

THE WANADA BULLETIN

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

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New U.S. consumer agency zeros in on car loans

Regulators concerned about dealers discriminating against minorities



Will the dealer's role as credit arranger in car sales change?

A guidance bulletin from the Consumer Financial Protection Bureau (CFPB) warns that dealer markup in indirect auto lending may lead to discrimination against African Americans and Hispanics.

To avoid such discrimination, the CFPB advises indirect lenders to impose controls on dealer markup of car loans in the credit arranging phase of the financed transaction, that may go so far as to curtail dealer discretion to mark up buy rates, instead using another method, such as flat fees.

The CFPB also recommends that lenders (1) regularly analyze individual dealers' loan pricing data for potential disparities resulting from dealer markup, and (2) initiate "prompt corrective action" against dealers when "unexplained disparities" are found. That could mean eliminating the use of dealer markup or excluding dealers entirely from their longstanding role as credit arrangers.

NADA and NAMAD (the National Association of Minority Automobile Dealers) questioned the CFPB bulletin in a joint statement, saying the regulatory guidance could result in higher rates across the board for consumers. The guidance "attempts to force auto finance sources into changing the way they compensate dealers without any indication that the Bureau has examined the effect this change could have on the cost of credit for consumers," the statement said. "The dealer-assisted financing model (indirect auto lending) has been enormously successful in both increasing access to, and reducing the cost of, credit for millions of Americans."

Dealer attorney Michael Charapp of Charapp & Weiss says the CFPB guidance will cause lenders to increase their oversight of dealers' markup and loan pricing. That in turn means dealers should increase their compliance efforts.

"CFPB appears to be pushing lenders to adopt flat fees to dealers rather than the reserve system," says Charapp. "This is a major issue."

Tammy Darvish honored by LLS at its prestigious Leukemia Ball

Longstanding WANADA and community leader Tamara Darvish of DARCARS was recognized by the Leukemia & Lymphoma Society (LLS) with its James L. Eichberg Lifetime Achievement Award at its 2013 Leukemia Ball last weekend in DC. LLS says the award is bestowed on one with outstanding accomplishments who has demonstrated significant dedication and commitment to the community and the LLS mission which works to improve the lives of patients and their families battling blood cancers.

Ms. Darvish's involvement as chairman of The Bobby Mitchell Hall of Fame Classic is well known in the metropolitan area being an annual event she and WANADA have supported since 2001, during which time more than \$5 million has been raised for LLS of the National Capital Area.

In other community endeavors, she chaired The Washington Auto Show Snow Ball, F.B.O. the Boys and Girls Clubs and other worthy causes; she co-founded the Parkinson's Foundation Moving Day initiative; directs the Aleethia Foundation "Friday Night" initiative for injured/wounded military veterans; and is an ongoing supporter of the Children's Inn. In the educational realm, she helped foster a ten-year Toyota auto career initiative with the DC Public Schools that gained her recognition by her alma mater, Northwood University, that honored her with its Dealer Education Award and subsequently an honorary *Doctor of Laws* degree.

As past chairman of WANADA and currently an NADA Board member, she is the recipient of numerous industry leadership awards, to include the 100 Leading Women in North America's Auto Industry and the Time Dealer of the Year Award.

The Leukemia Ball this year filled the ballroom of the vast Walter E. Washington Convention Center with scores of supportive Washingtonian notables. Over the 26 years the Leukemia Ball has occurred here in Washington, it has headlined entertainers the likes of Smokey Robinson, Bill Cosby, Jerry Seinfeld, Dianna Ross and Jay Leno.

WANADA is proud to add its congratulations to Tammy for the well-deserved recognition by the Leukemia & Lymphoma Society!



Tammy Darvish, winner of the 2013 LLS Lifetime Achievement Award with Andy Eichberg, whose father, James L. Eichberg is the namesake of the award.

Under healthcare law, employers must pay \$63 fee per worker

Employers must pay a \$63 fee for every employee or family member they insure in 2014, under the Patient Protection and Affordable Care Act (PPACA). They will pay smaller fees in 2015 and 2016. Final rules were published in the Federal Register earlier this month.

The fees will go into a fund designed to offset the costs of insuring 30 million more people nationwide. Insurance companies say without the fund, insurance costs would skyrocket. The feds will collect \$12 billion from employers in 2014, \$8 billion in 2015 and \$5 billion in 2016.



Large companies have lobbied for changes in fee.

Large companies have lobbied for changes, saying the fee is unfair because it subsidizes plans that don't cover their workers. For smaller employers, like dealerships, every extra fee is closely watched.

"It's caught most employers, if not all employers, by surprise," Steve Wojcik, vice president of public policy at the National Business Group on Health in Washington, told the *Wall Street Journal*. The U.S. Chamber of Commerce and Business Roundtable asked regulators to delay the fee.

Health plan administrators have said they could cut back benefits to help pay for the fee. Some experts expect employers to pass on at least some of the cost to workers.

Regulators have made some changes in response to comments. They will collect the fee nationally instead of by state, collect it at year end and levy it per capita instead of as a percentage of premiums.

Most car shoppers start online, but consider dealers #1 info source

Globally, 94 percent of car shoppers start their research online, says Capgemini's recent study of more than 8,000 consumers in eight countries, including the U.S. But 56 percent of customers say dealers are their number one source of information, an all-time high.

"With these better-informed customers, dealers are working with a shorter buying cycle, and must live up to the customer's desire for an advanced, more personalized buying experience at the dealership, complete with interactive tools," says Capgemini.

Other findings from the study:

- *Loyalty to dealers and brands is rising.* Loyalty to dealers rose 11 percent, and 16 percent for brands, from last year.
- *Shoppers increasingly expect the showroom to be informative, interactive and entertaining.*
- *The buying cycle continues to shorten.* Seventy-four percent of respondents said that if they are not happy with the response time from the first "touch point" – the manufacturer's or dealer's website – they will walk away. And the first visit to the showroom is moving closer to the time of purchase.
- *To get "connected car" features, buyers are willing to share personal data with manufacturers and dealers.* For dealers and manufacturers, a connected car offers unprecedented opportunities for direct, customer-specific, targeted marketing.
- *Social media continues to influence consumers especially younger ones.*



Social media is becoming an important part of the car purchase process.

Can auto sales become more like online dating?

Dealers are well aware that not everyone loves the car buying experience. Edmunds.com held a contest and gave thousands of dollars in prizes for some fresh ideas on how to improve it.

“Most of the ideas conveyed the theme that car shopping is not just about making a purchase but about creating a trust-based relationship,” said Edmunds.com CEO Avi Steinlauf.

The winners borrowed some ideas from online dating services. The top two teams proposed using social media and other methods to match a customer to a particular salesperson based on expertise, for instance in trucks or green cars. The second place team addressed service; suggesting car owners could receive real-time information about service needs, diagnostics, links to service bays and repair bids. The third place team recommended group car buying to get the best price.

Among the judges for Edmunds.com were Tamara Darvish, executive vice president of DARCARS, and Carl Sewell, chairman and CEO of Sewell Automotive Companies, a dealership group in Texas.

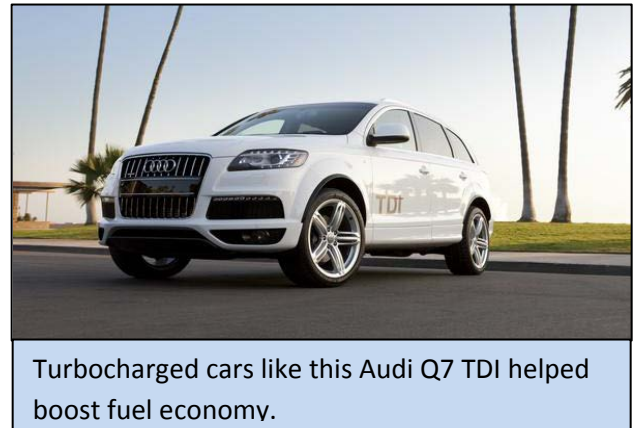
Fuel economy saw big gain in 2012, says EPA

EPA says after fuel economy went down slightly in 2011, preliminary data show a big upswing for 2012. Based on automakers’ sales estimates, last year saw an increase of 1.4 mpg to 23.8, a record for a single year.

EPA estimates that between 2007 and 2012 fuel economy increased 16 percent and carbon dioxide emissions fell 13 percent. “Projected gains for 2012 more than make up for a slight dip in fuel economy in 2011,” EPA said in a statement.

New technologies – variable valve timing, gasoline direct injection, turbochargers and superchargers, and cylinder deactivation – helped boost fuel economy, the agency said.

One reason for the decrease in 2011 was the effect of the Japanese earthquake, tsunami and nuclear accident on Japanese automakers’ sales, said the report.



Turbocharged cars like this Audi Q7 TDI helped boost fuel economy.

Long view: 80% drop in petroleum use by 2050 possible

The National Research Council (NRC) has done something worthwhile that the auto industry and Americans in general, don’t often do: taken the long view. The subject is what’s possible in cutting petroleum use and greenhouse gas emissions by 2050. The stated goal is an 80 percent cut. Is that just pie in the sky?

The conclusion of this arm of the National Academy of Sciences: It’s possible, but very hard. To reach the goal, “vehicles must become dramatically more efficient, regardless of how they are powered,” says Douglas Chapin, principal of MPR Associates and chair of the committee that wrote the report. “Alternative fuels to petroleum must be readily available, cost-effective and produced with low emissions of greenhouse gases.”

Although the transition will be costly and take several decades, the committee's calculations indicate that the benefits – energy cost savings, improved vehicle technologies, and reductions in petroleum use and greenhouse gas emissions – will exceed the costs.

To meet the goal, improved vehicle technology would have to focus on reducing fuel use rather than adding greater power or weight, the report said.

The committee says an “all of the above” approach will be needed: improved efficiency of conventional vehicles and greater acceptance of hybrid electrics, plug-in hybrid electrics, battery electrics, hydrogen fuel cells, and compressed natural gas vehicles. But “the high initial purchase cost is likely to be a significant barrier to widespread consumer acceptance,” the report says.

In Japan, early EV buyers are disillusioned

First time buyers beware: One-third of those purchasing electric vehicles in Japan said they may not buy an EV again, according to a recent study by McKinsey & Company. These consumers said they were “seduced” by lower energy costs, generous subsidies and a good test drive. But their enthusiasm waned when they faced higher electric bills and difficulty finding charging stations. This group wasn't as well informed as environmentally conscious buyers, who like EVs' low energy costs and comfortable drive.

McKinsey's conclusion: EV prices need to drop before there can be widespread consumer acceptance. Only then will it make sense to build more charging stations. It's the chicken and egg again.

Staying Ahead...

When you are courting a wonderful woman, an hour seems like a second. When you sit on a red hot cinder, a second seems like an hour. That's relativity.

-- Albert Einstein