

WANADA Bulletin # 10-05

March 8, 2005

## STATE LEGISLATIVE ROUNDUP

### VA Dealers Fare Well in Peaceful Session, Clean Car Act Heats Up MD Session

#### *VA Dealers Avoid Title Tax Hike, Gain Relief on Warranty Contracts and Workers' Comp*

What a difference a year makes in the Virginia General Assembly. After the sound and fury of last year's bloody marathon battle over taxes, this year's 46-day legislative session, which concluded Feb. 27, was peaceful and civilized thanks to a budget surplus and more unity – at least until politicians gear up for the June primaries...

Meanwhile, as the Maryland legislative session grinds on, dealers are focused on legislation that would mandate draconian California emissions in the state.

#### **Virginia**

For Virginia dealers, it was a good session with legislative priorities achieved. The top priority, according to Mike

Charapp, WANADA's government relations consultant for Virginia matters and counsel to VADA, was preventing any increase in the **sales tax on vehicles**.

"That was stopped, but we are concerned about it next year," said Charapp. "Tax increases look likely in 2006, so dealers will try again to have legislation passed to calculate the tax on the difference between the trade in and selling price, instead of the full selling price of the vehicle."

Another issue that bears special attention by dealers is **hybrid vehicles**. Although attempts were defeated in this session to end hybrid vehicle access to HOV lanes in July, 2005, Charapp noted that the rule expires in July 2006, and there is some talk of ending it sooner.

"I don't think there will be enough groundswell out there to keep it from expiring," said Charapp. "So salespeople have to be real careful not to misrep-

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#### **Dealer Seminar Laying Out Privacy and Security Laws FTC FACT Act Program Manager Added to Panel**

Get a road map to the challenging, sometimes confusing reconciliation of customer privacy rights and national security obligations by attending WANADA's upcoming compliance seminar. Topics include:

- The new privacy rights the FACT Act has created.
- The dealership's obligations under the USA Patriot Act, OFAC, and other national security laws.
- Compliance programs to balance customer privacy and national security obligations.

Dealer executives, lawyers, and other consultants will want to attend the seminar on Customer Privacy vs. National Security: Reconciling Dealer Obligations Under the Law. Arrangements are set for **March 24, 2005**, at the Hilton McLean Tysons Corner, 7910 Jones Branch Drive, McLean, VA, from 9:30 a.m. – 12:00 noon.

This timely and important seminar will be presented by dealer lawyer Michael Charapp, Charapp & Weiss and Paul Metrey from NADA's Legal Group. It will be moderated by WANADA's counsel, Patrick Kavanaugh, Hamilton and Hamilton and will include an FTC regulator(TBA). The cost is \$80 for first attendee, with a discount for others from the same dealership (see attachment). A continental breakfast is included.

Because space is limited, use the FAX-back registration form enclosed with this WANADA Bulletin to sign up today! For more information, contact Barbara Martin (bjm@wanada.org) at WANADA, (202) 237-7200.

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resent it because there is a lot of incentive for bad publicity for dealers and maybe lawsuits.”

VADA is warning its members that, “it is critical that you train your sales staff to communicate with your customers that this exemption is limited. If customers are misinformed, your staff should correct their understanding of the exemption. And you should not let your customers believe that this exemption will be extended.”

On a positive note, **priority issues** for Virginia dealers that were passed and are headed for the governor’s desk to be signed into law. These include the following:

- **Workers' Compensation; Demonstrator Vehicles (HB 1728 / SB 1215)** protect dealerships by limiting workers comp exposure for those employees who drive demos with D-tags. The bill clarifies that non-work activity in a demo is *not covered*, and it establishes that travel to and from the dealership in a demo is not a compensable event. This legislation will help dealers with the ever-increasing costs of workers’ comp.
- **Manufacturer Service Contracts (HB 1736)**, prohibits a manufacturer from *requiring* a dealer to offer manufacturer-extended service contracts. This is the same prohibition that currently exists against a requirement that a dealer submit a retail installment sale contract to a manufacturer affiliate.
- **Motor Vehicle Titling Errors (HB 1672)** will allow for the correction of errors in

the titling process. This bill codifies a practice recently adopted by the DMV. Having this process as part of the code ensures DMV will not change the way this is accomplished in the future.

- **Tax on Paint and Repair Supplies (HB 2762)** provides that the tax for paint and other refinish materials can be passed through to the customer. The body shop will no longer have to pay the sales tax when they purchase the materials. In this way, it treats paint just like any other part used in the repair process. This measure should result in savings for dealership body shops.

### California Emissions Bill Top Priority in Maryland

Although Maryland dealers scored an important legislative victory early in the session when they were able to kill a bill that would have added a \$750 surcharge to big SUVs, the primary battle now is to defeat **HB 564/SB 366, the Clean Car Act (Del. Bobo & Sen. Grosfeld)**. This measure requires Maryland to adopt the California emissions standards for implementation by 2009.

WANADA and the Maryland Automobile Dealers Association (formerly MNCTDA) have joined forces with automakers to oppose adoption of these rules in Maryland, which does not have the same environmental problems that California does. Dealers are strongly urged to contact their Maryland lawmakers to point

out that California emission rules increase the cost of new vehicles, and no bordering states have adopted California rules. Unless surrounding states adopt the same emission standards, non-Maryland residents from non-Cal-car states, like DC and VA are likely not to pay the extra money for Cal-cars, causing MD dealers to lose substantial numbers of cross-border, inter-market sales. Maryland dealers would also have to carry two inventories: one for Maryland buyers and one for out-of-state buyers. (See **California Car Talking Points** enclosed with this *WANADA Bulletin*.)

But it’s shaping up to be a tough fight. The media has become intrigued with a new study by Maryland PIRG (Public Interest Research Group) that blames automobiles for 30% of the current pollution, and goes on to detail the automobile alternatives available to consumers including the hybrid and fuel cell vehicles. To drive the point home, Cal-car proponents last weekend staged a rally in Annapolis.

With momentum building, Maryland dealers are urged to act now! Go to <http://www.mnctda.org>, click on the “econstituent” link, enter the password: mnctda, pick either the editable or non-editable letter under the “Take Action” heading, enter your contact information and send the email to all legislators on the appropriate Senate and House committees.

## INDUSTRY TRENDS

**Hybrid Vehicle Market Share Expected to Peak at 3 Percent**

Despite soaring popularity and dramatic sales forecasts for the next several years, hybrid market share is still expected to peak at 3 percent of the U.S. automotive market by 2011, according to a special report from J.D. Power & Associates.

In 2004, nearly 88,000 hybrid-electric vehicles were sold in the United States, comprising just 0.52 percent of the total U.S. light-vehicle market. The report anticipates hybrid sales will surge to more than 200,000 units this year, resulting in a market share increase to 1.19 percent. By 2006, when 17 hybrid-electric models will be available, sales are expected to climb to more than 260,000 units and market share to reach 1.53 percent. According to J.D. Power & Associates, that vehicle number will grow to 38 hybrid models (17 cars and 21 light trucks) by 2011, with sales reaching 535,000 units, or 3 percent of U.S. sales.

Toyota, which currently holds more than 60 percent of the hybrid market in the United States, is expected to maintain the greatest hybrid share through 2011, when it likely will hold 40 percent of the hybrid market. Honda currently holds 31 percent of the hybrid market share but is expected to see its share slip to 20 percent by 2011. Chevrolet is expected to be the largest domestic brand in the hybrid market, growing its market share to nearly 15 percent by the end of the decade.

"Despite the significant growth in the number of models and annual sales over the next five years, we anticipate hybrid market share to reach a plateau of approximately 3 percent near the end of the decade," said Anthony Pratt, senior manager of global power train forecasting at J.D. Power-LMC.

**Study Says Price is Biggest Draw to Local Dealerships**

Scarborough Research, a research firm that identifies local, regional and national shopping trends for the American consumer, released an analysis of 19 million *Potential New Auto Buyers* located across the 75 local markets Scarborough surveys. According to Scarborough, 33% of *Potential New Auto Buyers* say price is the primary reason they chose the last auto dealership where they made a purchase. The other primary factors considered include: vehicle selection (22%), dealer reputation (20%), dealer location (19%), service (17%), financing (11 %), and warranty (10%).

Also from the study: Scarborough found that *over half* of all *potential new auto buyers* plan to purchase larger automobiles in the coming year: 29% indicated they plan to purchase a new SUV during the next 12 months, 19% plan to buy a pickup, and 12% plan to buy a van or minivan.

"Car manufacturers are only as successful as their dealerships, and understanding the factors that bring consumers in the front door of a showroom is essential to building business on the local dealer level," said Alisa Joseph, vice president, advertiser marketing services, Scarborough Research.

"Manufacturers must ensure that the branding initiatives, dealership programs and other incentives they create on a corporate level drive dealer business on the local level, especially for new car purchases."

**Auto-Insurance Rates Climb At Slowest Pace Since 2001**

The Insurance Information Institute predicts auto-insurance rates will climb at their slowest rate since 2001, up only 1.5 percent from 2004, according to a *Wall Street Journal* report. The rise marks the sixth consecutive year of rate hikes; last year rates rose 2.8 percent from the previous year. Considering the increase, average auto-insurance policies in 2005 should cost roughly \$870, just \$13 more per vehicle from 2004, says the Institute. The Institute attributes the slowing trend of rate increase to "a declining number of car accidents and thefts, along with safer vehicles," reports the *Journal*.

"Accidents are expected to continue to decline in coming years, spurred by an aging population of nearly 80 million baby boomers "moving into their safest driving years," said Robert Hartwig, the insurance institute's chief economist."

**IN MEMORIAM****Charles R. "Major" King, Ourisman Automotive, Northern Virginia**

Words like "icon" "legend" and "eternal optimist" were all descriptors chosen by speakers recounting the life of longtime automotive executive Major King whose funeral was held earlier this week. Mr. King, a principal in four area Ourisman dealerships, died of pneumonia March 2 after complications from a falling accident. He was 68.

Born in Hagerstown, MD, and raised in Baltimore, Mr. King joined the U.S. Army after graduating from high school. In 1971, he began in the automobile business as a salesman for Anderson Chevrolet in Baltimore. He joined the Ourisman organization in 1971 as general sales manager for Ourisman Chevrolet in Marlow Heights, MD. Where he set records.

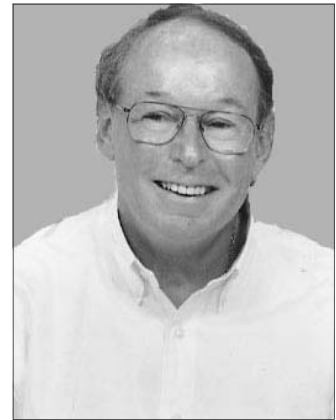
An omnipresent force in the Ourisman organization and Washington automobile market, Mr. King partnered with Danny Korengold to buy Ourisman Dodge in 1978, followed by partnerships with Mr. Korengold in Ourisman World of Ford in Alexandria, VA in 1982, Ourisman Fairfax Toyota in 1989, and Ourisman Chantilly Toyota in 2002.

Mr. King was active in his industry as a member and leader on national dealer councils for Chrysler, Ford and Suzuki, and a generous contributor to a number of civic and charitable organizations.

He is survived by his wife of 30 years, Fay; three daughters: Lou Anne King, who is general manager of Ourisman World of Ford, Cindy Skiles and Leanne Richards, and five grandchildren.

Contributions in his memory can be made to Trinity United Methodist Church, 1300 West Street, Annapolis MD 21401.

To Major's family and many friends, WANADA extends its sincerest sympathy.

**Douglas E. Williams, Williams Chevrolet, Georgetown**

WANADA is sad to report the passing of Douglas E. Williams, 79, former owner of Williams Chevrolet in Georgetown. He died of pneumonia Feb. 20 at Florida Hospital in Altamonte Springs, Fla.

Born in Queens, N.Y., and raised in Washington and Bethesda, Mr. Williams graduated from Bethesda Chevy Chase High School and the Merchant Marine Academy in Kings Point, N.Y. During World War II, he served aboard Liberty Ships in the North Atlantic. Three of the ships on which he served were torpedoed and sunk.

After the war, Mr. Williams sold cars while racing stock cars on weekends. In 1961, he quit auto racing and concentrated on managing a number of auto dealerships in the area before he bought his dealership on M Street in Georgetown, site of the former Stohlman Chevrolet. He retired in 1988 and moved to Florida.

Survivors include his second wife, Kay Williams of Mount Dora, Fla.; three children from his first marriage to Merrill Cremins Sullivan, Michael Williams of San Francisco, Douglas Williams Jr. of Charlotte and Kimberly Williams of Nashville; two stepchildren, two sisters, five grandchildren; and one great-grandson.

**With Spring Training in Mind...**

*I have only one superstition. I touch all the bases when I hit a home run.*

—Babe Ruth

**Enclosures:**

- WANADA Privacy and Security Seminar Registration Form
- California Car Talking Points
- St. Patrick's Day SoberRide Posters