

THE WANADA BULLETIN

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

WANADA Bulletin # 21-13

June 4, 2013

Headlines...

Like Virginia, Maryland regulators say Tesla can't bypass dealer licensing law

Members of Congress probe CFPB on its car loans investigation

WANADA now offering Bulletin sponsorships

Health insurers to offer plans through Md. health exchange

One forecaster believes Volvo and Mitsubishi will leave the U.S. But can you believe everything you read?

Car buyers use social media more now in deciding where to buy

Virginia consumers' optimism about economy is growing

DOT nominee's confirmation hearing goes smoothly

DC EV Grand Prix set for National Harbor, June 8

Staying Ahead...



Artist's rendering of a Tesla store with a single car model on display. Car orders and sales would take place online.

Like Virginia, Maryland regulators say Tesla can't bypass dealer licensing law

Tesla got its answer from the Maryland Motor Vehicle Administration as it did earlier from Virginia's Department of Motor Vehicles: No, the electric vehicle manufacturer may not skirt dealer licensing laws to retail cars without dealers. Counsel to Maryland's MVA said as much in a written opinion that the agency doesn't have the authority to grant a waiver.

On point, Maryland's Dealer Licensing Law states clearly that only licensed dealers may retail motor vehicles. Maryland's law also specifies requirements for dealer locations, and indeed bars manufacturers from retailing vehicles directly to consumers. Dealers must have a fixed retail location where selling vehicles is the principal business, and there must be a repair facility onsite or at a proximate location nearby.

In the Washington area, as elsewhere across the U.S., Tesla aims to sell vehicles directly to consumers through an online ordering system. The manufacturer has an information center in Tysons Corner, Virginia, but the website says specifically that it is *not* a dealership. The likely reason for Tesla's Tysons disclaimer is the Virginia DMV's finding, in line now with that of the Maryland MVA, that the electric automaker could not legally retail vehicles in the commonwealth without dealers. As it stands in Maryland, Tesla has a service center in Rockville.

With the Texas legislature just last week *rejecting* bills that would have enabled Tesla to sell directly to consumers there, NADA is challenging Tesla's quest to go *dealerless* in the court of public opinion, evidenced by today's article on the subject in *Reuters*.

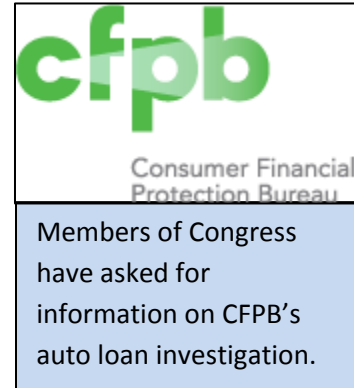
Members of Congress probe CFPB on its car loans investigation

Several Democratic members of the House Committee on Financial Services wrote the Consumer Financial Protection Bureau for background information on an advisory they published to lenders they regulate amid allegations of racial discrimination by dealer credit arrangers in consumer auto loans.

The letter from Congress is in response to CFPB guidance last March that advises indirect lenders it regulates to impose controls on markup their dealer clients do as credit arrangers for consumers. Additionally, CFPB wants lenders to monitor the effects of dealer markup on fair lending compliance, even to the point of *ending* dealer discretion to mark up buy rates entirely.

The May 28, 2013 letter from Members of Congress asks the CFPB to provide "any and all background information" about alleged discrimination in auto lending. Members of Congress also are probing the Bureau's allegations, methodology and expectations for compliance. The letter seeks clarification from regulators by June 7. Among the signers is John Delaney, Maryland's newest congressman from the sixth, western-most district. Five others are members of the Congressional Black Caucus.

"The CFPB is fundamentally changing the multibillion-dollar automobile marketplace and yet the bureau is not clear on how their actions will impact auto lending, consumers or the economy," said Damon Lester, president of the National Association of Minority Automobile Dealers, in a statement to Bloomberg, which first reported the story. NAMAD's Lester also wrote President Obama recently to *deny* the allegations by CFPB of racial discrimination in auto dealer loan arranging and to complain about overreach by the newly established agency.



WANADA now offering Bulletin sponsorships

If you are a WANADA Kindred-line member who wants to reach executive decision makers at new automobile dealerships, you will want to take advantage of the first-ever opportunity to advertise in the *weekly* WANADA Bulletin. Banner ads (728 x 90 pixels) can now be purchased in the *WANADA Bulletin*. Rates start at \$1,500 per quarter. Please contact Bob Storin at 301-335-8289 or Bob@StorinAssociates.com for more information. You must be a WANADA Kindred-line member to participate.

Health insurers to offer plans through Md. health exchange

When the Maryland Health Benefit Exchange starts signing up individuals for insurance in October for coverage starting next January, health insurance companies plan to participate, reports the *Washington Business Journal*. The major companies – CareFirst BlueCross BlueShield, United Healthcare and Aetna – will all offer plans, as will several smaller insurers. Cigna will not participate since it does not offer individual or small group plans in the state.

The companies have submitted their plans and rates to the Maryland Insurance Administration, which expects to rule on the proposals in July. CareFirst has proposed a 25 percent increase for its individual plans, and United Healthcare has asked for a 15 to 28 percent increase for its small group plans.

Maryland's small business health exchange is expected to start enrollment next January and coverage by March.

One forecaster believes Volvo and Mitsubishi will leave the U.S.

But can you believe everything you read?

Every year, 24/7 Wall St., a news and opinion website, picks ten brands it says will disappear from the U.S. market in the next 18 months. Among them this year are Volvo and Mitsubishi.

The major criteria for all the companies: declining sales; disclosure by the parent company that it could go out of business; rising costs that are unlikely to be recouped through higher prices; and declining market share.

Explaining Volvo's position on its list, the news site says the OEM has too much competition – from mid-luxury models from every large automaker in the U.S., including giants GM and Toyota, along with low-end models from BMW, Mercedes and Audi.

The same analysts predicted the demise of Mitsubishi before this year, noting that U.S. sales of the Asian automaker have declined since 2012. The news site also points to a comparative low U.S. market share of 0.3 percent from April 2013.

On the other hand: 24/7 Wall St. predicted the Oakland Raiders wouldn't make it to 2013. The Raiders, of course, are still very much alive and well.

Car buyers use social media more now in deciding where to buy

It's no surprise that car buyers are using social media more than ever to help them decide where to buy. But a recent study shows that consumers find review sites much more helpful than dealership sites. And they are much more likely to trust a review from a Facebook friend than reviews on other sites.

Digital Air Strike surveyed 2,000 consumers who had bought a car in the past six months and, separately, surveyed 650 dealerships. The majority of buyers said they consider review sites "helpful" in their decision about where to buy. More specifically:

- 24% consider review sites the most helpful factor in their purchase decision.
- 15% consider dealership sites the most helpful.
- 81% of buyers who use review sites said they look at review scores.

- Car buyers use the top five sites 13% more than they did just 6 months ago. The top five are Cars.com, Edmunds.com, Google+ Local, Yelp and Yahoo.

Is it worthwhile to advertise on Facebook? The study found that 27 percent of car buyers click on mobile ads on Facebook. Clicks on dealership ads more than doubled from October 2012 to April 2013, to 39 percent.

Virginia consumers' optimism about economy is growing

Virginians' optimism about the economy is growing, with Northern Virginia residents the most optimistic, according to a recent poll by Roanoke College. Researchers interviewed 603 residents about their financial situation, general business conditions, their inclination to buy large household items and their thoughts on near-term prices.

Statewide, the Virginia Index of Consumer Sentiment rose to 80.9 in May, a 12 percent increase since the first quarter of 2013 but a few points below the national index. Virginians are *more* optimistic than the rest of the country about current conditions. More than 37 percent of those surveyed believe their finances will improve in the next year and more than 41 percent expect improving business conditions.

Northern Virginians are the most optimistic about current conditions. Nearly 45 percent believe it is a good time to buy large, durable items such as furniture or kitchen appliances. Low prices are cited as the main reason. Northern Virginia's low unemployment rate of 5.2 percent no doubt helps.

Statewide trends show both reduced job volatility and a downward trend in initial unemployment claims. And Governor Bob McDonnell's recent signing of the transportation bill is expected to bring 13,000 new jobs annually in the next five years. Researchers also cite recent reductions in gasoline prices as a boost to consumer sentiment.

Nationally, the Conference Board Consumer Confidence Index hit a five-year high in May. "Back-to-back monthly gains suggest that consumer confidence is on the mend and may be regaining the traction it lost due to the fiscal cliff, payroll-tax hike and sequester," says Lynn Franco, director of economic indicators at the Conference Board.

DOT nominee's confirmation hearing goes smoothly

Foxx promises to focus on safety, efficiency, expansion of transportation

Both Republican and Democratic members of the Senate Transportation Committee seemed pleased with the outcome of the confirmation hearing for Transportation secretary nominee Anthony Foxx, according to *The Hill*.

"I adjourn this hearing on the presumption that you will ride the fast rail right to the secretaryship," said committee chairman Jay Rockefeller (D-W.Va.). Sen. Roy Blunt (R-Mo.) said that the nomination appeared "noncontroversial."



Foxx promised to improve current infrastructure before seeking funds for new construction. Photo by Baytownbert.

Foxx listed safety, efficiency and expansion of the transportation network as his top priorities. He said he would try to improve current infrastructure before asking for money for new roads and transit. Sen. Rockefeller urged Foxx to fight for transportation funding, as outgoing Secretary Ray LaHood has done.

The current two-year transportation bill “achieves many things that I think are important...but clearly we need a longer surface transportation bill,” Foxx said. LaHood recently called the bill, which expires in September 2014, “a little chintzy.” Part of the problem is that falling revenues from the gas tax, which hasn’t been raised in many years, no longer cover road and transit needs. The nation’s infrastructure is badly in need of repair and recently received a grade of “D” from the American Society of Civil Engineers.

DC EV Grand Prix set for National Harbor, June 8



First the Soap Box Derby, now a race by high school students using the technology of tomorrow. This Saturday, area students will compete in an electric vehicle version of the Grand Prix, the DC EV Grand Prix, at National Harbor. The youngsters have applied engineering, science and math principles to construct battery-powered EVs, and now they’re going to race them.

Participants in the race have called on a variety of skills, improving their understanding of renewable energy technologies and project

management, and, of course, working in a team.

The EVs are single-person, lightweight electric-motor-driven vehicles with three wheels. Required to meet specific design and safety rules, they are powered by deep cycle lead acid battery packs weighing a maximum of 73 pounds (33 kg). Teams drive their vehicles as far as they can for an hour on a closed loop course using only energy stored in their batteries. The winner is the team that covers the longest distance in the hour.

For the June 8 race, technical qualifications will start at 9:00 am and race kickoff at 12:00 noon. For more information, click [here](#).

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
U.S. baseball manager
1890-1975