

THE WANADA[®] BULLETIN

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

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New Jersey aligns with other states, denying Tesla's bid to retail cars directly



A Tesla store in California.

The New Jersey Motor Vehicle Commission last week *denied* Tesla's most recent attempt to persuade state regulators that it should be allowed to retail its vehicles *without* dealers, despite auto retailing laws there to the contrary. The Motor Vehicle Commission told Tesla it may no longer sell cars from its two retail locations after April 1.

In so doing, New Jersey joins Maryland, Arizona and Texas, which earlier had rejected Tesla's automaker retail model that operates by selling new vehicles directly to the consumer without a dealer or retail dealer

network, which is called for by a number of state motor vehicle licensing laws. Tesla's response, through its outspoken CEO, Elon Musk, was swift and predictable, accusing Governor Chris Christie of setting up a "backroom" arrangement with auto dealers.

But Jim Appleton, president of the New Jersey Coalition of Automobile Dealers, says the decision simply requires Tesla to conform to state auto retailing laws which, among other things, calls for cars to be retailed through dealers.



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Appleton told *Automotive News* he doesn't want to see Tesla leave the state; he just wants the company to follow the law. While New Jersey's action with Tesla was referenced in an editorial last week in the *Washington Post* (Charles Lane, "Tesla vs. the dealerships, March 13, 2014), the writer's anti dealer mentality in supporting Musk and his Tesla sales model was answered by NADA's CEO Peter Welch's letter to the editor earlier this week ("Car dealers provide accountability" March 17, 2014).

If Tesla seeks to change the way cars are sold in New Jersey, it will need to get the laws changed, said Christie's office. "This administration does not find it appropriate to unilaterally change the way cars are sold in New Jersey without legislation, and Tesla has been aware of this position since the beginning," said a statement from the governor's office.

Musk, in his blog on Tesla's website, encourages New Jersey consumers to shop in Tesla's stores in New York City or King of Prussia, Pa., or buy a Tesla online and have it delivered. He doesn't want to use dealers to sell Teslas because he believes dealers have a conflict of interest in selling electric cars when most of their revenue comes from gasoline cars.

Besides, Musk says, "The evidence is clear: When has an American startup auto company ever succeeded by selling through auto dealers?" The last one, according to Musk, was Chrysler. Since then, Tucker, DeLorean, Fisker, Coda and many others have failed.

Where the tenacious Musk goes from here is anyone's guess, but here is his Garden State plan: "We are evaluating judicial remedies to correct the situation," he writes, while encouraging consumers to write their New Jersey representatives to press for a change in the law.

In the meantime, some jurisdictions -- Massachusetts, Minnesota, Washington state and Washington, DC-- haven't shot Musk's dealerless retail model down. Virginia, perhaps, has the most unique approach, such that the OEM-- via an out-of-court settlement with the commonwealth--has been given the opportunity to retail its vehicles through one location in Northern Virginia, with the understanding that it will reassess its dealerless model by a time certain in the future.



Mark Fields, COO of Ford (center) flanked by Kevin Reilly, WAS chairman (left most); Barbara Pomerance, WAS Promotions; John O'Donnell & Gerard Murphy, WANADA executive vice president & president, respectively.

Washington reps interact with industry operatives at Geneva Motor Show

Earlier this month, WANADA sent a delegation of Washington Auto Show organizers to the industry/media days at the Geneva Motor Show.

It is customary for major auto shows on the global industry circuit to attend each other's auto shows to exchange show production ideas and to interface with professionals on the array of pivotal industry issues that the major auto shows spotlight. Geneva is one of three major European auto shows, along with Paris and Frankfurt, which consistently attract

substantial media and industry focus. WANADA also had the opportunity to participate in meetings with the *Organisation Internationale des Constructeurs d'Automobiles* in recognition

of its status as an OICA-accredited show making Washington one of five such shows in the U.S. and among the foremost in the world.



From left, Kevin Reilly, WAS Chairman; Forrest McConnell, chairman of NADA; John O'Donnell, WANADA; Johan de Nysschen, president of Infiniti Motor Company, Hong Kong.



Barbara Pomerance, WAS Promotions, with Thierry Hesse commissioner general of the *Mondial de L'Automobile*, (Paris Motor Show) at OICA meeting at Geneva Motor Show.

Virginia Motor Vehicle Dealer Board addresses online advertising

The March 10, 2014 meeting of the Virginia Motor Vehicle Board (MVDB) was the most active in years on auto advertising. A dealer made a presentation saying that MVDB's policies should be updated to address online advertising. To which MVDB made three important points:

- For competitive reasons MVDB said, Virginia dealers should be allowed to advertise a price net of finance source incentives. But an appropriate disclosure must accompany the price.
- MVDB staff said they are having a significant problem with craigslist advertising. Apparently, craigslist recently imposed a charge of \$5.00 per line to a dealer advertising a vehicle and as a result, some dealers are placing ads without noting that the ads are by dealers – a violation of Virginia law. MVDB plans to step up efforts to regulate the dealer practice.
- MVDB staff reiterated its concern about “scrape” Internet advertising, or the process where Internet sites, without authorization, *scrape* inventory listings from other dealer-authorized sites to build their own inventory listings. These scrape inventory listings are often incomplete or missing appropriate disclosures. MVDB is challenged with the issue which arises when it cannot tell which sites are authorized by dealers and which are not. MVDB reminded dealers that if they receive Board letters about sites that have “scraped” inventory listings, they should still advise MVDB that the ad is unauthorized.

Thanks to Mike Charapp, Charapp & Weiss LLP, for this report.

Va. legislators set to reconvene for special session on budget



Governor McAuliffe called a special session of the legislature to resolve the budget impasse. [Photo](#) by David Shankbone.

Because the Virginia General Assembly adjourned its regular session on March 8, 2014 *without* a budget, Governor Terry McAuliffe called for a special session to start March 24. Legislators will then consider budget bills to be sent to them by the governor. The bills will likely be quickly amended to mirror the changes the House and Senate adopted during the regular session.

The budget conferees will continue to meet during the special session and will try to find common ground over things like Medicaid expansion. But with the Democrat controlled Senate strongly supporting expansion and the Republican House opposing it, finding middle ground likely will remain elusive. At a minimum, a protracted special session is in the offing.

Governor McAuliffe has signed the two bills approved by the General Assembly that repeal the \$64 additional annual registration fee imposed in 2013 on hybrid vehicles. While the fee will no longer be levied on gas/electric hybrids, it will continue on all-electric motor vehicles.

Warranty reimbursement measure passes Maryland House and Senate Committee!

Passage by the General Assembly appears imminent!

We are most pleased to report that the warranty service reimbursement legislation (SB 687/HB 1275), supported by MADA and WANADA, *passed* the House of Delegates unanimously and *yesterday* received a favorable report from the Senate Judicial Proceedings Committee. Specifically, HB 1275 that passed in the House was reconciled with SB 687 by the Senate JPR Committee, which passed it along with a favorable report to the full Senate where it is now. The legislation, introduced by Sen. Jamie Raskin and Del. Barbara Frush in the Senate and House, respectively, will facilitate dealer claims to manufacturers for fair reimbursement on warranty service the dealers perform for consumers on behalf of their OEMs that is more reflective of the market. The legislation, collaterally, opens the door for Maryland dealers to use alternative local vendors for manufacturer-required programs if the work can be performed to manufacturer specifications. Using local vendors not only should save dealers money, but should support Maryland's economy.

Pursuant to a dealer group agreement with automakers, this helpful franchise relations measure is expected to pass the full Senate as it did in the House perhaps as soon as today. WANADA sent a letter yesterday to the Senate JPR Committee chairman, Brian Frosh, thanking him for his committee's support and confirming the accord between dealers and automaker groups.

In other Maryland legislative news, a bill to raise the minimum wage has passed the House of Delegates and appears likely to pass the Senate. On the tax front, legislators don't seem interested in changing or modifying the storm water fee, a.k.a. the controversial "rain tax" that passed in an earlier session.

A bill to establish a motor vehicle dealer board in Maryland, like the one in Virginia and other states, will likely need to be sorted out in next year's legislature. In the interim, MADA with WANADA's support, will be speaking with the Maryland Motor Vehicle Administration about the establishment of a dealer advisory board.

Used car prices rise in February, expected to peak in March

Nationwide, used vehicle prices rose 2.2 percent in February and are expected to peak in March, helped by tax refunds, say NADA Used Car Guide analysts. Prices are then forecast to drop an average of 2.5 percent to 3 percent per month from April through June.

As with many other sectors of the economy, this winter's harsh weather dampened price growth to 0.7 percent for the first half of February. But improved weather in the second half raised prices by a total of 2.2 percent for the month. Compact and midsize cars outpaced other segments, as usual in February, with price growth of 3.2 percent each. Still, the growth was slightly lower than the five-year average for February.



Used compacts like this 2011 Ford Fiesta saw higher prices in February.

Only Washington area drivers can afford average priced new car

Washington is the only city in the country's top 25 metro areas where the average resident can afford to buy an average priced car of \$32,086, according to a recent study by Interest.com.

The financial website took the average city resident's salary, ranging from \$88,233 in Washington to \$44,402 in Tampa, Fla., and used the 20/48/10 rule to determine an appropriately priced car for their income. The rule assumes at least a 20 percent down payment and a balance financed over no more than 48 months. The 10 means that total monthly vehicle expenses (principal, interest and insurance) should total no more than 10 percent of the family's gross income.

Many Washingtonians, of course, who make less than \$88,000, are buying new cars. Some buyers have longer finance terms, some lease. Others move to *certified pre-owned*.

The average transaction price means the price consumers pay after incentives and options. Although analysts' estimate of the ATP may vary, all agree that the number is at record levels.

"Average transaction prices continue to rise and are at the highest levels for February in the past five years," said TrueCar.com.

Bill in Congress encourages use of remanufactured auto parts

A bill has been introduced in Congress to encourage the use of remanufactured auto parts in federal vehicles. Federal agencies now spend nearly \$1 billion per year on maintenance and repair of their 588,000 vehicles.

The bill, the Federal Vehicle Repair Cost Savings Act of 2014, was introduced by Rep. Gary Peters (D-Mich.) and Rep. James Lankford (R-Okla.) “to reduce taxpayer burden, promote conservation and support the U.S. auto supply industry.” The bill requires all heads of federal agencies to encourage the use of remanufactured parts when doing so lowers costs, maintains quality and performance and does not compromise safety.

The measure is supported by the Motor & Equipment Manufacturers Association.

Rear cameras better than sensors at avoiding collisions



NHTSA is debating how to fulfill its Congressional mandate for greater rear visibility in cars.

Rear cameras are more effective than parking sensors at helping drivers avoid hitting an object when they are backing up, according to a recent study by the Insurance Institute for Highway Safety.

In the study, conducted with volunteer drivers in a parking lot in Los Angeles, cameras were even better at preventing backup collisions than cameras and sensors combined.

An estimated 292 people are killed and 18,000 injured a year by drivers backing up into them, usually in driveways or parking lots, said the IIHS. Young children and the elderly are the most vulnerable and likely to be killed in such accidents. The risk is increased by the

large blind spots of many vehicles, particularly SUVs and pickups.

The study found that large SUVs had the worst visibility and compact cars had the best. In general, the larger the vehicle, the worse the visibility was.

In the study, researchers used a pole painted with different bands to represent the average height and head size of a 12- to 15-month-old, a 2 ½- to 3-year-old and a 5- to 6-year-old. The band for the 12- to 15-month-old was much harder to see than the others.

The National Highway Traffic Safety Administration is currently deciding whether to require cameras on passenger vehicles. Congress directed NHTSA in 2008 to expand vehicles' rear visibility. The agency said last September that cameras are the only technology that can meet the requirements.

Volvo tests road magnets to help position self-driving cars

Volvo is researching the use of road magnets to help position autonomous vehicles.

“We have tested the technology at a variety of speeds and the results so far are promising,” said Jonas Ekmark, preventive safety leader at Volvo Car Group.

Reliable and highly accurate positioning is one of the crucial issues in the development of self-driving cars. Magnets are unaffected by physical obstacles and poor weather conditions.

The car in the test was equipped with several magnetic field sensors.

“The next step is to conduct tests in real-life traffic,” said Ekmark.

Other possible uses for the magnets:

- Incorporating magnet-based positioning in preventive safety systems could help prevent cars from running off the road.
- Magnets could improve the accuracy of winter road maintenance and prevent damage of snow-covered objects near the edge of the road.
- Accurate positioning of cars could allow lanes to be narrower.

WANADA welcomes new member!

WANADA is pleased to welcome Manassas Chevrolet, Inc. to the dealer membership in the association. The membership was approved by WANADA’s leadership at the recent Board of Directors meeting. Michael Bates, dealer principal, will be the usual representative to the association and Tom Tellepsen, general manager, will be an associate representative.

WANADA looks forward to Manassas Chevrolet’s active participation in Washington area dealer group affairs and encourages it accordingly.

Staying Ahead...

If I had asked people what they wanted, they would have said faster horses.

--Henry Ford

WASHINGTON AREA NEW AUTOMOBILE DEALERS ASSOCIATION