



THE WANADA BULLETIN

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

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Maryland lawmakers pass Gov. O'Malley's progressive agenda and transportation funding

Dealers dodge bullet as car buyers retain title tax, net-of-trade

As widely reported last week, Maryland lawmaker members of the 2013 General Assembly, which ended April 8, passed the ambitious and progressive legislative package of Gov. Martin O'Malley (D) putting Maryland, in the opinion of many, out front among liberal states in the Democratic Party's Blue State network. A gun control measure -- described as far reaching-- passed, as did bills to repeal the death penalty, establish incentives for an off shore wind farm to expand renewable energy, a simplification of the process for illegal immigrants to get drivers licenses, and legalization of marijuana for medical purposes.

Inspired by Virginia's venture into transportation funding earlier this year, The Transportation Infrastructure Investment Act passed in Maryland premised upon an historic gas tax increase, the first since 1992. Accordingly, a new sales tax on gasoline of 1% will commence in July 2013, rising 2% in 2015 and 3% in July 2015; the sales tax could rise to 5% in 2016 if Congress doesn't approve a measure allowing states to tax goods ordered over the Internet. The practical effect is that Maryland motorists can expect to spend 13 to 20 cents more per gallon of gas on top of the 23.5 cent flat tax in place currently. State fiscal planners project more than \$660 million annually by 2018 for roads and transit projects. A "lock box" provision to keep the legislature from raiding the Transportation Transit Fund was passed also that will go to voters in a referendum in Nov. 2014.

The gas tax hike for transportation infrastructure funding took other funding options off the table, including a proposal to repeal the net-of-trade formula for computing vehicle title taxes which Maryland dealers fought hard to enact into law at an earlier time.

With the swirl of legislative focus on the governor's extensive agenda and the shift mid session to consider transportation funding, franchise law enhancements being sought by MADA with WANADA's support did not go through. Specifically, a measure to enhance the existing law requiring automakers to fairly reimburse their dealers for warranty repairs didn't make it, nor did a bill prohibiting automaker "retaliation" against their dealers for franchise laws with which they don't agree.

Lawmaker supporters of the dealer agenda promised fresh consideration of auto business specific measures next session when it's an election year and the pace of legislative activity should be considerably dialed back.

Next session, also, will present the opportunity to put forth a "good government" measure to establish a dealer motor vehicle board similar to the one that operates in Virginia. In this regard dealer association leaders have been dialoging with MVA Administrator John Kuo to line up his agency's commitment.

Auto loans are getting longer

Thanks to the rising price of new vehicles, banks' eagerness to attract new buyers and consumers' enthusiasm for lower monthly payments, loan terms are now longer than ever. In first-quarter 2012, *the average* term reached a record 65 months, according to data researcher Experian. It found that 17 percent of new-car loans had terms between 73 and 84 months. Even though the average cost of a new car has risen to \$31,000, the average monthly payment has dropped to \$460.



Obama budget funnels higher EV credit through dealers

President Obama's budget would raise the maximum tax credit for buying an electric vehicle from \$7,500 to \$10,000 and channel it through the dealer. The dealer could then pass it on to the consumer at point of purchase, rather than the buyer having to wait for a credit in the next tax filing. The tax credit would cost up to \$4.2 billion over 10 years, depending on sales, and would expire after 2021.

The Alliance of Automobile Manufacturers supports the tax credit as a helpful sales incentive. But NADA is troubled by all the questions such a program would raise. "It's never been done before," said Bailey Wood of NADA's legislative office. "Would you have to bring your 1090 form? How does it impact the AMT [alternative minimum tax]? What if the dealer doesn't qualify? What if the consumer doesn't qualify?"

“We’re all for anything that incentivizes, but it needs to work in the showroom, and this doesn’t.” Wood also pointed out that in the unlikely event that such a proposal came before Congress, it would never pass the Republican-controlled House.

The president’s budget never becomes law. But it offers discussion points and is always studied and debated by members of Congress, whether they agree with it or not.

The budget also provides for more research and development for new battery technologies and manufacturing processes that would lower the cost of electric

vehicles, increase their range and allow them to charge faster. Another \$282 million would be allocated to develop cellulosic ethanol and other biofuels.

As part of Obama’s push for more infrastructure spending, the budget proposes spending \$50 billion on immediate road projects. But House Transportation and Infrastructure Committee Chairman Bill Shuster (R-Pa.) said the president had offered no way to pay for the proposal.

“One of the most essential questions in this debate is how do we finance infrastructure maintenance and improvements without adding to our debt,” Shuster told thehill.com.



Obama’s budget proposes \$50 billion for immediate road projects.

Complying with CFPB guidance on finance reserve

Auto dealer attorney and WANADA government relations advisor Mike Charapp of Charapp & Weiss offers advice to help dealers to comply with the Consumer Finance Protection Bureau’s (CFPB) recent guidance on finance reserve. For context, he notes that the CFPB has long pressured finance sources to switch to flat fees for financed vehicle sales by dealerships.

One bank has already told dealers it will carefully monitor dealer practices and rates as a result of the guidance. Charapp calls the bank’s action a reasonable response to the CFPB guidance, and he suggests that other finance sources will likely follow suit. If they want to preserve the practice of dealer reserve, dealers should monitor their own practices.

“Dealers who have not done so should consider implementing a system for F&I that limits the exposure for claims of discrimination in dealer reserves,” says Charapp. “Whether you use rate sheets, standard rate markups or other devices, with the right to deviate based on nondiscriminatory factors, a system should be put in place both for “desking” deals and in the F&I office.”

Car repair costs up 10% nationwide in 2012, says new study



Fixing the oxygen sensor was the most common repair nationwide.

Auto repair costs nationwide jumped 10 percent last year after nearly six years of decreased costs, says a study by CarMD. Labor costs accounted for most of the increase (17 percent), while parts costs were up 6 percent.

“We attribute this to several factors, including an improving economy and a return to pre-recession labor rates,” the company said. With the average age of vehicles at an all-time high, there was also a slight increase in percentage of more-expensive repairs.

In the study’s regional breakdown,

Maryland, Virginia and DC are lumped in with the South, where repair prices rose 11 percent – the most after the Northeast.

Battery and charging system replacements appeared in the top 10 most common repairs for the first time, jumping from 16th to 10th. CarMD attributes the shift to the greater number of late-model vehicles that use on-board technology to track insufficient charging voltage such as low battery, and to the increase in average temperatures. The warmer weather can cause heat-related problems and failures if car owners don’t adjust their maintenance and repair guidelines.

All but one of the ten most common repairs saw higher repair costs. The most common repair was to the oxygen sensor, which saw a 20 percent increase in repair cost. Hybrid repair costs dropped significantly as having more hybrids on the road brought the costs down.

Service department opportunity: 3 in 4 cars need service

A whopping 77 percent of vehicles inspected at car care events across the country last year needed service or parts, according to the Car Care Council. The news is just in time for National Car Care Month in April.

The top three problem areas were engine oil (22 percent), engine cooling systems (20 percent) and brake service (18 percent). Eight percent of the vehicles inspected had the “check engine” light on, and new air filters were needed in 19 percent of the vehicles. At least one belt was unsatisfactory in 14 percent of the vehicles, and 10 percent needed at least one new hose. Battery cables, clamps and terminals needed maintenance in 11 percent of the vehicles inspected, and 10 percent of the batteries were not properly held down.

In lubricants and fluids, the top failure rates were low or dirty motor oil; low, leaky or dirty coolant, and inadequate brake fluid levels.

March was best month ever for certified used sales – AutoData

Even as new sales keep rising, last month set a record for certified pre-owned sales, at 190,065 nationally. And the first quarter of 2013 set a record for quarterly CPO sales, at 497,647. That's according to AutoData Inc.

Spring is a good time for used-vehicle sales, and this year's record-breaking pattern is similar to Spring 2012. The monthly and quarterly figures for 2013 are 9 percent and 9.4 percent above year-ago figures, respectively.

These brands set all-time records for CPO sales in March, says AutoData:

Ford/Lincoln/Mercury, Toyota, Mazda, Mercedes-Benz, Volkswagen, Hyundai, Kia, Mini, Nissan and Subaru.

Gas will be cheaper this summer, cheaper still in 2014

Motorists will pay 5 cents less per gallon of gasoline this summer than last year, says the U.S. Energy Information Administration, part of the Energy Department. The lower price is caused partly by a slight drop in the price of crude oil, which accounts for 65 percent of the cost of gasoline.

Regular gas is forecast to average \$3.63 per gallon from April through September, said the EIA. For the entire year, "EIA expects regular gasoline retail prices to average \$3.56 per gallon in 2013 and \$3.39 per gallon in 2014, compared with \$3.63 per gallon in 2012," says the agency's Short-Term Energy Outlook.

U.S. Ambassador Don Beyer Honored for foreign service

Kudos to longtime Washington area dealer and, more recently U.S. Ambassador to Switzerland and Liechtenstein Donald S. Beyer, Jr. for "outstanding service to American Citizens overseas." The organization honoring His Excellency Ambassador Beyer is a renowned international public interest group that regularly interacts with the U.S. Foreign Service known as American Citizens Abroad (ACA). The award, appropriately named after America's most celebrated Founding Father and the first Secretary of State Thomas Jefferson, is presented each year to a single U.S. State Department officer.

One of the programs in particular that Ambassador Beyer organized and led that impressed ACA was a unique feedback gathering project where Americans who were abroad were systematically queried in a town hall meeting setting as to their needs for service and support, actual and prospective, from U.S. missions operating in the countries they were visiting.

Don's other public service included an eight year stint as Virginia's lieutenant governor in the 1990s. Active further as a leader moving to the national level of the Democratic Party, he was an operative for former Vermont governor Howard Dean in his presidential bid in 2004. Don Beyer



Don S. Beyer, Jr.
Ambassador to
Switzerland

has been ambassador to Switzerland since 2009 and graciously has hosted WANADA and NADA leaders at the U.S. ambassador's residence in Bern when the dealer organizations have been in Switzerland to attend the Geneva Auto Show.

Through his career connection with the Don Beyer dealerships, he chaired AIADA in 2006 and was named a Time Dealer of the Year in 1991.

WANADA heartily congratulates America's distinguished Ambassador to Switzerland for the recently bestowed high honor. Don and his wife Megan are planning to return to the Washington area when his ambassador appointment ends this summer.

Register now for WANADA's F&I seminars April 25-26

Time is getting short to register for WANADA's special Spring **Finance and Insurance Professionals Seminar**. You can sign up for either Thursday, April 25 or Friday, April 26. The daylong workshop, intended for both new F&I staff and veterans, is presented by JM&A, WANADA's presenter for the past five years. Topics to be covered include unfair and deceptive trade practices, Truth-in-Lending, Equal Credit Opportunity, rights to privacy and others. Participants who pass the test given at the end of the seminar may receive certification.

Click [here](#) for more information and to sign up for the seminar. Questions may be directed to Kristina Henry in the WANADA office at (202) 237-7200 or kh@wanada.org.

April 14th: the first day in American history to "live in infamy"

Yesterday, April 14, 2013, is two years shy of the sesquicentennial of the terrible day John Wilkes Booth fatally shot President Lincoln at Ford's Theater in Washington. Every bit as much a day to "live in infamy" as December 7, 1941, about which President Roosevelt coined the phrase in his immortal speech to Congress requesting a declaration of war against Japan for its sneak attack at Pearl Harbor, the assassination of Lincoln on April 14, 1865 reset American history as much as Pearl Harbor did. Just as Lincoln's assassination preceded Pearl Harbor as a day of infamy in America, there were those that came later, notably Nov. 22, 1963 when President Kennedy was assassinated and Sept. 11, 2001 when New York was attacked by terrorists.

Just hours before he shot Lincoln and escaped across the stage at Ford's Theater, Booth, a 26 year old actor, was told by an entertainer colleague that he would never be as talented an actor as his father, to which Booth is said to have replied: "When I leave the stage, I shall be the most talked about man in America." True enough, he was.

Thought for the Week...

Being powerful is like being a lady. If you have to tell people you are, you aren't.

--Margaret Thatcher
Former British prime minister
Oct. 13, 1925 – April 8, 2013