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# New vehicle sales stall in Washington

## Tight credit, costly fuel drive consumers away

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Sales of passenger vehicles and light trucks have tanked in Washington because of costly fuel and tight credit, forcing new car dealers to lay off workers.

A handful of dealerships have also recently closed because of the tough business climate.

The number of new passenger vehicles and light trucks registered in the state dipped 12 percent in the first six months of 2008, compared with the same period in 2007, according to an analysis of state Department of Licensing data.

Sales of light-duty pickup trucks were especially hard hit.

"It's definitely the most challenging I've seen. It isn't as fun as it used to be," said Tom Lane, who since 1992 has run Dwayne Lane's Chrysler Jeep Inc. in Everett, a business his father took over 40 years ago.

Slowing sales of new cars are yet another indicator of how national ailments — costly fuel, tight credit, lower consumer confidence — are seeping into the Puget Sound economy.

The impact on the sale of new light-duty pickup trucks has been especially dramatic. Twenty-six percent fewer trucks were registered through June this year in Washington, compared with the first six months of last year.

Diesel-burning light pickups especially lost their luster. There were 47 percent fewer registered new diesel pickups through June, compared with the same period last year.

New-vehicle registration is considered a good gauge of overall vehicle sales in the state. The data also reflect a national trend that saw sales of new cars plunge 18 percent in June, according to the industry-tracking firm Autodata Corp.

Especially hard hit were the Big Three Detroit automakers, which have struggled to sell their lineup of gas-guzzling cars, SUVs and pickup trucks as prices surpassed \$4 for a gallon for gas and \$5 for diesel.

On new car lots across the Puget Sound area, dealers are struggling, especially those selling domestic cars.

Lane said sales of new cars are down about 25 percent this year at his four dealerships in Snohomish County. Lane has seen his work force decline from 180 two years ago to 160 today, including five who were laid off since January. Most of the lost jobs were in sales.

Dealers like Lane are relying more on service and used-car sales as they await delivery of more fuel-efficient cars that will help them compete with Toyota, Honda and other efficient imports.

Industry observers say the business climate is the worst since the oil crises of the 1970s and the double-digit interest rates of the early 1980s. And before things get better, they say, there could be more layoffs and fewer new-car lots as some automakers look to reduce the number of dealerships in this market.

The industry in 2007 had about 350 new-vehicle dealerships in Washington that employed about 22,000 people.

Ford Motor Co. is shuttering dealerships in Washington and the rest of the nation because of declines in sales.

In May, Becci Stupey closed Harbour Pointe Lincoln Mercury Mitsubishi in Everett after she was bought out by Ford, according to MD Johnson Inc., a mergers and acquisitions specialist based in Enumclaw that advised Stupey on the sale.

MD Johnson President Mark Johnson said in a statement that he is working on similar consolidation deals with Ford, General Motors Corp. and Chrysler LLC across the nation.

Stupey had owned the Everett dealership since 2001. She is the daughter of Dick Ollinger, a longtime Ford dealer who once owned Harris Ford in Lynnwood. Stupey could not be reached for comment.

As part of the deal, Rock Peterson of Brien Ford in Everett bought Stupey's Mitsubishi franchise, while **Klein Honda** now leases the Harbour Pointe space. Klein Honda was across the street and looking for extra space.

Meanwhile, Empire Ford in Spokane closed in December. Its owners also accepted a consolidation offer from Ford, according to Spokane media reports.

The Washington State Auto Dealers Association has just started to closely track data from struggling auto dealers in the state, said the group's executive vice president, Vicki Giles Fabr . She has heard of several dealerships that laid off as many as 20 or more workers. Meanwhile, seven or eight dealerships have closed in the past year, she said.

"It's been terrible, really bad," Fabr  said.

New car sales were nearly \$14 billion in Washington in 2007, according to the National Automotive Dealers Association. Dealership sales made up 15 percent of all retail sales in the state last year.

Fabr  said if things don't recover by next year, her organization will look to Olympia for relief. The group's wish list so far includes persuading state lawmakers to lift a \$50 cap on document-processing fees that dealers can charge car buyers. Fabr  said dealers also likely will target the

state business-and-occupation tax, which is a burden for auto dealers because it is based on revenue, not profit, she said.

In the meantime, dealers continue to adjust. That has meant leaning more heavily on service and on used-car sales, said Dwayne Lane's Tom Lane.

Lane said he can sell every used car with good gas mileage he can get. That means he is holding some trade-ins that he used to ship off for auction.

Lane is also looking to pick up more fuel-efficient, low-mileage used cars at auction. But other new-car dealers are also competing for those vehicles, with the increased demand adding \$1,000 to \$1,500 to the bidding price, Lane said.

Like Ford, Chrysler has an initiative, called Project Genesis, to reduce the number of dealerships. The domestic automakers are too saturated, and Lane said he expects to see more consolidation deals struck.

So far, Lane said he has been able to hold his own, partly because of Chrysler incentive plans, including offering \$2.99-a-gallon gasoline for three years for buyers of new cars. But incentives go only so far.

Lane said he expects there always will be a market for trucks and other big vehicles from workers and buyers with large families. Lane himself has five children and a 12-passenger van.

But Lane said he is eagerly awaiting delivery of vehicles like the compact Dodge Caliber, which can get an estimated 29 miles per gallon on the highway, or the Jeep Patriot, a small SUV that does just about as well.

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