

## A flat-out success story

### Area cities with auto dealerships also benefited from Cash for Clunkers program

By Stephanie Hoops

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The Cash for Clunkers program didn't just benefit auto dealerships — four cities with auto malls in Ventura County had a noticeable spike in sales tax revenue, according to just-released data.

The federal program stemmed the downturn at local dealerships that had been battered by the U.S. auto market crash that hit in September 2008.

It also generated a windfall for other businesses, such as truckers who hauled away clunkers and junkyards that crushed the vehicles. The Ventura County Auto Parts yard in Santa Paula had a giant leap in business as cars came in for disposal.

"I was expecting about 400 to 500 (vehicles) but we got almost 2,000 and we got pretty hammered for three months," said owner Robert Nazaryan.

Nazaryan's yard is still crushing vehicles.

"I have maybe 10 percent remaining to complete the process," he said.

Other than auto dealerships, the big local winners were Ventura, Oxnard, Simi Valley and Thousand Oaks. In the first quarter of 2008, sales tax revenues collected by those cities totaled \$3.4 million, but the amount plunged to \$2.6 million by the fourth quarter as the recession took hold. Further declines occurred in the following two quarters through June 2009, with much of it attributed to a drop-off in big-ticket purchases such as new vehicles.

After the Cash for Clunkers program kicked off in July, sales tax revenues rebounded to \$3.2 million in the third quarter of 2009, according to figures provided by the four affected cities.

There are few, if any, dealerships pumping money into the budgets of Camarillo, Fillmore, Moorpark, Ojai and Santa Paula.

The jump in sales taxes didn't surprise Brad Kemp, director of regional research at

Beacon Economics in Los Angeles.

"I think the trends are pretty much consistent, no matter where you look: at the U.S. level, at the state level and at the local level." he said.

Thousand Oaks dominates the county in auto sales, with roughly one-third of its sales tax revenues coming from auto dealerships. Dealers there sold a "trainload of cars," said Gary Wartik, the city's economic development manager.

"I interacted with a number of the major dealers and they were very pleased," he said. "The flip side of that was that when the program ended, many dealers had to scramble for new inventory, replacement inventory."

What it did was "cannibalize" future sales, but it also made room for 2010 models, Wartik said.

"But what some dealers indicated is that the turnaround time for receipt of new vehicles was slower than it needed to be in view of the Cash for Clunkers program, reducing the opportunity to sell 2010 vehicles," he added.

Kemp made a similar observation, saying the program drew sales from the future "that would have happened anyway."

"The hope is that spike creates a positive psychological impact and creates further demand and further stimulates consumer spending," he said.

### **Moving lots of metal**

Leo Bunnin, owner of one of the county's leading auto dealers, Bunnin Automotive Group, said its sales soared 35 percent to 40 percent. He said the demand was so high that his dealerships started running out of cars.

"During Cash for Clunkers, business very robust," Bunnin said. "The beat stayed fast and bold, and we sold a lot of cars."

Sales also were up "enormously" at DCH Honda of Oxnard, said Ronald Anthony, a sales and leasing consultant at the dealership.

"It was an awesome deal for the customers and for the dealership," he said. "It went extremely well."

The Cash for Clunkers program ran from July 24 to Aug. 24. It allowed people to trade in gas-guzzling vehicles for new, more fuel-efficient models and receive a credit of \$3,500 or \$4,500, depending on the improvement in fuel efficiency. Congress allocated \$3 billion for the program, which resulted in nearly 680,000 vehicles being replaced nationwide.

New vehicles purchased averaged 24.9 mpg, compared with trade-ins that averaged

15.7 mpg, according to the National Highway Traffic Safety Administration.

More Toyotas were bought during the program than any other make, while Ford was the make most traded in, according to a NHTSA report to Congress. Ford was the second most popular make purchased, finishing ahead of Honda, Chevrolet and Nissan.

### **Glut was gone quickly**

In California, there were 76,637 transactions, with purchases generating sales taxes of more than \$149 million.

Before the Cash for Clunkers program, auto sales had fallen off so dramatically that the Port of Hueneme — a major West Coast entry point for foreign vehicles — was overflowing with excess inventory. Makeshift space at airports and an empty lot at a closed used dealership were used to store vehicles coming in through the port.

Space is no longer a problem, according to Pete Wallace, the port's deputy executive director of maritime services. Manufacturers have slowed production and the volume of imports eased through 2009. Wallace said he doesn't expect business to remain flat for an extended time.

"Nobody's got a crystal ball," he said, "but the manufacturers and processors are telling us that sometime in 2011, they'll start to see some of the volumes start to increase."



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