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Car Buyers Face Challenges From Transportation Funding Proposals

Richmond, VA – With the convening of a Special Session of the Virginia General Assembly on June 23rd, Virginia car buyers and dealers are facing increased uncertainty.

“At a time that is the toughest I have ever seen for automobile retailers, anything that increases the cost of vehicles would be alarming and troublesome,” says Don Hall, VADA President.

Virginia’s automobile industry has faced mounting losses and growing inventories over the past four years as sales have declined significantly, particularly in the truck and SUV sectors. The situation has been further heightened by tightening credit requirements on car buyers.

“While the rates on car loans are some of the best there have ever been, lenders are becoming more stringent in their requirements on borrowers,” explains Hall. “In a significant percentage of cases lenders are looking for money down and they expect the buyer to pay taxes and fees out of their own pocket. While buyers with great credit scores could finance these fees and taxes, those with lower scores can’t, and coming up with an additional \$200 or \$300 in cash is going to be impossible for many of them.

“There is a lot of pent up demand for new vehicles out there,” continues Hall; “a lot of people would like to trade up to a vehicle that gets better fuel economy, but potential buyers are facing tremendous roadblocks to purchasing a new vehicle,” says Hall. “With fuel, food and electricity costs rising, consumers are finding their disposable income shrinking.”

According to R.L. Polk & Co. the median age of passenger cars on the roads was 9.2 years in 2007, an all-time high. In 2007, 41.3% of the car population was 11 years old or older.

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“The advanced age of vehicles on our roads is concerning” explains Hall, “since, typically, newer model cars have reduced fuel consumption and significantly reduced emissions. Over the past couple decades each model year tends to run up to 10% cleaner than the previous model year.”

In addition to the environmental factors, the effect of the industry on the overall health of the economy is a concern. New car & truck dealerships account for more than 20% of all retail sales in the Commonwealth. According to the U.S. Dept. of Labor every automotive manufacturing job creates nearly seven spin-off jobs.

“The automotive industry in Virginia and Virginia’s economy in general are at a real tipping point,” states Hall. “Dealers are just holding on waiting for the tide to turn. Anything that increases the cost of purchasing a new vehicle could prevent that from happening. That would be bad, not just for dealers, but for consumers and Virginia as a whole.”

An electronic version of this press release is available on the VADA website at dealers.vada.com and selecting “Press Releases” from the menubar.