

INSIDE THE BELTWAY

Auto Task Force Eases Deadline Help for Industry Emerges on More Fronts

The chief advisor to the Auto Task Force said last week that the panel is likely to go well past the March 31 deadline to decide on additional aid requests for GM and Chrysler and that “bankruptcy is not our goal.” Steve Rattner, the Wall Street veteran brought in by Treasury Secretary Timothy Geithner to assist the task force, made the comments in an interview with the Detroit Free Press. Rattner said it was very likely that the task force will “announce a series of actions over, perhaps, a reasonably long period of time to solve this problem.”

The news comes as both GM and Chrysler continue to make headway on internal cost cutting efforts, new working agreements with the UAW and in the case of Chrysler, advancing on a partnership with Fiat, which it values at approximately \$10 billion. The statement by Rattner, in addition to his

announcement that the Auto Task Force was also preparing to assist a number of struggling parts makers, would appear to indicate the task force is being flexible on the time frame as well as the solution to the industries’ difficulties. Meanwhile, the franchise dealer community was also receiving a helping hand via new rules at the Small Business Administration that will help many dealers currently seeking loans guaranteed by the SBA under its 7(a)

SBA Loan-Rules Eased, Interest Costs Eliminated

program. The new rules include a temporary increase in guarantees up to 90 percent (from 75 percent) for loans greater than \$150,000; the temporary elimination of loan fees (typically up to 3.75 percent for larger loans); the expeditious processing of loan applications; the direct purchase of loans in the secondary market by the Treasury Department; and lender accountability for making loans to small business.

NADA meanwhile is pressing the SBA to be more expansive in its eligibility requirements for dealers seeking loans and also more

(Continue Page 2)

Aftermarket Industry Renews Attack on Service Costs at Dealerships

The Automotive Aftermarket Industry Association is gearing up again to challenge the current limit on independent repair shop access to onboard diagnostic codes in newer vehicles. This time around they have commissioned a study which suggests average repair costs at dealerships are 34% more than at independent shops and that consumers paid \$11.7 billion too much last year for parts and service because of the restrictions. The AAIA got to these figures by comparing parts and labor costs for 10 vehicles (domestic and import) in six cities, including Boston, Newark, Atlanta, St. Louis, Los Angeles and Seattle.

Kathleen Schmatz, the head of AAIA says the association commissioned the study at the “request of congressional leaders studying the merits of legislation (the Motor Vehicle Owners’ Right to Repair Legislation) it is hoping to have introduced this year. Stay tuned.

Inside...

- R.L Polk 2008 Sales Figures....p.2
- TX & CA on *Clunkers*.....p.2
- New SBA Relief.....p.3
- Wagoner “Likes” \$4 Gas... ..p.3
- NADA Surveyp.3
- Have a “Good Story?”.....p.4
- The *WANADA Open*.....p.4

INSIDE THE BELTWAY

permissive in (From page 1) allowing those loans to be used for floor planning. (for more details see www.nada.org).

Meanwhile, the U.S. Congress is joining in on the growing “cash for clunkers” movement. Rep. Betty Sutton, D-Ohio, introduced the legislation last week and it was promptly endorsed by the United Auto Workers, Ford, GM and Chrysler. The measure would provide consumers with a \$5,000 incentive to buy a new, more fuel efficient vehicle in exchange for turning in a vehicle at least eight years old. Con-

U.S. May Join “Cash for Clunkers” Movement

sumers would receive an additional \$1,000 if the vehicle they purchase is assembled in the United States. At least 60 percent of the vehicles in the United States are old enough to qualify for this incentive.

“These kinds of programs can have a huge impact,” GM chairman and CEO Rick Wagoner said.

Should the legislation make it to the President for signature, the U.S. would be joining Germany, Italy and Malaysia to offer the incentive. In Germany, sales jumped 15 percent in February to the highest level in a decade, after the program

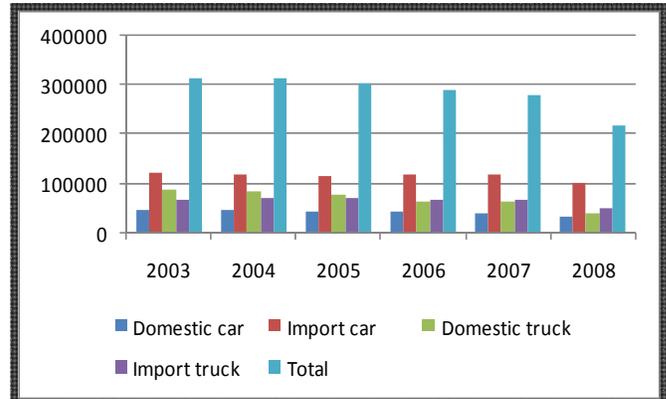
AREA SALES REPORT

Looking Back

New Sales Decline 21.9% in Region In 2008

Confirming what area dealers have long known, R.L. Polk Company released its year end vehicle registration numbers last week to WANADA and the picture for sales in the region was predictable. New car registrations declined a comparatively minor 14.7% in all of 2008, but total truck sales fell 30.8%. Overall, sales declined to 218,409 units in 2008 from 279,808 in 2007. That was a 21.9% drop from 2007.

Total U.S. sales declined 18% in 2008 with light trucks falling 25% and cars 10.7%. As has been the case for many years, im-



New Vehicle Sales Washington Metro Area

port car sales continued to outpace domestic sales in the Metropolitan Washington Area, with their share rising to 77.2% from 75.7% in 2007. The same dominance was true on the truck side where import trucks garnered a 55.9% share.

The fourth quarter of the year was particularly difficult for dealers here as well as nationwide, reflecting the recessionary fears of the public. November sales were off 34.9% from the year previous and December was down 37.7% yielding 14,936 units.

Total car and truck sales have declined in the area every year since 2003, when sales totaled 315,269 units.

Full sales data from R.L. Polk is enclosed with this WANADA Bulletin and is available at www.wanada.org >member >(general information) section.

Texas and California Want “Clunkers” Gone Too

Texas and California do not often agree on much, but they are among the most aggressive states in trying to get old cars off the road. Texas launched “Drive a Clean Machine,” effort in 2008 that offered consumers up to \$3,500 toward a new vehicle if they turned in a “beater” that was 10-years old or older. So far, more than 11,000 buyers have taken advantage of the offer.

In California, the state has \$50 million available for low-income residents to get vehicles that fail emissions tests off the road or have them repaired. Retiring the vehicle will get the owner a \$1,500 incentive; fixing it puts them in position to receive a \$500 rebate. The program retired 16,000 vehicles last year.

ISSUES UPDATE**New SBA Benefits for Qualified Small Businesses**

Qualified small businesses, including dealerships, may now, under new rules announced by the SBA last week, be able to:

- Carry back losses for up to five years (instead of two), effectively getting a rebate on previously paid taxes, but only if average gross receipts (over the last three consecutive years) are \$15 million or less.
- Expense up to \$250,000 in qualified investment in 2009.
- Reduce their estimated tax payments to 90 percent of the previous year's taxes (down from 110 percent). Must generally have fewer than 500 employees.
- Use accelerated depreciation for larger deductions within the first year of a property's purchase, through 2009.



Check with your accountant to see if your dealership qualifies.

GM's Wagoner - \$4 Gasoline Might Be a "Good Idea"

General Motors CEO Rick Wagoner, in a recent news briefing, called a sharp increase in federal gas taxes an idea "worthy of consideration." This turnabout in the automaker's traditional opposition to increased fuel taxes is likely reflective of GM's need to succeed with its hybrid and electric vehicles plans; plans and vehicles that are vital to its future success as an automaker. The proposed taxes could guarantee a minimum price of \$4 a gallon to consumers.

"Everybody talks about \$4 a gallon because, until gas prices hit \$4, nobody saw any shift in consumer behavior," said Greg Martin, GM's Washington, D.C., spokesman. "Only then did people put fuel efficiency front and center."

Some dealers, such as AutoNation chief executive Michael Jackson, agree that such a tax hike is helpful in promoting the sale of hybrid vehicles. "I have fuel-efficient vehicles parked at my dealerships as far as the eye can see," he told the Wall Street Journal. "I can't give them away."

Federal taxes on gasoline are currently around 18.4 cents per gallon and would need to spike to over \$2 a gallon to boost the current national average fuel cost of \$1.91 per gallon to the \$4 per gallon number. Mark Zandi, chief economist for Moody's, estimates that every cent in increased gas taxes translates into an additional billion dollars in tax revenue that would accrue to the Highway Trust Fund and be available for infrastructure repair and replacement. The current proposal would add over \$200 billion in the first year alone.

NADA NEWS***Attention Members*****NADA Compensation and Employee Benefit Survey**

NADA, as part of its ongoing effort to tell the story of how dealerships contribute to the well being of their local communities and the country as a whole, is once again asking you to complete this very important survey.

Two reports will be produced from the data gathered; a national report that focuses on the total contribution the franchise auto dealer industry makes to the country and one tailored for state and local associations to use as they lobby on your behalf.

This year the data will be collected on a secure website; <https://www.nada.org/survey> and you are asked to complete the survey by April 15, 2009.

A copy of the prepared reports will be available to dealer principals only.

Remember, the greater the number of respondents, the more credible the information will be.

NADA Dealer Executive Education Partnership - Babson College -

Dealers interested in enrolling in the MBA-like program, which focuses on leadership, management and entrepreneurship, can find information at www.DealerExecEd.org or call Allan Jones at 703-821-7210. Classes begin in July.



The WANADA Open May 18

Mark your calendar and send in your registration for this all-ways fun event. A great golf course, beautiful scenery, lots of fun and plenty of prizes. Attendance is limited to the first 128 registrants.

Register online at
www.wanada.org

We're Going Electronic!

The Bulletin will become an e-mail publication beginning in June of this year. It's all part of our effort to enhance communication with you, our members. You can still receive a printed version if you like, just let us know which you prefer. Call the office at 202-237-7200, or better yet, send your e-mail address to jk@wanada.org and we will put you on the list to receive the electronic *Bulletin* come June.

Have a Good Story About Your Dealership? *Reader's Digest* Wants to Hear From You

Taking a page from NBC News with Brian Williams, which is highlighting "good news" stories this month on its network news program, *Reader's Digest* is looking to interview auto dealers from around the country who are doing creative things to keep their business thriving right now. Ideally, writer Jeff Carigliano would like to talk with dealers who took some steps to adapt their businesses and are now seeing the benefits. The story is slated for the July issue of the magazine. If you have a good story to tell, you can reach Jeff Carigliano at 917-513-4991 or at jeff.garigliano@gmail.com.

This item comes from NADA's Public Affairs Committee Chairman, Dale Early.

KINDRED KORNER

BG Products, Inc. Offers Boost To Customer Service Loyalty with Lifetime Protection Plan

BG Products, Inc., makers of premium replacement fluids for various automotive systems, is extending the life of its popular 150,000-mile protection plan to Lifetime coverage. The plan covers the six major vehicle systems against failure provided vehicle owners utilize the BG fluid products required under the warranty. The coverage can extend for the lifetime of the



vehicle and is transferable.

BG says its fluid replacement products and warranty program are an ideal way to build dealership service department loyalty. Peter Berlo, BG's Manager of Domestic Distribution Development, says "providing fluid maintenance services to customers is a proven money-maker. Dealers wishing more information on the BG product line-up should visit them at www.dfo-magazine.com for more details.

Staying Ahead...

*Things you don't do:
Don't play poker with a man named Slim
Don't buy a watch from a man on the street who is out of breathe
Don't buy stock from a man on TV yelling at you.*

-George Will

Enclosures:

- R.L. Polk Company Report
- WANADA Open Information and Registration Sheet
- F&I Recertification Program Information and Registration Sheet