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## Congressional Hearing Set on Dealer Rights Legislation

### Talks Continue between Dealers and Reorganized OEMs

With talks under way between a coalition of U.S. dealer organizations and Chrysler and General Motors to see if an agreement is possible in lieu of legislation before Congress to restore dealer rights, a Congressional hearing has been scheduled next Wednesday, October 15 before the House Judiciary Committee to see what direction the ongoing debate will take.



Rep. John Conyers, (D-Mich.),  
chairman of the House  
Judiciary Committee

The Judiciary Committee, chaired by Rep. John Conyers (D-Mich.), is one of several committees where HR 2743 can be reviewed prior to being acted upon by the entire House.

Rep. Conyers, a veteran congressman from Michigan with an obvious interest in the legislation and a high level of automotive expertise, has met with dealers as recently as this week regarding the unprecedented downsizing of Chrysler and GM dealer networks that occurred last spring.

The Judiciary Committee has reviewed the impact of the OEM bankruptcies on earlier occasions, but this would be the first time wherein dealer rights will be the principal focus.

Among the dealers who have spoken to Rep. Conyers are WANADA leaders Tamara Darvish, Jack Fitzgerald and Dick Patterson, who made the case to him that the ultimate recovery of the reorganized Chrysler and GM corporations depends upon each revisiting their dealer network reductions and restoring as many terminated dealers that are willing and able to come back.

NADA, along with sister associations across the U.S. that constitute the Automotive Trade Associations network (ATAE), the Committee to Restore Dealer Rights (CRDR) and the National Association of Minority Auto Dealers (NAMAD) joined together on a settlement proposal to the OEMs as an alternative to legislation. With the House Judiciary Committee poised to hold hearings next week on dealer rights, there are now 278 House cosponsors of HR 2743 and 42 Senate cosponsors of the companion bill, S 1304.

## Floor Plan Relief Coming to Dealers

Calling it a “major step forward” in obtaining more favorable lending conditions for franchised dealers, NADA announced this week it had worked out an agreement with the Term Asset-Backed Securities Loan Facility (TALF) to provide a combined \$2.3 billion in loans to support the floor plan operations of Ford and BMW’s credit arms as well as that of World Omni Financial Corporation.

As dealers know all too well, floor plan lending has been extremely difficult to obtain since the start of the Recession and NADA has been seeking to expand credit capacity for dealers for more than a year. It has succeeded in getting the SBA to conduct a pilot program, but few dealers have been able to take advantage of it because lenders have been very hesitant to lend funds on depreciating assets like dealer vehicle inventory.

Making the announcement, NADA said that while the TALF loans neither create a new finance source to which dealers can submit floor plan applications nor independently restore floor plan lending to the level that was present before the credit crisis set in, “it is a major step forward in obtaining more favorable lending conditions for franchised dealers.”

NADA said it was continuing to press for more floor plan support from the financial community.



WANADA Board Member Richard Patterson invites all WANADA members to join him at this annual event to honor the memory of Joan Hisaoka and the difference she is making in the lives of those affected by cancer.

Joan Hisaoka was the founder of Hisaoka Public Relations who lost her battle with cancer on May 14, 2008. The annual gala was created to honor Joan and her dream of assisting those living with cancer by supporting organizations that bring hope and healing to those faced with serious illness.

This year’s event takes place on October 24, 2009 at the Mandarin Oriental in SW Washington, DC and will benefit the Smith Farm Center for Healing and the Arts.

The Mistress of Ceremonies will be NBC Chief Washington Correspondent Norah O’Donnell and the black tie event will feature a four course dinner, complete with wine pairings, prepared especially by James Beard Award winning chef, Eric Ziebold of CityZen Restaurant.

To support this worthy cause and/or register for what is sure to be an extraordinary event, please go to [www.joanhisaokagala.org](http://www.joanhisaokagala.org) or call 202-543-7388

## 4<sup>th</sup> Time May be A Charm for Red Flag Compliance

After being postponed three times in the last year, the final deadline for complying with the Red Flag Rule, a measure designed to combat identity theft, is fast approaching. Beginning November 1, 2009, all motor vehicle retailers who originate loans or leases will be required to have in place a formal program to prevent identity theft crimes (crimes in which someone obtains credit, or access to an account using the indentifying information, such as Social Security and Drivers License numbers, of another person).



The rules setting forth this new requirement is referred to as the “Red Flag Rule.” The term “Red Flag” refers to the suspicious circumstances that point to the possibility of an attempt to commit identity theft.

Those dealers who have not done so in anticipation of the previous deadlines will be required to adopt a formal identity theft prevention program under which they will watch out for “Red Flags,” recognize signs and warnings of potential ID theft, train employees in detecting Red Flags, and take appropriate action when they detect a Red Flag, including investigating further into the identity of the customer seeking credit, and reporting the incident if ID theft or attempted ID theft is confirmed.

## WANADA Seminar

### Pollak Says Web Tools and Data are Key to Bigger Profits in Vehicle Sales

Participating WANADA dealers and their key managers were treated to a powerful seminar this week on a new way to approach marketing and selling new and used vehicles. Presented by Dale Pollak, the founder and chairman of vAuto, Inc., the three-hour seminar focused on how the Internet had leveled the playing field between new and used car shoppers and dealers, but that dealers could still boost overall sales profitability provided they understand the data the Internet was providing and acted accordingly.

Pollak, who has more than 13 years experience as a dealer principal and more than a decade as a successful high-technology executive, says data on the Internet makes it is possible to know exactly what used vehicles are hot in a dealers market and thereby what vehicles should be on a dealer’s lot and for how long. He said Internet data also makes it possible for a dealer to know what he should pay for a used vehicle before putting it on his lot to ensure a quick and profitable sale as well as how to drive traffic to the showroom and evaluate in real time how a dealer’s online inventory is performing.

Pollak says most dealers make a mistake by stocking their used vehicle inventory with large numbers of used versions of the new vehicle brands they sell. He said those vehicles should never amount to more than 50% of the inventory because the Internet makes it easy for a buyer to find a hot model regardless of who owns it. "Internet search engines don't care what franchises you hold," he said and "you should only be interested in selling hot models, regardless of what brand they are."

Pollak says dealers need to "decouple" their viability from the new vehicle franchise and focus on selling what sells in the local market, be it new or used. He recommends dealers rethink their traditional department models and change to a sales department where all sales people sell both new and used. He says dealers should create a "Stocking and Pricing Department" that is led by an expert who is adept at analyzing vehicle data available from all web sources, where and how



Dale Pollak, Chairman of vAuto, Inc., speaking at the WANADA Seminar,  
**Survive and Thrive in the Efficient Used Car Era**

to buy vehicles; and how to dynamically price them on a daily basis analyzing real time web data of comparable models. He says dealers should also develop a marketing department that is adept at describing inventory units so that they always appear in the first five listings of any search query by a consumer.

Pollak says the used vehicle market, and to a certain extent, the new vehicle market is now like a commodity market, and that the key to profitability is not hitting home runs on the occasional hot vehicle, but rather high turnover of competitively priced inventory.

## Tax Breaks Still Available on a New Vehicle Purchase

"Cash for Clunkers" sales incentives may be over, but the government still has incentives in place that auto dealers should remind consumers about. First among these is the generous tax deduction for state sales taxes (and some other state fees) on the purchase of a qualifying new vehicle before Dec. 31.

Small business owners also have some time left to take advantage of generous accelerated depreciation and expensing tax incentives on the purchase of certain qualifying vehicles, which were extended in the stimulus bill, (The American Recovery and Reinvestment Act of 2009).

To view IRS guidance on the consumer vehicle sales tax deduction, including income and other restrictions, [click here](#). To view a summary of accelerated depreciation and expanded small business expensing rules from the stimulus bill, [click here](#). For a summary of these and other potentially relevant tax provisions in the stimulus bill, [click here](#).

## Consumers May be Backing away from Small Cars

When gas prices spiked above \$4 per gallon in the summer of 2008, Toyota Corollas, Honda Fits and Civics, Chevrolet Cobalts and Ford Focuses suddenly went flying off dealer shelves at a fevered pace, while the big pickup market collapsed and SUV sales fizzled. Many automakers figured that trend was one that would continue, but an analysis of current sales trends suggests buyers are once again picking bigger vehicles and those who bought small cars last year may be experiencing a bit of buyer's remorse.



**Chevrolet Cruze**  
Scheduled for launch in 2010

The compact car market has dropped 15% year over year and small car residuals are dropping rapidly. Meanwhile, sales of larger vehicle are on the rise, with overall truck sales up 23%.

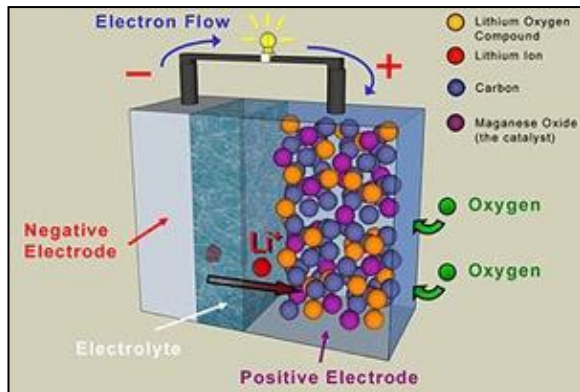
Are U.S. car buyers going back to their old ways? Perhaps. A recent survey of 32,000 car buyers by Auto Pacific showed that customers aren't thrilled with their new small car. George Peterson, president of AutoPacific, says small car buyers are saying "It does what I want, but it doesn't have what I want. It doesn't have the features, the power, the room, and next time I'll opt for a bigger car."

The survey showed that 30% of small vehicle buyers would like more power with their next new car or truck, 25% want more cargo room, and 25% want more technology. Another 18% of those surveyed would like more safety and 22% would like a softer ride. Only half of the subcompact buyers would opt for a compact vehicle with their next purchase, while 35% want a mid-size sedan and 18% want a crossover or SUV.

That is not going to come as good news to many automakers that are ramping up small car production. New products like the [Ford Fiesta](#) and the Chevrolet Cruze, set to launch in 2010, are particularly critical to Ford and GM both for sales volume and to meet more stringent fuel economy standards set for 2011 and later years. Just about every other automaker is readying a product for the subcompact category for the same reasons.

With gasoline prices at less than \$2.50 nationwide likely through the winter, marketing these critical new products is going to be a real challenge.

## IBM Bets It Can Make a Better Battery



IBM is launching a major research effort to boost the range of electric cars by a factor of ten. Known as, Battery 500 Project, IBM is bringing together a number of the brightest minds in anode/cathode tech to boost battery storage density such that a typical electric car could easily go 500 miles without worry about running out of charge. Their focus will be on lithium-air technology, which uses nanoscale semiconductors and an open design relying on the air around us for collecting positive ions.

The best of current electric vehicles can only drive 50-100 miles before they must be recharged, a process that can take from 2-8 hours. If electric battery research follows the development path of computing technology, the IBM team is likely to have some positive announcements to make within 5 years.

## Nissan Has a Novel Idea for a City Car

Nissan thinks side-by-side seating in automobiles may not be the way to go in crowded cities. At the Tokyo Auto Show will display a novel electric vehicle that is no wider than a big motorcycle and leans like one going around corners. And like a motorcycle, the passenger will sit behind the driver.

It is calling the vehicle Land Glider and Nissan engineers say it has the potential to become a new means of transportation in urban areas, noting that “its electric motor linear acceleration and the narrow body, which only an ultra-compact, ultra-lightweight EV can achieve, will help reduce traffic congestion and promote effective use of parking space.”

They also say that leaning provides a “new, exciting sense of driving and a powerful, crisp ride.”



## Position Wanted

Parts Manager with extensive experience seeks similar position. For more information please contact: John O'Donnell at 202-237-7200.

### Staying Ahead...

*Never interrupt your enemy when he is making a mistake.*

-- Napoleon Bonaparte