

THE WANADA BULLETIN

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

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Warranty reimbursement assurance passes Md. Legislature Phased-in minimum wage increase approved for the state

With the Maryland General Assembly concluding its 2014 legislative session this week, dealers statewide gained helpful warranty reimbursement protection from automaker franchisors which skirt the existing requirement to pay retail for warranty repairs dealers perform for them. The legislation -- which passed in The General Assembly thanks to MADA with WANADA's support -- establishes a definitive time allowance on labor and a parts markup based upon a retail repair order history designed to compel all automakers to fully comply with the law on reimbursement to dealers. The legislation also includes provisions prohibiting automakers from requiring dealers to use the automakers vendors and contractors when dealers are striving to come into line with automaker facility upgrades and program implementation, such as website design. This "second generation" warranty reimbursement law will take effect October 1 when the governor signs the legislation in the next few weeks.

WANADA similarly worked with MADA on putting forward enabling legislation on the implementation of a motor vehicle dealer board like the one that operates successfully in Virginia and other states which will need sorting out with the state Department of Transportation and the Motor Vehicle Administration over the next few months. A dealer group strategy is in the works to set course on a successful dealer board bill in the next General Assembly session that should be embraced by all interested parties in the "good government" measure that it is.

Another dealer specific measure that passed was legislation empowering Charles County's commissioners to adopt an ordinance exempting the locality from the *dealers-closed-on-Sunday* law. Relegating the matter of *dealers-closed-on-Sunday* to the locality itself is unprecedented for the state and hopefully one that will be helpful for a longstanding controversial matter.

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Currently, dealers in Howard, Montgomery and Prince George's counties are exempt from the state's Sunday closing law.

From an earlier session of the General Assembly is the law which increases the maximum a dealer can charge vehicle buyers on document processing, which, effective July 1 of this year, will go from \$200 to \$300. The various disclosures and protocols that go into a dealer determining the optional processing fee are still in effect for dealers charging it and will be reviewed for Maryland dealers in subsequent WANADA Bulletins as the July 1 effective date on the new maximum limit draws near.

General business related legislation of note was Maryland's minimum wage being increased from \$7.25/hr. to \$10.10/hr. over the next three years -- \$8, Jan., 2015; \$8.25 Jul., 2015; \$8.75, Jul., 2016; \$9.05, Jul., 2017; and \$10.10, Jul. 2018. Localities, like Montgomery and Prince George's counties, which have already adopted higher minimum wages, will not be preempted by the lower statewide increase. There is also a "training wage" of 85% of the minimum available for employers to pay employees 19 or younger.

In the wake of Barra's testimony on GM's recall, it's now up to dealers



The 2007 Chevrolet Cobalt was one of the 2.6 million cars recalled by GM.

After General Motors CEO Mary Barra was grilled last week by two Congressional committees over the recall of 2.6 million cars, the front now moves to dealers. GM says all the cars should be repaired by late fall, reports the *Detroit News*. But that's several months away, and meanwhile some dealers are getting a lot of phone calls from concerned customers.

Ed Bozarth Chevrolet in Las Vegas, for example, reports having received 50 calls a day for the past three weeks, fixed

operations director Al Belford told Reuters. "They are calling for information," said Belford, "and are a little confused about what they need to do."

Fewer than 2 percent of the ignition switches needed for repair are expected to be in dealerships this week, according to the *Detroit News*. GM has said anyone who is afraid to drive their recalled car can get a loaner from a dealership. The automaker said it has already underwritten 15,000 loaners. But some GM vehicle owners told the *News* that dealerships in their areas didn't have loaners available.

Dealers told the *News* they had not heard from GM as to when they would get the ignition parts or how many they would get. "We're in the dark just like everyone else," said Reichard Mann, service manager at Greenwood Chevrolet, Youngstown, Ohio.

Although most recalled cars were sold in the Midwest and Plains states, observers nationwide are wondering how the recall might affect GM's future sales. "It will take some time for the brand to gain back the customers it lost," said April Ancira of Ancira Auto Group of San Antonio in an email to Reuters. "But I have got to believe that General Motors will use this opportunity to really focus on improving the safety of their product."

Tesla challenges NJ regulation against direct sales

Tesla is challenging the recent decision by the New Jersey Motor Vehicle Commission that bars OEMs from selling cars directly to consumers. The automaker said in a statement accompanying the Superior Court filing that New Jersey's franchise law allows direct sales and that the commission had caved in to pressure from the New Jersey Coalition of Automotive Retailers (NJCAR), according to the Newark *Star-Ledger*.

Tesla's statement used an argument the company has used before, that franchised dealers have a conflict of interest in selling electric cars when most of their revenue comes from gas-powered vehicles. In response, NJCAR President James Appleton pointed out that dealers in the state sell electric vehicles from 13 other automakers, the *Star-Ledger* reports.

Tesla "wants total control over distribution to crush and eliminate competition," Appleton told the *Star-Ledger*. "Franchises are intended to promote competition, which benefits the consumer."

Meanwhile, New Jersey Assemblyman Tim Eustace introduced a bill that would allow automakers to sell EVs directly to consumers. Eustace's spokesman told *Automotive News* the bill would apply to any company that sells EVs. But NJCAR's Appleton said he doesn't believe legislators will want to compromise the state's franchise laws whose purpose it is to promote the public interest, *Automotive News* reports.

March sales rebound as winter ends, sales rise 5.6%

Dealers and other observers in the auto industry breathed a sigh of relief as March sales chalked up a 5.6 percent gain from a year earlier. The late-month surge as the weather improved in many parts of the country exceeded analysts' expectations. The industry's resilience and relative strength in a persistently *touch-and-go* economy appears to be solidly in place.

Asian manufacturers held the biggest share of the market at 46 percent; next was the Detroit 3, at 45 percent; with Europeans at 8.7 percent. Trucks and luxury brands sold especially well in March.

Chrysler Group saw the biggest gain for the month at 13 percent. The new Jeep Cherokee led sales, and Dodge Ram sales spiking 26 percent; both brands were helped by generous incentives. Nissan Motor Co. saw the next biggest increase, up 8 percent; General Motors was up 5 percent (despite recall problems); Toyota, up 4 percent; and Ford, up 3 percent.

Ford generated record sales for the Fusion and the F-series delivered impressive sales numbers, as always. "March sales turned noticeably higher mid-month and finished strong," John Felice, Ford's vice president for U.S. marketing, said in a statement.

Incentives were up across the board. Average transaction prices were up from a year ago, but down slightly from February, according to estimates from TrueCar and Kelley Blue Book. Analysts' interpretations of the numbers vary.

"Consumers continue to be unmotivated despite [year-over-year] increases in incentives," TrueCar Executive Vice President Larry Dominique told *WardsAuto*. But Karl Brauer, senior analyst for Kelley Blue Book, said, "The increase in prices has been enough to offset rising incentive spending, and consumers have consistently shown they are willing to spend top dollar for the best models available," *WardsAuto* reports.

The top 10 selling vehicles for the month, according to Cars.com, were the Ford F-Series; Dodge Ram; Chevrolet Silverado; Toyota Camry; Nissan Altima; Honda Accord; Ford Fusion; Toyota Corolla and Matrix; Ford Escape; and Honda CR-V.

NHTSA issues long-delayed rule requiring backup cameras



NHTSA's mandate for backup cameras on all vehicles was opposed by the Alliance of Automobile Manufacturers.

The National Highway Traffic Safety Administration has issued long-delayed rules mandating backup cameras in all cars, trucks and buses by May 2018. Congress and President Bush authorized the mandate in 2007, but it kept getting delayed because of cost concerns. NHTSA estimates the technology could save up to 200 lives a year and prevent thousands of injuries.

The mandate will be phased in gradually, with 10 percent of vehicles meeting the requirement by 2016, a total of 40 percent by 2017, and 100 percent by 2018. Many vehicles, especially luxury cars and those with high-end trim packages, already have the backup cameras.

NHTSA estimates that 73 percent of the fleet would have had the cameras as standard equipment without the mandate.

On average, 210 deaths and 15,000 injuries a year are caused by the backover crashes, says NHTSA. More than half of those are children under 5 or adults 70 and older. NHTSA estimates the total cost of the rule will be \$546 million to \$640 million when it covers the entire fleet in 2018.

The Alliance of Automobile Manufacturers opposes the rule. "We know our customers have their own preferences among new technologies," the Alliance said in a statement. "It is one of our core beliefs that consumers should be in the driver's seat when choosing which technologies they want to purchase." The group said it is petitioning NHTSA to allow automakers to use cameras as an option to replace side-view and rearview mirrors.

Toyota, Lexus, Buick dealers are #1 in customer experience

Toyota, Buick and Lexus dealers tied for first place in customer experience among auto dealers, according to the 2014 Temkin Experience Ratings. The ratings create an annual ranking of companies based on a study of 10,000 U.S. consumers.

Temkin Group asked consumers to evaluate their dealership experience in three areas: functionality (Can you do what you want to do?); how accessible (Is it easy to work with the store?); and the emotional component (How do you feel about the interactions?).

The three auto companies tied for 59th out of 268 companies across 19 industries. In the survey's fourth year, Toyota came out first for the second straight year. It is Buick's and Lexus's first time evaluated in this survey.

Subaru came in just behind the three others.

DOT launches campaign against distracted driving

Everyone knows it's unsafe and, in most states, illegal to text and drive. Yet many drivers do it, especially young drivers. Now the U.S. Department of Transportation is out to do something about that. Highway safety experts know from the seat belt and drunk driving campaigns that education alone isn't enough. So the new campaign against distracted driving will include a law enforcement component.

Radio, TV and digital ads using the phrase "U Drive, U Text, U Pay" will run from April 7 to April 15.

The \$8.5 million advertising campaign supports the high-visibility enforcement crackdown, which will run from April 10 to April 15. Thousands of law enforcement personnel will use traditional and innovative strategies to crack down on motorists who text and drive. The national campaign builds on the success of two federally funded distracted driving state programs in California and Delaware, "Phone in One Hand, Ticket in the Other."

"National campaigns like 'Click It or Ticket' and local efforts like 'Phone in one Hand, Ticket in the Other,' show that combining good laws with effective enforcement and strong public education campaigns can change unsafe driving behaviors," said NHTSA Acting Administrator David Friedman.

DC, Maryland and Virginia are among the 47 states and jurisdictions that ban text messaging for drivers of all ages. Starting last year in Maryland and Virginia, it is a primary offense. That means the driver can be pulled over for that violation alone.

NHTSA estimates that 3,328 people were killed and 421,000 injured in distraction-related crashes in 2012.

The taxman cometh – but more harshly in Md. than in DC, Va.

Among the three jurisdictions in the Washington area, Maryland has the highest state and local income tax rates (it ranks 7th nationally), followed by DC (20th) and Virginia (30th). The figures are from the Tax Foundation's annual rankings of tax burden.

Maryland residents paid an average 10.6 percent of their income in state and local taxes in 2011, amounting to \$5,598 per tax payer. DC residents paid 9.7 percent of income, averaging \$6,641. And Virginia residents paid 9.2 percent of income, an average of \$4,469.

Of course, the percent of income means more or less depending on the amount of per capita income. In that regard, the District comes out first in the nation at \$68,795. Maryland is fourth, at \$52,805. And Virginia is not far behind at seventh, with a per capita income of \$48,498.

Cars in Volvo pilot program can warn each other of slippery roads

In a new pilot project by Volvo, cars can communicate with each other about road conditions through the Internet cloud.



Texting while driving is a primary driving offense in all three Washington area jurisdictions.

“The pilot is one of the first practical examples of the way communication between vehicles over the mobile network enables vehicles to ‘speak’ to each other and with the traffic environment,” says Eric Israelsson, project leader cooperative ITS (Intelligent Transport System) at Volvo Cars. The aim, of course, is to improve traffic safety.

When the Volvo test car detects an icy or slippery road patch, the information is transmitted to Volvo’s database via the mobile phone network. A instant warning is transmitted to approaching vehicles on their instrument cluster. The warning will be adapted to match the severity level. Information about the icy patch is also sent to the road administrator so the contractors can quickly address changing conditions.

Volvo currently has 50 test cars in the program, with more expected next winter.

Thought for the Week...

I’ve got to congratulate GM for doing the impossible: Getting Democrats and Republicans to work together.

--Rep. Peter Welch (D-Vt.), at a House committee hearing
on the GM recall

WASHINGTON AREA NEW AUTOMOBILE DEALERS ASSOCIATION