

# THE WANADA BULLETIN

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

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## Sign Up now for the WANADA Golf Open, June 3



Register now to reserve your place in the WANADA Open golf tournament.

Registration is open for the 2015 WANADA Golf Open and Annual Outing, scheduled for Wednesday, June 3 at Lansdowne Resort, Leesburg, VA. This year the number of golfers is *limited* to 128 players, with tournament reservations accepted on a *first come/first served* basis. To reserve a place on the golf course RSVP as soon as possible.

The WANADA Open tournament will be played on the Robert Trent Jones course at The Golf Club at Lansdowne, which is a first class golfing experience! Tournament check-in will begin at 9:00 a.m., with lunch on the patio

from 10:45 a.m. to 12:00 noon, followed by a "shotgun start" at 12:30 p.m. After golf, all are invited to the cocktail reception at 5:30 p.m., followed by a buffet dinner with the presentation of golf awards and door prizes.

Tennis players may register for a tennis clinic from 1:00 to 2:00 p.m., followed by open tennis courts from 2:00 to 4:00 p.m.

To register for all WANADA Open and Annual Outing please click [here](#).

Remember: golf reservations will be accepted on a *first come first serve basis*, so please act now!

Direct questions to Kathy Teich at 202-237-7200, or [kt@wanada.org](mailto:kt@wanada.org).

## U.S. circuit courts split on overtime pay for service advisors



A recent court decision raises questions about the overtime exemption for service advisors.

Until recently, federal courts have consistently ruled that auto service advisors are exempt from the Fair Labor Standards Act (FLSA) and therefore do not need to be paid overtime. Now a federal appeals court has ruled the opposite way and said that service advisors are *not* exempt from overtime requirements. An earlier decision by the U.S. Court of Appeals for the Fourth Circuit, that covers Maryland and Virginia, means that dealers there still do not need to pay overtime. But the conflicting opinion from the U.S. Court of Appeals for the Ninth Circuit throws open the question nationally.

Some background: the FLSA states that any “salesman, parts man, or mechanic primarily engaged in selling or servicing automobiles, trucks, or farm implements” is exempt if employed by a nonmanufacturing establishment primarily engaged in the business of

selling such vehicles or implements to ultimate purchasers.” Federal courts going back to the 1970s have interpreted this to mean that service advisors do not have to be paid overtime.

On March 24, 2015, the Ninth Circuit became the first federal appellate court to take the opposite stance. In *Navarro v. Encino Motorcars, LLC*, 780 F.3d 1267 (9th Cir. 2015), the court considered a 2011 Labor Department regulation that it determined upended the service advisor exemption under FLSA.

As noted above, the Ninth Circuit decision – which covers California and the Western states -- should not directly impact dealers in Maryland and Virginia. But when federal appellate courts are at odds, as is the case with service advisors and FLSA, there is a distinct possibility that the Supreme Court will take up the matter.

Quite obviously, dealers will be hearing more about this in the days ahead. Stay tuned.

For an analysis of this development, see the article by Baltimore labor lawyer Darren Weiss, Offit/Kurman in titled “Federal court concludes auto service advisors are non-exempt employees,” by clicking [here](#).

## Washington Post Spotlights Geoff Pohanka for industry leadership



Geoff Pohanka,  
Pohanka  
Automotive

Kudos to Geoff Pohanka, Pohanka Automotive, for the positive write-up that appeared in the automotive section of last weekend’s Washington Post. The article, entitled “Geoff Pohanka elected to Board of the National Auto Dealers Association,” reports on his recent return to NADA’s governance, but also his past and current leadership at WANADA as the association’s past chairman and present head of The Washington Auto Show and his legacy as president of Pohanka Automotive.

A long standing Washington, family business Pohanka Automotive was founded by Geoff’s grandfather, Frank, in 1919 being carried on by his father, Jack. This gave rise to the Pohnaka dealer group of today, which is multi-franchised, multi-location, multi-state.

For those who missed it in last Sunday’s TWP, click [here](#) for the full article.

## NADA applauds recall study by Auto Manufacturers Alliance

NADA has endorsed a research initiative by the Alliance of Automobile Manufacturers to poll drivers about the reasons for low completion rates for vehicle recalls.

“We know that vehicle age seems to be an important factor, but little research has been conducted on consumer attitudes to recalls,” said Mitch Bainwol, president and CEO of the Alliance, in a statement.

The average completion rate for passenger vehicle recalls is 75 percent, but it varies by age. For newer vehicles, the completion rate averages 83 percent, but for vehicles five to 10 years old, it’s 44 percent. The rate is just 15 percent for vehicles more than 10 years old. That’s concerning because the average age of vehicles on the road is 11.4 years.

The Alliance has asked a polling firm to talk to consumers who have repaired their recalled vehicles as well as people who own vehicles still under recall.

In response, NADA President Peter Welch issued a statement saying, in part: “NADA is a strong supporter of data-driven efforts to improve recall completion rates.... The Alliance's new initiative should provide important insights, and we hope policymakers closely examine the results in order to make fully informed decisions about such an important policy matter.”

Results of the polling are expected by summer.



The Alliance of Auto Manufacturers wants to raise the completion rate for recalls.

## Maryland MVA reminder on trade-in procedures

Maryland dealers: When processing a trade-in vehicle, it is imperative that you enter the correct VIN and the title number of the traded in vehicle.

To ensure that your customers do not receive insurance violations, tell them to cancel the insurance after the plates have been returned. If transferring registration plates, complete the deal as soon as possible so the MVA database will be updated with the correct information.

If you have questions or need more information, email the MVA at [mvablcsd@mva.maryland.gov](mailto:mvablcsd@mva.maryland.gov).

Are You...

- Paying competitively?
- Retaining your employees?
- Offering competitive benefits?

FIND OUT BY PARTICIPATING IN THE 2015

DEALERSHIP  
WORKFORCE STUDY

ENROLL NOW

Dealers who enroll in the study receive two free reports.

## NADA Dealership Workforce Study: Just one month left

Help yourself and help NADA by participating in the 2015 Dealership Workforce Study. Only NADA and ATD members can participate; it’s free to participate; and participation involves enrolling, completing a survey, and uploading payroll data.

Just for participating, members receive two valuable free reports. First is the *Basic Report*, customized to the individual participating dealership, comparing that store’s numbers to the aggregate numbers of peers in the dealer’s region and nationwide. Second is the *Industry Report*,

which provides overall analysis and trends, and statistics for every region of the U.S. Participants are also eligible to buy the *Enhanced Report*, which compares the individual dealership's numbers to peers who sell the same brands in the same state. "Numbers" refers to compensation for 60 job positions; retention, turnover and tenure; benefits; work schedules, and hours of operation.

The NADA Dealership Workforce Study is the most comprehensive study available for the retail workforce. With the data participants receive, they can adjust their pay plans and benefits so they're in position to attract and retain the finest workforce in their marketplace. To enroll, click [here](#).

## Crossovers, trucks push April sales up 5%

U.S. auto sales in April brought more of the same, which in this case was good – modest but steady sales gains of 5 percent, thanks to pent-up demand and low interest rates. Low gas prices continued to push up sales of light trucks, SUVs and crossovers, which together make up 54.8 percent of market share, according to NADA. Washington area light truck sales share is typically lower than the nationwide rate.

"The automotive retailing sector is continuing to outpace growth in the overall U.S. economy," said NADA Chief Economist Steven Szakaly. "Economic and employment growth were slower than expected in the first quarter but vehicle sales remain strong."

Most automakers reported sales gains, including Ford, which had been down in recent months but saw sales rise 5 percent in April. Sales of the all-new Edge jumped 78 percent. General Motors, Fiat Chrysler, Nissan, Toyota and Audi all reported gains.

"Consumer and commercial customer demand for pickups and utility vehicles has been building since last fall, and that's a clear sign that the slowdown in GDP growth during the winter months was caused by factors that are mostly transitory in nature," said Kurt McNeil, GM's U.S. vice president of sales operations. "The auto industry continues to be on track to have its best sales year since 2006." The seasonally adjusted annual sales rate in April was 16.5 million, lower than economists' forecast of 16.7 million.

The boom in crossovers is fueled by millennials starting families and by empty nester baby boomers who are ready to downsize but still want cargo space, Ford sales analyst Erich Merkle told *Automotive News*. Small and midsize cars lost the most market share.

In what may be the best news of all for dealers, the average retail transaction price rose more than 3 percent in the first quarter from the same period a year ago, to \$33,189. And Szakaly is optimistic about the rest of the year.

"The historically strong spring and summer selling season will be driven by new and redesigned vehicles as well as competitive financing rates, which bode well for auto sales over the next several months," Szakaly said. He expects gas prices to rise just 11 percent through the rest of the year.



The F-150 helped give Ford sales a 5 percent boost over a year ago.

## Consumer confidence retreats in April

Despite April's steady auto sales, the Consumer Confidence Index gave back all its March gain and more in April, according to the Conference Board. And that was before the bad news that the GDP grew only 0.2 percent in the first quarter.

"This month's retreat was prompted by a softening in current conditions, likely sparked by the recent lackluster performance of the labor market, and apprehension about the short-term outlook," said Lynn Franco, director of economic indicators at the Conference Board. Consumers' optimism about the short-term outlook, which had rebounded in March, retreated in April.

"There is little to suggest that economic momentum will pick up in the months ahead," said Franco.

## Sen. Warren earns 4 "Pinocchios" from Wash. Post Fact Checker



Sen. Warren said, wrongly, that dealer markups cost consumers \$26 billion a year.

The *Washington Post* Fact Checker gave Senator Elizabeth Warren (D-Mass.) its worst rating of 4 "Pinocchios" for saying that "auto dealer markups cost consumers \$26 billion a year." Warren has said she will push to reverse dealers' exemption from regulation by the Consumer Financial Protection Bureau (CFPB).

Warren used the \$26 billion figure in a recent speech at Bard College, drawing from a report by the Center for Responsible Lending, which describes itself as a nonpartisan, nonprofit organization that fights predatory lending. After some digging, the Fact Checker found that the report's figures were from 2009, in the middle of the Great Recession, and were based on a survey by a subprime lending association – so the figures were for subprime loans only. Even then, the figures from the survey didn't match up with the report's figures.

The *Post* uncovered many more layers of confusing and misleading "facts" that aren't really facts. Suffice it to say that the article doesn't put Senator Warren and her fight against dealers in a good light. NADA used the occasion to urge dealers to call their Member of Congress (especially if s/he is a Democrat) and ask them to cosponsor HR 1737, which would rescind the CFPB's misdirected auto finance guidance to lenders.

## Annual cost to own and operate a car is down

Thanks to a drop in gas prices and finance charges, the annual cost to own and operate a vehicle has fallen to \$8,698, a savings of about \$178 from last year, according to the American Automobile Association's 2015 study of driving costs.

The research looks at the cost of fuel, maintenance, tires, insurance, license and registration fees, taxes, depreciation and finance charges associated with driving a typical sedan 15,000 miles annually. Fuel costs fell 13.7 percent and finance charges plunged by 21 percent. All other costs rose.

In the U.S., a driver can expect to spend 58 cents for each mile driven, nearly \$725 a month, to cover the fixed and variable costs of owning and operating a car. Annual cost ranges from \$6,729 for a small sedan to \$10,624 for a four-wheel-drive SUV.

## More Americans likely to take road trip this year

Here's a potential marketing opportunity for your sales or service department: Six in 10 Americans says they are more likely to take a road trip of 50 miles or more away from home in 2015 if gas prices remain near recent levels. Younger Americans are more likely than older ones to take a road trip. Figures are from an American Automobile Association survey. Other findings:

- Only 13 percent of Americans report driving more because of recent gas prices. The results indicate that most Americans are unlikely to change their regular driving habits because of lower gas prices.
- About half of Americans believe that gas prices are too high at \$3.00 a gallon. The results indicate that Americans may have a lower tolerance for high gas prices now that everyone has gotten used to lower prices.

### Staying Ahead...

While we've seen a pullback in investments in other industries, particularly the oil-related ones, automotive retailing remains a growth industry.

--Steven Szakaly, NADA Chief Economist,  
on April auto sales

