



THE WANADA BULLETIN

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

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LEGISLATIVE UPDATE

NADA Pushing Hard for "Total Loss" Bill But Facing Opposition from Insurers

Using the publicity generated by the first anniversary of Hurricane Katrina, NADA is pushing hard for S. 3707, legislation recently introduced by Sen. Trent Lott (R-Miss.), chairman of the Surface Transportation Subcommittee of the Senate Commerce Committee, that would require insurance companies to make total-loss information commercially available to the public.

Early this year, NADA testified before Congress that con-

sumers must be protected not just from last year's flood-damaged vehicles, but also from the five million cars and trucks that were "totaled" by insurance companies last year due to extensive damage, flooding or theft. Thousands of these "totaled" vehicles are rebuilt and then sold, with clear titles, to unsuspecting customers – a problem that grew dramatically worse with the estimated 500,000 vehicles damaged by Hurricane Katrina. And there is



NADA's David Regan testifies.

evidence that many of these flood-damaged vehicles are now returning to the marketplace.

Last week, David Regan, NADA vice president for legislative affairs, appeared on ABC's World News Tonight as part of a feature story about flood-damaged vehicles. "This is a double-hit on consumers," said Regan. "It's a public health risk because more unsafe cars are on the road, and it's a pocketbook risk because people could overpay for a wreck that should be in the junkyard."

"Dealers don't want these wrecks on their lots any more than a mother would want to

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NEW FEATURE: KINDRED CORNER

Councilor, Buchanan & Mitchell, P.C.

In our "Kindred Korner" spotlight this week is Councilor, Buchanan & Mitchell, P.C. (CBM), which has been providing audit, tax, accounting and business advisory services to dealers and other clients in the Washington, DC - Baltimore Metropolitan area and the Mid-Atlantic region for more than 85 years.

"CBM's clients represent a substantial number of dealers who are WANADA members and leaders," said James A. Tortorella, CPA, a senior vice president at CBM, a member of the firm's Executive Committee, and director of CBM's Automotive Services Division.

"The knowledge and information we receive as a benefit of our WANADA membership is a prime resource we use to stay on the forefront of the industry issues that confront our clients each day in running their business. This enables us to be more relevant in the services we provide to help our clients succeed," said Tortorella.

With over 35 years of public accounting experience, Tortorella



Jim Tortorella

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LEGISLATIVE UPDATE

“Total Loss” Bill

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drive her children around in one,” he added.

The NADA-supported approach is simple and uses existing technology to focus on the Vehicle Identification Numbers (VINs) of totaled vehicles. This approach is preferable to the complicated and controversial effort in past years to enact a uniform national salvage title. The simple solution requires auto insurance companies to make commercially available the following VIN-based information that they already collect: the date of total loss; the primary reason for total loss (i.e. damaged, flooded, stolen); and the odometer reading on the date of total loss. None of this VIN-based data would include any personal identifiers protected by federal and state privacy laws.

Despite repeated attempts to curb salvage title fraud, this problem persists because state motor vehicle titling laws are confusing and incomplete. No *public* database exists to “red flag” all of the problem vehicles. In 2005, State Farm admitted to having resold 30,000 totaled vehicles over several years without salvage titles. In a 2001 Iowa case, Progressive Insurance acknowledged a similar practice on a much smaller scale. Buyers do not have enough timely access to title data at DMVs or total-loss data at insurance companies, NADA pointed out.

“But what seems an obvious solution to a nagging problem

that fosters vehicle fraud is opposed by the American Insurance Association, which favors improvements in state titling practices and electronic links among states,” *Automotive News* pointed out in a recent Opinion piece, *Title washing: Let’s clean up the mess now.* “The problem with that approach is that efforts to improve matters state by state have failed because crooks know

where state laws are lax. Despite the efforts of dealers and auctions, title washing remains a problem.

“What is needed is a national solution... To do anything less would be unconscionable,” said *Automotive News*.

Enclosed with this *WANADA Bulletin* is a one page fact sheet prepared by NADA about the issue and the legislation.

NEW FEATURE: KINDRED CORNER

Councilor, Buchanan & Mitchell, P.C.

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specializes in the areas of accounting, taxation, business consulting and all services rendered to automotive, truck, motorcycle and recreational vehicle dealers served by the firm and other related companies.

In addition, Tortorella currently serves as a consultant to WANADA on financial management matters as well as being the association’s accountant and auditor. The firm also serves as the accountant and auditor for the Maryland Automobile Dealers Association (MADA).

CBM and Tortorella’s commitment to the dealer community is unquestioned. He was a founding member and president of the CPA Auto Dealer Consultants Association (CADCA), a select group of CPA firms located throughout the country who specialize in automobile dealership clientele and currently serve in excess of 2,000 dealerships nationwide. He also serves as chairman of the National Alliance of Auto Dealer Advisors (NAADA), and serves on the Board of Directors and Executive Committee of the Montgomery County Students Automotive Trades Foundation, Inc.

Founded in 1921 and headquartered in Bethesda, MD, CBM offers specialized services to dealers, including valuations, mergers and acquisitions, various operational issues, tax planning, succession and estate planning and buy-sell agreements. Tortorella also provides related services for dealers and their management, re-insurance companies, rental and leasing companies, finance companies, advertising associations, real estate, direct marketing and government compliance.

Tortorella can be contacted at Councilor, Buchanan & Mitchell, P.C., 7910 Woodmont Ave., Suite 500, Bethesda, MD, 20814; tel: (301) 986-0600, e-mail: jtortorella@cbmcpa.com.

NEWS NOTES**Reynolds & Reynolds to be Bought by Universal**

Reynolds & Reynolds Co. recently announced it will be bought by privately held Universal Computer Systems Inc. in a \$2.8 billion deal, including debt assumption, that creates one of the largest providers of computer services to automobile dealerships, according to *The Associated Press*. Universal, which specializes in software development used by car dealers, will pay Reynolds holders \$40 per share. That represents a 14 percent premium over the stock's Monday closing price of \$35.08. The new company will be called Reynolds and Reynolds and be based in Dayton, Ohio. Reynolds, the older of the two companies, provides standardized business solutions for things like dealership accounting and payroll. The Universal brand will be discontinued. The deal needs the approval of Reynolds shareholders and regulators. Reynolds expects to hold a shareholder meeting in the fourth quarter to vote on the proposal.

NHTSA Seeks Hike in Fuel Economy, New Safety Standards

The National Highway Traffic Safety Administration (NHTSA) made another pitch to Congress last week for more power to raise fuel economy standards, according to *The Detroit Free Press*. Whether anyone in Congress took note remains to be seen. Under last year's energy bill, NHTSA was ordered to study how it could reduce the energy consumption of the nation's cars and trucks by the 2014 model year. While the NHTSA proposal had no specific targets, it argued that US energy consumption could be reduced if the federal safety agency was granted power to change the fuel economy standards of cars as it had done for pickups and SUVs, which NHTSA will now base on size. President Bush has already backed NHTSA's efforts and asked Congress to do the same.

New NHTSA Chief Faces Busy Agenda

On the safety front, recently confirmed NHTSA Administrator Nicole Nason faces several legislative battles as the federal safety agency looks to embark on a series of proposed new rulings. According to *The Detroit News*, Nason's first high-profile task comes Oct. 1, when NHTSA must issue its proposed rule for electronic stability control technology to reduce rollovers. Nason must also report to Congress in November on advances in technology made to prevent backover accidents including the advent of special cameras and sonar-detection systems.

Crazy for Color

Have you heard? Blue is making a comeback. Green is so yesterday. And red is moving out of its lowbrow yellow stage into a richer, blue period, reports *The Detroit News*. Or so says a highly specialized team of General Motors Corp. designers. "Blue is going to be the biggest story for '07, '08 and '09," said Christopher Webb, a color designer who works in an airy studio at GM's Tech Center in Warren that seems light-years away from the factories that build the automaker's cars and trucks. Why try to forecast color trends? Research shows that nearly 40 percent of consumers will defect to another brand if they can't find the vehicle color they want—and GM is not about to miss out on sales simply because it picked the wrong paint color for a new Cadillac or Chevrolet.

NADA Chief Economist Says Crossovers, Large Cars Selling Well

High gas prices have helped sales of large and mid-sized cars and crossover utility vehicles, said NADA chief economist Paul Taylor. He has predicted new-vehicle sales of 16.8 million units for the year and said that dealers generally continue to be optimistic about the future, especially about sales of certified pre-owned cars. Participants in the Chicago Fed's annual Automotive Outlook Symposium in June said they expect light-vehicle sales to remain steady and the US economy to expand at a rate slightly above its trend (about 3 percent) this year.

SIGN UP TODAY!**Attention General Managers, Controllers and Service Managers****SAFETY & ENVIRONMENTAL COMPLIANCE SEMINAR*****Greenbelt Marriott , September 13, 2006***

WANADA invites General Managers, Controllers and Service Managers to a seminar on safety and environmental compliance issues at the Greenbelt Marriott , Wednesday, September 13, 2006, 9:00 a.m. – 12:00 Noon (with continental breakfast).

The Seminar will be conducted by Kip Prah Associates and Injured Workers Insurance Fund (IWIF), who will address the following issues:

- Controlling Workers Compensation Costs
- Claims Reduction Management
- Hazardous & Chemical Waste Minimization
- Best Management Practices to Improve Loss Control
- Federal & State Regulatory Compliance

The fee for the seminar is \$99 per person. For more information and registration, see the form enclosed with this WANADA Bulletin, or please contact Ruby Gerald at WANADA, (202)237-7200.

Online Registration Now Open for NADA's 2007 Convention

Online advance registration for the 2007 NADA Convention and Exposition in Las Vegas, February 3-6, is now open through December 22, 2006. To register online or download a registration form, visit www.nada.org/convention or call the Convention Department at (703) 821-7188. For those paying by credit card, the completed form can be faxed to (703) 883-9480. Themed "Voice of the Dealer...Taking on the Future," a 2007 convention promotional was mailed to all NADA members the week of July 31. In the upcoming weeks, look for additional information on the convention, including speaker and program listings.

Graco Offers Dealers Discounted Child Seats for Safety Events

To support NADA's Child Passenger Safety campaign in September, the Graco Children's Product Co. is offering NADA members an average discount of about 29 percent on the purchase of child seats for use as give-aways or replacements during dealership-based child-seat inspection events. This is a valuable added service to help make your safety event an even greater success. The discount is available only to NADA dealer members and is not intended for the general public.

For a safety-seat order form, go to www.nada.org/boostforsafety and click on the Graco discount link. As a reminder, if you are planning to host an event during NADA's Child Passenger Safety Month in September, or at another time, please let NADA know by e-mailing rwhite@nada.org so we can include you on our publicity lists.

Staying Ahead...

People who never get carried away should be.

-- Malcolm Forbes

Enclosures:

- Environmental Compliance Seminar detail sheet and RSVP
- NADA fact sheet on "Total Loss" Vehicle Data
- Optional Closing Signs for Labor Day
- ASE Certification Test Registration Booklet, poster, ASE Tech News