Bloomberg Reports Possibility of Cash-For-Clunkers Program Returning in 2020

Bloomberg reports that the 2009 program known as Cash-for-Clunkers could see a resurgence in the coming months if Ford Motors has anything to do with it.

BROOKLYN, N.Y. (PRWEB) May 27, 2020 -- The 2009 program known as Cash-for-Clunkers could see a resurgence in the coming months if Ford Motors has anything to do with it. The Obama-administration program gave consumers up to $4,500 if they traded older, less fuel-efficient cars into the government as a stimulus measure against the 2008 recession. The program lasted for 2 months and cost the government $3 billion, but resulted in a stimulus of about $14 billion overall. A similar program now could mitigate the impact on consumers of the upcoming recession caused by the coronavirus crisis.

Ford Motors has reported to Bloomberg News that they hope to push the U.S. Government to create a program similar to Cash-for-Clunkers in the coming months as a way to stimulate the auto industry. Internal talks of possible stimulus programs have begun, and soon may involve the U.S. Government for input and execution.

“We think some level of stimulus somewhere on the other side of this would help not only the auto industry and our dealers, which are a huge part of our overall economy, but will help the customers as well,” Mark LaNeve, Ford’s vice president of U.S. marketing, sales and service, said in a phone interview. “We’re in discussions about what would be the most appropriate.”

A stimulus could help boost the auto industry, which has suffered large closures of factories due to the current coronavirus situation. With many consumers not making large purchases during this economic situation and auto plants not able to produce vehicles, the industry is being hit hard.

“Cash for clunkers was very effective [in 2009],” LaNeve said. “It would be nice to think we could have something equally as effective for 2020 when we get out of this because it was a great program.”

If a vehicle buyback program was instilled, it would have to be for much more than the previous program. Adam Jones, an auto analyst for Morgan Stanley told Barron’s in an interview, “We expect a Cash for Clunkers program to be much larger in scope and longer in duration than what we saw. In 2008 and 2009, we saw a $3 billion package that stimulated about $14 billion of purchases. This time around we're expecting about $10 billion of stimulus that drives $50 billion of purchases and adds about four million of SAAR [seasonally adjusted annualized rate, a measure of car purchases] over a six-month period beginning in the fall and then into early 2021.”

Ray LaHood, who oversaw the program in 2009, said, “It was a lifeline to the car dealers whose showrooms were looking pretty bleak without any customers, and I think if you talk to anybody in the automobile industry it was the beginning of the lifeline for the automobile industry from the Obama administration. If they can model something differently to suit the current-day situation, I’m for that.”

Along with a Cash-for-Clunkers-type program, Ford is also looking into other stimulus options that would drive jobs in the industry as well as consumer support and demand. Though Ford’s plans have not involved Washington yet, Rep. Debbie Dingell (D-Mich.), whose district includes Ford headquarters told Bloomberg that “It’s out there as an idea along with many other ideas. We’re working with the entire ecosystem of automakers.
workers, their unions, suppliers, dealers, and consumers.”

These discussions come in the wake of a disastrous March for the auto industry. Sales of vehicles in the U.S. fell over 10% during the month, and experts forecast a yearly decline of over 15%.

Whether Ford’s proposed plan will offer the same $4,500 stimulus as the 2009 program, or offer better returns for trading in non-fuel-efficient vehicles remains to be seen. Junk car buyers, such as Junk Car Traders, can stand to benefit from this program as the primary middleman for towing junk vehicles.
Contact Information
Jeff Foreman
Interactive Limited LLC
http://https://rustysautosalvage.com
+1 (510) 377-5193

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