



NEWSLETTER

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November 2002

Fool us once, shame on ford. Fool us twice, shame on us!

For most of us, Ford's November 14th Blue Oval broadcast accomplished little more than bring to fruition many of our concerns and fears about the Blue Oval Program and how these types of programs can be misrepresented and misused by our manufacturer. Unfortunately, for most of us, anticipating the problem offers little solace in dealing with the unfairness.

The purpose of this bulletin is not only to provide you with up-to-date information as to what has transpired at the Alliance since the broadcast but also to assure you that we will continue to strive for a permanent solution to what we perceive will be a permanent problem unless Blue Oval and its sister programs are eradicated once and forever.



2003 to 72 VOC. Another reason given for this adjustment is that if the Program had progressed at a rate of a 2 point increase in the VOC target each year, by the year 2006, **only 55 to 65 percent of the Ford dealers would have remained Blue Oval Certified.** Imagine how many of us would have lost certification in 2003 and 2004.

Ford will also drop the requirement that dealers be Internet approved and will reduce the frequency of J.D. Power inspections to every other year. Ford, in its sole discretion, will determine when each individual dealer will be inspected by J. D. Power.

Although Ford stated that this was a proposal and not yet final, Ford stated further that "it's pretty close."

The Blue Oval Broadcast

For those of you who may have missed the broadcast, on November 14th, Steve Lyons, president of Ford Division, announced that Ford Motor Company, effective April 2003, would no longer pay the Blue Oval Certified Ford dealers 1.25 percent.

Ford's rationale is because the Company and we, its dealers, have achieved moving from 26th place to 17th place on the J.D. Power Sales Satisfaction Index in three years, rather than the five years planned, (and are unlikely to surpass that

score substantively, as we are the only volume franchise in the top 17 positions), the Blue Oval money was one "cost" Ford could afford to cut. In summary, Ford's financial woes have forced the Company to rethink its position on the Blue Oval money.

Effective April 2003, Ford will cut the Blue Oval payments to 1 percent; .75 percent in 2004; and .5 percent in 2005; (all while keeping the 1 percent increase to the dealer invoice in place.)

In return, Ford will lower its increase of the VOC target effective April 2003 from 2 percent to 1 percent and will increase the VOC target another 1 percent effective April 2004. Automatic certification decreases from the anticipated 74 VOC effective April

*Note: Ford makes no mention of the fact that it increased our invoice cost per new vehicle by 1 percent without raising the MSRP. In other words, Ford makes it clear it has decided to take and, ultimately, **keep our money.***

The Ford Dealer Body

It should come as no great surprise that the Alliance office has been inundated with calls from unhappy dealers.

It would be inaccurate to state that all calls, e-mails, letter, etc., we have received over the past two

years have been supportive of the lawsuit challenging the Blue Oval Program. In all fairness, however, during this time, **only about a dozen dealers** have contacted us to express that they genuinely liked Blue Oval. So, frankly, we had never experienced the flip-flop in the Ford dealer position on this issue that the press has reported on from time to time. The consensus has continued to be that dealers dislike and distrust the Program but refuse to forfeit their own money and that is a no-brainer.

The kinds of calls we received as a result of the Blue Oval broadcast, however, had a different tone. Dealers were angry and, in many instances, and for the first time, were contemplating suing their own manufacturer. They felt they had been forced to spend a lot of money to gain Blue Oval certification and felt that Ford should have at least stuck to its five-year bargain. After the five years, many dealers suggested Ford do away with the Blue Oval Program and make the dealers whole by eliminating the 1 percent increase to the dealer invoice.

Recommendations were made as to what we, as dealers, could do as a group until the FDA supported lawsuit is resolved. Some suggested we increase our FDAF rebate to make up the difference in what the dealers have lost. Some suggested we all return our Blue Oval plaques as a show of solidarity. Yet others suggested we inundate Ford with letters and e-mails.

One dealer writes, "Ford's Blue Oval Certified initiative is the most serious threat to Ford dealers and, in a broader sense, to the independence of the automotive franchise system that our family has seen..."

"Modifications to Blue Oval will and have been made at the onset. However, until the two-tiered price discrimination factor is dropped, every other aspect of Blue Oval is

just a foot note, and the changes a diversion... We will be getting a new Sales and Service Agreement every year. The first year was the dealer's 'free bag of heroin.'"

All agreed on one thing. Ford should not be trusted.

The Ford Dealers Alliance

The Alliance continues to perceive the Blue Oval, Premier, and Advantage Programs as coercive, divisive Programs that must be eradicated. It puts all dealers at risk - large, medium and small.

- We cannot condone a Program that allows Ford to circumvent federal antitrust laws and state franchise laws by squeezing dealers out of business with unlawful pricing initiatives.
- We cannot allow Ford, or J.D. Power for that matter, the opportunity to selectively terminate dealers through subjective decisions.
- We cannot allow Ford effectively to change the Sales and Service Agreement to a one-year contract.
- We cannot allow Ford to hold us hostage year after year with ever-changing criteria.
- We cannot throw the inherent protections under our franchise system, our franchise laws and our Sales and Service Agreement under the bus simply because Ford is waiving money in our face. The price we will have to pay is too high.
- We cannot allow any Ford representative to again look into a camera at each of us and repeat the words uttered on the Blue Oval broadcast pertaining to VOC targets, "at some point along the way, it was going to get you."

- We cannot revisit this problem every couple of years as Ford, again, changes its mind. We need a permanent solution to a permanent problem.

The Blue Oval Lawsuit

As many of you are aware, the lawsuit challenging the Blue Oval Program was filed on May 9, 2002. Ford's Blue Oval broadcast has gone a long way to strengthen many of the allegations presented in the Complaint. The lawsuit also includes the indisputable connection between the 1 percent increase to the dealer invoice per new vehicle and the 1.25 percent reimbursement to Blue Oval Certified dealers. The goal of the suit is to have the courts dismantle the Blue Oval Program and eliminate the additional 1 percent from the dealer invoice.

What has occurred since the broadcast is that our attorneys have amended and supplemented the original Complaint. A motion to file the amended Complaint was submitted on November 22. The Complaint reiterates our original legal concerns but also adds that many of the predictions we made as to how Ford Motor might misuse the Program has, through its announcement, materialized. The Ford attorneys will be given the time to respond to the amended Complaint and we should be in court for oral argument in January or February 2003. We will, of course, keep you posted as the lawsuit evolves.

We realize that the Court process has been slow and arduous; however, we continue to believe that it is our only choice and will continue forward until it is concluded.

We will not give up the fight. It is too important to our survival.