



# THE WANADA BULLETIN

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

WANADA Bulletin # 19-13

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Thought for the Week...

## WANADA challenges Post columnist claim that Tesla's *dealerless* business model is sound

In response to Neil Irwin's column in The Washington Post last Wednesday, May 15, "Can Tesla break the costly auto supply chain?" WANADA sent a letter to the editor taking exception.

Here's the basis of WANADA's issues with Irwin's column.

"You can buy almost anything on the Internet," Irwin begins, to include "Uranium ore, wolf urine, a levitating hover scooter; but you can't buy a car straight from the factory." True enough on car buying. Consumers buy cars through dealers because car sales often involve a trade; they're also expensive, require titling, insurance, financing and scheduled maintenance to keep them running safely. Dealers handle all of this.

Irwin questions the dealer's role, musing through his column whether a consumer really needs "licensed dealers around to fix their car if it's a lemon or hold their hand through the purchase process." Then comes Irwin with the point of his column: *Enter Tesla*, which he says, relies on the Dell personal computer model to sell cars. Accordingly, the consumer simply enters his/her specs online, has the goods built to order and then delivered to the door (or garage, presumably, with a car.)

Alas, if only Tesla and other automakers were free of dealer licensing laws, to live by the Dell model and sell cars online, like PCs, Uranium ore and wolf urine. Car prices would be lower, because all the savings, otherwise going into dealer facilities, inventory, and employee salaries, would then get passed on to consumers. In Irwin's world, dealers, indeed, "would be leaner and

less profitable.” Or would they exist at all? Tesla’s sales model *doesn’t include dealers*, a fact that appears to have been lost on Mr. Irwin. WANADA didn’t miss it, and hence our letter to the editor at TWP “Buying a car is different than buying a computer and Tesla can’t change that.” For Irwin’s complete article and WANADA’s response to the Post, [click here](#).

## **Va. dealer board on July 1 and Tesla in Tysons**

At an especially lengthy meeting of the Virginia Motor Vehicle Dealer Board last week, Board members took up the issue of title tax rate that dealers collect and remit in light of the July 1 increase from 3% to 4% and the Tesla Showroom in Tysons Corner.

As to the rate of Virginia’s title tax dealers must remit, DMV says it must reflect the new rate of 4% on Monday, July 1 and thereafter. This will be the case whether the sale occurred before July 1 when only 3% was collected, meaning car owners will be responsible to pay the one 1% balance to DMV. To ensure that pre-July 1 car purchasers get the 3% title tax they signed up for, it has been suggested that dealers take care that title work is in hand at DMV by noon, June 29, since June 30 is a Sunday.

Because of the potential customer relations problems the sale date versus tax revision date can have, the attorney general is looking into the matter to see what might be worked out.

MVDB noted that although the Department of Motor Vehicles has denied Tesla’s request to sell vehicles, the automaker has opened a showroom in Tysons Corner Mall. Tesla says it is not selling cars there. MVDB asked the staff to investigate Tesla’s activities at Tysons, preparatory to a special meeting of the Board set for June 3 to discuss the matters.

After the MVDB meeting, a special committee met to discuss revisions to the Board’s advertising regulations. The meeting was the first step in following Governor McDonnell’s direction to consider outstanding regulations and the potential need for revision.

*(Thanks to attorney Michael Charapp of Charapp & Weiss for providing this information.)*

## **WANADA Open set for June 4 at Lansdowne Resort Popular golf skills events return and tennis competition set**

The dealer association’s annual golf tournament (WANADA Open) is returning this year to the incomparable Lansdowne Resort (Leesburg, VA,) Tuesday, June 4, 2013. Please join us for an action-packed day of camaraderie and competition.

If you don’t play golf, plan to be on hand for cocktails and dinner that evening, or come to play tennis or spend a few hours at the spa! And if past is prologue, the business networking at the WANADA Open is second to none!

Again this year there are three (3) golf skill challenges administered by Albatross Golf Events:

- The Lob Wall – Tests to see who can elevate the ball high enough to clear the lob wall
- The Glass Blast – measures ball trajectory to see who can break a pane of glass from 20 yards away, and
- The Money Putt – Pays \$2,500 to whoever can sink a fifty foot putt with one try.

The WANADA Special Events Committee has also instituted some improvements for this year's tournament to include the following:

- No golf cart restrictions
- 60 years and older will play from the White Tees; 59 years and below will play the blue tees
- Closest to the pin & longest drive prizes will be awarded for both Blue and White tee competitors

The WANADA Cup Competition will be open to all foursomes provided that each has a minimum of one dealer representative (each foursome will be designated Maryland or Virginia based on dealership location);

The winner of the WANADA Cup will be determined by totaling the scores of all VA foursomes and all MD foursomes, divided by their respective number of foursomes. The state with lowest average foursome score will win the title and the foursome with the lowest score on the winning state team will have their names added to the WANADA Cup plaque.

For tennis players, the Open Committee has arranged for a one-hour clinic with Lansdowne's tennis professional and day-long open play. Registration for the clinic, lunch, cocktails and dinner is \$125. Golf registration is \$250 per golfer. Cocktails and dinner only is \$100

The number of golfers for the WANADA Open is limited to 128 players. To book your golf foursome or tennis clinic online, click this link [WANADA Open](#) or, for a paper registration form which can be sent in via fax, click [here](#).

#### Schedule of events

9:00 am – 10:45am	Tournament registration and driving range warm-up
10:45am – 12:00 noon	Lunch on the patio
12:30 pm	Shot Gun start
1:00 pm – 2:00 pm	Tennis clinic
5:30 pm – 6:30pm	Cocktail Reception
6:30pm	Awards Dinner

For more information, call Kristina Henry 202-237-7200, ext. 18 or [kh@wanada.org](mailto:kh@wanada.org)

## Maryland MVA changes course on their prior use disclosure form

The Maryland Motor Vehicle Administration last week *reversed* instructions it published to dealers in a recent Bulletin dated May 2, 2013 having to do with the prior use disclosure form on used vehicle sales that it devised.

When MVA rolled out their VR-460 disclosure form on May 2, they reviewed the requirement that dealers disclose certain *prior use* of vehicles retailed to consumers to include daily rental, government vehicle, demonstrator, executive driven vehicle, taxi cab, and/or a vehicle subject to a state lemon law. The MVA's new form was provided to dealers to be helpful, as *an option*; not the only and required way for a dealer to disclose prior use. A dealer opting to use VR-460, however, is required to follow MVA's guidelines, such as executing the "under penalties of perjury" certification sign off.

Another requirement MVA referenced on May 2 was their insistence that a copy of VR-460 accompany the title work submitted to the agency. This is what MVA reversed in their follow-up Bulletin on May 14, saying that a copy of the prior use disclosure *does not* need to accompany the title work. They also reiterated that form VR-460 is optional, and another prior use disclosure format can be used. No matter how a dealer opts to disclose prior use, it must conform with the law, to include customer and dealer signatures with copies to the customer and dealer's "deal jacket" file.

For questions or concerns, email the MVA at [mvablcsd@mva.maryland.gov](mailto:mvablcsd@mva.maryland.gov)

## Md. MVA review of motor vehicle legislation from 2013

The Maryland Motor Vehicle Administration offers this (edited) summary of bills affecting dealers passed in the recently completed legislative session:

**Transportation infrastructure:** Increases the vehicle registration surcharge from \$13.50 to \$17.00 per registration year. Fee goes to the Maryland Emergency Medical Systems Operations Fund. Effective June 1.



HOV permits for plug-in electrics like the Nissan Leaf were extended until 2017 in Maryland.

**Electric vehicles:** Extends the use of HOV permits for plug-in electric vehicles (PEVs) until September 30, 2017. Also alters the definition of a PEV and allows the MVA to issue an HOV permit to a vehicle modified from OEM specifications and converted to a PEV. Effective June 1.

**Toll payment:** A vehicle may not be registered if the owner has not paid tolls. Effective July 1.

**Transfer of title and registration to surviving spouse:** A title fee must not be charged for a vehicle transfer jointly owned by spouses in Maryland when one spouse dies. Effective July 1.

**Short-term rental of motorcycles:** Adds motorcycles to the definition of rental vehicles for the purpose of calculating sales and use tax. Effective July 1.

**Extension of tax credits for electric vehicles:** Extends the excise tax credit for PEVs for fiscal 2014. There are three levels of credit, from \$600 to \$1,000, depending on battery capacity. The tax can be collected when the vehicle is titled. The owner must apply by filling out Form VR-334, having it signed by the dealer and sending it to the MVA. Effective July 1.

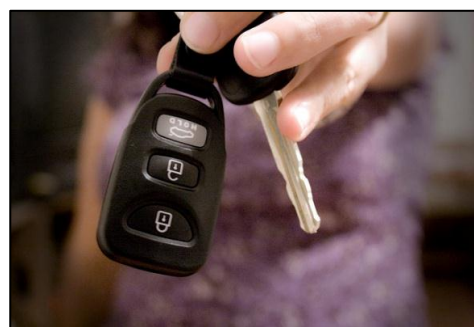
## Delinquencies and repos up, but still below recession levels

Sixty-day delinquencies rose 12.4 percent and repossessions jumped 16.9 percent in the first quarter compared with the previous year, Experian announced last week. The research firm's State of Automotive Finance report also found that 30-day delinquencies crept up 1.3 percent.

"When you compare the current finding with previous years, they are still lower than the recession-level rates," said Melinda Zabritski, Experian's senior director of automotive credit. She expects more increases as some of the newer subprime loans start to deteriorate.

Repos rose to 0.50 percent in the first quarter from 0.43 percent in first quarter 2012. They peaked at 0.71 percent in first quarter 2010.

Credit has gradually become more available as the recession has wound down. Since the first quarter of 2012, banks have increased their loan portfolios by \$20 billion, finance companies by \$18 billion, credit unions by \$14 billion and captive finance companies by \$12 billion.



Repos rose to 0.50 percent in first-quarter 2013. Photo by Caitlinator.

## Domestics are winners in "Total Quality" Index



Dodge Dart

For the first time in more than a decade, there were more domestic than import winners in Strategic Vision's Total Quality Index. Volkswagen Group of America was again named best overall corporation in Total Quality for the eighth year running. Audi tied with Lexus for best individual brand. Ford Motor Company is second, followed by GM and Hyundai Motor Corp. tied for third.

Individual models won in 21 different categories, ranging from the Dodge Dart for small car to the Lexus LS for luxury car to the GMC Yukon for large SUV. The study looks at more than 442 variables, focusing on "capturing the hearts and minds of the customer's decision-making," said Darrel Edwards, executive chairman of Strategic Vision.

## No surprise: SUV drivers fare better in crashes, study shows

A new study of crashes involving cars and SUVs found that crash ratings are much less important than vehicle type. In this case, bigger is better.

The University of Buffalo study found that in head-on collisions between passenger cars and SUVs, the car drivers were nearly 10 times more likely to die if the SUV had a better crash rating. Even if the car had a better crash rating, car drivers were more than four times more likely to die.

"When two vehicles are involved in a crash, the overwhelming majority of fatalities occur in the smaller and lighter of the two vehicles," said Dietrich Jehle, MD, professor of emergency medicine at Erie County Medical Center and first author of the study. Even when the two vehicles are of similar weights, SUV occupants still do better. In frontal



Cadillac Escalade: In frontal crashes, bigger is safer.

crashes, SUVs tend to ride over shorter passenger vehicles, crushing the occupant of the passenger car.

## Consumers want more automation in cars, says Cisco study

Consumers would like to extend their use of automation to buying and servicing their car, according to a recent study by Cisco of 1,500 consumers in 10 countries. Most begin their car purchasing process online. Half of the U.S. respondents said they trust third-party sites, but only one-fourth trust dealer or factory sites.

Nearly half of U.S. consumers said they would willingly buy their car at a mall kiosk or completely online. Nearly half of global consumers value the brand's reputation for adopting technology when buying a vehicle.

Consumers are willing to trade personal information for customization, security and savings. Nearly three-fourths of consumers globally would allow their driving habits to be monitored to save on insurance or service costs. More than 60 percent would share personal information such as height and weight, driving habits and entertainment preferences if doing so allowed a more customized driving experience.

Sixty percent of U.S. respondents said they would ride in a driverless vehicle. Nearly half said they would trust their children in one.

## U.S. Senate committee hearing looks at driverless cars

When the Senate Commerce, Science and Transportation Committee held a hearing last week on self-driving vehicles, senators said the cars held "great potential" but also heard concerns about cyberhacking.

"As our cars become more connected – to the Internet, to wireless networks, with each other and with our infrastructure – are they at risk of catastrophic cyberattacks?" asked Committee Chairman Jay Rockefeller (D-W.Va.). "Can some 14-year-old in Indonesia figure out how to do this and just shut your car down...because everything is now wired up?"

Sen. John Thune (R-S.D.) spoke of the potential of driverless cars to "help to drive the tech and manufacturing sectors and benefit our economy." He also said the cars could be especially helpful to disabled people, citing a YouTube video of a blind man driving an autonomous vehicle.

Mitch Bainwol, president of the Alliance of Automobile Manufacturers, spoke to the panel of the obstacles to autonomous cars: consumer acceptance, product liability, connectivity and fleet mix concerns. Contradicting the positive results of the Cisco survey (above), Bainwol said the Alliance's poll showed consumers are opposed to self-driving cars by a four-to-three margin.

National Highway Traffic Safety Administrator David Strickland told the Senate panel that NHTSA has asked for \$2 million for a new office on electronics and driving. "With electronic systems assuming safety-critical roles in nearly all vehicle controls, we are facing the need to develop general requirements."



Google's self-driving car

## Hearing set this week for DOT nominee; EPA nomination moves

The Senate Commerce Committee has set May 23 for the confirmation hearing for Anthony Foxx, President Obama's nominee for Secretary of Transportation. Foxx, a Democrat, is currently mayor of Charlotte, N.C., where he made major improvements to the light rail system. At least part of the hearing is expected to focus on the question of whether to permit use of electronic devices during airplane take-off and landing.

Obama's nomination for EPA Administrator, Gina McCarthy, was blocked for several days by Republicans on the Senate Committee on the Environment and Public Works. They submitted more than 1,000 questions for her to answer at the nomination hearing. But last Thursday, the committee approved her nomination on a party-line vote and sent it to the full Senate where a filibuster is possible.

## Popular vehicle sales skills session set for WANADA members, June 25-27



Sales class graduate Eugene Kim (left) with colleagues. Kim says, "The class empowered me when working with customers!"

Do you want your staff to burnish their sales skills? WANADA's Automobile Dealer Education Institute (ADEI) will present a three-day training class on Professional Selling Skills June 25 to 27. The intensive three-day session, conducted by WANADA's sister group from metro Atlanta garnered rave reviews from last year's graduates. Glen Cadelino of Capitol Cadillac says he was very happy with the class. "It should be taken by everyone every few years!"

James Elwell of Koons Kia has been promoted to sales manager since he took the class. "Saying, "It gave me a foundation of success."

Those who attend the program will learn showroom-tested sales techniques through

repeated role play to ensure understanding and long-term retention. Techniques and skills that will be taught include: interpersonal and consultative selling skills; how to gain early control of the sales process; how to conduct an effective consultation; how to perform a dynamic, value-building six-position product presentation; proper demonstration techniques; how to get a commitment to write the deal; how to walk the trade; the fundamentals of negotiating; how to T/O; proper delivery techniques, and proper owner and contact follow-up.

Dan Donahue of Manassas Chrysler/Dodge/Jeep/Ram says after he took the class last year, "I hit the ground running with confidence and was glad I didn't miss out!"

Don't let your people miss out either. The training will take place at WANADA headquarters. For information or to register, contact Kristina Henry at 202-237-7200.

**Thought for the Week...**

Let us not seek the Republican answer or the Democratic answer, but the right answer. Let us not seek to fix the blame for the past. Let us accept our own responsibility for the future.

--John F. Kennedy

**WASHINGTON AREA NEW AUTOMOBILE DEALERS ASSOCIATION**