

Headlines...

Toyota Dealers Close Ranks Behind OEM on Acceleration Recall
Washington Metro Auto Sales Stable in 2009 Even as U.S. Market Suffers Through Recession
President's Budget Suggests Negative Impact on Dealers and Small Business
Businesses Would Receive as Much as \$3K per New Employee in New Senate Jobs Bill
Consumer Facts On Credit Card Use
Fairfax County Car Owners May See Registration Fee
Save the Date: 2010 WANADA Open – May 10, 2010
Thought for the Week...

Toyota Dealers Close Ranks Behind OEM on Acceleration Recall

Dealers Rally in DC to Support Toyota Response to Congress

About 150 Toyota dealers from across the U.S. came to Washington this week to meet with Toyota executives, including Toyota Motors president Akio Toyoda, and to show support for their franchisor, which was in town by order of Congress for hearings to investigate widespread reports of “unintended acceleration” of Toyota vehicles.

The dealer rally, organized through AIADA by WANADA immediate past chairman and Washington area Toyota dealer Tamara Darvish, culminated in a morning press conference last Tuesday, February 23, in the U.S. Capitol, immediately preceding Toyota’s first congressional appearance before the House Energy Commerce Committee.

“Our sense of responsibility is as broad as our reach,” Darvish told a packed room of news reporters, referring to the “Toyota community” across the U.S. whose service departments, including hers, have been going 24/7 on recall repairs to “ensure Toyota owners get the prompt, thorough service they deserve.” U.S. dealers have repaired 800,000 Toyota vehicles since the recall was announced last month.



Tamara Darvish speaking at Toyota dealer press conference on Capitol Hill

Darvish and the other dealers, which included Mike Jackson of AutoNation and WANADA dealer member Jack Fitzgerald, pointed out that *all* automakers are subject to vehicle recalls when safety issues emerge, whether mandated by federal safety regulators or implemented voluntarily as was the case with Toyota.



Toyota president Akio Toyoda

The breadth of the recall, 8 million worldwide, 6 million in the U.S., is what got the attention of Congress. The biggest congressional moment, however, came when Akio Toyoda personally appeared before the House Oversight and Government Reform Committee last Wednesday, Feb 24. Toyoda, the grandson of the company's founder, responded through an interpreter to intense questioning by the committee who were drilling down on the source of the unintended acceleration. Toyoda and his team took responsibility for the problem, repeatedly apologizing to Toyota owners and their families who were injured or killed in crashes that allegedly resulted from sudden acceleration. As to the cause of the failure *per se*, Toyoda reiterated to the committee that their accelerator pedal fix addressed the problem while he adamantly denied any failure of the electronic throttle control, a theory being vigorously advanced by plaintiffs' lawyers.

There is also still considerable uncertainty over just how many proven instances of unintended acceleration have occurred in Toyota vehicles. The National Highway Traffic Safety Administration (NHTSA) says it has reports of 2,000 alleged cases. *Consumer Reports* magazine, meanwhile, says it has no reports of any incidences in its entire database of consumer surveys, which measures well into the millions.

Nonetheless, Toyota is moving expeditiously to put in place systems that will alert it sooner to any vehicle safety issues and allow it to respond rapidly. These include more local control which will allow "in-country" management to order a recall rather than Toyota's Japan-based Customer Quality Engineering team; putting a representative of Toyota's U.S. operations on the global board, creating a new position of "product safety executive" for the U.S.; hiring more engineers and creating "SWAT Teams" that would be onsite within 24 hours of a reported unintended acceleration incident. It is also installing brake override systems in eight models of the 15 models being recalled. These make up 72% of the total units covered under the recall. Older models not getting the upgrade are not compatible with the brake override system.

In addition, Toyota is making more "Black Box" readers available. The Black Boxes are recording devices installed in cars that gather data from five second before a crash to one second later. They are required on all 2012 model vehicles, though some current models have them. Devices to "read" the boxes are not yet widely available, however.

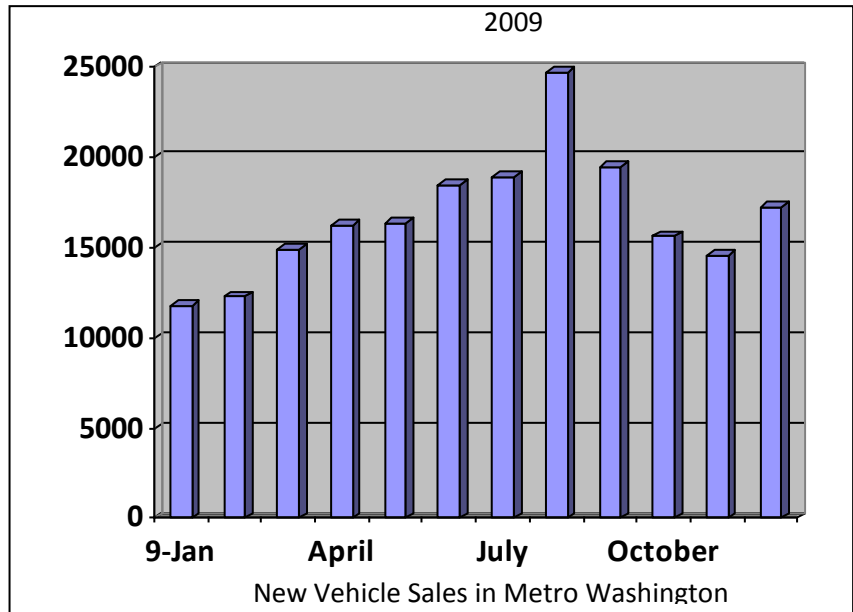
"If nothing else, the news coverage on Toyota's problem should get all vehicle owners thinking about recalls because half the people who get recall notices don't get the recall work completed," said Jack Fitzgerald. "Toyota will come through just fine because when it's all said and done, they still make great cars," he said.

Mike Jackson of AutoNation agrees. "What's fascinating about the American people is that if they see a company that's done it right for decades, but has a bad moment and makes a mistake and owns up to it and commits to change and does everything possible to make it right, the American people will understand and forgive," he said.

Washington Metro Auto Sales Stable in 2009 Even as U.S. Market Suffers Through Recession

Once again proving the resiliency of the Washington Metro market, new vehicle sales here in 2009 fell just 7.3%, even as the U.S. recession lowered them across the country by more than 20% from 2008 levels.

According to R.L. Polk, metropolitan Washington area dealers fared consistently better than their counterparts throughout the year with monthly sales declines early in the year running less and upticks in the later months running higher. Indeed, Washington area dealers finished with a 15.3% sales increase in December.



As was to be expected given the bankruptcy reorganizations of GM and Chrysler last spring, total domestic sales here slid a bit more than their import competitors in the market, but only by the slightest of margins. In the car category where domestic sales were off 11.1% for the year versus 7.7% for import cars. Import and domestic truck sales declined just 5.6% on average.

According to R.L. Polk, there were 202,417 new cars and trucks sold in the Washington metropolitan market area for all of 2009, compared to 218,409 in 2008. The biggest month, of course, was August because of the Cash-for-Clunkers program kicking in where sales approached a monthly high of 25,000.

New vehicle sales nationally are projected to reach 11.3 million in 2010, an increase of 8% over the 10.4 million sold in 2009. On that basis, Washington area dealers can expect to retail approximately 17,000 more units in this year, though a higher number is more likely given the historic tendency of the Washington market to rebound more quickly from economic downturns.

WANADA members can find the full 2009 R.L. Polk sales report at www.wanada.org under the member section at *Marketing Sales Data*.

President's Budget Suggests Negative Impact on Dealers and Small Business

The Obama administration has released the "General Explanation of the Administration's Fiscal Year 2011 Revenue Proposals," commonly known as 'the green book,' and it doesn't bode well for franchise dealers and other small business operators.

The green book outlines the tax policies the president hopes to enact as part of his budget and includes numerous individual, corporate and administrative proposals. Most of these have been previously proposed in one form or another but the following are those likely to have the greatest impact on dealers, their families and employees.

Most tax rates will increase as the budget calls for a return to the higher brackets of the Clinton-era as well as selective increases for high income taxpayers such as an increase in the long-term capital gain and qualified dividend rate from 15% to 20% for individuals with adjusted gross income (AGI) in excess of \$200,000. Collectively, the green book notes individual income taxes will rise \$175 billion in this budget.

Beginning in 2011, itemized deductions, such as charitable contributions and mortgage interest would be limited for high earners.

The budget also calls for the estate tax to be re-imposed retroactive to January 1, 2010 and the popular estate planning tool, the Grantor Retained Annuity Trust (GRAT), to be severely restricted with a minimum 10-year term and other restrictions on the payout.

LIFO – the last-in, first-out method to determine the value of inventory would be repealed. Businesses would be required to revalue their inventory to FIFO beginning in the first taxable year after 2011. This one-time increase in income would be brought into income ratably over 10 years.

Additionally, the lower of cost or market inventory accounting would be repealed 12 months after the date of enactment of the law. This increase in income would be taken into income ratably over a four year period.

These proposals still need to pass Congress, of course. But they do give a clear indication of where the administration is headed with regard to taxing small business owners.

Businesses Would Receive as Much as \$3K per New Employee in New Senate Jobs Bill

The Senate on Wednesday approved a \$15 billion job-creation bill that would give businesses tax breaks for hiring the unemployed and states more money for infrastructure projects.

The four-prong bill would: exempt employers from Social Security payroll taxes on new hires who were unemployed as well as provide an additional tax credit of \$1,000 if the worker stays on the job a full year; fund highway and transit programs through 2010; extend a tax break for businesses that spend money on capital investments, such as equipment purchases; and expand the use of the Build America Bonds program, which helps states and municipalities fund capital construction projects.

The legislation, approved by a 70-28 vote, is a scaled-down version of an \$85 billion bipartisan draft bill that was crafted by Sens. Max Baucus, D-Mont., and Charles Grassley, R-Iowa. Some 13 Republicans, including newly elected Sen. Scott Brown, R-Mass., voted for the measure Wednesday.

The measure now moves to the House, which may take it up as soon as today (February 26). The House passed a more comprehensive \$154 billion “jobs” bill in December.

The Senate bill does not extend the deadline to apply for unemployment benefits or the Cobra health insurance subsidy, which will run out for some 1.2 million people after Feb. 28 if the deadline is not extended. Congress is looking to pass a separate, shorter extension by the end of the week.

The Senate's jobs measure also does not provide additional assistance for states, many of whom have been asking for more federal dollars so they can cope with large budget gaps.

The Obama administration strongly supports the \$15 billion jobs measure but sees it as only one step in the job-creation effort. The president wants lawmakers to take up a bill that would increase small businesses' access to credit.

The Senate will vote on extending tax provisions and small business job measures in the near future, according to majority leader Sen. Harry Reid (D-NV).

The Senate jobs bill is projected to create as many as 250,000 jobs, though critics say at least 11 million jobs need to be created to get back to the level of employment before the recession began.

Consumer Facts On Credit Card Use



Washington Area credit card customers have an average \$5,707 balance on their card, according to a quarterly report from TransUnion, but they are a bit more diligent about paying that off than the national average.

The national credit card delinquency rate, or those accounts at least 90 days late, in the fourth quarter of 2009 was 1.21 percent. In the Baltimore and Washington areas the delinquency rate was 1.07 percent, down slightly from a year ago.

Nationally, average credit card debt per borrower was \$5,434, down 5.15 percent from a year earlier. In the Washington-Baltimore region, average credit card debt fell 7.1 percent to \$5,707, down from \$6,146.

“The drop in credit card balances in the fourth quarter was due in part to the efforts of consumers to pay down their credit cards in response to continued financial uncertainty,” said Ezra Becker. However, she expects to see increased balances due to Martin Luther King and Presidents Day holiday spending in the months of January and February.

The highest credit card delinquency rate in the nation in December was in Nevada, at 2 percent, followed by Florida and Arizona. The lowest delinquency rates were in Alaska, North Dakota and South Dakota.

\$5,707

Average Credit Card Debt
Washington Metro Area

Source: TransUnion

Fairfax County Car Owners May See Registration Fee

Fairfax County Executive Anthony Griffin proposed on Tuesday a \$33 vehicle registration fee to help plug a \$257 million budget gap, aiming to lessen the role of the depressed real estate market in keeping the county afloat, according to *The Washington Examiner*. An effort to bring back the car fee was killed last year, but supervisors say they expect it to pass this time around.

Save the date: May 10, 2010

2010 WANADA OPEN

Lakewood Country Club, Rockville, Md.



The 2010 WANADA Open will be played this year at Lakewood Country Club on Monday, May 10. The registration fee for the 2010 WANADA Open is \$225 per golfer and \$100 for those who wish to enjoy cocktails and dinner only.

Register early by calling or e-mailing Kristina Henry, WANADA's director of events at (202-237-7200) or kh@wanada.org

Thought for the Week...

"The way we build trust in our brand is through our dealers. They are doing a tremendous job in taking care of this situation, responding to 800,000 customers in 20 days,"

-- Jim Lentz, president, Toyota Motor Sales U.S.A., testifying before Congress, Feb. 23, 2010 on the acceleration recall

Washington Area New Automobile Dealers Association