

WANADA Bulletin #2-07

January 11, 2007

STATE LEGISLATION PREVIEW

Maryland Dealers to Push for Energy Commission; Kaine Transportation Plan Top Issue in Virginia

General Assemblies in Maryland and Virginia convened this week, and dealers are girding for what is expected to be major environmental and tax challenges. In Maryland, "California Car" legislation is back, and part of the Virginia governor's Transportation Plan includes tax increases on motor vehicle sales.

Maryland

With the recent adoption of California car (Cal/Car) emission standards in Pennsylvania, pressure on Maryland lawmakers to follow suit has increased substantially. To ensure a fair and balanced approach to the state's energy needs, Maryland auto dealers have incited talks with legislative leaders, advocating the creation of a Maryland Energy Commission that would look at *all* the state's energy needs and serve as a technical and scientific resource for the governor and General Assembly as they formulate comprehensive energy policies going forward.

Such a commission would be comprised solely of members of

the legislature, representatives of the governor and energy experts from the University of Maryland Energy Research Center and, perhaps, Johns Hopkins University. The Commission would accept written comments from interested parties to conduct its business. But to ensure objective fact finding and analysis, the Commission would *not* include representatives of industry or environmental groups.

"Our message is that energy is a very technical, complex issue and public policy makers need a source

of factual information untainted by politics," said WANADA Chairman Jack Fitzgerald.

Both MADA and WANADA have pledged to support *any* recommendations such a commission would adopt, should it be mandated by law, even if they included Cal/Car emission standards.

Fitzgerald is also spearheading an effort by Maryland dealers to aggressively counter misleading media reports fed by environmental groups in support of

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2007 WASHINGTON AUTO SHOW

EPA, NADA to Announce Initiative to Improve Energy Efficiency at Auto Dealerships

William Wehrum, EPA's acting deputy administrator for air and radiation, and NADA Chairman-elect Dale Willey, will hold a joint press conference and lunch at The Washington Auto Show, 12:00 – 1:30 pm on Tuesday, January 23, 2007, to announce the launch of an Energy Stewardship Initiative between NADA and EPA's ENERGY STAR Program that is designed to help automobile dealerships improve the energy efficiency of their facilities and operations.

EPA's ENERGY STAR Program educates consumers and businesses about energy-efficient products and management tools, thereby helping the public save money and protect the environment. In addition to media, members of Congress, industry association representatives and dealers are invited to attend.

For more information and reservations for the EPA/NADA event, contact NADA's Jeff Beddow, jbedow@nada.org, 703-821-7121; EPA's Enesta Jones, jones.enesta@epa.gov (202) 564-4355; or Barbara Pomerance, bp@pomeranceassociates.com, 404-262-7811 or 404-557-7200.

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STATE LEGISLATIVE PREVIEW

Legislative Priorities

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Cal/Car standards for Maryland. Dealers believe Cal/Car legislation is not right for Maryland for the following key reasons:

- **Maryland already has vehicle emission standards designed to serve this region.** Federal Tier 2 tailpipe emission rules for cars and light trucks, issued in 1999 and effective with the 2004 model year, were designed to meet the needs of the Northeast and Mid-Atlantic areas of the country. These standards focus on the Nitrogen Oxide (NOX) reductions that are of particular concern here because NOX is the controlling factor for smog in these states. In contrast, Cal/Car standards focus on hydrocarbon (HC) reductions. Federal Tier 2 emission standards have already resulted in a 99% reduction (HC) and (NOX) emissions from these vehicles, and it is a misstatement to claim Cal/Car is cleaner than Federal Car.
- **California rules require more expensive fuel.** The Federal standards, currently being used by Maryland, also established the maximum feasible emission reductions, considering the local fuels available in this region. The proposed Cal/Car rules for Maryland would *not* include the California fuel requirements, which are significantly more expensive, that are critical to meeting California emissions standards. In other words, any potential benefit from Cal/Car legislation here is negated by no fuel requirement for California fuel.
- **Why give California the authority to make environmental policy for Maryland?** Cal/Car is designed for California's climate, not Maryland. With little or no difference between the Cal/Car and

Federal Car, there is no reason to risk a bad fit by turning Maryland's environmental policy over to California.

- **"Clean car" legislation in Maryland won't result in clean cars.** Despite recent reports to the contrary, Maryland faces a lower toxic air threat than most of the states that have already adopted Cal/Car rules. Therefore, it will mislead the Maryland General Assembly into believing they've got a complete clean air solution when, in fact, there are many complex, technical issues to consider. The Energy Commission that will be proposed will develop a complete clean air policy *in the context of a comprehensive energy plan* giving Maryland a chance to *lead* the energy debate rather than hop on the political bandwagon.

Virginia

Virginia dealers will be sharply focused on Gov. Tim Kaine's transportation plan, which again calls for increasing the tax rate on the purchase of cars and trucks from 3% to 5%, a 67% increase, or about \$500 per average vehicle sale.

This is problematic for Virginia dealers who have recently experienced a substantial drop in vehicle sales, according to VADA. Taxes on the purchase of cars and trucks currently produces \$1.2 billion in tax revenue for the commonwealth per biennium, from the sale of nearly 1.7 new and used vehicles each year.

VADA with WANADA's support believes that the burden should not be placed disproportionately on vehicle purchasers when there are numerous other sales areas to be included in any such plan, not the least of which, are motor fuels. The additional tax on vehicles penalizes state residents, while "it doesn't address the

thousands of out-of-state drivers who use Virginia roads daily."

Other key legislative issues for Virginia dealers include the following:

- **Warranty Surcharges and Chargeback Collections** that will amend Virginia Law by prohibiting the imposition of a surcharge when warranty reimbursement at the retail rate is sought under the code. It will also require manufacturers to provide notice of charges to dealers' accounts, while preventing immediate debits for warranty and sales incentive audits until the appeals process is completed.
- **Motor Vehicle Transaction Recovery Fund** legislation will substantially tighten requirements on claims under the fund and establish procedures for the Virginia Motor Vehicle Dealer Board to more carefully evaluate the legitimacy of the amounts of those claims.
- **Coercion and Repurchase Rights** legislation would broaden the prohibition against manufacturers coercing dealers and establish certain rights for dealers on franchise termination.
- **A Buyer Standing** bill would expand the restrictions concerning a manufacturer's approval of the sale of a dealership by requiring that the refusal of the proposed sale by the manufacturer must be reasonable. It also clarifies that the manufacturer's approval must not be subject to unreasonable conditions on the buyer. And it specifies that a requirement imposed by the manufacturer in order to approve the sale which violates the provisions of VA franchise law is by definition unreasonable.

2007 WASHINGTON AUTO SHOW

Automotive Rhythms® Returns to 2007 WAS With New Ways to “Flip Your Whip”

After making a major splash at last year's show, Automotive Rhythms Urban Restyl'n' Salon® is back for a return engagement at the 2007 WAS with a display twice the size it had at the 2006 show.

“This is the biggest and most entertaining customization display of all the major auto shows, and we're proud to host such innovative work in automotive design,” said WAS Chairman George Doetsch.

The display of “flipped vehicles” includes the lavishly customized 2007 Cadillac Escalade ESV as well as custom models from Audi, Buick, Verizon Wireless, Scion, Volvo, Downtown Locker Room, Infiniti and Chevy – even limos with Lamborghini-styled doors and the restyled vehicle of DC's mayor. Add to that an old school garage full of classics, dozens of custom cars (including exotics), and 12 custom motorcycles, including the Harley-Davidson® Custom Bike Build: Install-Tainment where technicians will be working each day to create a fully customized 2007 H-D® Harley-Davidson® motorcycle.

The Salon will also feature:

- Live music by national recording artists and tunes spun by XM disc jockeys;
- Celebrities like Washington Wizards' Antawn Jamison;
- A fashion show by Sneaker Suite and Downtown Locker Room,
- Top Model competition hosted by America's Top Model Danielle Evans and WKYS 93.9 DJ Jeannie Jones. (Check out celebrity events on washingtonautoshow.com)
- Prizes like XM Satellite Radio units, Bose headphones and audio players and model cars from Jada Toys. On Thursday, Jan. 25, the annual “Flip My Whip” auto, \$10,000 worth of customizations to

the winner's car, will be unveiled. This promotion, with WPGC, Big Boys Toys, Revision Auto, Hankook Tires, Rennen Luxury Wheels and JL Audio, will be launched at the show with a WPGC Remote from 6—8 p.m.

In addition, there will be Shell gas giveaways, and \$20,000 worth of prize giveaways provided by Bose, Jada Toys, XM Satellite Radio, JL Audio and others.



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Sponsors for the Urban Restyl'n' Salon include Harley-Davidson®, Buick (Entertainment Host), Bose, XM Satellite Radio, Jada Toys, Chevrolet, Apple Ford, Volvo, Infiniti, Downtown Locker Room, Shell V-Power and Verizon Wireless.

VA MVDB REPORT

VA Dealer Board Adds Support for Two Bills

At its January 8, 2007 meeting the Virginia Motor Vehicle Dealer Board (MVDB) passed two resolutions to support legislation in the 2007 General Assembly. MVDB voted unanimously to support a bill to reform the Transaction Recovery Fund by making clear the types of damages that may be recoverable from the fund and the need for attorneys to justify their fees.

MVDB also considered a bill to be introduced with respect to licensing F&I professionals who may work temporarily in dealerships. As a result of a change in the law last year, F&I personnel must be licensed as salespeople. Because of Virginia law, a salesperson must be employed by a dealer and may not be an independent contractor. This change calls into question whether F&I companies that sometimes provide temporary F&I personnel to dealers can continue to do so. The bill will allow licensing of F&I professionals if they are employed by a company that provides services under contract with a dealer as long as the F&I professionals meet the qualifications to be a salesperson and are identified in a deal so that the MVDB can take jurisdiction over them, if necessary.

Other actions taken include the following:

- **Dealer Operators.** MVDB will have its Licensing Committee consider follow-up that is appropriate for dealer operators. Presently, dealer operators can hold lifetime licenses, once they qualify. MVDB wishes to consider whether continuing education or periodic testing is in order for dealer operators.
- **Advertising.** MVDB heard a presentation from a company that sells targeted direct mail advertising that wishes to charge on a per referral basis. MVDB considered the matter and advised the company that under the Virginia Bird Dog Statute, per sale and per referral payments to unlicensed individuals and companies violate Virginia law.
- **Curbstoning.** An agent of the Department of Motor Vehicles reported instances of “curbstoners” selling cars illegally. DMV adopted a “progressive enforcement” policy which emphasizes education. MVDB will attempt to educate those who are currently selling more than five vehicles per year about the requirement for a dealer license.

NADA CONVENTION

The Countdown Begins

Making last-minute convention plans? You can still register onsite in Las Vegas.

- **Key-note speakers** including NADA Chairman William Bradshaw; Richard Colliver, executive vice president of auto sales, Honda of America; former professional boxer Sugar Ray Leonard; and New York City Fire Chief Richard Picciotto, a 911 World Trade Center survivor, will describe valuable success strategies.
- There will be 48 individual workshops, presented in 156 sessions, covering a wide range of topics.
- **A new three-part series: Lifeline to Profit\$:** Workshops kicks off Saturday and will focus on cash management, variable operations, and fixed operations.
- **A breakfast and networking event exclusively for women dealers** is slated for Saturday morning. For more info and to request an invitation, go to <http://www.nada.org/2007womensbreakfast>.
- **Minority dealers are invited to a special breakfast** and networking event. For more information on this Sunday event or to request an invitation, visit <http://www.nada.org/2007minoritybreakfast>.
- **This year's exhibit hall is better than ever** with more than 600 exhibitors set up in two halls that cover more than 400,000 square feet.

And Don't Forget the fabulous MADA/VADA/WANADA Tri-Association Reception, Saturday, Feb. 3, 6-8 pm at the hot, new Wynn Las Vegas Resort. Invitations will go out next week. For more information, contact Ruby Gerald at WANADA, (202) 237-7200.

AUTO SHOW SEMINARS & IMPORTANT REMINDER

- **Washington Area Tag & Title Seminar, Friday, Jan. 26**

Don't miss out on this unique titling seminar covering the entire region, with motor vehicle agency representatives from DC, Maryland and Virginia to bring you up-to-date on the latest tag and title developments, along with valuable tips and networking opportunities to speed your dealings with the DMVs!

- **F&I Professional Certification Program, Friday, Jan. 26**

WANADA and MADA will be offering the popular F&I Certification Program on Friday, Jan. 26, 2007. The full day program, conducted by specialists from JM&A, is designed to ensure that F&I operations deliver customer value and are compliant with the various laws that affect them. Space is available on a "first come first served" basis.

More information and RSVP forms for both seminars are enclosed with this *Bulletin*, or call Ruby Gerald at WANADA (202) 237-7200.

- **MD, VA Sales Reps Must Register for 2007 Auto Show**

Sales representatives from Maryland and Virginia dealerships who plan to work at The 2007 Washington Auto Show, Jan. 24 - 28, 2007 *must register* with the District of Columbia government through WANADA in order to receive a waiver from D.C. automotive sales licensing law. Please fill out the registration form enclosed with this *Bulletin* with the names and sales license numbers of the dealership and all dealership representatives who will *likely* work at the show, and *fax it* to the WANADA office, (202) 237-9090, by Friday, Jan. 19, 2007. Many thanks!

Staying Ahead...

It has been my experience that folks who have no vices have few virtues.

—A. Lincoln

Enclosures:

- WANADA Tag & Title Seminar RSVP
- WANADA F&I Professional Certification RSVP
- 2007 Washington Auto Show Non-DC Automotive Sales Representatives Participation form