



THE WANADA BULLETIN

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

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REGULATORY UPDATE

CAFE Debate Heats Up

Congress Skeptical of Bush Plan to Increase Fuel Economy 33%

In his January State of the Union address, President Bush dropped a bombshell for the auto industry by calling for a 20% cut in gasoline consumption over 10 years – which would require a 33% increase in fuel economy and significantly higher corporate average fuel economy standards (CAFE). Now the debate has begun in Congress, and the devil is truly in the details.

In a recent hearing before the House and Senate, NHTSA Administrator Nicole Nason met with much skepticism as she laid out the president’s plan to boost fuel economy standards an average of 4% annually beginning in 2009, with a target average of 34 mpg by 2017. The proposed “attribute-based” system for cars, which is similar to the current light-truck fuel efficiency rule, would give NHTSA the authority to rewrite fuel economy rules and increase standards, without approval

from Congress, based on confidential future product plans NHTSA receives from automakers. The new rules are estimated to increase the price of new cars by \$600 to \$1,800.

But members on both sides of the aisle of the House Energy and Commerce, Energy and Air Subcommittee criticized the

plan for allowing automakers to trade fuel efficiency credits, much as electric utilities trade sulfur dioxide credits in the EPA’s acid rain program.

In a Senate Commerce Committee hearing, no senator from either party endorsed NHTSA’s approach. The main criticism

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DEALERS IN THE SPOTLIGHT



Curtis Chevrolet Sponsors Club Lock Giveaway

Curtis Chevrolet-Kia recently sponsored a DC Metropolitan Police Department (MPD) Police Service Area (PSA) 402 Club Lock Giveaway to help fight the growing problem of auto theft in the District. The dealership hosted the event and donated 90 steering wheel club locks, which were offered at no charge to anyone who could show proof of residency and vehicle ownership in PSA 402.

Police officials and neighborhood leaders attending the event (pictured from left) Dudley Dworken, Dexter Straker, MPD Officer Heather Straker, James P. Key, Officer C. D. Joyner, Mary Sandford, Judi Jones and Officer D. Fernandez of the DC Auto Theft Unit.

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REGULATORY UPDATE

Changes to Electronic Discovery Rules

In the past few months, NADA reports that it has received a number of inquiries regarding the electronic discovery amendments to the Federal Rules of Civil Procedure (“FRCP”) in legal actions. NADA members have primarily been concerned with how the changes affect their current record-keeping procedures and how the rules may impact electronic business communications, such as emails and text messages. While the purpose of the amendments is to reduce discovery production issues concerning electronically stored information (“ESI”) in federal litigation, they do not impose new record-keeping requirements on businesses, according to NADA.

However, because the amendments place electronic records on equal footing with paper documents, NADA advises “it would be prudent for dealerships to review their information systems to ensure that they are able to respond to e-discovery requests in accordance with the amended FRCP. Because the FRCP does not provide a substantive definition of electronic information, it broadly includes information from various electronic sources, such as email, text messages, digitized voicemail, and instant messages. Even if pending litigation is not a concern, dealers should take a look at the different types of ESI they maintain, how the ESI is stored, and how frequently their information system deletes emails. It would

also be beneficial to conduct an analysis of the dealership’s data retention policy and develop a standard procedure to respond to litigation holds or requests for production of ESI.

“Although the new rules will only impact dealerships that become parties in federal litigation,” said NADA, “dealers should consult with their IT departments and legal counsel to assess the preparedness of their information systems. A complete summary of the amendments to FCRP 16, 26, 33, 34, 37, 45 and Form 35, which took effect on December 1, 2006, is available on www.nada.org.”

To view the FRCP amendments with Advisory Committee Notes, see: http://www.uscourts.gov/rules/EDiscovery_w_Notes.pdf.

Check Your Clocks This Week...

Because of the *early* March 11 switch to Daylight Savings Time this year, NADA is reminding dealers to review equipment in their dealerships that displays or operates on a schedule that is controlled by a computer or clock. Computer programs completed before 2005 will not take the new DST standard into account. A few examples include: time clocks, signage, phone, security, lighting, HVAC and alarm systems.

“If your internal IT staff cannot address these concerns, contact your vendor(s) to determine how each situation should be resolved,” said NADA, which has alerted a number of vendors to this issue.

CAFE Debate

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was that the administration's proposal does not set a hard-and-fast requirement for auto-makers to improve vehicle fuel economy to a specific level. Many lawmakers would like to see a 35 or 40 mpg on average.

Seven senators – four Republicans and three Democrats – including presidential candidate Barack Obama – reintroduced a proposal that never got a vote in the last Congress, but has a better chance this time around, because it would allow federal regulators to approve smaller annual increases if they found a 4% boost wasn't feasible due to technology or cost.

That would please auto-makers who have said the 4% annual target was overly aggressive. The administration revealed that the proposal would cost the industry \$114 billion, with Detroit auto-makers carrying \$85 billion of the burden.

In the coming months, both the House and Senate will continue to hold numerous hearings on climate change and fuel efficiency, with the heads of GM, Ford, Chrysler, Toyota and the UAW all expected to testify.

NADA says it is currently working to identify consumer-driven alternatives to meet the objectives of increasing fuel efficiency and energy independence.

Washington Area New Vehicles Sales Chart a Bell Curve, 2002-06					
Vehicles	'02 Sales	'03 Sales	'04 Sales	'05 Sales	'06 Sales
	<i>(% Change From Previous Year)</i>				
Domestic Cars	57,540 (-6.9%)	44,490 (-22.7%)	44,355 (-0.3%)	42,188 (-4.9%)	42,181 (0.0%)
Import Cars	123,180 (3.0%)	119,548 (-2.9%)	116,161 (-2.8%)	114,453 (-1.5%)	116,677 (1.9%)
Total Cars	180,720 (-0.4%)	164,038 (9.2%)	160,516 (-2.1%)	156,641 (-2.4%)	158,858 (1.4%)
Domestic Trucks	75,896 (-2.4%)	86,618 (14.1%)	83,580 (-3.5%)	75,900 (-9.2%)	63,567 (-16.2%)
Import Trucks	54,009 (9.0%)	64,613 (19.7%)	69,600 (7.7%)	69,491 (-0.2%)	66,904 (-3.7%)
Total Trucks	129,905 (2.0%)	151,231 (16.4%)	153,180 (1.3%)	145,391 (-5.1%)	130,471 (-10.3%)
Total Cars & Trucks	310,625 (0.6%)	315,269 (1.5%)	313,696 (-0.5%)	302,032 (-3.7)	289,329 (-4.2%)
Source: R.L. Polk Company, by contract with WANADA					

Despite Slight Decline, Sales Trend Holds Steady

DC Area New Vehicle Sales for 2006 Dip 4%

Despite another slight dip in sales last year, the Washington Area new vehicle market continued to demonstrate resilience and stability over the past five years. Total new vehicle sales for 2006 came in at 289,329, a decline of 4.2% over sales of 302,032 in 2005, but still near the annual 300,000 unit sales mark the Washington Area has maintained for nearly a decade, according to market figures WANADA compiled from R. L. Polk.

Highlights of 2006 WANADA Area Sales Report include:

- **Import car** sales were the only vehicle category to show a gain for the year, up 1.9% percent on sales of 116,677 in 2006 compared to 114,453 in 2005. But even import cars saw a 2.7 decline in the 4th quarter of 2006.
- **Domestic car** sales remained virtually unchanged last year (42,181 compared to 42,188 in 2005), thanks to an incentive driven sales surge earlier in the year. However, 4th quarter 2006 sales were off 2.8%.
- **Import light trucks** sales slipped 3.7% on sales of 66,904 in 2006, compared to sales of 69,491 in 2005, but still a strong showing in a down year.
- **Domestic light-duty truck** sales dropped 16.2% on sales of 63,567 in 2006, compared to sales of 75,900 in 2005. Combined import and domestic light truck sales were off 10.3%, yielding 130,471 sales in 2006. The mercurial fuel prices clearly impacted this sector in a negative way.
- **The percentage of import cars** sold in the Washington Area for 2006 at 73.4%, was comparable to 2005 — and far ahead of the 2006 national market share of 53.7% for import brands, according to *Automotive News*.
- **Car versus truck sales** in the Washington Area again favored cars in 2006 by a margin of **158,858** cars to **130,471 trucks**, which bucks the national trend that saw light trucks again outsell cars by more than a million units last year.
- **The best unit sales months** in 2006 were May, July and August, with sales of 29,968, 27,649 and 26,212, respectively. November and January 2006 were the lowest sales months at 19,080 and 20,075, respectively.

The 2006 WANADA Area Report from R.L. Polk is enclosed with this issue of *The WANADA Bulletin* and is available to WANADA members online at wanada.org. Log into the member section and click on “General Information,” then Marketing Sales Data.

DEALERS IN THE SPOTLIGHT**Tamara Darvish Profiled in Washington Business Journal**

Tamara Darvish, who is increasingly familiar to Washingtonians through her many radio and TV ads for DARCARS and her leadership role in The WAS Congressional Gala and Bobby Mitchell Toyota Hall of Fame Golf Classic, was the subject of a full-page "People & Community" feature in the Washington Business Journal, March 9-15, 2007. Tamara touched on a wide range of subjects from what she is most concerned with (helping kids in need) and proudest of (11-year-old daughter's recent win in a student speech competition) to her favorite dealership department (the body shop) and her exercise routine (lots of treadmill, some weights...but no golf). A great article about an active woman. See the entire interview at <http://washington.bizjournals.com/washington/stories/2007/03/12/story19.html>.



Joanne S. Lawton, Washington Business Journal

Learn More About HSAs and HRAs - Call WANADA

Health Savings Accounts (HSAs) and Health Reimbursement Arrangements (HRAs) are helping dealers control employee health insurance premiums. Several WANADA insurance clients are using these plans to their advantage. If you would like a WANADA representative to present the potential savings of these programs, please call (202) 237-7200. We work for you!

Maryland, Virginia Franchises Sought

Carrollton Enterprises, a real estate development and management company which builds, owns and operates shopping centers and office buildings in Prince Georges County, Maryland, has contacted WANADA in search of new car dealership franchises in the Maryland or Virginia Area. In 1986, the company bought Millsboro Ford in Millsboro, Delaware, and based on the success of that operation is looking to acquire additional franchises. For more information, contact Glenn Turner, Partner, Carrollton Enterprises, 11785 Beltsville Drive, Suite 1600, Calverton, MD 20705-4048; tel: (301) 572-7800.

GOTCHA! Rockville Burglar Caught

Due to the cooperation of area dealers with local police, WANADA has been informed that the burglar we alerted dealers to in last week's Bulletin, who had been burglarizing dealerships in the Rockville area, has been caught by DC detectives – with several temporary tags and other stolen items in his truck. Congratulations to all who helped apprehend this individual.

Irish Wisdom...

Life is like a roll of toilet paper – the closer you get to the end the faster it goes.
Source: A longstanding dealer member of Irish descent who said he heard it in church.
 (Happy St. Patrick's Day)

Enclosure

WANADA Area Report Dec., YTD 2006 (see article on page 3, which includes a five-year trend analysis)