

THE WANADA BULLETIN

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

WANADA Bulletin # 19-07

May 24, 2007

IT'S COMING UP: LAST CALL!!!!

WANADA Open: It's Camaraderie In A Great Setting! ***Monday, June 4, at the World Class Lansdowne Resort***

Even if you don't golf, the cocktail reception and awards dinner at the annual WANADA Open is a fabulous occasion! It's all about networking with peers in your industry and a great opportunity to bring automakers and other close business associates together with the dealer organization team, with thousands of dollars in prizes and awards to the lucky and talented. This year's dinner MC is the longtime Washington broadcaster Paul Berry, who has done a great job for many years as MC of the Bobby Mitchell Hall of Fame Golf Classic.

So don't delay another minute! Sign up today! The golfers will kick off with a shotgun start at 11:00 a.m., Monday, June 4, on two championship golf courses at Lansdowne Resort in Leesburg, VA. Cocktails follow at 4:00 p.m. and the awards dinner at 5:30 p.m. For golfers, and those who don't, the WANADA Open promises to be an extraordinary day with lots of laughs! (Don't forget to bring cash for the 50/50 drawing and mulligans!)

As a bonus, think about rounding out the day by getting a good night's sleep with a special WANADA Open room rate of \$99 (available on Sunday, June 3, as well, with a golf package option of unlimited golf that day and overnight accommodations for \$149).

A registration form and information sheet are enclosed with this WANADA Bulletin, or call WANADA Events Director Kristina Henry at (202) 237-7200.



The MC for this year's awards dinner will be the popular broadcaster Paul Berry.

WANADA INSURANCE UPDATE

WANADA, DentaQuest Develop New, Secure ID Cards

The crime of identity theft continues to plague our society at an alarming rate. As a result, WANADA's Insurance Programs Department has been closely working with DentaQuest over the past few months in developing non-Social Security identifying numbers for members enrolled in the dental programs offered. The discontinuation of the use of Social Security numbers on membership cards will deter perpetrators of these crimes.

As such, we are pleased to announce that replacement ID cards with new numbers will be mailed to all dental plan subscribers during the month of June. Subscribers should destroy their old cards immediately and begin presenting these cards to their dental providers.

DentaQuest will continue to verify coverage and benefits utilizing an employee's Social Security number, but we strongly suggest that employees immediately start using this new identifying number.

For more information, contact Martha Kowalski, Director of Insurance Programs for WANADA, (202) 237-7200, or by fax (202) 237-7779.

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VA MVDB REPORT

Licensing, Education, Fees Top Agenda

In an otherwise light agenda for its regular May 14, 2007 meeting, the Virginia Motor Vehicle Dealer Board (MVDB) assessed a civil penalty of \$1,000 on a dealer for paying an unlicensed F&I representative. The dealer claimed that he did not know that an F&I person must have a sales license.

As of July 1, 2006, Virginia law changed to require that F&I personnel and sales managers have sales licenses. All dealers are reminded of the need to do a regular monthly check to ensure that all employees receiving payments for sales of vehicles and F&I services are properly licensed.

After the regular meeting, the MVDB held two *special* meetings to address the following subjects:

Continuing Education. An ad hoc committee of the board discussed continuing education programs. Approximately three years ago, the Board adopted a requirement that all new dealer operators of *independent* dealerships attend a two-day course about the laws relating to motor vehicle sales. The MVDB has been impressed with the success of the program and it seeks to determine whether to expand this into continuing education.

The ad hoc committee of the board is exploring whether continuing education opportunities will be made available. This will primarily affect independent dealers since the committee recognized that franchise dealers' relationships with their franchisors and dealer associations provide a substantial opportunity for educational opportunities. The committee will continue to determine whether continuing education will be feasible and what incentives will be put in place to lead dealers to utilize the programs.

Fee Increases. As part of a public hearing under the Virginia Administrative Procedures Act, the MVDB also met to determine whether there was any public comment concerning the proposed increase in fees.

The board's executive director explained that the fees have not been raised for over ten years. When the MVDB was formed, and fees were set, the expectation was that they would be good for six years before an increase was needed. By the time the new fees go into effect, it will have been twelve years without an increase.

The following rate structure was proposed:

- **Motor Vehicle Dealer Board:** \$200.00 annually, unchanged.
- **Permanent Supplemental License:** \$40.00 annually, unchanged.
- **Temporary Supplemental License:** \$40.00 annually, unchanged.
- **Motor Vehicle Dealer Salesperson License:** \$25.00 annually, increase from \$20.00.
- **Dealer Operator Certificate of Qualification:** \$50.00 (one time fee), increase from \$25.00.
- **Salesperson Certificate of Qualification,** \$50.00 (one time fee), increase from \$25.00
- **Combined Dealer Operator and Salesperson Certificates of Qualification,** \$50.00 (one time fee), increase from \$25.00.
- **Dealer License Plates**
 - First two plates \$30.00 each annually increase from \$20.00 each annually.
 - Third and subsequent plates \$26.00 each annually, increase from \$15.00

NADA Issues Guidance on Adverse Action Notices

NADA is sending to all members its latest publication titled "A Dealer Guide to Adverse Action Notices." The guide explains when dealers must issue an adverse action notice, what the notice must say, when dealers can rely on a finance source's notice, and many other important issues.

The guide contains a variety of scenarios to help dealers better understand their obligations in this complex and unsettled area of the law, a one-page flowchart that generally explains when the notice must be issued, and a one-page simplified adverse action notice template for dealers who engage in three-party financing.

The guide should arrive at dealerships in the mail in June. Dealers who wish to receive the guide sooner may order a PDF at www.nada.org/mecatalog.

NADA MONTHLY DEALER OPERATIONS COMMENTARY

Dealership Performance

In the first study of its kind across brands to identify and measure the activities, practices, and behaviors that drive dealership financial profitability, NADA undertook a research project with support from McKinsey & Company to define and corroborate best practices in automotive dealership management.

The study found that the policies and practices that take place within a dealership's "four walls" represent the number-one factor in company performance. Although product and volume matter, the study found that the right internal policies and practices are the biggest differentiator of performance.

Analyzing survey responses across all the different factors that influence profit—region and demographics, brand and origin (domestic, European import, or Asian import), dealership size (measured by volume of new-vehicle sales) and structure (stand-alone store versus part of a broader network of dealerships), and operational practices—the study found that operational best practices are the single biggest profit differentiator.

Based on this study, the average-performing dealership in an average environment achieves about two percent net profit before tax. An improvement in each of the influencing factors, one by one, results in more profit:

- If the average dealership could be relocated to a better region with better demographics, net profit would be expected to increase three-tenths of a percent, to 2.3 percent.
- If the dealer had a better-selling brand, profit could increase another nine-tenths of a percent, to 3.2 percent.
- Improvements in sales volume and structure can add a full one percent to net profit for this dealer, bringing the total to 4.2 percent.

But the big jump can come with implementation of operational best practices: for example, if the dealer's operations are consistent with **best practices**, net profit can increase by 2.3 percent, bringing the total for the hypothetical dealer all the way to 6.5 percent.

Obviously, most dealerships can't change all the external factors that affect profit. They *can*, however, change internal factors. Therefore, finding #1 is vital to all dealerships.

The analysis suggests that regardless of size, brand, or region, an average dealer who transforms average practices—not poor practices, but average practices—into the best operational practices can increase operating profit by more than two percentage points.

This article is adapted from NADA Management Education's *A Dealer Guide to Driving Dealership Performance* (BM34), which provides more detail on the project. This guide may be ordered at www.nada.org/mecatalog or by calling NADA at 800-252-NADA, ext. 2.

EPA Extends Spill Prevention Compliance Dates

Earlier this year, the EPA *eased* the burden on dealerships storing liquids in aboveground tanks. Now the EPA has extended the compliance dates for dealerships and others subject to Spill Prevention, Control, and Countermeasure (SPCC) plans. Dealerships that started operations on or before August 16, 2002 must maintain their existing SPCC plan and amend and implement the plan no later than July 1, 2009. Those that began operations after August 16, 2002 through July 1, 2009 must prepare and put in place their SPCC plan by July 1, 2009. And those that will begin operations after July 1, 2009 must prepare and implement their SPCC plan before beginning operations.

Dealerships with clean spill histories that store 1,320 to 10,000 gallons of used oil, bulk motor oil, other bulk lubricants, gasoline, and diesel in aboveground tanks may prepare self-certified SPCC plans instead of having professional engineers draft and certify them. For more information, visit www.epa.gov/oilspill or contact NADA Regulatory Affairs at 703.821.7040 or regulatoryaffairs@nada.org.

INDUSTRY TRENDS**Kelley Study Shows High Gas Prices Alter New Vehicle-Buying Decisions**

With gas prices reaching their highest level in recent history (\$3.10 a gallon for regular unleaded as of last week), nearly six out of ten new-vehicle shoppers (59 percent) say that the upward trend in gas prices has either changed their mind about the vehicle they are considering or the one they are strongly considering, which they normally would not have considered, according to the latest Kelley Blue Book Marketing Research study on gas price effects.

With the quick rise in gas prices and expectations for even higher prices heading into the summer, only a small few are not yet fazed, while others plan to do more research before they buy a new vehicle, said Kelley.

Here are some key results of the study:

- 27% of in-market new vehicle shoppers said that current gas prices are having little or no effect on the vehicle they are planning to purchase.
- 14% of shoppers said higher prices did not have an effect on their decisions because they were already planning to buy a fuel-efficient vehicle.
- 41% of those participating in the survey say that if gas prices rise an additional 25 cents above current levels, they too will start researching vehicles they would not normally have considered.

The study also shows a majority of consumers plan to take other steps to combat the hit to their wallets:

- half of new vehicle shoppers plan to purchase fewer retail items such as clothes and shoes;
- more than a third plan to eat out less often;
- another third plan to buy fewer media entertainment items as long as gas prices continue upward;
- and luxuries, like a night out on the town, music purchases and movie attendance could all experience declines through the summer when gas prices are expected to top \$4 a gallon.

WANADA Kindred-Line Member Appreciation Reception

6:00 p.m. - 7:30 p.m., Thursday, June 7, 2007

Congressional Country Club, 8500 River Road, Potomac, Maryland

In appreciation of the support and invaluable resources provided to Washington Area New Automobile Dealers by our kindred-line members, WANADA has scheduled the above reception to coincide with our regular Board of Directors meeting. "This gathering will bring people together who know and work with one another and provide the opportunity to meet people and make new acquaintances. The commonality among all attending will be WANADA membership and this is what we are looking to enhance," said WANADA Chairman Jack Fitzgerald.

All WANADA kindred-line and *all* dealer members are invited to attend. A registration form is enclosed with this WANADA Bulletin. *Note: jacket and tie are required by the club for the reception.* For more information, call WANADA Events Director Kristina Henry at (202) 237-7200.

Staying Ahead...

Courage is being scared to death, but saddling up anyway.

—John Wayne

Enclosures:

- WANADA Open Registration & Information Sheet
- WANADA Kindred-Line Member Appreciation Reception RSVP