

WANADA Bulletin # 39-06

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2006 NADA WASHINGTON CONFERENCE

Cheney Praises Dealers as a "Powerhouse of the U.S. Economy"

Death Tax, Total Loss Vehicles, Right to Repair & LIFO Top Legislative Agenda



Vice President Dick Cheney

To warm applause, Vice President Dick Cheney called dealers "one of the powerhouses of the U.S. economy – generating some 20 percent of all retail sales in the country. America would not be the same without the franchised new-car and -truck dealers," he said in his keynote address to NADA's Washington Conference on September 19, which set an attendance record for the highest-ranking government official ever to participate in the conference.

Cheney noted that the White House was about a five-minute walk from the Capital Hilton hotel where he delivered his speech. "But in honor of America's auto dealers, we drove this morning. You're part of the reason America remains among the strongest economies in the world," he said.

Cheney also praised dealers for their community service and recognized the 100-year anniversary of the auto franchise system. But his biggest applause came when he reiterated the Bush

Administration's call for permanent repeal of the death tax.

"The death tax penalizes savings and risk-taking and reduces capital formation in the economy," said Cheney. "This summer, the House passed further relief from this unfair tax, so we're moving in the right direction, but the Senate needs to act. And President Bush looks forward to the day that he can sign into law the permanent repeal of the federal death tax."

Cheney's wide-ranging comments highlighted a conference that also featured addresses by key congressional members, political analysts and NADA executives. That afternoon, new car dealers and state and metro dealer association executives from across the country attending the conference got the opportunity to discuss NADA's top legislative priorities (see page 3)

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From left, NADA Director Geoff Pohanka, NADA President Phil Brady and WANADA Chairman Jack Fitzgerald at the NADA Washington Conference.

2006 NADA WASHINGTON CONFERENCE

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with their legislators on Capitol Hill. On worldly matters, the vice president borrowed a Cold War phrase from Harry Truman to describe the global war on terror as a "war of nerves." Cheney said that the hopes of the civilized world depend on a U.S. victory, and "we are

not going to let down our guard." He strongly defended the administration's warrantless wiretapping and detainee programs, and said he hoped a federal judge's recent ruling that rejected the administration's plea to throw out a lawsuit over the wiretapping program "will be reversed on appeal."

Cheney said the U.S. economy was "firing on all cylinders," which he credited to the Bush tax cuts, and he urged Congress to finish work on making them permanent.

Similar comments were made by House Majority Leader John Boehner (R-Ohio) and Sen. Mel Martinez (R-Fla.), who emphasized the strength of the national economy and the role of small businesses. Both have cast their votes for permanent repeal of the death tax, which they deemed "unfair" to family owned businesses and their employees. Martinez also offered his support for the NADA-backed Total Loss Vehicle Data bill (S. 3707) and small business health plan legislation.

Sen. Mark Pryor (D-Ark.) stressed the growing annual deficit and eight trillion dollar national debt and said, "We have to get our fiscal house in order." Thus, he could not support total repeal of the estate tax. A more likely outcome, said Pryor, would be bi-partisan compromise legislation that



Sen. Mark Pryor (D-Ark.)

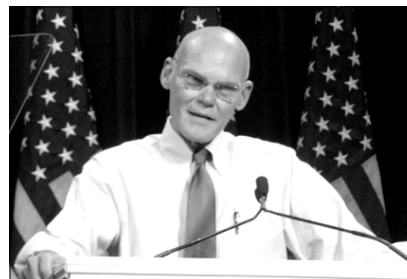
said the upcoming November elections, based on recent polls, should be "less worse" than predicted for Republicans... "bad, but not a tsunami," he added. He did not believe Democrats would win the six seats needed to take over the Senate — "three to five, maybe," he said. Democrats have a better shot in the house, where he said 15 Republican seats are in jeopardy of changing hands.

Either way, with very narrow majorities and a *lame duck* president, Cook predicted that legislatively "ain't nothing happening" over the next couple of years.



Charlie Cook

The final speaker for the general session was colorful political consultant James Carville, and the "Ragin' Cajun" didn't disappoint, keeping the hall rocking with laughter with his down home, self-effacing jokes and stories. On a more serious level, Carvel said the 2008 presidential election would be marked by "big, unruly fields in both parties," with four to six Republican candidates and six to nine Democrats and the "looming" po-



James Carville

tential of a third party. He called it "the seeds of a category 5 perfect storm." Loaded with information and inspiration, dealers then headed for the Hill.



NADA President Phil Brady with Sen. Mel Martinez (R-Fla.)

2006 NADA WASHINGTON CONFERENCE**NADA Legislative Priorities**

- **Death Tax Relief** – NADA continues its efforts to pass legislation to permanently reform the death – or estate – tax. The Senate has failed to gain cloture (60 votes necessary) on two bills this summer: H.R. 8, which would have made repeal permanent, and H.R. 5970, which combined death tax reform with an increase in the minimum wage and tax extenders. Another Senate vote on the death tax is possible in the fall.
- **Disclosure of Total Loss Vehicle Data (S. 3707)** – In the wake of Katrina, Congress and NADA began to focus on the issue of flood vehicles. Through the Title Integrity Task Force, NADA proposed a solution of requiring insurance companies to make their total loss data publicly available, and promoted this solution in Congressional hearings in November 2005 and March 2006. In August, Senator Trent Lott (R-Miss) introduced a bill – S. 3707 – reflecting NADA's proposed solution.
- **"Right to Repair Act" (H.R. 2048)** – Despite hearings held in November 2005 and May 2006 that clearly showed the flaws in the legislation, Energy and Commerce Chairman and bill sponsor Joe Barton (R-Texas) proceeded to a subcommittee markup of H.R. 2048. The bill was amended in subcommittee before passing by one vote, when Rep. Butch Otter (R-Idaho) switched his vote. While the amendments removed the most egregious language, NADA still opposes the bill on the grounds that it is not necessary and will undermine a working, non-legislative solution.
- **LIFO** – The Senate Finance Committee is considering repealing LIFO as a part of its efforts on corporate tax reform. This would harm dealers who use this widely accepted accounting practice to manage their tax liabilities by requiring them to report LIFO reserves as income, resulting in a massive tax increase.
- **Data Security/Credit Freeze** – Several House and Senate committees have passed versions of data security bills, including some with a national credit file freeze. While many states have enacted credit freezes, it is still an untested practice, as many of these state laws have either just gone into effect or are not effective yet. If Congress finds a data security law to be necessary, it should not impose redundant burdens on automobile dealerships that already comply under Gramm-Leach-Bliley, and not impair the credit granting process by restricting access to consumers' credit reports.

"Total Loss Disclosure" Legislation Introduced in the House

Rep. Cliff Stearns (R-Fla.), joined by Rep. Charlie Bass (R-N.H.) and two of their House colleagues, introduced legislation last week to require that totaled vehicles are permanently flagged to ensure that consumers and auto retailers know exactly what they are buying. The Damaged Vehicle Information Act, H.R. 6093, requires the National Highway Traffic Safety Administration to ensure that the VINs of totaled, flood-damaged, and stolen vehicles are publicly disclosed.

Access to this information will allow consumers and dealers to make informed decisions about the safety and fair market value of used cars. Last year alone, more than five million vehicles were totaled. Some of them are resold at salvage auctions, rebuilt and re-enter the market with a clean vehicle title. Unsuspecting consumers and dealers may buy these rebuilt wrecks without being aware of the extensive damage to the vehicle.

The bill corresponds to similar legislation (S. 3707) introduced by Senator Trent Lott (R-Miss.) several months ago. The introduction of this bill came at the urging of more than 500 NADA members who were on Capitol Hill this week to lobby their members of Congress on this issue, death tax relief and in opposition to the so-called "right to repair" bill.



FOOTNOTES

Sponsors Wanted: Dealers are Invited to Participate in
1st Annual Johnny Holliday Golf Classic
Musket Ridge Golf Course, Frederick, MD, Monday, October 16
Benefiting The University of Maryland Hospital for Children

Popular sports announcer and WANADA's good friend Johnny Holliday, the "Voice of the Terrapins" and master of ceremonies at this year's WANADA Open, is inviting dealers to participate in and/or become sponsors of the 1st Annual Johnny Holliday Golf Classic. Sponsorships range from \$125 to \$1,500 with varying levels of recognition. See the flyer enclosed with this WANADA Bulletin for more information or contact Mike Ahrnsbrak, PGA General Manager of Musket Ridge Golf Course at (301) 293-9930; e-mail: mahrnsbrak@musketridge.com.

Dealer Alert: Service Department Scam

A Montgomery County dealership has informed WANADA that one of its service customers fell victim to a scam last week in which an individual posing as an employee offers to discount a service bill for cash and then makes off with the cash. In this case, the individual met the customers as they drove in the lot. Spotting the handicap tags on the car, he told the customer and his daughter that they could park in a handicapped space and he would get their bill for them. Using the customer's name, the individual was able to get a copy of an estimate for work needed. He took the estimate to the customer and offered to reduce the cost by half if the customer paid cash. Sadly, the customer accepted, and all three went to an ATM machine and withdrew \$600 and gave it too the individual. When they went back to the dealership, the individual went inside the dealership, left a copy of the estimate on the desk and beat it out the back door. The customer and dealership are now in dispute over the service bill. Dealers are warned to be on the lookout for a black male missing a tooth and wearing a red jacket and blue jeans. For more information, call Will Desjardins at WANADA, (202) 237-7200.

WANADA Automobile Dealer Education Institute Program

Today's automobiles contain dozens of computers and most are wired for the Internet. Dealers have an on-going problem training their technicians to keep up with these technology-laden vehicles. With a constant shortage of properly trained technicians, today's dealers can ill-afford to send their valued employees to training programs for months at a time. To help meet this pressing need, WANADA created a technician training program that successfully unites educational classes and on-the-job training. For more information, see the brochure enclosed with this WANADA Bulletin or call Bill Belew at WANADA, (202) 237-7200.

Thought for the Week...

Your industry represents the highest values of the free enterprise system. America wouldn't be the same country if it were not for entrepreneurs like new car dealers, who invest in their home towns, offer career opportunities to fellow citizens, and give time, money, and effort to civic projects, from the chamber of commerce to little league baseball.

—Vice President Dick Cheney at the 2006 NADA Washington Conference

Enclosures:

- 1st Annual Johnny Holliday Golf Classic flyer
- WANADA Automobile Dealer Education Institute Program brochure