"We value the input and relationship with all of our dealers and their hard-working representatives from NADA and the NDC. We will continue to evaluate all GM dealers against a common set of performance standards to ensure that our selection process is fair and robust. It is important to remember that despite the difficulty of these circumstances, the majority of GM dealers support and recognize the necessity of these changes to our dealer network."

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810-252-9725



General Motors Corporation
June __, 2009

VIA Federal Express

[DEALER ENTITY CORPORATE NAME]
[DEALER ADDRESS]

To All GM Dealers in the US Who Received a Participation Agreement:

First and foremost, thank you for your continued support and efforts on GM's behalf in these unprecedented and challenging times. As we indicated when we sent you the June 1, 2009 letter agreement (the "Participation Agreement"), GM wants your dealership to be part of GM's future and our whole focus is to try to improve, together, the GM dealer network. We are gratified that, through Monday, June 8, we have already received over half or 2,200 signed Participation Agreements back from dealers, indicating broad dealer support of our objectives for the dealer network.

We have, however, received thoughtful and insightful questions and comments from individual dealers, the NADA and the National Dealer Council (the "NDC") regarding the Participation Agreement. In response, we have had discussions with the NADA and the NDC. As a result of those discussions, we are writing to provide clarity on several points addressed in the Participation Agreement, as well as to amend certain terms and conditions of the Participation Agreement. Again, our whole focus here is to work with GM dealers to insure that both GM and the dealer body are best positioned to compete in this challenging environment and more importantly in the future.

1. Before we address specific portions of the Participation Agreement affected by this letter, it is important that our dealer body fully understands our reasoning for the Participation Agreement. Given the overall consolidation of GM's dealer network, improved and award winning product offerings by GM, and an anticipated improving US vehicle market over the next few years, dealers will have significant opportunities to increase sales. These sales increases are necessary to GM and the dealer networks' viability over the long term. Our intent is to assist dealers as much as possible to sell high quality vehicles and provide the best customer service in the industry. Our expectation for GM dealers is that they will perform to GM's sales and customer satisfaction requirements and, over time, improve their sales performance in line with increased market opportunities. In order to meet and exceed GM's expectations with respect to sales and customer satisfaction, dealers must have up-to-date, competitive facilities that are properly imaged. Further, dealers must align their facilities by GM's channel strategy to the fullest extent possible and eliminate non-GM line makes from their showrooms to place the proper customer focus on the Chevy, BG or Cadillac channels.

2. Dealers, the NADA and the NDC have raised understandable questions about exactly how the sales expectations would be determined. We explained that we were unable to provide specific answers for individual dealerships now given that we don't yet know how many dealers will sign Participation Agreements and be part of our GM dealer network and footprint in the future. However, the process GM intends to use is to work with individual GM dealers to develop specific market plans, sales objectives and plans to meet or exceed those sales objectives over time. By working with our dealers on this critical issue, we expect that our dealers will not only maintain

current sales levels, but will increase sales beyond those levels necessary for the viability of GM's dealer network. In terms of our process, at some point in the first quarter of 2010, we will hold a GM Reinvention business plan meeting with each dealer executing a Participation Agreement. At this meeting GM's channel representatives and the dealer will agree upon appropriate sales targets given the new dealer footprint in the market and other factors, including, but not limited to, dealer's competitive position in the market, dealer's historical market share, and dealer's market opportunity. We anticipate that this process will be substantially the same as the methods used by GM and dealers to set sales targets in the past. It is expected that the increased sales expectations will be implemented for the second half of the 2010 or 2011 calendar year. In addition, if the overall US vehicle market is operating well below forecast at that time, such information will be factored into the calculations for the dealer's sales expectations.

3. In addition to the questions regarding sales expectations, GM received questions regarding inventory expectations. Simply put, GM needs dealers to order adequate inventory to meet or exceed expected sales performance requirements determined by GM and dealer at the GM Reinvention business plan meeting. If the dealer is meeting sales expectations, there will be no reason for GM to question the dealer's ordering practices or inventory levels. If the dealer is not meeting or exceeding sales expectations, and ordering practices or inventory levels are contributing to this problem, GM needs the dealer's commitment to work diligently to address the situation. This issue is addressed in the Participation Agreement. On the other hand, if product availability is an issue, GM will work with the dealer to try to address that issue as well.

4. On the issue of exclusivity, it is assumed that the dealer will remove non-GM brands from the GM showroom by December 31, 2009 as provided in the Participation Agreement and will operate a showroom exclusive to GM products going forward. GM reserves the right to require in certain markets that dealer provide completely exclusive GM facilities on the dealership premises going forward. Of course, you have our commitment to work with you reasonably (1) to determine whether your dealership premises will be exclusive GM and (2) if you cannot reasonably meet the agreed date or dates for exclusivity. It is not our intent to be unreasonable or onerous with respect to exclusivity requirements, but to clearly provide an excellent customer experience for our mutual customers and to help increase sales of GM brands. While most continuing GM dealers operate out of excellent, imaged facilities, there are those that continue to operate out of dated, non-competitive facilities that do not properly represent GM's brands. This is not good for the dealer, GM or the other dealers in the same market. If a dealer's facility is not compliant, GM's channel representative and the dealer will meet and agree on the appropriate action to be taken by GM and the dealer. GM is fully aware of the current difficult conditions in the market, and any request by GM for dealers to invest in their facilities will take into account the realities of the market. To address the foregoing, we are hereby amending Section 4 of the Participation Agreement to delete the existing third sentence and insert the following in its place:

"In the event that Dealer currently operates any non-GM dealership on the Dealership Premises, Dealer shall cease all non-GM Dealership Operations in the GM showroom at the Dealership Premises, on or before December 31, 2009, and Dealer and GM will meet as soon as practical but in all events by the end of 2009, to reasonably determine and mutually agree whether or not and the extent to which non-GM Dealership Operations may continue on the Dealership Premises other than the GM showroom."

In addition we are hereby amending Section 4 of the Participation Agreement to delete the existing fourth sentence and insert the following in its place:

"If Dealer fails to comply with its commitments under this Section 4, GM or 363 requires shall be entitled to all of their remedies pursuant to Article 13.2 of the Dealer Agreement.

5. In terms of waiving the right to protest in certain limited circumstances, we have frankly received a good deal of comment on this provision. First, we are well aware of the provisions of state franchise laws and a dealer's right to protest certain network actions. Accordingly, we drafted this provision to only apply within a limited time frame and outside the six mile provision set forth in the Dealer Agreement. The intent was to provide GM and our dealers the flexibility to move quickly during this period given the dramatically different dealer footprint. It is essential for GM and the dealer body that this flexibility is built into the Participation Agreement in order to secure a strong, vibrant dealer network now and in the future without the need to resort to the time consuming and costly protest procedures within the state process. However, GM does not intend to use this provision to increase the number of same line make dealers in a particular market over the number that exist today. This was a major concern of dealers, the NADA, and the NDC. To address this issue, we are hereby amending Section 5 of the Participation Agreement by adding the following sentence at the end of Section 5(a) thereof:

"Notwithstanding the foregoing, Dealer is not waiving any protest rights whatsoever in the event that GM seeks to increase the number of dealerships for the Existing Model Line(s) in Dealer's contractual area of responsibility from the number that are located in that area as of the date of this letter agreement."

Again, while it is important that GM retain flexibility in this area, GM believes such activity will be limited.

6. A number of concerns have been raised regarding the breach provision of the Participation Agreement. While it is appropriate that GM have remedies in the event of a breach by dealers of the Dealer Agreement, GM is not looking to terminate any Dealer Agreements for those dealers executing a Participation Agreement. Quite the opposite. We have spent considerable time, energy and money trying to retain your dealership in the network. However, to address certain concerns of the dealers, the NADA, and the NDC that the breach provision of the Participation Agreement would override state law protections for dealers, GM has agreed to delete that provision from the Participation Agreement and rely on the terms of the Dealer Agreement and state law in connection with any breach of the Dealer Agreement, as supplemented by the Participation Agreement, by dealer. Accordingly, Section 8 of the Participation Agreement is hereby deleted in its entirety and all other terms of the Participation Agreement, as modified by this letter agreement, including the numbering of all sections, shall remain in full force and effect.

7. Finally, a number of concerns have been raised about the choice of law provisions in Paragraph 9(g) of the Participation Agreement. Accordingly, the choice of law provisions of Paragraph 9(g) are hereby deleted and such provisions are replaced by the choice of law provision contained in Article 17.12 of the Dealer Agreement, the terms of which are specifically incorporated by reference and agreement into the Participation Agreement. In addition, Paragraph 9(h) is hereby modified such that all terms of Paragraph 9(h) after the words "Letter Agreement" are stricken and removed from the Participation Agreement.

8. If you have already executed and returned to GM your Participation Agreement, please execute this letter and return it to GM on or before **June 15, 2009**, and the terms of this letter shall be incorporated into the Participation Agreement. If you have not executed and returned your Participation Agreement to GM, please execute the Participation Agreement and this letter and return them to GM on or before **June 15, 2009**, and, notwithstanding the terms of the Participation

Agreement, the time period for returning the executed Participation Agreement to GM shall be extended from June 12, 2009 until June 15, 2009. We have enclosed a return Federal Express envelope, addressed to GM, for your convenience.

I would like to personally congratulate you on being selected to move forward with the new GM. With our innovative and award winning product line for Chevrolet, Buick, Cadillac and GMC, and the strongest dealers in the GM network, we have an extraordinary opportunity to win in the market and create both great brand and franchise value, as well as a business that will make America proud. I am honored to be working with you in this mission.

Sincerely,

**Mark LaNeve, GMNA Vice President of
Vehicle, Sales, Service and Marketing**

ACNOWELDGED AND AGREED TO BY:

[DEALER ENTITY CORPORATE NAME]

By: _____

Name: _____

Title: _____



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Press Release

NADA Statement on GM's Revised Participation Agreement



McLean, Va. (June 8, 2009) — The National Automobile Dealers Association (NADA) has reviewed and supports GM's amendments to the Participation Letter Agreement. We're especially pleased that GM moved so quickly to meet with NADA and the GM National Dealer Council on such short notice to review and to discuss the serious concerns that dealers had with the original agreement.

"I especially commend GM for its flexibility and its willingness to make substantive clarifications and modifications to address dealer concerns. We believe GM has made a very good faith effort, given the unprecedented circumstances facing GM and the industry," said NADA chairman John McEleney.

While NADA is not in a position to formally endorse the Participation Agreement, we believe the revised document addresses the majority of dealer concerns.

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