

THE WANADA BULLETIN

NEWS AND INFORMATION FOR AND ABOUT FRANCHISED NEW CAR DEALERS IN THE WASHINGTON AREA

WANADA Celebrating 100 Years of Service (1917-2017)

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WANADA meets with Congressman Steny Hoyer on autonomous car bill



Left to Right, Minority Whip Steny Hoyer(D-Md.), WANADA CEO John O'Donnell and Robert Fogarty Jr., in Rep. Hoyer's Capitol Hill office.

While the rest of Washington was focused on the failure of the health care bill (see below), a bill in Congress allowing automakers to manufacture up to 100,000 autonomous vehicles a year passed a House subcommittee.

A vote by the full House Energy and Commerce Committee could come before the end of July, but the bill would not come before the full House until the fall. By then, the House will have priorities such as passing a budget and enacting tax reform.

Still, NADA with WANADA and other dealer association are following the issue closely. Two days before the bill passed the panel, John O'Donnell of WANADA and WANADA board members Robert Fogarty

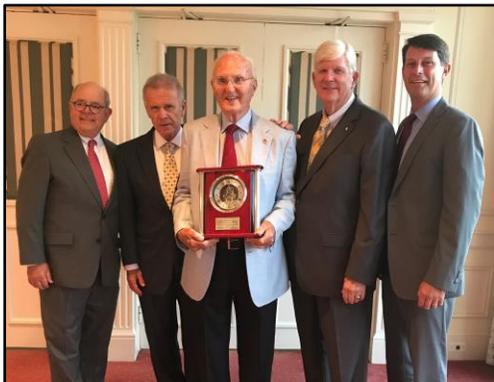
Jr. of Sport Chevrolet met with Minority Whip Steny Hoyer (D-Md.) to discuss regulation of autonomous vehicles.

Automakers are anxious to receive an exemption from regulations by the National Highway Traffic Safety Administration (NHTSA) that require a driver to be in charge of a vehicle on the road at all times, with a few exceptions. The bill that passed would raise the number of vehicles that could be exempt from those regulations to 100,000 a year. The bill would also pre-empt state laws on autonomous vehicles; a few have been passed already. Automakers say they would like to avoid a patchwork of state laws.

The bill passed the panel by voice vote, as members of Congress emphasized the safety potential of autonomous vehicles.

Automakers are also challenging a perception that Tesla and Google are the primary players in the autonomous vehicle arena. A recent survey by AlixPartners found that 53 percent of respondents knew that Tesla has made autonomous vehicles and 20 percent knew that Google has, but only 12 percent could name a traditional automaker that has made AVs. Consumers surveyed also said they trusted tech companies to create AV software more than they did auto manufacturers.

Longtime legal advisor to WANADA recognized for 35 years of service Allen Jones, Jr. honored by WANADA Board at its summer meeting



WANADA leaders honoring Allen Jones. From left to right, Charles Stringfellow, WANADA chairman, Malloy Hyundai; Gerard Murphy, (former) general counsel; Allen Jones, honoree; George Doetsch, past chairman, Apple Ford/Lincoln; and John O'Donnell, CEO.

An integral part of the WANADA organization for three and a half decades, Allen Jones, Jr., attorney-at-law with the DC firm Hamilton & Hamilton, served as counsel to the CEO and Board of Directors, commencing in the early 1980s and running into May of this year. Putting it on a time line, Jones worked with 21 WANADA Boards and Board chairmen, but only two CEOs: Gerard Murphy and John O'Donnell.

“There isn’t a better lawyer or finer man out there than Al Jones,” said Murphy who worked with Jones for 35 years at WANADA when Murphy was CEO and later general counsel. A lawyer himself, Murphy said he most appreciated the care Jones took in thinking through the myriad of legal questions posed to him by the WANADA leadership, affecting all aspects of the automobile business, dealership operations, government relations and media relations. “Sometimes we’d need

Allen to research matters to come up with the proper approach, but it was Allen’s keen legal intuition, seasoned by his long and distinguished career at the bar, that made all the difference in the reliable advice he provided on a regular basis,” said Murphy. “Al Jones’ sound counsel always steered us in the right direction and consistently put WANADA where it needed to be for our dealer members.”

Before Hamilton & Hamilton, Jones spent a good bit of his career with the highly respected Washington law firm of Wilkes-Artis (later Wilkes, Artis, Hedrick and Lane). He took over the WANADA account from his Wilkes-Artis colleague, Louis H. Mann, who himself represented WANADA for nearly 30 years working with Gerry Murphy’s CEO predecessor, Maurice (Mike) Murphy in the 1950s, 60’s and 70’s.

A native Washingtonian who grew up in DC, Jones completed Georgetown University Law School, after serving in the U.S. Army and graduating from Michigan State --where he was quarterback of the football team. While at Wilkes-Artis, Jones became expert in real estate law and the hospitality industry, representing major hoteliers in Washington. Recognized by his lawyer peers, Jones was admitted into the exclusive Barristers Club, which he went on to chair, later stepping in to chair the Bar Association of the District of Columbia. His considerable trial

attorney abilities came to the fore for WANADA when he and Steve Winter, Esq. for MADA co-directed the MADA/WANADA lawsuit against the Maryland attorney general in the landmark Doc Fees Case where Maryland dealers ultimately prevailed against the state in the late 1980s.

When Murphy announced his retirement from WANADA in his role as general counsel last May, a position he held after stepping out as CEO in 2014, Jones told the Board he would be moving on also.

A reception and dinner the WANADA Board held in Jones' honor recently provided a forum for unparalleled reflection and recollection of days gone by in the Washington, DC area automobile business. "Allen Jones was at the heart of our WANADA organization for the long run of years he put in where he contributed mightily to the remarkable success WANADA has had on behalf of Washington area dealers," said John O'Donnell in praising Jones at dinner. In response, and with the class for which he is also reputed, Jones thanked the dealers and simply said, "Ladies and gentlemen, the honor has been all mine, and I am forever grateful for the privilege to work with a second-to-none organization like WANADA."

VA Motor Vehicle Dealer Board discusses internet sales

At the July meeting of the Virginia Motor Vehicle Dealer Board (MVDB), an important highlight was on the Internet Task Force and the MVDB's ability to regulate out-of-state dealers which operate through agents or employees in Virginia. The Internet Task Force was formed to study the previous task force's report that has formed much of the MVDB's policy for more than a decade.

The task force asked a representative of the Office of the Attorney General at the meeting for advice on the constitutional limits of the MVDB's ability to regulate those out-of-state dealers. The question is whether MVDB could require the dealers' agents/employees to be licensed with a Virginia physical presence if they engage in practices that have historically been considered selling.



The question of the Motor Vehicle Dealer Board's ability to regulate out-of-state dealers which operate through agents or employees in Virginia came up at the meeting.

The work of the Internet Task Force will continue for several months as it considers recommendations to the full Board on potential policy revisions or requests for changes in the law.

Thanks to Michael Charapp, of Charapp & Weiss, LLC, for providing this information.

What's next for health care?

Repeal of Obamacare is dead – for now. The U.S. Senate repeal-and-replace measure failed when four senators announced their opposition. Senate Majority Leader Mitch McConnell is determined to schedule a vote on repeal with no replacement. But since the nonpartisan Congressional Budget Office said that measure would result in 32 million people losing health insurance by 2026, many senators, Republicans and Democrats are reluctant to vote for it.

President Trump, after encouraging Republican members of Congress to “let Obamacare fail,” changed his mind and said the Senate should not leave for the August recess until it passes a health care bill. Some Republican senators have mentioned the possibility of working with Democrats to come up with a bill that will garner some Democratic votes. No Democrats have voted for repeal, but they have said they are willing to negotiate to improve the current law.



Health care legislation is still bottled up in the Senate. Photo by Bjoertvedt.

When the Senate bill was still on the table, the Pacific Business Group on Health, representing large businesses like Boeing and Walmart, expressed concern that costs would shift to business if the bill passed. Privately insured patients generally pay more for health insurance than those in the public sector, and the group worried their share would increase if more people lost insurance. Most businesses would be happy to see the end of the employer mandate, but that’s just one aspect of a repeal bill. And millions would still lose insurance, which makes a repeal vote politically difficult.

So Republican senators may well reach out to Democrats to negotiate changes to the current law. Media reports have said that members of both parties want to make changes that would help small businesses and reduce premiums.

On the local front, Maryland Governor Larry Hogan, a Republican, and Virginia Governor Terry McAuliffe, a Democrat, both signed a letter urging Congress to stop trying to repeal Obamacare. They were among a bipartisan group of 11 governors who signed the statement. It read, in part, “Congress should work to make health insurance more affordable by controlling costs and stabilizing the market.”

Border tax could hurt U.S. auto industry, raise car prices by up to \$4,000

Imposing a border adjustment tax (BAT) could hurt the U.S. auto industry, even while likely failing to achieve its goal of reversing offshore manufacturing to low-cost countries. Those are the findings of a new study commissioned by the Motor & Equipment Manufacturers Association (MEMA) and conducted by the Boston Consulting Group.

Car prices, vehicle sales, supply chain decisions and industry employment could all be hurt by the proposals.

“Vitality in the motor vehicle sector hinges on a globally integrated supply chain,” said Xavier Mosquet, lead author of the study.

The proposed BAT would be part of corporate tax reform and would be critical in paying to cut corporate taxes 15 to 20 percent. Companies would pay at least a 15 percent tax on imports but would pay no business tax on their exports. Under a 15 percent BAT, the study found that U.S. automakers would pay \$34 billion in import taxes while realizing only \$12 billion in export benefits. This translates to an average \$1,000 increase in per-vehicle manufacturing costs at the top 12 OEMs selling cars in the U.S.

The cost for individual automakers depends on the type of vehicles they make, sales mix, price range and factory location. The increase in sticker price from a BAT would range from \$450 to \$4,000 per vehicle. To be able to afford a car, consumers would likely forgo some features including advanced safety and driver-assist technology, like rearview cameras and automatic braking and parking, the study found.

House cuts transportation funding; infrastructure must wait



Congress could wait until next year to take up infrastructure.

The House Appropriations Committee in Congress approved a 3.7 percent decrease in funding for the Department of Transportation, approving a total of \$17.8 billion in discretionary funding for DOT in fiscal 2018. That's \$1.5 billion more than President Trump requested.

The bill eliminates the Transportation Investment Generating Economic Recovery (TIGER) grants, an Obama-era program that provided many road

improvements in states and that Trump proposed killing. The bill would also allow \$45 billion from the Highway Trust Fund to be spent on the Federal Aid Highways Program. The Highway Trust Fund is chronically underfunded because the gas tax has not been raised in more than 20 years.

The bill offers \$100 million in “new money” for automated vehicle research and development, which is becoming a popular issue on Capitol Hill because of the promise of improved safety.

On the infrastructure front, the comprehensive bill that Trump promised early in his administration could be delayed until next year, Sen. John Thune (R-SD), chairman of the Commerce, Science and Transportation Committee, told reporters, according to *The Hill*. Tax reform will likely come first, and that could take a long time.

Other senators would rather work on infrastructure first, as it has a greater chance of bipartisan support. But some of the money needed to pay for infrastructure could come from a tax reform package.

After the August recess, Congress is scheduled to meet for just 65 legislative days. Their first priority will be passing a budget. But pushing infrastructure to next year is risky because it gets hard to pass any major legislative package in an election year.

Average new car is affordable only in the Washington, DC area

When Bankrate looked at the 25 largest metro areas in the U.S., researchers found that the average new vehicle can be considered affordable in only one – Metro Washington, DC.

They used the 20/4/10 rule, which says a buyer should aim to put down at least 20 percent of a vehicle's purchase price, take out a loan no longer than four years, and devote no more than 10 percent of annual income to car payments, interest and insurance. As dealers know, that rule is broken every day, even in the Washington area.

The study's authors used insurance data, local sales tax data, and data on population and household income to calculate each city's affordable price after taxes and insurance costs. In the Washington area the affordable price before taxes is \$37,223.41, and the margin between the affordable price and the average price is 11.9 percent. In the other 24 cities, that margin is negative. In Baltimore, it's -20.76 percent, in New York it's -32.71 percent, and in Miami (last place) it's -59.18 percent.

"In the past 35 years, the cost of a new car has gone up 35 percent, a used car is up 25 percent, and at the same time, the median household is only up 3 percent," said Michelle Krebs, a senior analyst for Autotrader.

Staying Ahead...

Nothing can stop the man with the right mental attitude from achieving his goal; nothing on earth can help the man with the wrong mental attitude.

--Thomas Jefferson

