

# THE WANADA BULLETIN

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

WANADA Bulletin # 16-15

April 30, 2015

## Headlines...

**WANADA/ADEI Tech Training at Rotary Day in DC**

**With FTC targeting auto ads, dealers need to know the rules**

**Audit finds Maryland health exchange could owe feds millions**

**Legislation to check CFPB auto finance guidance is introduced**

**House votes to repeal estate tax**

**NADA, OEMs form smart transportation coalition**

**Congress still looking for ways to pay for highway funding**

**AM/FM radio still rocks in cars**

**DC ranks near top in car insurance costs; Virginia is low**

**Thought for the Week...**

## WANADA/ADEI Tech Training front and center at Rotary Day in Farragut Square, DC

Technician Training through WANADA's Auto Dealer Education Institute was center stage, literally and figuratively, at the Rotary International Day of "Service above Self" that was staged in Washington's historic downtown DC park, Farragut Square. As one of a number of prominent community projects, supported by the four Rotary Clubs in the District of Columbia, ADEI Technician Training was afforded prime exhibitor space for its sponsorship of Rotary Day in the park. The sponsorship was a role reversal for WANADA since Rotary clubs across the Washington Area are longtime grant supporters of ADEI.

Rotary Day took over the prestigious K Street, NW side of Farragut Square from 10 am until 3pm, last Saturday, April 25, gaining exhibitors the opportunity to visit with scores of official and unofficial weekend visitors out and about in the park. A prominent visitor was Phil Mendelson, chairman of the Council of the District of Columbia, who praised Rotary and its service club participants in Rotary Day from an outdoor stage set up for the occasion. Rotary District (7620) Governor William Fine was also on hand, who saluted the concerted DC clubs' effort to actualize Rotary Day in "Capital of the World," appropriate, he said, since Rotary Day



Phil Mendelson, chairman DC City Council (left), Jennifer Hara, president, Washington Rotary, Gerry Murphy, WANADA and member of Rotary

programming is an initiative of Rotary International worldwide.



Brian Altman, ADEI Tech Training student, Euro Motorcars, speaking to crowd in Farragut Square, DC

When ADEI reps got the chance to speak to Rotary participants and guests in Farragut Square, Harold Redden, Fitzgerald AutoMalls, ADEI chairman, outlined the success Technician Training has enjoyed at Montgomery College in Rockville, Md. and Marshall Academy, Falls Church, Va. by developing “hundreds upon hundreds” of aspiring young adults into line technicians in Washington Area dealerships over the course of the past dozen years.

MC Tech Training instructor Mike Carretta, speaking from the stage with ADEI student Brian Altman of Euro Motorcars, provided compelling testimony of ADEI’s unique dealership on-the-job-training that effectively blends with customized *NATEF Certified* education to make the program the industry success story it has been. “At the end of the program, people like me are set for life with a career like none other, which is what being an auto technology professional is all about,” said Brian.



Rotary district governor Bill Fine (center), flanked by Howard Davis, Washington Rotarian(left), and Greg Wims, district governor designate



*In the park with Abe !* Harold Redden, ADEI chairman (left) and Steve Boden ADEI consultant with Nats’ mascot

Besides Messrs. Redden, Carretta and Altman, the ADEI exhibit at Rotary Day was ably represented by Steve Boden, M.Ed., ADEI Tech Training curriculum advisor, along with Kathy Teich and Gerry Murphy of WANADA.

## ADEI gets a full page on Sunday in The Washington Post

And to cap off what seemed like an ADEI weekend, the business side of The Washington Post generously donated to WANADA a full page, Sunday edition write-up entitled “The Automobile Dealer Education Institute offers earn as you learn,” April 26, which well complemented ADEI’s Farragut Square exhibit for DC Rotary Day (To see TWP’s presentation on ADEI Tech Training, click [here](#)). WANADA is grateful to Howard Bomstein and his TWP auto ad team for the timely support!

WANADA dealers are invited to contact Joe Koch or Billy Painter for information on ADEI or about lining up an Auto Tech/OJT student at *either* program location, 202 237-7200, [jk@wanada.org](mailto:jk@wanada.org), or [bp@wanada.org](mailto:bp@wanada.org).

## With FTC targeting auto ads, dealers need to know the rules

The Federal Trade Commission recently announced a crackdown on fraud in auto sales and finance, reported in the [April 3 WANADA Bulletin](#). WANADA Kindred-Line member and dealer attorney Mike Charapp of Charapp and Weiss evaluated FTC enforcement actions and outlined several advertising areas where dealers should be cautious:

- *Truth in Lending*. Most of the consent orders have involved allegations of Truth in Lending Act violations. These are easy violations for the FTC to spot. Dealer staff involved in advertising and the dealership’s outside ad agency should understand trigger terms and the disclosures required by law if there is a trigger.
- *Bait and switch*. The focus of the three latest consent orders and of many of the previous ones is in the realm of “bait and switch.” The FTC focuses on pricing or sales terms it believes are not available to all potential buyers. Advertised vehicle pricing and terms should be available to all buyers. If offers are not available to all, as would be the case with new car prices based on manufacturer rebates and incentives that have limitations, a dealer must take care that the qualifications to achieve the savings are clearly and conspicuously disclosed.
- *Negative equity*. Early in its post-Finance Reform Act consent orders time frame in 2011-12, the FTC charged violations by dealers who used some variant of the claim where they would pay off a trade “no matter how much you owe.” The FTC signaled that it would look closely at claims that failed to disclose that negative equity would be rolled into the new finance balance. This is an ongoing FTC hot button.
- *Internet Advertising*. The FTC is not looking only at newspaper advertising, but Internet ads as well. FTC knows that dealers concentrate marketing efforts on the Internet, and regulators are, in fact, reviewing dealer websites. Internet advertising is governed by the same rules that apply to other media, and those creating Web content for the dealership need to know the rules.



Internet advertising has the same rules that apply to other media, and the FTC is monitoring dealer websites.

NADA's legal group commissioned special counsel earlier this year to craft their latest version of a *Dealer Guide to Federal Advertising Requirements* through their *Driven Management Series*. A copy of the complete guide – which all dealer sales teams and their ad agencies should have close at hand as a ready reference – can be reviewed and downloaded by clicking [here](#).

## **Audit finds Maryland health exchange could owe feds millions**

It's no secret that Maryland had trouble rolling out its health care exchange two years ago. The website for consumer enrollment was revamped and a new, improved version was set up. Enrollments went more smoothly in the second year of operation.

Now a federal audit has found that the state could owe the federal government more than \$28 million, the *Washington Post* reported. Because the Maryland exchange delayed in updating its enrollment numbers with the federal grant-making agencies, that amount was misallocated to the state. The inspector general for the U.S. Department of Health and Human Services has recommended that the state repay the amount, then apply for reimbursement – but it would be for only 50 to 90 percent of the full amount. The final bill for Maryland from their federal partners, then, should be something less than \$28 million.

Governor Hogan and state leadership are currently evaluating Maryland's options.

## **Legislation to check CFPB auto finance guidance is introduced**

A bill that would reverse the controversial 2013 auto finance guidance from the Consumer Finance Protection Bureau has been introduced in the U.S. House of Representatives. H.R. 1737 -- *Reforming CFPB Indirect Auto Finance Guidance Act of 2015* – effectively would roll back the CFPB bulletin that was “designed to pressure lending institutions into eliminating the availability of auto financing discounts,” according to NADA.

“Consumers have the right to obtain auto financing at discounted rates, and those rights should be protected, not threatened,” said NADA president Peter Welch.

The bill was initially introduced at the end of the 113<sup>th</sup> Congress and garnered the pledges of 100 plus House Republicans and Democrats. It already has 19 cosponsors, including 9 Democrats. The bill must secure bipartisan support to ensure its passage in the House, NADA says. NADA asks dealers to contact their members of Congress to urge support of H.R. 1737.

Members of the House of Representatives from the Metropolitan Washington Area in the Maryland suburbs and Northern Virginia -- all of whom WANADA leaders will be visiting on this matter in the days ahead -- are: Don Beyer Jr. (D-Va.), Barbara Comstock (R-Va.), Gerald Connolly (D-Va.), John Delaney (D-Md.), Donna Edwards (D-Md.), Steny Hoyer (D-Md.) and Chris Van Hollen (D-Md.) The U.S. Capitol switchboard number is (202) 224-3121.

H.R. 1737 would require the CFPB to follow a transparent process – providing for a public comment period, consulting with the agencies that share jurisdiction over the indirect auto financing market, and disclosing its testing methods – before issuing any future guidance related to indirect auto credit.

The CFPB has admitted it did not analyze or estimate the economic impact the guidance would have on consumers. Nor has it responded to a peer review study by Charles River Associates that found significant flaws in the CFPB's testing methods.

For more information on the CFPB issue and H.R. 1737, as well as a direct electronic link to your member of Congress, visit [www.nada.org/cfpb](http://www.nada.org/cfpb)

## House votes to repeal estate tax

The U.S. House of Representatives last week passed H.R. 1105, the “Death Tax” Repeal Act of 2015, by a vote of 240 to 179. The vote was mostly along party lines, with just seven Democrats supporting the bill with three Republicans opposed.

The Senate companion bill S. 860, has 30 cosponsors, all Republican. If the legislature clears the senate, the White House to no one’s surprise said the president will veto it all,

The estate tax particularly hurts dealerships, since assets -- such as land and single-use showroom facilities -- cannot be liquidated to pay the tax without destroying the viability of the dealership, said NADA.

“As with scores of other small businesses, dealerships shouldn’t have to choose between closing, selling or incurring substantial debt just to survive the unanticipated loss of a key family member,” NADA spokesman Jared Allen said in a statement to *Automotive News*.



The estate tax hits dealers especially hard.

## NADA, OEMs form smart transportation coalition

Seven automotive and technology groups have formed the Smart Transportation Innovation Coalition. Its goal is to promote autonomous driving, connected cars and smart highways and educate Congress on the benefits of the new technologies.

“We support research and incentives where appropriate to promote advanced safety and vehicle connectivity technologies, including advanced driver assistance systems, V2X communications, autonomous vehicles and other technologies,” the coalition write in a letter to members of Congress.

The groups in the coalition are NADA, the Alliance of Automobile Manufacturers, Association of Global Automakers, Information Technology Industry Council, Intelligent Car Coalition, Intelligent Transportation Society America, and the Motor & Equipment Manufacturers Association.

The 2016 Washington Auto Show will spotlight connected car and autonomous car technology.

## Congress still looking for ways to pay for highway funding

With the Highway Trust Fund set to run out of money May 31, 2015 some members of Congress are still seeking different ways to extend the Fund. Talked about last week: taxing overseas corporate profits, raising the gas tax or using the revenue from the estate tax to pay for highways.

With Congress averse to increasing *any* taxes, and the House having already passed a repeal of the estate tax (see story above), the only serious idea at this point is taxing overseas corporate profits, a practice known as repatriation. Highway funding is such a pressing issue that two senators from opposite ends of the political spectrum, Barbara Boxer (D-Calif.) and Rand Paul (R-Ky.), came together to introduce a bill, the Invest in Transportation Act of 2015.

The bill would allow companies to voluntarily return their foreign earnings to the U.S. at a tax rate of 6.5 percent, for funds earned in 2015 or earlier. All tax revenues from the repatriation program would be transferred into the Highway Trust Fund.

“If Congress does not provide additional revenue to the Highway Trust Fund before [May 31], states will face cash-flow problems during the extremely busy summer construction season,” said a statement from Senators Boxer and Paul. “Already, Arkansas, Georgia, Tennessee and Wyoming have delayed construction projects due to the uncertainty in federal transportation funding.”



The highway funding bill with the best chance for passage would tax corporate profits earned overseas.

In the House, a bipartisan group of members has introduced a bill to index the gas tax to inflation in January 2016 and raise it again in three years unless Congress has found another sustainable source of highway funding. The bill, the Bridge to Sustainable Infrastructure Act, is intended as a short-term solution.

The bill would create a “bipartisan, bicameral Transportation Commission” by September 1, 2015, and Congress would be required to enact the commission’s recommendations or another three-year funding measure by December 31, 2016. Otherwise the gas tax would automatically increase.

Rep. Peter DeFazio (D-Ore.), the top ranking Democrat on the House Transportation Committee, suggested that the money collected from the estate tax could be used to fund the Highway Trust Fund. Repealing the estate tax would cost the U.S. about \$270 billion over ten years he said.

## AM/FM radio still rocks in cars

Don’t pull your radio ads yet. A large majority of Americans – 84 percent – use AM/FM radio as their audio entertainment over new technology options, a recent survey by Ipsos shows. And they’re tuning in frequently – 62 percent say they listen to the radio at least once a day in their cars. Similarly, 64 percent of Americans still use a CD player in the car.

“Our studies show that despite all the technological advances we’ve made when it comes to digital listening, the vast majority of Americans still prefer AM/FM radio overall and especially expect it to be a part of their cars. In fact, virtually all said they wouldn’t buy a car without a radio,” said Thomas Spinelli, vice president with Ipsos MediaCT. “However, as new vehicles roll out, many of which are equipped with built-in digital music services, we may see a shift in how Americans are thinking about listening in their cars.”

## DC ranks near top in car insurance costs; Virginia is low

Washington, DC, is the 3<sup>rd</sup> most expensive market in the nation (if compared with states) for car insurance, according to a new study by Insure.com. Maryland is 11<sup>th</sup> and Virginia is 43<sup>rd</sup>.

The car insurance comparison website surveyed rates from six major carriers across multiple zip codes in all 50 states and DC, averaging rates for the 20 best-selling vehicles nationwide. Those models represented 40 percent of the U.S. new-car market in 2014. Where the driver lives is usually more important in determining insurance rates than the car model.

Cities usually have higher rates, and DC, of course, is just that. The average driver in DC has an accident every 5.1, years versus every 10 years nationally, according to Allstate.

The average insurance premium is \$1,799 in DC, \$1,590 in Maryland and \$1,008 in Virginia. The national average is \$1,311.

### Thought for the week...

That brave mother walked into the thick of the (Baltimore) riot the other night telling her teenage son and his rioting friends in no uncertain terms to give it up and come home, which they did. Had there been a phalanx of mothers, like that lady, as there was a phalanx of cops, the riot wouldn't have gotten off the ground.

**-Charles Krauthammer**

**Political commentator and syndicated columnist**

