

THE WANADA BULLETIN

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

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INSIDE THE BELTWAY

NADA Chairman Delivers 'Main Street' Message to Congress

"Local dealerships will be a major factor in the economic recovery," says Annette Sykora



NADA Chairman Annette Sykora testifies on Nov. 19.

In a Congressional hearing last Wednesday on options to aid the struggling domestic automakers, NADA Chairman Annette Sykora urged lawmakers to consider the important role that dealers play in the success or failure of an automaker and the direct impact that the nation's nearly 20,000 franchised auto dealers have on local communities across America.

"Dealers are the public and local face of the automobile industry in towns and cities across

America," Ms. Sykora said in testimony before the House Financial Services Committee. "Our fate is directly connected to our manufacturers and the success of the automakers is directly connected to the success of our dealerships."

Ms. Sykora noted that the economic downturn, the melt-

down on Wall Street and the real estate crisis have caused auto sales to plunge to a 15-year low. As a result, dealers have had to cut back, which sometimes has included reduction in staff. NADA projects 700 U.S. dealers, or about 3.5% of their membership, will go out of

(Continued on page 2)

But Big Three Leave D.C. Empty-Handed *Automotive Stabilization Vote Delayed until December*

Congressional review of a rescue plan for the auto industry urged last week by The Detroit Three CEOs collapsed, as was well reported, with lawmakers turning down assistance, citing the lack of any automaker plan to return to profitability. The Democrat majority in Congress said they would reconsider a rescue plan if GM, Ford and Chrysler submit convincing turnaround plans by Dec. 2. "Until they show us the plan, we can't show them the money," said Speaker Nancy Pelosi.

According to the Wall Street Journal, one possibility is that Congress will hold hearings after the automakers submit their plans and then consider legislation the following week. Democrat leaders are likely to end up drafting an entirely new piece of legislation, rather than attempt to fold-in the requested \$25 billion from either the existing \$700 billion financial rescue plan, or other loans that have been approved which are intended to retool auto plants. Another option might be to extend the industry a small amount of aid to carry the Big Three through until March or April. President-elect Barack Obama would then have a say in shaping long-term aid.

In a related matter, NADA reported that six senators from auto manufacturing states released a plan to reallocate funds from a previously enacted \$25 billion program for automakers to retool factories to meet fuel economy standards. NADA said it will continue to push for passage of an automotive stabilization plan, citing the predictable disaster of failing to act.

Inside...

NADA Launches	
Call-to-Action.....	p.2
VA MVDB Report.....	p.3
WAS Reps. In LA.....	p.3
Polish Your Survival Skills.....	p.4
NADA Webinar on	
Do-Not-Call.....	p.4

INSIDE THE BELTWAY

Dealers on Main Street to Congress

(Continued from page 1)

business over the next year, a number about twice the normal annual attrition.

“Car and truck sales account for 20 percent of all retail sales in the country. The fact is local dealerships are a major factor in this economy and its recovery. By getting automotive retailing back on track, Congress can effectively leverage the economic engine of the automobile industry to get America running again, on all eight cylinders,” Ms. Sykora said.

“Any precipitous decline in the size of the dealer network of any manufacturer could dramatically reduce competition for the sale and service of vehicles,” Ms. Sykora added. She pointed out that competition within auto brands is extremely important to consumers and their spending habits.

“Dealership reduction is not necessarily the equivalent of dealership rationalization or dealership optimization,” Ms. Sykora said in response to a provision in a House measure that would require automakers getting emergency aid to report on efforts to “rationalize” their operations, including manufacturing work force, suppliers and dealerships.

She praised the caliber of legislation on the table that would provide tax incentives to boost automobile sales. Sens. Barbara Mikulski (D-Md.), Kit Bond (R-Mo.) and Reps. Bill Pascrell (D-N.J.) and Steve LaTourette (R-Oh.) have introduced legislation (S. 3684/H.R.

7273) that would permit new car buyers to deduct auto loan interest and title tax from their income taxes. Additionally, Ms. Sykora testified that supporting programs such as emergency small business loans for dealers and “cash for clunkers” initiatives, which encourage consumers to upgrade their older cars to cleaner, more fuel-efficient

models, will help restore consumer confidence and get the economy moving again.

“At a time when the future of the auto industry hangs in the balance, we urge Congress to move quickly to provide the assistance needed to help the automobile industry lead our country back to economic health,” Ms. Sykora reiterated.

NADA Launches Call-to-Action to Dealer Members: Let Congress Know NOW What Dealers Need

NADA has issued a call-to-action to its members, urging them to let their representatives in Congress know that survival of the dealer network is integral to the success of any stimulus effort before Congress to support the Detroit Three automakers. Congressional leaders have asked the domestic automakers to provide them with a restructuring plan by Dec. 2 in anticipation of a vote during the week of Dec. 8.

A NADA Legislative Alert makes three important points:

1. Failure to act promptly will have a high economic cost. Dealers employ 1.1 million Americans, and the demise of an automaker would destroy demand for that company’s vehicles and put dealers out of business. In a recent survey, 80 percent of respondents said they would not purchase a vehicle from a bankrupt automaker. Customers want to know they can count on the company to honor the warranty and produce parts when the car needs to be serviced, NADA said.

2. Dealers are part of the solution. Dealers are independent entrepreneurs who invest millions of dollars of their own money in land, buildings, improvements, personnel and advanced technology to sell and service vehicles. The dealer buys the vehicles and the parts from an automaker. Without the revenue that dealers provide to their franchisors, the factory assembly lines would come to a halt. Dealers pay their manufacturer for just about everything, even the signs on the dealer’s lot.

3. Legislation that provides tax incentives will boost auto sales. A spike in sales would help stabilize the industry now. NADA strongly supports legislation (S. 3684/H.R. 7273) to provide temporary tax relief for vehicles purchased through Dec. 31, 2009. This legislation would allow consumers to deduct the interest on vehicle loans as well as state title tax from their income taxes. The car loan deduction would be available for the life of the loan.

NADA urges dealers to write letters to their local newspapers stressing the above points.

If you have additional questions, or would like assistance in contacting your Members of Congress, please call the NADA Legislative Office at 1-800-563-1556.

VA MVDB REPORT

Virginia Dealer Board Focuses on Independent Dealers & Auto Ads

In some compliance discussions at its November meeting in Richmond, the Virginia Motor Vehicle Dealer Board (MVDB) and its committees took action on the following matters:

- **The Dealer Practices Committee** considered a number of cases brought by the Department of Motor Vehicles involving independent dealers who failed to maintain hours and required records, along with other violations of the Virginia Code.
- **The Licensing Committee** spent a substantial amount of time discussing proposed regu-

lations for independent dealer operator continuing education. Independent dealer operators are required to take a course that covers legal and operating issues prior to obtaining a dealer license. The proposed regulations will impose continuing education requirements. These provisions do not apply to dealer operators of franchised motor vehicle dealers since franchisors already require substantial knowledge and experience for franchise dealership operators.

- **The Advertising Committee** considered an advertise-

ment by a dealer which offered gas at reduced prices. This program was implemented through payment to a vehicle buyer when the sale was completed in an amount to cover the difference between posted gas prices and advertised prices. MVDB saw this as an improper rebate that is contrary to Virginia law. MVDB took no punitive action against the dealer recognizing there was no intent to violate the law.

The next meeting of MVDB is January 12, 2009 at DMV headquarters in Richmond, Virginia.

AUTO SHOW UPDATE

WAS Reps Visit LA Auto Show to Network With Industry Leaders, and Take in the New Directions, Displays and Promotions



With its new fall dates for the second year, the Los Angeles International Auto Show opened at the outset of the U.S. auto show season, setting the pace for new directions and themes subsequent auto shows will embrace during these uncertain times. It was also an opportunity for Washington Auto Show (WAS) representatives to network with key industry leaders and show producers in advance of the 2009 WAS, February 4-8. Pictured above, from left, are Daniel Jobe, Capitol Cadillac, Ron Cogan, of the Green Car Journal, John O'Donnell of WANADA and Todd Kaho, Green Car Journal. Above right, Jim Farley, Group VP of Marketing of Ford Motor Company (center) with John O'Donnell of WANADA (left) and Gerard Murphy of WANADA (right). Pictured right, California Governor Arnold Schwarzenegger with Stefan Jacoby, president and CEO, Volkswagen of America.



SIGN UP TODAY!**Polish Your Survival Skills Seminar*****"Things a Dealer Should Know in Tough Economic Times"*****BWI Marriott, Thursday, December 11, 2008, 10:00 am to 12:30 pm**

Dealers, GMs, controllers and key managers won't want to miss this opportunity to polish their survival skills. WANADA & MADA will be hosting a seminar conducted by Mike Charapp, Esq., Charapp & Weiss, that will address the following timely topics:

- Dealing with Finance Sources-Floorplan;
- Dealing with Finance Sources-Retail;
- Get What You Pay For From Your Suppliers;
- Protecting Against Customer Claims; Protecting Against Employee Claims;
- Establishing an Internal Loss Control Policy; and Franchise Rights

Register today by completing the enclosed registration form and returning it to the Maryland Auto Dealers Association at 7 State Circle, Suite 301, Annapolis, MD 21401.

NADA to Host Webinar on New Do-Not-Call Rules

Many new and amended federal telemarketing regulations have been issued since the National Do-Not-Call Rules were established in 2003, and dealers who haven't kept up risk the possibility of very costly litigation. While not all of these mandates have received widespread press coverage, they deserve dealers' utmost attention as they affect dealers' ability to advertise their products and services by phone, fax and email.

To help dealers and managers comply with these regulations, NADA is hosting a virtual seminar next month presented by Erica McMahon, chief of the FCC's consumer policy division, and moderated by Paul Metrey, NADA's director of regulatory affairs.

The speakers will highlight many of the well-known and lesser-known telemarketing requirements that have been imposed since the 2003 Do-Not-Call Rules took effect. The seminar will cover regulations governing telephone solicitations, commercial emails and fax advertisements, and will allow time for questions. All dealership personnel and service providers who are involved in marketing to consumers or businesses are encouraged to attend.

Changes in Telemarketing Regulations Since the National Do-Not-Call Rules Took Effect will be held Dec. 9 from 1-3 p.m. EST. The fee for this seminar is \$199 per computer connection. Additional attendees can participate on the same connection for no additional cost. For more information on this virtual seminar and other upcoming seminars, visit www.nada.org/seminars or call (800) 252-6232, ext. 2.

Thought for the Week...

Dealers are the public and local face of the automobile industry in towns and cities across America.

-Annette Sykora, NADA Chairman

Enclosure

Polish Your Survival Skills Seminar Registration Form