



"Cash for Clunkers" Retrospective

Posted by [Gail the Actuary](#) on July 31, 2009 - 10:30am

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The "Cash for Clunkers" program led a short life--only a week--before its \$1 billion in funding was exhausted. What is your view of the program? Should it be extended? What should happen now? Is the apparently short life of this program indicative of what we can expect from other stimulus attempts?

Wikipedia has a fairly long article, under the title [Car Allowance Rebate System](#). Below the fold are a few comments:

[White House reviewing 'cash for clunkers' program](#)

The White House said Thursday it was reviewing what has turned out to be a wildly popular "cash for clunkers" program amid concerns the \$1 billion budget for rebates for new auto purchases may have been exhausted in only a week.

Transportation Department officials called lawmakers' offices earlier Thursday to alert them of plans to suspend the program as early as Friday. But a White House official said later the program had not been suspended and officials there were assessing their options.

"We are working tonight to assess the situation facing what is obviously an incredibly popular program," White House press secretary Robert Gibbs said of the Car Allowance Rebate System. "Auto dealers and consumers should have confidence that all valid CARS transactions that have taken place to date will be honored."

E-mail from Oil Drum Staff Member (at time when it appeared program was being stopped as of Thursday midnight):

I have a friend who works at a car dealership, and he reports business has been absolutely insane because of Cash for Clunkers. Phones ringing off the hook, customers swarming the lot, etc.

He's not looking forward to going to work tomorrow. People are going to be pretty ticked off to hear the program's over. Plus there will be a ton of work to do, wrapping everything up. He says they spent hundreds of thousands of dollars advertising Cash for Clunkers, and the ads are still running even though the program is over.

[Cash for Clunkers Suspended? Funds Already Running Out](#)

"Cash for Clunkers" was supposed to continue through November 1, 2009 or until the money ran out. But with the number of dealers participating, if each completed just a dozen cash for clunkers deals, the \$1 billion dollars would be spent. And some dealers have initiated more like 250 cash for clunkers deals -- 20 times what the government was expecting.

At Fitzgerald Toyota in Gaithersburg, Maryland, it's a different kind of car race as the sales staff rushes to process "Cash for Clunkers" transactions before the government slams the brakes on the program.

[US 'cash for clunkers' scheme gives out \\$1bn in less than a week](#)

Britain's similar car scrappage initiative is on track to run out of money in just over two months. The scheme, which began in mid-May, is designed to run until the end of February 2010 or until the £300m put in by the government has been spent.

['Clunkers' Program Is Running Out of Cash](#)

Under the program, dealers credit the amount of the voucher to customers who buy new cars. They then get reimbursed by the government.

"There's a whole lot of money out there that dealers haven't collected on," said Darvish, who noted that she's taken in about 200 clunkers. "We've sold the cars and we've processed the paperwork, but we haven't been reimbursed. I'm out about \$1 million. The government is supposed to reimburse me for that."

[Auto recyclers leery of cash for clunkers](#)

Not all auto recyclers are relishing the government's new cash for clunkers program, which requires car dealers to destroy the gas-guzzlers they get as trade-ins from new car buyers.

Used engines and drivetrains are a big part of recyclers' income from each scrapped car, and under the federal program those engines must be destroyed. The idea is to promote fuel efficiency and help automakers, but it comes at a time when more than a dozen U.S. auto parts suppliers have filed for bankruptcy this year. . .

Under cash for clunkers, the government is advising car dealers to replace a trade-in's engine oil with a sodium silicate solution and run the engine to ruin it before giving or selling the car to a scrap dealer.

The Automotive Recyclers Association says that can damage otherwise sellable parts like pistons - and mean smaller profits for scrap yards, considering it can cost \$700 to \$1,200 to process a car, including transport and removing toxic items like mercury, Wilson said. Recyclers' profits vary but can reach several hundred dollars for a 6-year-old car.



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