



THE WANADA BULLETIN

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

WANADA Bulletin # 27-07

July 20, 2007

INSIDE (AND OUTSIDE) THE BELTWAY

NoVA Dealers Weigh in on Regional Transportation Tax Plan, Where Auto Business Figures Prominently

The transportation tax legislation for the Hampton Roads region of Virginia that passed the General Assembly earlier this year, and was subsequently changed by the governor to include Northern Virginia, came to fruition last week when the Northern Virginia Transportation Authority (NVTa) met and voted to implement the new law. NVTa, established by another state law to act regionally on transportation matters, brought together a governing board comprised of elected officials from Northern Virginia localities and state legislators representing Northern Virginia, who considered the various taxation options available to them. All provisions were adopted for implementation by the NVTa Board, a number of which directly impact Northern Virginia's automobile business. Besides some relatively minor fee increases, a vehicle registration surcharge equal to 1% of the purchase price

was adopted, as was the unprecedented extension of sales tax, @ 5%, to the labor (service) side of auto repairs. A tax increase of 2% on vehicle rentals was also adopted, as were tax hikes in other business sectors, such as home sales and hotel rooms sales.

Because of the *regional* nature of these new taxes, NoVa dealers went on record with NVTa Board members in a public hearing segment of last week's proceedings to spotlight the imminent prospect of business management chaos if

dealerships, instead of a state agency like DMV, were to become the collection point of the 1% vehicle sales surcharge, as though the surcharge is additional title tax, which it is not. With respect to the sales tax on repair labor, NVTa was told that dealers are apprehensive about the likelihood of predatory competition from neighboring and proximate repair shops, some perhaps as close as across a Virginia street where non-NoVa repair

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Alert !

No Change in DC Tax on Vehicle Leases for Now; Changes Planned in September

A notice from the DC DMV to automobile dealers and others announcing the applicability of vehicle sale excise tax to leased transactions is premature, WANADA has confirmed with Lucinda Babers, the agency's director. A general notice in a mail-flyer format announced the applicability of title tax to leases, effective Monday, July 23, 2007. Dealers contacting WANADA to report the DMV notice said it came to their attention earlier this week. WANADA did not receive the notice directly from DMV and hadn't been made aware by the agency that it was being published.

The change in tax policy on vehicle leases was part of a comprehensive tax overhaul implemented earlier by the DC Council, which Ms. Babers says DMV will look to implement in September 2007. Ms. Babers believes this will give dealers and lease companies time to adjust tax collection programming. It will also give the vehicle lease industry a chance to work with tax policy planners who appear to have overlooked the problem of applying title tax to leases which currently are subject to use tax. If the title tax is to apply to leases, WANADA, for one, will look to city tax planners to set aside the use tax.

WANADA's Special Bulletin on this is enclosed.

ATAE SUMMER MEETING

GM's LaNeve Keynotes ATAE Summer Meeting

National Issues, Auto Shows Top Agenda

Mark R. LaNeve, vice president, Vehicle Sales, Service and Marketing, General Motors/North America, was the keynote speaker at the opening session of the Annual Summer Conference of the Automotive Trade Association Executives (ATAE) in Ponte Vedra, Florida. LaNeve said GM products today are "better known for quality and reliability than sales incentives." As evidence of this, he referred to GM's success with new products like Buick Enclave, Chevrolet Silverado and Saturn Aura.

In addition, representatives from state and metropolitan auto dealer associations, including WANADA, heard from Matt Godlewski of the Alliance of Automobile Manufacturers on the association's government relations strategy with Congress and the federal agencies.

Executive sessions featured overview reports from NADA Vice Chairman Annette Sykora and NADA senior staff on a variety of issues, including industry

relations, dealership operations, public affairs, legal/legislative matters, and regulatory priorities, such as unreasonable hikes in CAFE. The sessions also included special reports from the Dealer Election Action Committee (DEAC), Automotive Retailing Today (ART), and Auto Career Week.

As always, the conference provided attendees an unparalleled opportunity to compare notes on dealer group programming and to network about the national dealer agenda.

An additional highlight of the conference was a robust networking session of the Auto Shows of North America (ASNA), an adjunct group formed under the auspices of ATAE. Through informative, candid roundtable discussions, the ASNA session brought together auto show producer representatives, including those from The Washington Auto Show, with auto-maker exhibitors to vet state-of-the-art vehicle designs and best practices in show operations.

NoVa Trans Tax

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shops wouldn't be subject to collecting the tax on labor.

WANADA, in conjunction with VADA, will be working with state and local officials in the weeks and months ahead to eliminate, or substantially reduce, unintended but harmful consequences to the Northern Virginia automobile business. All things considered, including the probability of court challenges to NVTA's legal ability to formulate and administer tax policy, these regional taxes are slated to go into effect in 2008.

The \$300 million in taxes per year the NVTA package is projected to raise is slated for transportation improvements in Northern Virginia, a benefit, NoVa advocates believe, over state-wide taxes that historically have gone to Richmond where they get distributed disproportionately.

A copy of WANADA's testimony to the NVTA Board of July 12 is enclosed. All will be kept advised of further developments.

Minimum Wage Increase Goes Into Effect 7/24

Keep Your Posters Current

The federal minimum wage will increase from \$5.15 to \$5.85 per hour on July 24. The wage will increase to \$6.55 per hour on July 24, 2008, and to \$7.25 on July 24, 2009.

Every employer subject to the Fair Labor Standards Act minimum wage provisions must post, and keep posted, a notice to employees explaining the law, according to the Department of Labor. The content of the notice is prescribed by DOL's Wage and Hour Division, a copy of which is available for informational purposes, or for employers to download at <http://www.dol.gov/esa/regs/compliance/posters/flsa.htm>

State minimum wage laws affecting WANADA dealers are as follows:

- **District of Columbia's** rate is \$7 an hour but is automatically set at \$1 above the Federal minimum wage rate if the DC rate is lower.
- **Maryland** minimum wage is \$6.15 per hour, which became effective on February 16, 2006. The Maryland minimum wage is automatically replaced with the federal minimum if it is higher than the state minimum

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VA MVDB REPORT

VA Dealer Board Looks at Dealer Practices, Records & Advertising

In a lengthy meeting on July 9, 2007 at the DMV headquarters in Richmond, the Virginia Motor Vehicle Dealer Board (MVDB) addressed the following issues:

Dealer Practices. Two cases involved dealers who had been the subject of civil fraud actions by consumers. MVDB can separately take action against a dealer who has been found liable for a fraudulent act. Under MVDB policy, the board will not commence a proceeding against a dealer who has been found liable for fraud in a civil action and has paid a judgment in full, absent an MVDB finding of special circumstances justifying a proceeding.

In one case, MVDB considered a dealer matter that commenced before the issues had been settled with the customer. Even though the matter was eventually settled, the MVDB proceeding continued. The hearing officer found no basis for a violation, and the board agreed.

In the second case, MVDB considered the case of a used car dealer who had been found responsible for damages in a fraud action. The board noted the seriousness of the allegations involving sale of a reassembled vehicle and potential odometer violations. Because this was the second such matter for the dealer, MVDB voted to institute a proceeding to consider the impact of the dealer's actions and whether board action should be taken against the dealer.

In another action, MVDB considered a series of failed inspections by a dealer who concentrated on internet sales. It appeared that the dealer did not have sufficient facilities as required by law. The board voted to suspend the license of this dealer until the dealer and the dealer operator attended dealer operator classes and until the dealer could show it has facilities required by law.

Dealer Records. Since its inception, MVDB has had the authority to allow dealers to store certain records off site. The board has regularly granted waivers allowing such off-site storage, provided copies of the records are kept at the dealership. Given recent changes to the law involving customer privacy and information safeguarding, and given technological changes, the board has decided to review its policy concerning the requirements necessary to be followed in the event of a request for waiver of the on-site storage requirement. MVDB directed staff to make a recommendation for the September meeting of changes that could be implemented to ease the record-keeping burden on dealers while enhancing the security of customer and employee information.

New Car Advertising. MVDB considered a recent decision of the Virginia Supreme Court concerning new car advertising. That case had found that board policies, which seemed to allow dealers to show limited availability of new cars by use of stock numbers, were in conflict with the statute that allows use of stock numbers to show limited availability of new cars only if the ad "clearly and conspicuously" applies to one vehicle. This decision, binding on all courts in Virginia, throws into question the practice of advertising new cars by stock number to show limited availability. Because of the uncertainty caused by this decision, dealers should disclose the number of new vehicles available at the price advertised. It is recommended that price advertising for a particular new vehicle should be accompanied by the disclosure "one at this price, stock number xxx."

Temp Tags on Demand. MVDB reviewed a presentation by a company that permits printing of temporary tags online at the dealership. The temp tag is printed on standard copy paper, and then it is slipped into a heavy duty plastic sleeve that is affixed to the vehicle. MVDB expressed its support for this approach because of its convenience and enhanced security. The Virginia DMV hopes to have the system available for use by dealers by the end of 2007.

REGULATORY UPDATE

Minimum Wage *(Continued from page 2)*

wage rate.

- **Virginia** minimum wage has remained at \$5.15 an hour since 1997, as Virginia lawmakers again rejected efforts to raise the state's minimum wage this year. However, state law excludes any employment that is subject to the Federal Fair Labor Standards Act from coverage.

NADA suggests this may be a good time to review compliance with applicable federal and state wage and hour laws, and to ensure that all federal and state employment law posters are properly displayed. For more information from NADA on the new federal minimum wage, visit <http://www.nada.org/publications/managementeducationcatalog>. Look for NADA publications L.1 and BM 30.

NADA NEWS**Online Registration Is Open for the 2008 NADA Convention**

Registration is now open online for the 2008 NADA Convention and Exposition. Take advantage of the savings by registering in advance rather than on site at the convention, which will be held Feb. 9 - 12, 2008, in San Francisco. The earlier you register, the greater your chance of getting the hotel of your choice. Browse the NADA site, www.nada.org/convention, to get a sense of all the exciting new offerings planned.

NADA Promotes Green Initiative to Help Consumers Lower Their Fuel Costs

NADA has produced a brochure, *It's Easy to Be Green: 8 Simple Steps to Lower Your Fuel Costs*, to help consumers reduce fuel use by driving more efficiently. NADA's *AutoExec* magazine has published its first annual "Green Issue" this month, offering dealers advice on how to run more energy-efficient and cost-effective businesses. This month's "Green Issue" looks at solar dealerships, recycling tips, the best ways to sell alternate-fueled vehicles, how to cut lighting costs and where to buy green products for the dealership. A copy of the *It's Easy to Be Green* brochure is included in the magazine, and dealers who want free copies to hand out to consumers can order brochures online at <http://www.nada.org/green-brochure>. WANADA was pleased to host NADA's roll-out of its Green Initiative at The Washington Auto Show earlier this year.

NADA's Summer Dealer Attitude Survey is Online Now

Voice your opinion through the NADA Dealer Attitude Survey. The results are reviewed with members of automakers' senior management in face-to-face meetings at their headquarters. The summer 2007 survey is available online now and closes Aug. 9. If you have not already done so, please take a few minutes to complete the survey online at <http://www.nadasurvey.com/>.

NADA Provides New "Toolkit" for Hosting Child Seat Inspections

In preparation for Child Passenger Safety Month in September 2007, NADA has published an updated, redesigned version of its dealer "toolkit," entitled *Building Child Passenger Safety Awareness in Your Community*. The booklet was mailed to dealers with the July issue of *AutoExec* magazine. The "toolkit" is a lifesaving guide that instructs dealers on how to host child seat inspection events at dealerships in September and generate publicity for the time and effort. It is part of NADA's Boost for Safety campaign, a partnership with the National Highway Traffic Safety Administration (NHTSA), to educate parents and children about proper child safety seat use. More than 40,000 children under age four, and an additional 50,000 children ages four to eight, are injured or killed in car crashes annually, according to NHTSA.

For more information, go to <http://www.nada.org/boostforsafety>.

Correction!

Last week's WANADA Bulletin (July 13) failed to note Brown Automotive in the listing of Silver Sponsors of the Bobby Mitchell Hall of Fame Classic, F.B.O. the Leukemia/ Lymphoma Society, that was the subject of an extensive report. Brown Automotive has been a consistent and longstanding supporter of the Bobby Mitchell Classic. The WANADA Bulletin apologizes for the oversight.

— The Editor

Staying Ahead...

All work and no play makes Jack a dull boy, and Jill a rich widow.

—Evan Esar