

St. Patrick Smiles on Dealers as Two Anti-Industry Measures Fail in MD Assembly

Cal Cars & Finance Cap Bills Rejected

It was close, but no cigar, on March 17 for the **Clean Cars Act** (SB 366) that would have made Maryland a California vehicle emission state as the Senate Judicial Proceedings Committee voted 6 to 5 last week for an “unfavorable report,” killing the measure. The House version of the bill (HB 564) was then withdrawn.

On the same day, the House Economic Matters Committee was voted 18 to 1 to shelve the **Maryland Motor Vehicle Financing Disclosure Act** (HB1201), which would have required Maryland dealers to make a separate disclosure to their customers on the financing obtained, and would have capped the financing profit for dealers at \$150 or 1.5%.

“These are both big wins for dealers,” said Maryland Automobile Dealers Association (MADA) CEO Peter Kitzmiller, who credited the “effective re-

sponse” of dealers as well as the teamwork between dealers and the Alliance of Automobile Manufacturers. The Alliance took out newspaper ads and established a phone bank for those opposed to the legislation.

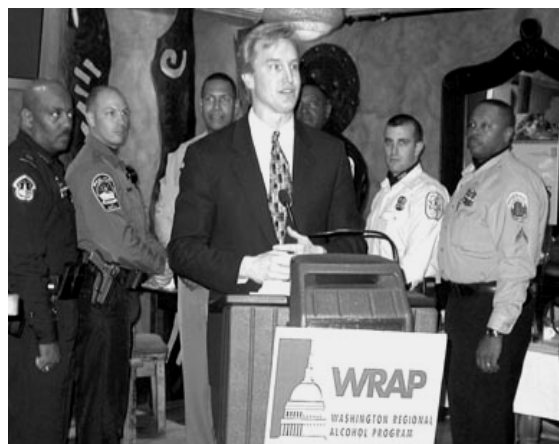
As the industry pointed out to lawmakers, Maryland does

not have the same environmental problems as California. California emission rules would also increase the cost of vehicles. And, since no states bordering Maryland have Cal-Car rules, dealer cross-border sales would have been at risk of being decimated.

DEALERS IN THE SPOTLIGHT

WANADA Kicks Off St. Patrick's SoberRide

Surrounded by police chiefs and representatives of all area police jurisdictions, WANADA's *bona fide* Irish-American, Kevin Reilly, was a featured speaker at the Washington Regional Alcohol Program (WRAP) St. Patrick's Day *SoberRide* press conference at Fado's Irish Pub in Washington, D.C.



Kevin Patrick Reilly and area police chiefs at St. Patrick's Day SoberRide Kick-Off.

Reilly, general manager of Alexandria Hyundai and Fairfax Hyundai, praised WRAP's life-saving efforts, which has provided nearly 30,000 free cab rides to would-be impaired drivers since WANADA helped co-found *SoberRide* in 1982. To show WANADA's continuing support of sober driving, Reilly presented WRAP President Kurt Erickson with a WANADA sponsor check for \$7,500.

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REGULATORY UPDATE**New VA Authorization To Purchase Temporary Tags Policy Effective March 30**

The Virginia Department of Motor Vehicles has advised all dealers that, effective March 30, 2005, dealer owners and operators will be required to submit the names of *all* dealership personnel who are authorized to purchase temporary tags for their dealership.

Temporary tags will not be sold to any dealership employees who have not been reported to DMV prior to the request to purchase. Dealer owners and operators will automatically be registered as authorized purchasers.

The dealer may designate additional employees as authorized purchasers through the DMV Extranet Dealer Services Renewal application, which dealerships currently use to renew their dealer and salesperson licenses. In addition to the Extranet process, dealers may add or delete personnel by notifying DMV's Dealer Services Work Center by mail or fax only, no phone calls please. The fax number is (804) 367-7046.

Included with the DMV letter to dealers was the application package for the Extranet process. If dealers have already signed the Memorandum of Understanding (MOU) and have their fob which allows them to access the Extranet Dealer Online Renewal to process renewals, dealers will be required to sign an adden-

dum to the MOU to be able to add or delete authorized purchasers. Dealers may contact Janet Williams by e-mail at JANET.WILLIAMS@dmv.virginia.gov or by phone at (804) 497-7191.

For other questions, dealers may contact the DMV Dealer Services Work Center, (804) 367-1833.

Tire Recycling Fee Change to Take Effect April 1st

The Maryland Board of Public Works has approved an increase in the Tire Recycling Fee from 40 cents per tire to 80 cents per tire. This increase is effective for all tires sold beginning April 1, 2005.

There will be no change in the filing report dates. Dealers will continue to report on a semi-annual schedule. The form for the period ending June 30, 2005, will change to reflect tires sold at the current rate and the new rate. Tires sold January through March will be 40 cents per tire and April through June 80 cents per tire.

For further information you should contact MD Taxpayer Services at (410) 767-1300.

TECH TRAINING UPDATE**Marshall Earns NATEF Certification**

As of January 2005, the Marshall Academy Automotive Technology program is NATEF (National Automotive Technicians Education Foundation) certified, adding additional benefit to the WANADA Technician Apprentice Training Program that operates out of Marshall Academy in Falls Church, VA and Montgomery College in Rockville, MD.

In order to achieve this certification, Marshall auto tech instructors underwent intense evaluation by NATEF. Nationally accepted standards of excellence in the areas of instruction, facilities, and equipment were used. The process involved two major steps: a program self-evaluation by instructors John Lawrence and Ed Murphy, followed by an on-site evaluation. The program was rated on ten standards including: purpose, administration, learning resources, finances, student services, instruction, equipment, facilities, instructional staff, and cooperative work agreements.

Marshall Academy's Auto Technology program, which operates high school pre-apprentice training through the FATE Foundation in the Fairfax County Public Schools, is now NATEF certified for five years in five areas: brakes, electrical electronic systems, engine performance, engine repair, and suspension and steering.

WANADA salutes its education partners John Lawrence and Ed Murphy on a job well done.

NADA MONTHLY DEALER OPERATIONS COMMENTARY**Spotlight on Your Parts Department: The Forced Stock Issue**

The lower your number of forced stock purchases, the higher your profitability. In a forced stock purchase, parts are ordered and demand never occurs. The part may have been purchased for emergency repairs, due to misdiagnoses, as insurance against recalls, or it may be a part that was ordered outside of the weekly stock order and was not sold to the specific customer for whom it was purchased. Regardless of how the part was obtained, the year's sale is zero and you have one or more forced stock parts in your inventory. Forced stock purchases are usually unfulfilled warranty requests, wholesale returns, or speculative stock orders.

Calculate what percentage of your inventory is forced stock by taking the total number of forced stock parts and dividing it by your inventory total. To calculate the monthly average of this stock, take the total number of forced stock parts and divide by 12. You should measure the past 12 months because that will give you a realistic depiction of your inventory without getting into the issue of obsolete parts. Calculating the monthly average at the close of each month will help you determine how much of the demand went unfulfilled. About 20 percent of the typical dealership's parts department inventory is forced stock.

Here is an example to illustrate why it is extremely important to limit the amount of forced stock in your inventory. We will make some assumptions to help with the example.

Assumptions:

- \$10,000 in forced stock inventory each month
- All are warranty parts with a markup of 40 percent
- Service labor is \$1 for every \$0.80 worth of parts sold
- 70 percent profit margin on warranty labor

If you had sold the parts, you would have realized **\$4,000** in gross profits. [$\$10,000 \times 40\%$]

Since they are warranty parts, you also lost the labor the service department would have sold for installing the parts for a total of \$12,000. [$[\$10,000 \times (\$1 - \$0.80)] + \$10,000$]

If lost labor sales are \$12,000 and your profit margin is 70 percent, you have lost **\$8,400** in labor gross profits. [$\$12,000 \times 70\%$]

Add these figures together and you have lost a grand total of \$12,400 because of the unfulfilled demand. In addition, it costs your parts department 2.5 percent in holding costs (of the \$10,000) every month to keep the parts in inventory. Over a year, the holding cost is **\$3,000**. Then, if you decide to return the parts, you must accrue the necessary return allowance. Therefore, the total cost of having \$10,000 of forced stock in inventory is actually **\$15,400**, and that is over and above the initial \$10,000 needed to stock the parts!

In most dealerships, only 20 percent of the forced stock sells. The other 80 percent wreaks havoc on the parts inventory. Performing the forced stock and lost profit opportunities calculations for your dealership will help ascertain if you have a problem with forced stock inventory.

NADAguides.com Intros Used Car Lead Program

NADAguides.com is offering dealers unlimited online used-car listings with photos, daily inventory updates and inventory-specific leads from in-market customers through its new Used Car Lead Program. The service is free until April 1. Visit www.corp.nadaguides.com, e-mail leads@nadaguides.com or call (866) 357-6584.

FOOTNOTES

SoberRide *(Continued from page 1)*

This year's St. Patrick's Day *SoberRide*, which operated from 4:00 pm through 4:00 am March 17-18, provided 273 free cab rides home to celebrants.

"This translates into the removal of a would-be drunk driver from our shared roadways every two-and-a-half minutes this St. Patrick's Day," said Erickson. This is particularly relevant in light of the fact that, "over the last five years in our region, half of all traffic fatalities on St. Patrick's Day have been attributed to alcohol," he said.

In addition to WANADA, sponsors of this year's St. Patrick's Day *SoberRide* program included Anheuser-Busch, Baileys, Cingular Wireless, Enterprise Rent-A-Car and Red Top Cab.

Mustering his Irish charm, Reilly closed by inviting all St. Patrick's Day celebrants to productively enjoy the day "with the purchase of a new car or truck."



Kevin Reilly presents WANADA check to WRAP CEO Kurt Erickson

Gas Prices Hit Record High

Gasoline hit a record nationwide average price of \$2.06/gallon, AAA reported last Friday. And oil analysts say Americans should brace for another 20-cent rise in the next 75 days. But NADA Chief Economist Paul Taylor points out that another 50 cents per gallon (to about \$2.50) would increase the cost of a 1,500-mile driving vacation by just \$39, or about the cost of two fast-food restaurant meals for a family of four. He says \$2.50 gasoline would not change vacation plans, but would add \$375 to yearly gasoline costs for a typical 15,000-mile driver.

"We find that 'push back' from SUVs is much more prevalent in the used car market, where vehicle shoppers tend to have more modest incomes," said Taylor. "The \$375 against the \$35,000 or \$40,000 cost of a new full-sized, truck-based SUV is minor. But consumers are looking at the long-term, and some may be deciding that gasoline won't drop back to levels as low as the \$1 per gallon cost that they have seen in some recent years. So concern about gasoline prices and, particularly, gasoline availability, could spur some consumers toward cars when they want capacity for four or five people."

**Staying Ahead...**

It's all right letting yourself go as long as you can let yourself back.

—Mick Jagger

Enclosure

WANADA Privacy and Security Seminar Registration Form