

WANADA Bulletin # 37-08

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2008 NADA WASHINGTON CONFERENCE

Supercharged Political Atmosphere at NADA Washington Conference

Big Election, Mercurial Economy & Shifting Industry Focus National Agenda

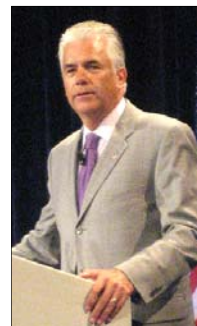
A hotly contested presidential race, a financial crisis that could result in a stock market meltdown, hurricanes in the Gulf, energy/environmental issues and a host of ill conceived proposals in Congress, all atop an already stressed auto industry served to create a “supercharged political atmosphere in Washington,” is how NADA President Phil Brady put it, as he opened the association’s 33rd Annual Washington Conference this week.

The event drew over 500 new automobile dealer association leaders from across the country to hear from elected officials and political experts before heading for Capitol Hill and meetings with members of Congress regarding NADA’s legislative priorities. (See page 3 for details.)

WANADA was well represented by its chairman

Tamara Darvish, its DEAC chairman Jack Fitzgerald and its NADA Director Geoff Pohanka, who in turn teamed up with senior staffers Gerard Murphy and John O’Donnell. Highlights from the general session were as follows:

Sen. John Ensign (R-NV), chairman of the National Republican Committee and sponsor of the NADA-backed wrecked-vehicle disclosure bill, was the breakfast keynoter (“consumers have a right to know,” he said). Ensign also is cosponsor of the Senate Alternative Energy and Renewable Fuels Act, legislation he says provides a comprehensive approach “that includes



(Continued on page 2)

“People’s Car” Leadership and Local Officials Cut Ribbon on New DC Area Offices

Grand Opening of VWoA Headquarters Here Underscores Commitment to U.S. Market

In a ceremony in Herndon, VA yesterday commemorating its headquarters relocation to the Washington Area, Volkswagen Group of America president Stefan Jacoby reminded a large group of industry leaders, elected officials and educators that Volkswagen has enjoyed a long and distinguished history in the U.S., going back to the middle of the last century when the VW Beetle took the nation by storm.

“Volkswagen is as committed as ever to the U.S. vehicle market,” Jacoby said. Martin Winterkorn, chairman of the board of management for Volkswagen Group, announced a \$2.1 million “Partners in Education” initiative to assist automotive technology and engineering schools across Virginia and in DC.

“Education is high on our agenda, since this is key to a strong future for people all around the world,” said Winterkorn. “Volkswagen already has close links with high schools and universities worldwide, and we are proud to announce another major education initiative here.”

Programs at Northern Virginia Community College and The Excel Institute, which interface with WANADA’s Automobile Dealer Education Institute (ADEI), will be joining Fairfax County Public Schools (FCPS), George Mason University and other state universities as recipients of the funding.

The announcement made to educator and state leaders, including Virginia Governor Tim Kaine, could not have been received any more positively.

(Continued on page 3)

Inside...

NADA Priority Issues.....p.3
Lifeline to Profits Workshops.....p.4
R.O. Disclaimer in MD.....p.4

2008 NADA WASHINGTON CONFERENCE

(Continued from page 1)

everything from off-shore drilling and nuclear to wind and solar. Green technologies are not enough,” Ensign said, pointing out that there are three times more oil reserves in shale from the Rocky Mountains than there is in all of Saudi Arabia. “It doesn’t make sense not to develop that resource,” he added.

Ensign also warned about “Card Check” legislation, a priority of organized labor, which would make it much easier to unionize businesses by conducting secret ballots as opposed to the current system of negotiation. The House of Representatives has already passed this legislation, he said, and warned that if Democrats gain seats in the Senate, the bill could become law.

Of the upcoming election, Ensign said it is “critical” to maintain a “firewall” against bad Democrat legislation. He reminded dealers “that you need 60 votes in the Senate to pass anything,” pointing out the 23 Republicans and 12 Democrats up for reelection. Ten of these races are competitive and nine are held by Republicans. “That is why it is so important for business people to get involved, both financially and on the grassroots level,” he said.

Offering the Democratic Party perspective was **House Majority Whip Rep. James E. Clyburn, (D-SC)** who made it clear that many of the big issues facing the country are “the result of lax regulation and improper oversight by Congress when Republicans were in charge.” Using a football analogy, he said “we cannot play this game by taking all the referees off the field and still have the kind of country we all want.”

Clyburn said Congress must take care that “businesses, like auto dealerships, flourish and that regulations are not punitive. We must begin to work together to build a better and more productive society for our children and grandchildren.”

When asked about the estate tax reform, Clyburn responded that “it is one of the things we have to take a look at.” But he drew a sharp distinction between handing down businesses to heirs through passively inherited wealth, or “unearned income versus earned income.” He said that any future legislative changes in the estate tax would take this factor into consideration.

NADA Chairman Annette Sykora, a multi franchise dealer from Texas, focused her remarks on NADA’s national “Green Checkup” campaign, which now includes over 500 dealers in 46 states. She praised the enthusiasm with which dealers have



embraced this public awareness campaign. She also noted the strong trend toward green dealerships wherein dealers have invested nearly a billion dollars to make their businesses more energy and environmentally efficient – an important message to take to Capitol Hill.

NADA Government Relations Chairman Raymond Ciccolo outlined NADA’s priority legislative issues and charged all those at the conference to get fellow dealers more involved in government relations at all levels during this crucial time in the industry.”

A Look Forward and Back

What a difference a year makes! Last year **political analyst and commentator Charlie Cook** gave Hillary Rodham Clinton an 80% chance of getting the Democratic nomination. He gave only a 10% chance to Barack Obama (“too young, too green”) and at that time, too, described Sen. John McCain as “in political purgatory,”



Making his fifth appearance at the conference this year, Cook described the turn of events as “the most fascinating election I have ever seen.” With all the fundamentals working against him, John McCain was noted as enjoying a slight edge in the polls due to his strong personality *and* the selection of his running mate, Gov. Sarah Palin (R-AK), who has given him the intensity that he needed.

Cook quipped that “car dealers have done decidedly better credit checks on car buyers” than McCain did on Palin, but “so far so good,” he added. The ultimate outcome of this very close race will probably depend on the upcoming debates and how the battleground states go. Cook predicted the congressional race might not be the Democratic blowout that he once foresaw, with Dems picking up five or less Senate seats and 12-17 House seats.

Author and NBC Presidential Historian Michael Beschloss regaled the audience with humorous anecdotes of President Lyndon Johnson, John Kennedy, Harry Truman, Abraham Lincoln and several founding fathers. On a more serious note, he talked about the leadership qualities of former presidents, particularly the courage to make tough, unpopular decisions that history ultimately determined to be correct. He recommended dealers look for these “statesman-like qualities” in who they vote for.



2008 NADA WASHINGTON CONFERENCE

NADA Legislative Priorities in the 110th Congress

• **Fuel Economy/California Waiver** (Oppose S. 2555 and H.R. 5560): Despite passage of the 2007 energy bill calling for at least 35mpg by 2020, Congressional efforts are underway to allow California and other states to regulate fuel economy under the guise of regulating greenhouse gas emissions. Last year, the EPA denied California and 13 other Cal-LEV states' (including Maryland) request to set their own CO₂/fuel economy standards under the Clean Air Act. Federal legislation (S. 2555/H.R. 5560) was introduced to overturn this decision and S. 2555 passed the Senate Environment and Public Works Committee in May. Since the legislation is likely to be considered early next year, it is important to educate Members of Congress on what an EPA waiver could mean.

Regulating fuel economy on a state-by-state basis will likely result in rationing or discontinuing certain larger vehicles in some states. Automakers, required to calculate a fuel economy average for each state based on its sales mix, could be forced to juggle sales to meet each state's mandate. In states where certain models are no longer available, consumers could merely buy the car they want in a neighboring state, creating a "cross border sales loophole." *Dealers should urge their Members of Congress to oppose S. 2555/H.R. 5560 and instead preserve the single national fuel economy standard established by the 2007 energy bill.*

• **Total Loss Disclosure** (Support S. 545 and H.R. 1029): NADA continues to press insurers and vehicle rental companies to release more timely and complete information on "total" wreck vehicles to the public. The push for total loss disclosure has resulted in several major developments. First, the National Insurance Crime Bureau (NICB) is now making information from insurance company databases for totaled cars accessible to consumers on a limited basis. Second, one insurance company, Liberty Mutual, is now making their total loss information available to the public through a vehicle history provider. After 15 years, the Justice Department is working on a rulemaking to partially address insurance company disclosure of salvaged vehicles.

Completion of the Justice Department rulemaking will reignite interest on Capitol Hill to modernize methods to combat vehicle fraud. NADA supports legislation (S. 545/H.R. 1029) to require insurers and rental companies to make total loss data available to the public and vehicle history providers on a more rapid and complete basis. *Dealers should urge members of Congress to cosponsor S. 545/ H.R. 1029 and request that they take an active role in promoting legislation to keep unsafe, flooded and salvage vehicles off the road.*

• **Estate Tax Reform:** NADA continues its vigorous efforts for a permanent solution to reforming the estate tax (a.k.a. "the death tax"). Estate tax repeal provisions sunset on December 31, 2010; and without Congressional action, the law reverts to a \$1 million exemption per spouse and 55% top rate for the death tax. *Dealers should express to Members of Congress how the death tax negatively impacts their business and call for permanent reform.*

• **"Right to Repair"** (Oppose H.R. 2694): Aftermarket parts manufacturers and distributors continue to seek legislation to force the automakers to disclose certain proprietary information under the pretext that they are unable to obtain repair and service information. NADA, as well as the Automotive Service Association, which represents independent repair shops, believes the so-called "Right to Repair Act" (H.R. 2694) is unnecessary because auto manufacturers already provide access to both service information and diagnostic tools. *Dealers should urge Members of Congress not to support H.R. 2694.*

People's Car (cont.)

(Continued from page 1)

"Volkswagen announced one year ago its plans to invest \$100 million to establish U.S. headquarters in Fairfax County," said Gov. Kaine, "and this important education initiative further demonstrates Volkswagen's commitment."

In addition to providing an economic and educational boost, Volkswagen and local school officials reiterated the importance of pursuing alternative fuel technologies.

"If you have an interest in the environmental engineering side of automotive technology, Fairfax County Public Schools will soon be the place to be. The partnership developed with Volkswagen Group executives and FCPS will allow students to learn about the company's new clean diesel engine and other environmentally responsible technologies," said FCPS superintendent Jack Dale.

Clean diesel, a mainstay in European automotive production, is somewhat stigmatized in an American mind that recalls the poor engine performance and plumes of black smoke characteristic of the diesel engines of yesteryear. The 2009 Volkswagen Jetta TDi, by contrast, is the first car in the world to meet California's strictest emission standards, and can achieve nearly 50 miles per gallon in highway driving.

The 185,000 square foot facility, located just three miles from Dulles Airport, will also house Audi of America, Inc., Audi Financial Services, Volkswagen Credit and other affiliated operations, leading to the creation of nearly 400 jobs.

"We are happy to have this chance to give something back to our community. We work here, we live here, and we intend to give here," Jacoby said.

Any number of WANADA dealer members were in attendance at the ribbon cutting, which included tours of the new facilities. WANADA itself is delighted to welcome VWoA to town for a variety of reasons, to include the shortened distance required to visit OEM executives with updates on the Washington Auto Show.

UPCOMING FALL WANADA SEMINAR

WANADA & MADA Present
NADA Lifeline to Profit\$ Workshops
October 22-23, 2008, BWI Marriott

This highly acclaimed NADA workshop is being offered by WANADA and MADA as a tool to help your dealership's profitability. In this intensive, hands-on, two-day workshop, dealers will go through every aspect of the dealership operation, with the aim of developing a detailed action plan to achieve the dealership's full profit potential.

An NADA 20 Group program, this seminar will be conducted by industry-leading trainers. Each has retail experience and will offer critical insight to help the company.

Sign up today at www.wanada.org or use the enclosed registration form. For more information on the Lifeline program, go to <http://www.nada.org/ProductsServices/Lifeline/>.

**New MD Law Behooves Repair Shops to Disclaim Liability for
Outside Damage or Loss to Consumer Vehicles**

Legislation which passed in the last session of the Maryland General Assembly requires repair shops to disclaim liability for loss or damage to a consumer's vehicle in for service or face the prospect of being liable *per se*. House Bill 1057 (Commercial Law, Automotive Repair Facilities—Invoices, Written Estimates and Forms Authorizing Repairs) requires a disclaimer/disclosure on repair orders and other shop paperwork given to the customer along the following lines:

Notice to Our Customers:

Please note that we are not liable to you for any casualty loss you may sustain when it is in for service should it be stolen or damaged by persons not employed by this dealership .

We commit to you to deliver highest quality of repairs and service to your vehicle and commit to take the required level of care to ensure the safekeeping of your vehicle and protection thereof from the damaging acts of third parties not employed by us. Should your vehicle be damaged despite our best efforts, your resort will be to your own vehicle insurance provider. Should you wish to know the extent of our insurance coverage for these facilities and our repair operations, ask your service sales representative or his/her supervisor.

Note that the legislation did not specify the language of the disclosure, or type-size or printing layout. The sample disclosure, above, is merely a recommendation that should probably be reviewed with casualty insurance advisors. In this connection, a copy of the legislation is enclosed with this Bulletin.

This law is effective October 1, 2008, and can be addressed with a simple supplementary form that would include the R.O. date, customer's name, year and make of vehicle and optionally the customer's signature. The form should then be attached to any customer repair paperwork. It's not a bad idea, also, to post a sign where other repair customer notices appear.

For more information, contact John O'Donnell in the WANADA office at (202) 237-7200.

Thought for the Week...

John McCain blamed the Wall Street mess on greed, and Barack Obama blamed it on failed White House policy. Neither candidate understands the nuances of spreads and risk hedging. Next time, both political parties should nominate someone who bets on football.

- Argus Hamilton

Enclosures:

- NADA Lifeline to Profit\$ Seminar RSVP Wed. & Thurs. 8 a.m. -5 p.m., Oct. 22 & 23
- MD House Bill 1057