THE WANADA BULLETIN

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

WANADA Bulletin # 12-13 **April 2, 2013**

Headlines…

EPA plan to ramp up tail pipe standards and reformulate gasoline garners automaker support and big oil opposition

Low sulfur proposal to improve air, save lives and assure a 50 state approach will cost motorists

EPA proposed standards last week designed to reduce sulfur levels in gasoline and tailpipe emissions by 2025, saying that the move will save 2,400 lives per year by 2030. Automakers say they are on board with the plan because lower sulfur emitting vehicles are more in line with the advanced technology required for the formidable mpg mandate from the EPA for cars in the future. Automakers are also supportive of EPA's plan because it comes with an assurance from the government of a 50 state tailpipe standard instead of the lame California states/federal states approach from days gone by. Oil companies concerned about the economic challenge they foresee in reformulating gasoline, such as overhauling refineries, believe it is significant enough to harm the overall economy and, accordingly, are opposed to the low-sulfur plan.

Everyone acknowledges, however, that, yes, the cost of the ramped up standards will cost motorists; one cent per gallon according to EPA and nine cents according to the oil companies. Correspondingly, there is *no* disagreement that the average price of a new car will rise $130, measured in 2013 dollars, by 2025.

Just as the low sulfur proposal would include a 50 state tailpipe regulatory scheme, the automakers point out that it is also comparable to vehicle standards in Europe and Japan. They also note that catalytic converters should last longer with the low sulfur standard, by as much as 20% going from a projected 125,000 miles to 150,000.

Is the juice worth the squeeze? Or on point: Will gasoline production be set back and motorists less apt to buy and drive cars because of increased cost? It would appear that no one will know for sure until 2025. Here and now, however, it's probably safe to say that EPA's low sulfur proposal will become the law of the land.

Va. governor's changes to transportation package set for up or down vote this week in Veto Session of the legislature

Title tax fee hike drops from 4.3% to 4.15%

McDonnell's amendments will move the state away from the gas tax and toward sales taxes to pay for transportation needs.

As is well known, the Virginia General Assembly passed a major transportation initiative when the regular session ended earlier this year, and last week Governor Bob McDonnell proposed a package of amendments designed to fine tune the bill. The changes will have to be approved by the legislature at the Veto Session that will convene April 3, with an up or down vote on the entire bill.

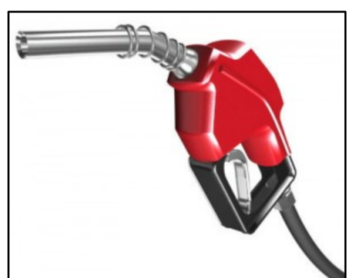
McDonnell's amendments, which are likely to pass the legislature, would do the following:

- *Reduce the proposed vehicle title tax increase from 4.3 percent to 4.15 percent.* "After hearing from automobile dealers and constituents, the governor proposed this amendment to ensure the increase does not adversely impact the number of vehicles purchased," McDonnell's office said in a statement.
- *Reduce the alternative fuel vehicles annual fee from $100 to $64.*
- *Ensure transportation funds generated by the legislation are only used for transportation.*
- *Correct and reduce the rate of taxation for the regional congestion relief fee.*
- *Reduce the transient occupancy tax in Northern Virginia from 3 percent to 2 percent.*
- *Address potential legal questions about regional taxation authority for Northern Virginia and Hampton Roads.*

The amendments fit the governor's goal of shifting transportation funding away from the gas tax and toward sales tax-based revenue sources. The final version of the bill would replace the current 17.5 cents per gallon gas tax with a 3.5 % wholesale tax on gasoline and a 6% wholesale tax on diesel fuel. Additionally, there will be increases in the states sales tax from 5 to 5.3% statewide and to 6% in Hampton Roads and Northern Virginia, with the increase dedicated to transportation purposes. The final version also dedicates revenues for the Commonwealth Mass Transit Fund and the Intercity Rail Operating and Capital Fund and dedicates increased revenues for the Commonwealth Transportation Fund.

Md. legislature passes gas tax to pay for transportation

Auto business specific bills pressed by MADA



State tax is set to rise 4 cents a year for the next three years.

Like their counterparts in Virginia, Maryland legislators are also focused on transportation funding. Unlike their Virginia counterparts, Marylanders will get the funding from new taxes on gasoline. The State Senate late last week approved $4.4 billion in new transportation funding over the next six years in a bill the House had passed a week earlier. When fully implemented, the changes will add roughly $800 million a year to the state's depleted Transportation Trust Fund.

That means the gas tax will increase for the first time since 1992. The current 23.5 cent per gallon tax will be indexed to the Consumer Price Index to adjust for inflation, but the increase cannot exceed 8 percent a year. Using the current price of gas as a benchmark, the gas tax would rise about 4 cents per gallon for each of the next three years.

"This is a *major victory* for everyone who is sick of traffic, and a major boost for our economy," said the Suburban Maryland Transportation Alliance in a statement. "[That's] why this legislation enjoyed such strong support from leading business groups and transportation advocates in the state." Construction can now start on many planned road, bridge and intersection improvements, the Alliance added.

MD Dealers push for fair warranty reimbursement, alternatives to OEM vendors and a bar to OEM retaliation on franchise laws

MADA with WANADA's support is before the Maryland legislature with franchise measures to shore up the existing requirement that automakers fairly compensate their dealers for warranty work and afford dealers the option of selecting their own vendors in things like OEM-mandated facilities improvements. Capstoning these and existing parts of the franchise relations law is a measure to preclude automakers from retaliating against dealers who press their rights under the law.

Beyond the franchise law, MADA and WANADA are moving forward with The Motor Vehicle Administration to establish a motor vehicle dealer board in Maryland of the same composition and scope as the eminently successful one that has worked for some time in Virginia.

With the 2013 Maryland General Assembly set to conclude its regular session next Monday, April 8, MADA and WANADA may be looking to dealer members for grassroots support in these final days.

Local problems reflect infrastructure problems nationwide

It's a sad day for America's roads and bridges when a D+ rating on the nation's infrastructure by the American Society of Civil Engineers is an improvement from the 2009 rating of D.

Roads still get a D. "Forty-two percent of America's major urban highways remain congested, costing the economy an estimated $101 billion in wasted time and fuel annually," the report says that's a big chunk of the $170 billion in capital investment that the Federal Highway Administration estimates would be needed annually to significantly improve conditions and performance.

Some types of infrastructure have shown a little improvement, especially rail (in large part because of investment by private freight rail companies) and bridges. Both are now rated C+. But one in nine bridges is still considered "structurally deficient."

To address pressing transportation needs, Rep. Bill Shuster (R-Penn.), chairman of the House Transportation and Infrastructure Committee in Congress, has said he is willing to consider an increase in the gas tax as part of an overall tax reform package. The federal gas tax has not been raised since 1993. A just-announced plan by the EPA to reduce sulfur in gas would raise the price at the pump from 1 to 9 cents a gallon, depending on whose figures you use. (See the first article of the Bulletin, above.)

Sequester's pain won't be as bad as predicted, noted economist says, but painful nonetheless

George Mason University economist Stephen Fuller, an authority on the economy of Metropolitan Washington, whose dire predictions of the economic effects of sequestration were widely quoted in the press, has pulled back a little now that more information is available.

"Those who might have argued that the federal government might be able to absorb these cuts without derailing the economy might be more right than they were first given credit for," Fuller told the *Washington Business Journal*.

Because federal agencies and contractors have said they will rely more on furloughs than layoffs, Fuller now says GDP will fall nationally by 1 percent, with 1.58 million job cuts. The main reason for the revision is that the furloughs are starting at the end of March instead of January 1, so the effects are delayed until next year.

The Washington area will still be hit harder than the rest of the country. Fuller projects that Virginia could lose 154,118 jobs (more than any other state except California), the District 92,545 and Maryland 84,156.

New study documents strong DC area economy and one of best for young graduates

The Washington area has the country's largest share of people aged 18 to 34 who are college graduates.

Washington is one of the best cities in the country for young graduates trying to establish their careers, says a new study by the ***Business Journals***. It ranks third in the nation and first in the East, and has the highest percentage of college graduates, at 34 percent.

Overall, Austin, TX comes in first, leading in population growth and private-sector job growth. San Jose, CA has the biggest share of adults under age 45 with household incomes above $150,000. Young people in the Bridgeport-Stamford, CT area have the highest per capita income, $78,504.

The study is consistent in identifying Washington and its metropolitan area as one with the best educated and financially well to do in the country.

Used supply will remain tight, but keep growing

There should be more late-model vehicles at auction this year.

This year should see more used vehicles at auction, according to NADA and the National Auto Auction Association. The trend started late last year, when the increase in dealer consignment and factory vehicles more than offset the lagging supply of fleet/lease vehicles and overall auction volume, NAAA economist Ira Silver told AutoRemarketing.com.

But overall, used vehicle supply will remain tight, said Jonathan Banks, executive automotive analyst for the *NADA Used Car Guide*. The number of late-model vehicles (three years old or less) will increase, but the supply of vehicles eight years or less will drop 3 percent this year. Off-rental units are expected to grow 5 percent this year, up from 3 percent last year.

Not your father's Corolla: young buyers leave Japanese brands

Back in the day, Japanese cars were the province of the young, while their parents bought American. Now the situation is reversed, as young buyers are leaving Japanese brands and flocking to domestics – and even more so, to Koreans, says a new study by Edmunds.com.

"U.S. automakers have burst onto the scene in recent years with small, fuel-efficient and affordable cars that really appeal to a young set of buyers," says Edmunds.com Senior Analyst Jessica Caldwell. But the Korean automakers have one more benefit: They're making credit available to young buyers who don't yet have a strong credit history.

From 2008 to 2012, the share of American brands bought by Americans age 25 to 34 rose from 35.4 percent to 36.8 percent, while Japanese share of younger buyers dropped from 50.6 percent to 42.9 percent. The Koreans' share, though still small, rose rapidly, more than doubling its share to 10 percent.

Marketing tool: AAA's top commuter cars

Strangely, Metro Washington residents take pride in finally making it to #1 in a contest no one should want to win: *longest commute*. It takes Washingtonians more than 34 minutes to get to work, while the rest of the country travels there in 25 minutes. Nationwide, 86 percent of workers drive to their job. That means having the right wheels is essential.

Enter the AAA with its list of top commuter vehicles, based on fuel efficiency, comfort and overall performance. They are spread in different categories, in order of size:

Compact vehicles: Chevrolet Volt, Toyota Prius or Prius V, Volkswagen Jetta SportWagen TDI. **Sedans:** Audi A4, Buick LaCrosse, Ford Fusion, Hyundai Genesis, Nissan Altima. **Crossovers:** Ford Flex, Toyota Highlander. **Minivans:** Honda Odyssey,

F&I Seminar and Certification: Now more than ever, dealer pros need to attend!

It certainly is not news that today's vehicle purchase process is complicated, due in no small part to the financed part of it. But with *the step to left* public administrators have taken from Obama's executive branch on down, consumer regulators at all levels and plaintiffs' lawyers – holding themselves out as consumer advocates – are emboldened and back with a vengeance targeting retailers. As always, automobile dealers are on top of their hit list.

Just last week, for example, Obama's newly constituted Consumer Finance Protection Bureau (CFPB) told banks they regulate to scrutinize credit arranging their dealer clients perform for consumers because certain minorities may be victims of rate discrimination. On another front, plaintiffs' lawyers, often with consumer regulator support, have been out and about to gin-up law suits against dealers for alleged failures to properly (*operative word*) disclose things to consumers like prior use in used car sales. And a longstanding favorite of consumer regulators and plaintiffs' lawyers is the practice of spot deliveries in vehicle sales.

With all this afoot, dealers need to take care that their F&I professionals are fully up to speed on all that is required by consumer protection laws, which gives WANADA's **Finance and Insurance Professionals Seminar** added timeliness and importance. Put on for the past five years by JM&A, WANADA's F&I Seminar gives new and veteran F&I professionals what they need to know to keep themselves –and their dealerships—on the right side of the law. Everything from *unfair and deceptive trade practices* and Truth-in-Lending, on through Equal Credit Opportunity and rights to privacy are covered—all in one day!

To ensure that as many F&I pros as possible can sign up, WANADA has worked out two dates on which the F&I program will be offered: Thursday, April 25 and Friday, April 26. Same as always, a test will be administered at the end of each session so that those attending and fully participating can be certified with having mastered the subject matter.

Click here to gain additional program information and to sign up for one of the two available days later this month. Direct questions to Kristina Henry in the WANADA office (202) 237-7200 or kh@wanada.org. Seating is limited and available on a first come, first served basis.

WANADA representatives attend industry/media days at the New York International Auto Show to meet with OEMs about Washington's Auto Show, March 27, 2013.
Pictured at the right is George Doetsch, Apple Ford/Lincoln, representing The Washington Auto Show with Steve Cannon, president and CEO, Mercedes-Benz, USA. Others joining Doetsch in NY last week were: Gerard Murphy, WAS producer; Barbara Pomerance, WAS promotions director and Bob Yoffe, WAS manager

Staying Ahead…

The illiterate of the 21st century will not be those who cannot read and write, but those who cannot learn, unlearn and relearn.

Alvin Toffler
Futurist and author

WASHINGTON AREA NEW AUTOMOBILE DEALERS ASSOCIATION