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

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Headlines…

Maryland lawmakers to follow Virginians back in Special Session to sort out budget

MD Special Session starts May 14

Gov. Martin O'Malley announced *today* that Maryland lawmakers will return to Annapolis on May 14 to reevaluate and, the governor hopes, pass a tax package similar to the one that collapsed in the closing hours of the regular session of the General Assembly that ended last month.

A central component of the governor's proposal is an income tax increase for individuals making more than $100,000 and married couples making $150,000 or more. The governor's plan would also transfer teacher pension costs from the state to localities.

"There is too much at stake not to move forward," O'Malley said. "I'm confident that we can come together with the Senate President and House Speaker to complete this most important work for the people of our State."

Though some details remain to be worked out, in what is shaping up as a "soak the rich" measure, Democratic leaders of both the House and Senate have signed off on the scope of the Special Session. The gambling initiative for Prince Georges County, a big part of the budget wrangling in the Regular Session, won't be taken up in Special Session.

Without a budget agreement, Maryland faces the prospect of more than $500 million in cuts to education and other planned spending beginning July 1.

Republicans have said that there is no need to return to Annapolis for a Special Session, arguing that the state is able to absorb the cuts in planned spending.

As reported here and elsewhere, Virginia legislators concluded their budget work in Special Session week before last, which principally consisted of resolving a wrangle over funding for rail to Dulles Airport, which is now set to come from substantial toll increases to Dulles Toll Road motorists.

Congestion on area roads projected to increase 38% by 2040

Congestion on Washington area roads, if laid end to end, would equal a traffic jam 1,581 miles long, or half way across the U.S.! Without improvements, that could jump by almost 38 percent, to become a 2,174-mile-long traffic jam, by 2040, according to data from the Metropolitan Washington Council of Governments.

If governments don't pour extra cash into transportation soon, experts warn, the torment of the Washington commute could spread. Local commuters in 2010 were already spending an average of 74 hours in traffic each year, according to the Texas Transportation Institute.

Local and state level legislators in Maryland and Virginia are struggling to deal with that emerging reality, but funding for new roadways and maintenance is proving difficult to find. Indeed, Maryland and Northern Virginia are looking at a $2 billion a year deficit on needed transportation maintenance and construction projects now that legislatures in both states have failed to approve budgets to provide funding.

Last year, a special commission in Maryland concluded that the state needed an extra $870 million a year for transportation and called on the state's elected leaders to stop raiding the Transportation Trust Fund to balance the budget. Gov. Martin O'Malley proposed imposing a 6 percent sales tax on gas as a way of rebuilding the TTF, but that got nowhere when gasoline prices jumped over $4 per gallon. A budget for the state has yet to be determined as House and Senate legislators deadlocked over revenue sourcing in the regular session of the General Assembly that ended last month

"I think there's a real concern over how are we going to continue to grow?" said Montgomery County Councilman Hans Riemer (D-at large). "We're maxed out on cars. How are we going to add 100,000 new jobs? Where are all those people going to fit?"

In Montgomery County, leaders face a $598 million backlog in transportation projects. And County Executive Ike Leggett's five-year transportation plan provides $177 million less than last year.

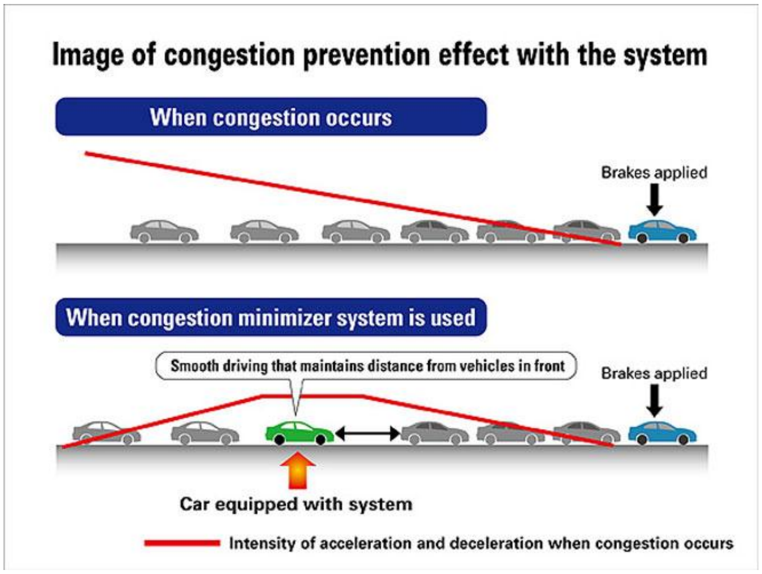
Across the Potomac, Virginia officials estimate that Northern Virginia needs $700 million more a year just to fix its crumbling roads and bridges. Only 60 percent of Fairfax County's roads were judged to be in fair condition or better, officials said.

Still, the Virginia General Assembly this year rejected Gov. Bob McDonnell's plan to shift part of the state's sales tax revenues to road projects and killed a separate legislative proposal to raise the gas tax.

"The fact of the matter is, that if we're going to dig our way of this transportation congestion, then we need a new source of revenue," said Virginia Sen. Barbara Favola (D-Arlington). "And yes, that will mean some kind of new fee or tax. There's no getting around it."

Honda aims to eliminate traffic congestion, not warn about it

Many automakers already provide traffic congestion notices to car owners via their GPS systems, but Honda is aiming to prevent that congestion in the first place.



Working with the Research Center for Advanced Science and Technology at the University of Tokyo, Honda is testing a program that keeps tabs on acceleration and braking patterns in a vehicle and feeding that back to the driver via a color-coded display on the dash to "encourage" smoother acceleration and braking.

Honda says utilizing this system alone can increase average speed by nearly a quarter and reduce fuel consumption by up to 8 percent. It is not stopping there, however. The automaker says that by adding a data connection to the system, it can send traffic and driving pattern data into the cloud computer network, find the optimal speed for traffic flow and then automatically set the vehicle's Adaptive Cruise Control (ACC) system to maintain a set speed and optimal distance between vehicles.

Honda says it will begin testing the technology in Italy and Indonesia this month to see if the system can be scaled for widespread adoption.

Higher MPG rules will reduce road repair funds

CBO sees loss of nearly $60 billion in tax funds for roads

Rising MPG standards will cut gas tax revenue by $57 billion through 2025, which in turn will cut the Highway Trust Fund 13 percent, the Congressional Budget Office (CBO) said in a report released Wednesday of this week. The $57 billion reduction would mean $48 billion less to fix roads and $9 billion less for mass transit spending, the report concluded.

The Obama administration and 13 major automakers agreed in July of 2010 to hike fuel standards to 54.5 mpg between 2017 and 2025, though the final standards are not expected to be announced until this summer.

If the standards remain at 54.5 mpg, the CBO estimates that by 2040, the new rules will reduce the nation's gas tax revenue 21 percent annually. It suggests that a 5 cent per gallon gas tax increase would be necessary to offset the reduction in revenue. The estimate includes a small reduction in fuel use attributable to the higher fuel tax. The CBO also said the government should consider a tax on miles traveled.

Gloria Bergquist, spokeswoman for the Alliance of Automobile Manufacturers, which represents a dozen automakers, including those from Detroit, said the study showed the new rules have costs. "There are always policy trade-offs for CAFE standards and adding more technology hurts affordability," she said. "Smaller cars raise safety concerns and gas-sipping vehicles take revenues out of federal and state coffers, which is why we need a balance such that we have maximum fuel economy without adverse effects on revenues."

The rules are predicted to cost the auto industry $157.3 billion, the Obama administration says, while saving drivers $1.7 trillion at the pump, including the 2012-16 mileage increases that were finalized in 2010.

NADA to look deeper into factory facilities programs

NADA said this week it will be hiring more industry experts to do a deeper dive into the Factory Facilities Programs Study it began last year. In particular, the dealer association said it will be looking into the following areas:

1. *Is there value with regard to investment in facilities?*

The first recommendation in the NADA study was that OEMs need to better demonstrate and quantify the value of dealer investment in facilities, because most fail to do that now. Phase Two of the NADA study will look deeper into this realm by "running the numbers." NADA will look at actual dealership data in a sample of dealers who took on facility image programs, as well as ones who did not, to quantify the Return on Investment (ROI).

2. *More Dealer Input*

NADA will add specific questions about facility image mandates to the twice-yearly NADA Dealer Attitude Survey (DAS). The DAS is the most effective method of getting a cross section of dealer input directly to the OEMs at the highest levels.

3. *Dealership of the Future*

NADA will interview industry experts and perform case studies with a focus on answering the question: "Are we investing in the kind of dealership that will be most competitive in 2020 and beyond?" Interviews with industry experts will be supplemented with case studies of changes in other retail industries, as well as cutting-edge car dealers, who may provide the industry with a glimpse of the dealership of 2020.

4. *An Annual Review*

NADA will conduct an annual review the Facilities Study that will focus on whether the OEMs have modified their programs in response to concerns raised in the study.

Deadline to participate in NADA Dealership Workforce Study extended to May 15

The deadline for NADA and ATD members to participate in NADA's Dealership Workforce Study has been extended to May 15, 2012.

Participating dealers will receive at no charge the Basic Report comparing their individual dealership to the regional and national industry, as well as the Driven Management Guide summary report. There is no cost to participate in the study and all information remains secure and anonymous.

NADA says the entire process, including responding to the online survey and uploading payroll data, takes less than an hour to complete.

NADA University staff will work with dealership chains to provide an aggregate pull of their payroll data, instead of submitting data separately for individual dealerships.

Visit www.nadaworkforcestudy.com to participate. For more information, contact NADA University's customer service at (800) 557-6232.

Federal subsidy to EV buyers hits $135 million

Manufacturers get even more

The federal government provided about $135 million in subsidies during 2011 for purchasers of vehicles like the Nissan Leaf and Chevrolet Volt.

American motorists purchased about 18,000 battery-electric vehicles, plug-in hybrids and extended-range electric vehicles, or E-REVs, in 2011, according to Edmunds.com. Analysts at the automotive website estimate that works out to approximately $135 million in subsidies, if, as is likely, most of those vehicles qualified for the maximum $7,500 in federal tax credits. That figure does not include additional credits and rebates offered by more than a dozen states and some municipalities, including Maryland and DC.

Nor does it factor in what Edmunds estimated to be $10 billion or so in subsidies and low-interest loans Washington has made available to manufacturers to help promote the development of battery power.

In 2011, the majority of the subsidies went to the Nissan Leaf and Chevrolet Volt, and both companies are planning on big growth in 2012. If they hit their targets, the subsidies could grow to nearly $500 million. Meanwhile, other automakers are ramping up EV and plug-in hybrid models which will also be eligible for tax credits.

Tax credits to EV and plug-in hybrid buyers are designed to subsidize the market until battery power starts moving into the mainstream and are reduced as production increases. Once a specific manufacturer has produced at least 200,000 qualified battery vehicles, they are eliminated altogether for that automaker.

American battery-car backers contend that without such support the U.S. and its auto industry would likely slip behind countries like Germany and China that are aggressively aiming to dominate the future market for zero-emissions vehicles.

Automakers agree on standardized EV charging

Eight global automakers have agreed to a standardized single-port DC-fast charging technology for future EV and plug-in hybrid vehicles that will enable the recharging of most electrified vehicles with compatible systems in as little as 15-20 minutes.

The standardized chargers will be available commercially by the end of 2012, and vehicles using the technology will be available starting 2013.

The combined charging system integrates one-phase AC-charging, fast three-phase AC-charging, DC-charging at home and ultra-fast DC-charging at public stations into one vehicle inlet. The technology will let customers charge at most existing charging stations regardless of power source and should speed adoption of a standardized infrastructure, the automakers say.

Audi, BMW, Chrysler, Daimler, Ford, General Motors, Porsche and Volkswagen will be demonstrating the new technology at the Electric Vehicle Symposium in Los Angeles May 6-9.

Staying ahead…

The key to being a good manager is keeping the people who hate you away from those who are still undecided.

--**Casey Stengel**

Legendary Manager, New York Yankees, 1949-1960