THE WANADA BULLETIN

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

WANADA Bulletin # 1-10 **January 8, 2010**

Headlines…

Launch of the 2010 Washington Auto Show Coming Together

Invitations Out for Public Policy Days, Preview Evening

THE 2010 WASHINGTON AUTO SHOW [CHANGE HAPPENS HERE]

NASA with its space shuttle launchings has nothing on WANADA producers launching The Washington Auto Show (WAS). The myriad of "systems tasks' to complete are complex for sure, if not daunting, until things get rolling and then it all seems to fall into place. That is where we are now.

Invitations to the wide array of industry representatives and *Washingtonians* of all stripe are out for the Public Policy Days (January 25-26) and the Preview Evening (January 26). As hosts of The Washington Auto Show, all WANADA members have been sent registration packages for The Green Car Summit at the Cannon House Office Building on Capitol Hill, 1:30 pm January 25; Public Policy Day *OnSite*, 8:00 am – 5:00 pm, January 26; and the WANADA Member Reception, sponsored by Comcast Spotlight and Enterprise, which runs from 5:00 pm – 6:30 pm, concurrently with the "Sneak Peek" Preview for all guests (5:00 pm – 8:00 pm), January 26. The registration packages also contained the agendas and speaker lineups for The Green Car Summit and the Public Policy Day *Onsite*, a significant portion of which will occur in the Advanced Technology Superhighway Pavilion.

WANADA members should have already received VIP passes and supplies of guest passes for dealership employees, business associates and good customers.

Questions on show planning can be directed to Gerard Murphy (gm@wanada.org) or John O'Donnell (jod@wanada.org). Questions on event registration logistics, including the variety of dealer operations seminars to be run during WAS public days, can be directed to Kristina Henry (kh@wanada.org).

For WANADA dealer seminar descriptions and registration information click here.

More 2010 WAS information to follow in WANADA's (weekly) Bulletin! Stay Tuned…

GM to Retake Dealers/Chrysler to Fight

WANADA Hosts Arbitration Briefing for Terminated Dealers

General Motors Co. Chairman and CEO Edward Whitacre Jr. said Wednesday he expects as many as a hundred of its terminated dealers to be reinstated pursuant to the dealer arbitration hearings recently mandated by Congress. But Chrysler doesn't appear to be similarly inclined.

It is unclear how many GM and Chrysler dealers will opt to arbitrate their terminations via the American Arbitration Association, but it is clear that Chrysler dealers could well have a harder time. That is the opinion of dealer attorney, Mike Charapp, who briefed WANADA members this week at a special session at the WANADA Conference Center.

Charapp noted that Chrysler Group LLC recently asked the U.S. Bankruptcy Court to *throw out* state laws in Illinois, Maine, North Carolina, and Oregon aimed at making it easier for closed dealerships there to reopen and that it also is reviewing whether to mount a legal challenge against the arbitration legislation recently passed by Congress and signed by the president. He also expects the company to be "vigorous" in its defense during arbitration proceedings and urges Chrysler dealers to be mindful of this in considering whether to pursue arbitration.

GM's Whitacre, speaking with reporters in Detroit this week, said he didn't know the exact number of dealers that might be reinstated, but that he doesn't think the process is a risk to GM's future. Indeed, Whitacre maintained that GM might *benefit* from some dealers being reinstated.

> "Performance issues will be the most difficult in arbitration."
>
> *Mike Charapp, Esq.*

"The bad thing would be if they're a lousy dealer that has a lousy storefront and through some process they're put back in arbitrarily: That wouldn't be a good thing," Whitacre said.

He conceded GM probably "made some mistakes" in how it selected dealers for closure.

Charapp told dealers at the WANADA seminar that "performance issues" will be the most difficult to resolve in the arbitration process, be it GM or Chrysler and that dealers must ask themselves and answer candidly four questions before proceeding with arbitration. Those questions are:

1. Do you want your franchise back?
2. Are you able to reopen your business?
3. Will you prevail in arbitration?
4. Do you know and can you afford the cost of the arbitration process?

Charapp also noted that the arbitrator can only find whether a dealer should be reinstated. Damages or compensation is not within the scope of the arbitration process, he said.

What You Should Know about the New COBRA Subsidy Rules

Legislation making more people eligible for COBRA subsidies was signed on December 19, by the president. In general terms, the legislation made the following changes to the COBRA subsidy rules:

1. Individuals eligible for COBRA because of involuntary terminations of employment (other than for gross misconduct) between September 1, 2008 and February 28, 2010 can qualify for the subsidy. (Before the new legislation, the cut-off date was December 31, 2009.)

2. The duration of the COBRA subsidy period is now a total of 15 months (rather than nine months).

3. Employers must provide specified notices about the new rules by February 17, 2010. These notices must be provided to: a) individuals who are "assistance eligible individuals" on or after October 31, 2009; and b) individuals who have the COBRA Qualifying Event of termination of employment (other than for gross misconduct) on or after October 31, 2009.

4. Information about the new subsidy rules must be included in regular COBRA Qualifying Event Notices provided to individuals with Qualifying Events after December 19, 2009.

5. "Assistance-eligible" individuals who dropped COBRA after their nine-month subsidy periods expired must be notified before February 18, 2010, or within 30 days after they receive written notice of this rule from their employers, that they are eligible for retroactive subsidized premiums for coverage for the period beginning after the end of their nine-month subsidy period.

6. Assistance-eligible individuals who paid a full premium during the period after their nine-month subsidy period and before the new 15-month subsidy period would have expired must be provided with a refund or a credit against future premiums (as elected by the employee and as described in a prescribed form of written notice provided by the employer by the deadline described in 5, above).

7. The changes apply to state continuation of coverage rules to the same extent as did the original subsidy provisions. So, for insured coverage that is subject to state continuation coverage requirements (to the extent that the State provides for continuation coverage for a period that would be covered by the subsidy) the subsidy would be available to anyone who qualifies as an assistance eligible individual for purposes of that coverage.

The Department of Labor has published models of the various notices required by the new law. WANADA members considering providing summary notices of these new rules to affected individuals should consult with the WANADA Employee Benefits staff or your COBRA administrator, to ensure that all of the requirements of the expanded subsidy rules are satisfied by your plan. If your COBRA administration is provided by WANADA, the required notices to COBRA participants were mailed this week on January 4, 2010.

National Motor Vehicle Title Information System Goes Into Effect

Long Sought Outcome for NADA and Other Interested Groups

The National Motor Vehicle Title Information System, which requires all states, insurance companies and junkyards to report vehicles that were stolen or "totaled" went into effect with the turn of the year, 17 years after the law requiring it was enacted.

The action came on the heels of a suit brought by three consumer groups -- Public Citizen, Consumers for Auto Reliability and Safety, and Consumer Action -- in 2008 against the Justice Department arguing that the government had endangered consumers by failing to carry out a 1992 law mandating development of the system and national database. A federal district judge in San Francisco agreed, and gave the DOJ a series of deadlines.

"This system could have a profound effect on auto safety and the way consumers buy cars, in general," said Deepak Gupta, a lawyer for Public Citizen, the consumer advocacy group.

About 2.5 million vehicles are "totaled" each year, but about 1.5 million of them are "repaired" or rebuilt and returned to the road, according to the latest study done for the DOJ in 2001. That study also estimated that a national tracking system could prevent losses of $4 billion to $11.3 billion each year from such fraud.

The new system requires all insurance companies and junkyards to report title status and condition of all vehicles to the central database. Consumers can visit www.nmvtis.gov/ and check a vehicle for title data, brand history, the odometer reading, loss history and salvage history for as little as $2.50. Four states are not yet participating in the new system (Illinois, Kansas, Mississippi, Oregon and the District of Columbia), arguing that private providers of the information, like Carfax and Experian, are doing a very good job of providing this information.

Federal officials are pushing for them to join, noting that full participation will make it far harder for someone to take a vehicle so badly damaged in one state as to warrant a salvage title and take it to another state to get a "washed" title that does not show the evidence of its history. The National Automobile Dealers Association, which pushed hard over the years to get NMVTIS in place is calling on all states to fully participate in the new system.

There are currently more than 9 million records in the database and it is estimated the system covers about 76 percent of the vehicles in the U.S.

Rough Rider's Son Follows his Father to Lead NADA

Edward Tonkin, 54, the son of Ron Tonkin, the fiery Oregon dealer who was chairman of the board of the National Automobile Dealers Association in 1989, will become NADA chairman next month at its convention in Orlando, FL.

The elder Tonkin, who frequently battled with the automakers for overdoing fleet subsidies and depriving dealers of rightful profits, formed a group of dealers, known as the "Rough Riders" to challenge manufacturers on many "dealer rights" issues.

Ed Tonkin is the co-owner of the 15-store Tonkin Family of Dealerships based in Portland, OR. It was founded by his father as a Chevrolet outlet and added 13 brands over the years: Acura, Audi, Dodge, Ferrari, Honda, Hyundai, Kia, Lotus, Maserati, Mazda, Nissan, Scion and Toyota. A new Audi dealership is in the works. The organization sold 7,262 new units in 2008.The group is Oregon's 17th largest private employer.

Ed, who is a lawyer with an MBA degree, runs the family enterprise with his brother Brad.

Tonkin says there is still a bright future for the auto industry and that he cannot understand why GM and Chrysler cut their dealer network when "dealers account for 90% of automaker revenues."

MADA, VADA & WANADA
Reception

2010 NADA Convention
Orlando, Fla.

The Ritz Carlton
Da Vinci Terrace
SUNDAY, Feb 14,
5:30 – 7:30 p.m.

He says he hopes to build a "better outreach" effort at NADA to ease the friction that the factory termination actions and court rulings brought about this past year.

"What the association needs is more open-ended board meetings, plus better relations with the federal government, which now has taken such an active role in helping run two of our largest automakers," he says.

Tonkin's children, Adam, 27, and Nancy, 24, both work in the family business.

Separate Showcase for Hyundai Luxury Lines

Hyundai Motor America wants its U.S. dealers to create a special "showroom-within-a-showroom" atmosphere to showcase the auto-maker's Genesis and upcoming Equus luxury lines, according to a memo obtained by *Ward's* magazine.

2010 Hyundai Equus

Hyundai launched the Genesis sedan and coupe here over the past two years and will introduce the luxury Equus sedan this year. It will take on top-of-the-market nameplates such as the Mercedes S-Class, BMW 7-Series and Lexus LS.

Having dealers section off their showrooms for Genesis and Equus models represents a lower-cost alternative to setting up an entirely separate retail channel, HMA CEO John Krafcik told *Ward's*. "That way, dealers don't have to spend $5 million, $10 million on a new luxury brand. Sectioning off the brand, that's the Holy Grail." It will be similar to what Toyota did with its Scion brand," Krafcik said.

Hyundai will be making the new interior "Corporate Identity Kit" available this year and is telling its dealers it will work closely with them "to elevate the sales and service experience of our owners." Valet and concierge services are likely to be a requirement as well as more stringent training and certification requirements.

"We intend to use the launch of the new Equus to develop and further establish Hyundai as a legitimate force in the premium-luxury segments," a company memo says.

Hyundai's 2009 sales through November were up 6.2% even as the whole of the industry saw a downturn of 23.8%.

Pricing on the Equus has not been released, but industry trade publications indicate it could reach $96,000 in some regions of the world.

Think Indiana !

Think, the Norway based all-electric carmaker, has chosen a site in Indiana for its first North American manufacturing facility.

The Norwegian company plans to invest $43.5 million in a former glass factory in Elkhart, Indiana and start building the Think City electric car there in 2011. The company is receiving nearly $17 million in local and state incentives and job training funding for the plant, which will employ about 415 workers by 2013.

Think, which will be an exhibitor at the 2010 Washington Auto show, wants to begin selling the Think City electric car in the U.S. later this year to fleet customers, using vehicles imported from Europe until the U.S. vehicles are ready to launch.

The two-passenger car runs on lithium-ion batteries from supplier and investor EnerDel, which also is based in Indiana. The car has a range of 112 miles and a top speed of about 70 mph. The vehicle is expected to cost about $30,000 after a $7,500 federal tax credit.

Think hopes to reduce the price of the vehicle to less than $20,000, with a $90 monthly lease for the batteries.

Think, which was originally owned by Ford Motor Co., had been making and distributing City cars in Norway, but filed for bankruptcy protection in December 2008. The company secured new investors and emerged from bankruptcy last fall. It hopes to eventually produce about 20,000 electric vehicles a year.

4 Million Autos Disappear

Is America's Love Affair with the Auto Ending?

The total number of vehicles in the overall U.S. car fleet dropped four million units in 2009, the first time there has been a decline anywhere near this number. True enough, there were fewer cars bought than usual (just 10.3 million) in 2009, but Americans still scrapped 14 million units. That meant that at the end of the year there were 246 million vehicles in the fleet, four million fewer than the year previous.

Lester Brown, president of the Earth Policy Institute, suggests these numbers may indicate that "America's century-old love affair with the automobile may be coming to an end, or at least for the next several years." Brown says there are several reasons for this decline. One is market saturation. The United States now has 246 million registered motor vehicles and 209 million licensed drivers- nearly 5 vehicles for every 4 drivers. He suggests the car fleet shrinkage may also be attributable to the "ongoing urbanization of America, economic uncertainty, oil insecurity, the prospect of higher gasoline prices, the rising costs of traffic congestion, mounting concerns about climate change, and the declining interest in cars among young people who have grown up in cities."

Brown believes the shrinking fleet "will also largely eliminate the need for building new streets and highways, and will set the stage for increased investment in public transit and high-speed intercity rail."

Brown made the comments to reporters this week, who were rightly skeptical of his projections, even though sales and scrappage numbers do point in the direction he is suggesting. Most automakers expect 2010 sales to increase by at least a million units and to continue to improve gradually over the next years. Indeed, most anticipate that the fleet will gradually be turned over into a smaller more fuel efficient and less expensive fleet of vehicles, suggesting that mobility will be more accessible to a wider population and that there will be an overall growth in the fleet even as it diminishes its impact on the environment.

Automakers Beginning to Worry About Drop in Driving

The world's automakers are beginning to worry that recent trends in telecommuting, job-sharing and other forms of part-time work in the U.S. are creating an environment in which personal vehicles are less crucial to being on the job. They are also concerned that persistent and newly elevated unemployment levels may also be exacerbating the situation as individuals are forced to find alternatives to the conventional American routine of driving to work every day.

"We may not exactly be worried about Americans getting used to spending less time in their vehicles," said a high level marketing executive for one of the automakers, "but it's a potentially burgeoning macro-trend we're watching closely."

He also noted that in addition to increasing amounts of telecommuting, those who are employed also are able to stay more in "remote" touch with co-workers and clients via ever more sophisticated mobile devices and communication tools, mitigating the need for driving.

Miles traveled in 2009 by passenger and commercial vehicles on U.S. roads dropped to 2.93 trillion from 2.94 trillion in the same period in 2008, the Federal Highway Administration reported recently.

Americans commuting to work account for the bulk of driving activity. The unemployment rate currently is 10.5 percent, more than twice the 4.9 percent of late 2007.

The worry is that the expected slow decline in the unemployment rate and gyrating fuel prices may be accelerating a consumer shift toward getting by with less driving.

REMINDER: Dealership Sales Reps. Must Register to Work at the Auto Show

Sales representatives from WANADA dealerships in Maryland and Virginia must register with the District of Columbia through WANADA to receive a waiver from DC automotive sales licensing law requirements if they intend to work at the 2010 Washington Auto Show, January 27-31. This is a legal requirement of the District of Columbia. There is no corresponding requirement for OEM product specialists.

Please complete the registration form, which is attached on page (#9), with the names and sales license numbers of the dealership and all dealership representatives who will work and represent their line of vehicles at the Auto Show and fax it to the WANADA office at your earliest convenience, but in any case by January 20. WANADA will process all submissions with city regulators. Reps who do not register, but show up to work at the show, may trigger regulatory scrutiny, not only for themselves, but for the Auto Show at large. Thank you for your cooperation. The WANADA Fax # is (202) 237-9090.

Staying Ahead…

Every successful enterprise requires three people: a dreamer, a businessman and a son-of-a-bitch.

-- Peter McArthur. 1904

Please Print

-Participating-

Non-D. C. Automotive Sales Representatives

2010 Washington Auto Show
Washington Convention Center
Due by January 20, 2010

Dealership Name____

Address____

Telephone_________________________ Fax __________________________

Dealer License Number____

Completed By _________________________ Title_________________________

Sales Representative's Name	State	License Number

(Photocopy blank for additional listings as needed)

Prepared for Submission to the DC Government

Return by Wednesday January 20th to: Washington Area New Automobile Dealers Association
5301 Wisconsin Avenue, N.W., Suite 210
Washington, DC 20015
or *via* Fax (202) 237-9090

The 2010 Washington Auto Show

Dealership Operations Seminar Series!

OnSite at the Washington Convention Center

The Essentials of Finance & Insurance

Professional Certification Program

Wednesday, January 27, 2010
8:00 am – 5:00pm
Presented by JM&A

Regional Tag & Title Update

With Motor Vehicle Agency Representatives from DCDMV, MDMVA and VADMV

Thursday, January 28, 2010
9:30 am Registration
10:00 am - Noon Program

The Keys to Growing Fixed Operations

With Don Tipton
Auto Dealership Consultant and NADA "Top Ten" Speaker

Thursday, January 28, 2010
9:00 am - Registration
9:30 am- 11:00 am- Program

Lessons for All Dealers from the GM and Chrysler Bankruptcies

With Michael Charapp, Esq.
Charapp & Weiss, Attorneys at Law

Friday, January 29, 2010
9:00 am Registration
9:30 am- 11:00 am Program

The New and Used Vehicle Sales Outlook
The Washington Market

With NADA Economist Paul Taylor and Howard Polirer of AutoTrader.com

Friday, January 29, 2010
9:00 am Registration
9:30 am- 11:00pm Program

Go to www.wanada.org and click on "Upcoming Events" to Register