

THE WANADA BULLETIN

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

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Tesla has a few direct-sales stores in California and wants to expand to other states.

Dealers and Tesla come to terms in NY and Ohio while other states review options

New York Governor Andrew Cuomo announced an agreement late last week between Tesla and the two state dealer associations that was praised by all parties. Tesla will keep the five stores it already has in New York, and additional Tesla retail locations will be established under a strengthened dealer franchise law.

“This agreement will serve as a model for other states as they consider how to accommodate Tesla and a distribution system that has served the public well,” said Lou Roberti, chairman of the New York State Automobile Dealers Association.

Neale Kuperman, chairman of the Greater New York Automobile Dealers Association added, “This reaffirms the state’s longstanding goal that cars sold through the dealer franchise system serve the consumer and their best interests.”

The legislature in Ohio passed a bill allowing a third Tesla retail outlet in the state, signaling a compromise between dealers there and Tesla. The bill would allow Tesla to open a third direct-sales store, but would bar direct-sales outlets by other manufacturers.



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“Nobody’s happy with the solution, but it is a reasonable approach that allows predictability into the future for the dealer model,” Ohio Automobile Dealers Association (OADA) President Tim Doran told Bloomberg News.

Added Diarmuid O’Connell, Tesla’s vice president of business development, “I do think the Ohio solution points to a way dealers and Tesla can resolve this issue for the present, while letting both sides see how this develops,” reports the *Wall Street Journal*.

OADA asked for the bill to keep other automakers from setting up direct-sales stores, according to the Northeast Ohio Media Group. General Motors also supported the proposal. The bill’s sponsor, Sen. Tom Patton, a Republican, said the legislation protects the franchise system and the state’s 60,000 dealership employees, but still keeps Tesla in Ohio.

Ohio Senate President Keith Faber, another Republican, said the final bill lets automakers know that “if you’re a manufacturer and you want to sell, you have to sell through dealers,” the *Columbus Dispatch* reports.

In New Jersey, a bill has been introduced in the state legislature to reverse the Motor Vehicle Commission’s recent ruling that Tesla must close its two direct-sales stores in the state by April 1. Democrat Assemblyman Tim Eustace has said he doesn’t like the idea of anyone who wants to buy a Tesla in New Jersey being sent to New York or Connecticut.

The New Jersey Coalition of Automotive Retailers has said it will continue to watch the matter closely.

“We hold as sacrosanct the franchise system,” NJCAR President Jim Appleton told *Automotive News*. “There is no resolution to this problem that allows Tesla to operate outside the franchise system forever. But we’re open to accommodations if Tesla can make the case that there’s a reason why they can’t.”

As contenders for Tesla’s \$5 billion battery, Gigafactory, Arizona and Texas are considering legislative approaches that would allow Tesla to retail cars in those states without dealers.

In Florida, Sen. Marco Rubio (R), a potential presidential candidate, has indicated he’s fine with Tesla’s direct sales model, telling CNBC recently, “Customers should be allowed to buy products that fit their needs.” In response, Ted Smith, president of the Florida Automobile Dealers Association, told *Automotive News*, “I’m surprised by Sen. Rubio intertwining Tesla with *laissez-faire* economics.”

Looking beyond the accord reached by dealers and Tesla in New York, the *New York Times* ran an editorial supporting Tesla’s earlier efforts to overturn auto dealer franchise laws.

On *60 Minutes* last Sunday night, March 30, CBS did an extensive segment on Tesla which did not reference franchised auto dealers or state auto sale licensing laws limiting or prohibiting direct sales to consumers by automakers.

Maryland plans to replace health care website

As residents’ efforts to sign up for health coverage through Maryland’s health care exchange swelled last week, the state decided to drop the troubled website in favor of Connecticut’s system, according to the *Washington Post*. The board of the exchange is expected to vote on the change Tuesday.



Governor Martin O'Malley said state officials will make an announcement this week.

Maryland officials reported record numbers of people trying to sign up for insurance last week, both through the website and in person at the enrollment centers. As of March 22, a total of 49,293 Marylanders had signed up for private insurance coverage through the exchange, way below the state's original goal of 150,000, or its *revised* estimate of 75,000 to 100,000.

As was well publicized, the national deadline for signup was March 31, but the Obama administration officials announced that people who tried to sign up by the deadline and couldn't get insurance in time could have an extension until mid-April. ("What the hell is this, a joke?" said House Speaker John Boehner, looking very unamused.) No proof of an effort to sign up is needed; the extension is granted on "the honor system." A specific date for the deadline has not been given.

Vehicle recalls cut down on fire losses, study shows

Recalls dramatically reduce losses from fire-related defects in vehicles that have not crashed, according to a new study by the Highway Loss Data Institute (HLDI).

The study looked at losses from noncrash fires for vehicles up to 8 years old with issues such as electrical problems or fuel system defects. In the years before a recall, the claim frequency for vehicles with fire-related defects was 23 percent higher than for other vehicles. After the recall, claim frequency was only 12 percent higher.

"As one would hope, recalls mitigate the effect of fire-related defects," said HLDI Vice President Matt Moore. "However, even after recalls are issued, these vehicles continue to have higher claim rates." The higher numbers could be caused by owners not following up on recalls.

How will U.S. pay for roads as Highway Trust Fund runs dry?



The Highway Trust Fund is projected to run out of money as soon as August, 2014. Photo by Di Bedard.

After last year's Congressional session that set a record for how little got done, no one is expecting any tax increases to pass in this election year. But the Highway Trust Fund is projected to run out of money as soon as August of this year. How will U.S. roads be built and repaired?

Several influential organizations are pushing for a hike in the gas tax, which has not been raised since 1993. The American Automobile Association favors a 15-cent-a-gallon increase. Others who have spoken out in favor of an increase include the U.S. Chamber of Commerce, the AFL-CIO and the American Trucking Association,

according to *The Hill*. But they have an uphill battle.

"There's a lot of headwinds facing tax issues on Capitol Hill, and there's a lot of saber-rattling that is going to get louder in an election year," AFL-CIO Transportation Trades Department President Ed Wytkind told *The Hill*.

Another possibility for raising money is more toll roads, favored by the International Bridge, Tunnel and Turnpike Association. The upside: Tolling is a user fee, so drivers who use the roads would be paying for them. The downside: There's strong opposition in Congress.

Those who don't like higher taxes or user fees can opt for moving money from another part of the budget, as proposals by President Obama and Rep. Dave Camp (R-Mich.) would do after tax reform. But neither proposal has gotten anywhere. The only point that everyone agrees on is that something must be done and soon.

Consumer confidence surveys offer mixed news

Two consumer confidence surveys that came out last week show buyer confidence is generally holding steady or slightly up.

The Conference Board Consumer Confidence Index rose from 78.3 in February to 82.3 in March, a six-year high. "Overall, consumers expect the economy to continue improving and believe it may even pick up a little steam in the months ahead," said Lynn Franco, director of economic indicators at the Conference Board.

The Thomson Reuters/University of Michigan Survey of Consumers had a less upbeat conclusion, with the Index of Consumer Sentiment down slightly from February. But the survey said "consumers viewed their financial prospects for the year ahead much more favorably in March than at the start of the winter season." One in three consumers reported that they expect their financial situation to improve in the year ahead. The gain was concentrated among those under 45.

On the down side, the University of Michigan survey showed that plans to purchase homes and vehicles declined in March because of fewer discounted interest rates. "Since consumers have become accustomed to very low interest rates on loans, even small increases, which simply tempered demand in the past, could now have a much more pronounced impact on sales of homes and vehicles," said Survey of Consumers chief economist Richard Curtin.

University of Michigan plans to test 9,000 "talking" cars

The University of Michigan plans to test 9,000 wirelessly connected vehicles in Ann Arbor in the next two years, up from the 3,000 cars, truck, motorcycles and bikes it is testing now. The research is part of a project funded in large part by the U.S. Department of Transportation.

The aim is not only to improve safety – a vehicle-to-vehicle (V2V) car will alert the driver if a V2V car up ahead suddenly brakes – but also to test the feasibility of automated, driverless vehicles. DOT has followed the university's research for the past year and a half and concluded that V2V technology improves road safety. The university says that finding could cause the federal government to require wireless technology in all new cars by the end of the decade.

No surprise: DC is #7 on list of 10 worst U.S. cities for parking

DC's propensity for giving out parking tickets is well known by local residents, but now it's official: A survey by NerdWallet came up with the 10 worst U.S. cities to find parking, based on their high parking costs and vehicle theft rates, and Washington came up seventh.

Washington, DC, collected \$92.6 million in parking fines in 2011, with the highest ticketed time right about now, during the Cherry Blossom Festival. As some readers may have discovered, if you don't pay your fine within 30 days, it doubles. NerdWallet says it costs \$19 a day and \$270 a month to park in DC, which may sound like quite a bargain to some. The Nation's Capital has 60.2 percent more motor vehicle thefts per capita than the national average. All in all, you may decide you would rather just drive by the cherry blossoms.

Other cities on the list: Chicago; Oakland, Calif.; San Francisco; New York; Boston; Honolulu; Seattle; Philadelphia, and Sacramento, Calif.

Global Automakers names new CEO

The Association of Global Automakers, which represents international auto manufacturers and OEM suppliers, has named John Bozzella as its new president and CEO. Bozzella spent nearly 20 years as a public policy executive for Ford and Chrysler and is a seasoned Washingtonian. For the past five years, he has been senior operating executive for Cerberus Operations and Advisory Company, LLC.

Outgoing Global president Mike Stanton who retired recently, spent 35 years in the auto industry and worked closely with dealer groups, such as WANADA and NADA on a variety of issues. Last year, Mr. Stanton represented the Global Automakers on a panel of association executives at The Washington Auto Show. At this year's Washington Auto Show, Stanton was honored by SAE International during their Government and Industry Conference for a lifetime of achievement in the auto industry.

2014 Washington Auto Show Winner of the Hyundai *Price is Right* Contest picking up his brand new Sonata

Hyundai *Price is Right* Contest winner Bill Levenson, a civil servant at the Federal Communications Commission, took delivery recently of a 2014 Sonata which was part of the prize package. Besides the new car, Levenson won all-expenses paid trip to Los Angeles to attend a live taping of the *Price is Right* TV show. The *Price is Right* Contest has been a longstanding tradition at The Washington Auto Show, sponsored by the Washington Area Hyundai Dealers.



Pictured above -- from the left-- is Hyundai *Price is Right* Contest winner Bill Levenson, taking delivery of his new Sonata. With Levenson is Danny Rosenfeld of Fitzgerald Lakeforest Hyundai, Harold Redden of Fitzgerald Auto Malls and Gerard Murphy of WANADA representing The Washington Auto Show.

Getting the phone call from Auto Show Chairman Kevin Reilly, himself a Hyundai dealer, was “truly amazing” Levenson said at the time of the award on the last day of the show, February 2nd. The longtime DC resident needed a friend to drive him to Fitzgerald’s Lakeforest Hyundai where arrangements were made for him to take delivery of his new car because prior to winning the Sonata Levenson did not own a car.

Staying Ahead...

Encountering a political foe, who was armed and angry on a narrow 19th Century Washington footpath bordered by quagmire of mud and sewage, famed orator Henry Clay of Kentucky chose discretion as the better part of valor when fellow member of Congress John Randolph of Virginia refused to let him pass.

“I never stand aside for scoundrels!” Randolph scowled, to which Clay replied, stepping off into the mud, “I always do.”

WASHINGTON AREA NEW AUTOMOBILE DEALERS ASSOCIATION