THE WANADA BULLETIN

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

WANADA Bulletin # 7-12 **February 17, 2012**

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Obama administration offers a new approach on EV credits

The Obama administration is taking a new approach to incentives for electric and other alternative-fuel cars, proposing to provide the incentives to the automakers themselves, rather than consumers who buy them. The proposal is contained in its 2013 White House budget proposal delivered to Congress last week.

The plan calls for the elimination of the current $7,500 electric vehicle tax credit and replacing it with an advanced technology vehicle credit of a maximum $10,000 per vehicle through 2016, with no cap on how many vehicles it might apply to. The credit would drop to $7,500 in 2017, $5,000 in 2018 and down to $2,500 in 2019. The credit would go to the seller of the vehicle or to the financing company.

There is also a proposal to add incentives for alt-fuel, medium and heavy-duty vehicles designed to cover the added expense of the new technologies needed to achieve fuel and emission standards for these vehicles.

The new approach is designed to allow OEMs to keep down the MSRPs of alternate fuel vehicles in an effort to speed up their acceptance by the buying public.

According to one budget document, the credit would be less for vehicles priced over $45,000, like the Tesla Model S. That credit would be capped at $7,500. The credit range would be based on the vehicle's MPGe, or “miles-per-gallon-electric.”

"We're pleased that the president is committed to advanced technology vehicles like the Nissan Leaf," David Reuter, Nissan's vice president of corporate communications, said this afternoon. "And we're glad that clean energy is a focal point of his budget. However, we need clarification of exactly what vehicles are included since program has proposed changes from today. Tax credits have helped with the adoption of EVs and other advanced technology vehicles, but we cannot rely on them indefinitely, so this proposal is a positive outline for further discussion."

CFPB to target debt collectors and credit reporting agencies

The new Consumer Finance Protection Bureau (CFPB) under the 2010 Dodd-Frank Finance Reform Law has proposed regulations that would let it examine the books of debt collectors and consumer reporting businesses as part of its program to supervise non-bank financial companies.

President Obama and CFPB Director Richard Cordray

"Our proposed rule would mean that those debt collectors and credit reporting agencies that qualify as larger participants are subject to the same supervision process that we apply to the banks," said CFPB's director, Richard Cordray.

The regulation, which must be finalized by July 21, 2012 would bring credit bureaus such as Experian Plc (EXPN), Equifax Inc. (EFX) and TransUnion Corp (TRUN) under federal supervision for the first time. The proposal would cover, also for the first time at the federal level, debt collectors such as Asset Acceptance Capital Corp. (AACC), Portfolio Recovery Associates Inc. (PRAA) and Encore Capital Group Inc. (ECPG)

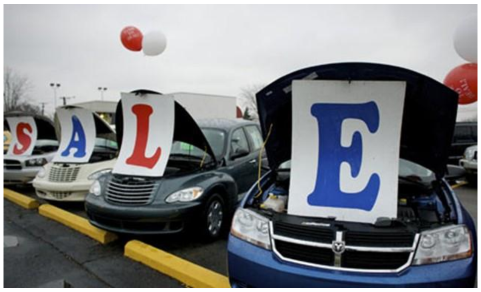
The new regulations would allow the CFPB to examine records and collect data from companies, and levy law enforcement actions if regulators find violations of the Fair Debt Collection Practices Act or the Fair Credit Reporting Act.

Under the CFPB proposal, debt collectors with more than $10 million in annual receipts from collection activities and new consumer credit reporting companies with more than $7 million in annual revenues will face supervision by the consumer bureau. CFPB says that would cover about 175 debt collection companies and 30 credit reporting companies.

As noted, the Finance Reform law requires the CFPB to issue a rule by July 21, on what "larger participants" in the non-bank consumer financial services market it will supervise. The bureau began examination of banks with assets above $10 billion on consumer issues on July 21, 2011.

Dodd-Frank directs CFPB to supervise mortgage originators, payday lenders and student loan companies. That program began on Jan. 5 of this year shortly after President Obama installed Cordray as the bureau's first director. The CFPB requested public comment via The Federal Register on the proposal to supervise debt collectors and credit reporters, the record for which remains open for another few weeks.

Good news for consumers:
Cars are more affordable today than in 1997



New cars are becoming *more affordable* for families, according to Comerica Bank. The average consumer spent $1,050 less (or about 4%) on a new car in the last quarter of 2011, making the average new car the most affordable it's been since mid-2009, Comerica says. The average new car consumed about 23.1 weeks of median family income during the tail end of 2011. Overall, cars and vehicle financing are far more affordable today than they were in 1997, when it took about 31.5 weeks of family income to buy a car, and in 2006, when it took 27 weeks of income. Indeed, it’s a great time to buy a new car!

U.S. dealership network stabilized, healthier

Urban Science, which each year conducts its Automotive Franchise Activity Report (FAR), said there were 17,767 dealerships in the U.S. at the end of 2011, a 0.6 percent *increase* from the 17,659 in 2010.

The two largest contributors to the increase in dealerships were Fiat, which added 135 dealerships in 2011, and Chrysler-Dodge-Jeep, which added 50 dealerships. Other OEMs also added dealerships, but in smaller number.

At the same time, there were a total of 29,380 franchises (the number of brands a dealership sells) as of Dec. 31, 2011, a 2.4 percent decline from 30,098 in 2010. This decline is attributed mostly to the final stages of the Mercury brand being phased out last year.

"We have a stabilized, right-sized dealership network that has increased year-over-year for only the second time since we started this census," said John Frith, vice president, Urban Science. "Automakers and dealers are in a good, profitable position. To maintain that momentum and keep profitability high, they will need to resist the urge to abandon the expense controls and processes instituted the past few years."

Urban Science said *throughput*, the average number of sales per dealership, increased approximately 10 percent year-over-year to 719 in 2011 (up from 656 in 2010) and that in 2012, average sales per dealer could reach a new high, surpassing the previous record of 784 in 2005.

"This year, the key issue for many dealers will be figuring out how to handle a continuing sales influx," added Frith. "This will shift more focus on ensuring that dealerships are meeting the automakers' standards for staff, space, facility upgrades, policies and procedures."

The company said online lead volume could increase by as much as 15-20 percent in 2012, with the average dealer getting 85 leads per brand per month, which is up from 75 leads per dealer per month in 2011.

"Dealers need to continue to focus on the online lead channel as an important source of sales because this growing space is here for the long term," said Jody Stidham, global practice director, Urban Science. "We currently see as much as 30 percent of OEM retail sales originating from Internet leads. With more than 30 percent of customers submitting a request to at least two dealers, competition is increasing for dealers. As such, it will become more important for dealers to provide a quick, quality response to capture those sales."

Since 1990, Urban Science has maintained a list of current new vehicle dealership and franchise information for all car and light truck brands in the United States and gathered data from a variety of sources, including feeds from automotive manufacturers as well as phone and field verification. It releases its yearly Automotive Franchise Activity Report every February for the previous year.

WANADA Board admits new members

The WANADA Board at its regular meeting today approved the following dealerships and allied industry organizations for membership in the association as dealer and Kindred-line members, respectively:

Dealers:

Mercedes-Benz of Chantilly, VA, Bert O'Neal, usual representative
MINI of Alexandria, VA, Jay Klein, usual representative
Passport Infiniti of Alexandria, VA, Bruce Dunigan, usual representative
Passport Toyota in Marlowe Heights, MD, Jay Klein, usual representative

Kindred-line organizations:

Check Video of Reston, VA, which provides security systems, E. Jones, usual representative.
Prestige Automotive Accessories of Landover Hills, MD, which specializes in leather interiors, navigation systems and Bongiovi Automotive Acoustics DPS; Jonathan Titman, usual representative.
Univision & Telefutura, Washington, DC, Spanish language television networks, Rudy Guernica, usual representative.

The WANADA Board welcomes these new members and encourages their active involvement in WANADA dealer community affairs.

Staying ahead …

"We all encounter boulders in life," said Aron Rolston, the real-life hero of the movie *127 Hours,* of the rock slide he experienced where he lost his arm. "It's up to us, however, to choose whether they are a tragedy or a triumph."

--Aron Rolston was the inspirational speaker at the 2012 NADA/ATD Convention