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

NADA presents value of franchised system to the media

The franchise system gives consumers easy and reliable access to maintenance and warranty repairs of their vehicles. Photo by Christopher Ziemnowicz

In an effort to defeat attacks on the dealer franchise system by Tesla's Elon Musk and Federal Trade Commission officials, NADA has launched a media campaign showing the benefits of the current way of selling cars.

As part of the campaign, the NADA is showcasing a report it commissioned on the consumer benefits of the franchise system by none other than Maryann Keller, longtime Wall Street analyst and now managing partner of Maryann Keller & Associates LLC. "The consumer benefits of an independently owned franchise system arise not only from each dealer's ability to support the elements of every car purchase beyond simply determining the purchase price, but also from the fact that national franchise networks foster competition and therefore ensure fair market pricing in new and used cars and with service," the report says.

There is good evidence that most car buyers are very pleased with their dealership experience, Keller writes. Dealers enable buyers to: educate themselves about market prices and car specifications; obtain competitively priced financing; have immediate access to inventory, to vehicle maintenance, and to warranty and recall repairs; and to sell their trade-ins.

Keller's report also examines the pitfalls of a factory-owned system. First, it would be "a monopoly where the manufacturer sets prices for new and used cars, service and, perhaps even financing." Second, contrary to popular assumption, the automaker would *not* pass along savings to the consumer. Third, the manufacturer would not be as objective as an independent dealer in addressing customer complaints. Fourth, as dealers are well aware, an automaker does not need to own its sales outlets to ensure that its product is sold in a way it considers appropriate.

The *Detroit News* published a commentary by Keller that was a condensed version of the report. *Automotive News* has reported on NADA's campaign. And NADA has created a website, www.nada.org/getthefacts, about the benefits of the franchise system. It includes Keller's report, a fact sheet about the benefits to consumers, an overview explaining the need for dealer franchise laws, a section of Frequently Asked Questions, a report on why the franchise system works best for manufacturers, an *infographic* and a press release. Two videos are available for download.

WANADA members will find the NADA defense of the franchise system informative, compelling and helpful, particularly in fielding any questions that might come forward from the media.

Health care update for Maryland and Virginia

Wide variance projected for 2015 health premium changes

At this point, health coverage premium increases for 2015 are only requests from insurance carriers.

CareFirst, Maryland's biggest health care insurer, has filed a request with the state Insurance Commission to hike premiums for individual plans by 23 percent to 30 percent. Kaiser Foundation Health Plan and Evergreen Health Cooperative have proposed *dropping* their rates by 12 percent and 10 percent, respectively, for individuals getting coverage through the state exchange. In Virginia, the proposed rate increases range from 3.3 percent to 14.9 percent.

As the Affordable Care Act continues to roll out across the country, insurance companies in each state propose rates that must be approved by the state insurance commission. Last year, CareFirst requested a 25 percent increase in Maryland, but was permitted only 15 percent. Analysts said Maryland's 2014 rates are comparatively low, according to the *Washington Post*. Maryland's health secretary, Joshua Sharfstein, attributes this to competition among insurers, the *Post* reports.

CareFirst's proposed rate increases for 2015 were also on the high end in Virginia, at 14.9 percent. Kaiser has requested rate increases of 3.3 percent in Virginia. WellPoint Inc. anticipates an average 8.5 percent increase across Anthem HealthKeepers Inc., with individual plans offered in Virginia, ranging from 0.5 percent to 16.6 percent, according to the *Wall Street Journal*.

Legislation to trump CFPB overreach and preserve dealers ability to arrange car loan rates

After intense lobbying by NADA and other associations, the House Financial Services Committee passed a bill aimed at retaining dealers' ability to set interest rates on retail auto loans. The Bureau Guidance Transparency Act (HR 4811) aims to address problems created by the Consumer Financial Protection Bureau's auto lending guidance of March 2013.

CFPB alleges dealers cause "disparate impact" against minorities who unfairly receive higher rates on car loans.

The guidance warns lenders that dealer markup of indirect auto loans may lead to discrimination against African Americans and Hispanics. To avoid such discrimination, the CFPB advises lenders to impose controls on dealer markup of auto loans. The agency has recommended flat fees as a way to prevent discrimination, even unintended.

In a letter cosigned by five automotive and financial associations and sent to the members of the House committee, NADA wrote, "The Bureau embarked on this new policy, by its own subsequent admission to Congress, without first studying what impact these policy changes would have on the auto finance market, or the marginally creditworthy." The cosigners are the Auto Alliance, the American Financial Services Association, the American International Automobile Dealers, the Recreation Vehicle Industry Association and the National RV Dealers Association.

The bill, which passed the committee on a bipartisan vote, requires greater transparency and opportunity for public participation before the CFPB issues guidance. "Had the CFPB solicited public comment before issuing its auto finance guidance," NADA's letter continues, "it would have learned that its new approach would likely: (1) raise credit costs for all consumers; (2) decrease access to credit, especially for the marginally creditworthy; and (3) not address the disparate impact problem it alleges." *Disparate impact* means that members of protected groups such as minorities may be charged higher interest rates and so could be unfairly discriminated against, even if the discrimination is unintended.

HR 4811 requires the CFPB to conduct a public notice and comment period before issuing guidance. NADA urges dealers to contact their member of Congress to support the bill.

Md. dealer processing fee maximum goes to $300, July 1

Dealers need to adhere to specific requirements when charging the fee

As a result of legislation passed into law by the Maryland General Assembly a few years back, the maximum level a dealer may charge a vehicle purchaser goes from $200 to $300, effective July 1, 2014. The law in the Transportation article at section 15-311.1 frames a context along with specic requirements a dealer charging the fee must observe.

Most importantly, processing fees charged to vehicle buyers are made at the dealer's option and can be at any level the dealer sets so long as they do not exceed the legal maximum, which goes to $300 this July. The fees in any case must reasonably reflect expenses that are incurred with the paperwork processing resulting from the dealer selling the vehicle to the consumer. The law provides that a dealer charging a processing fee must disclose to the buyer in writing the list of services that are the basis of the processing fee *if* the buyer wants to know what the fees represent.

Generally, a dealer charging a processing fee must include a disclosure of the amount of the charge on the contract of sale for a vehicle via a statement, presented in no less than 12 point type, that says "Dealer processing charge (not required by law): $ ______." This same disclosure, additionally, must appear in a price statement attached to the window of any vehicle a dealer is offering for sale, next to any other price disclosure required by law. The dealer's price statement must set forth the total sale price the dealer is asking, with the processing fee included and the disclosure appearing above the total price; taxes and title fees payable to the state maybe excluded from the total price. The window sticker processing fee disclosure must be in at least 10 point type.

Correspondingly, the processing fee must be disclosed by the dealer in any advertised in the same manner that freight charges are disclosed, such that the total advertised price must include the processing fee and freight, unless the ad clearly and conspicuously discloses, in 10 point type proximate to the advertised price, the amount of the processing fee and freight charge.

Finally, Maryland dealers need to know the Motor Vehicle Admistration's position is that processing fees are subject to vehicle title tax and, accordingly, must be figured in for tax collection purposes and remitted to MVA.

Maryland dealers charging processing fees should ensure that all staff involved in vehicle sales operations are up to date and fully familiarized with the related legal requirements.

Virginia dealer reminder

Virginia title tax increases .05% July 1, from 4.0% to 4.05%

In accordance with the tax package the Virginia General Assembly passed in 2013 which, among other things, raised the title tax on motor vehicle sales from 3% to 4% on July 1 a year ago, the same provision calls for a .05% increase per year thereafter until the title tax finally tops out at 4.15% on July 1, 2016. As such, Virginia's title tax on vehicle sales goes from 4.0% to 4.05% July 1, 2014. Virgnia dealers must take care that vehicle sales professionals and tag and title operations are ready to go with the title tax increase to 4.05% on vehicle sales occurring on or after Tuesday, July 1, 2014.

Tammy Darvish will take a third term on NADA Board

WANADA is pleased to report that NADA reports that Tamara Darvish of DARCARS has been re-elected by member dealers in the Metropolitan Washington Area to a third, three year term on its Board of Directors that will commence at the NADA Convention in San Francisco next January, 2015. As it does well in advance when staggered positions on its national dealer board are set to expire, NADA's corporate people conduct a ballot of member dealers in the director district to determine who will be elected or re-elected from that district. The balloting, which was conducted here over the past six weeks, resulted in Ms. Darvish being re-elected to the NADA Board, unopposed.

As it has done with Ms. Darvish over the past five years, WANADA works closely with NADA's director for Metro Washington to take care that WANADA is properly plugged-in to

NADA's national level agenda and activities for the benefit of our mutual dealer members. Among other things, NADA's director for Metro Washington is an honorary member of WANADA's Board of Directors to facilitate the inter-association information exchange that is required to ensure the regional and national dealer organizations are coordinated as they must be.

Besides Metropolitan Washington, there are a total of 57 state and major markets that are represented on NADA's Board that in turn represent dealers across the U.S. Besides four major metropolitan regions and 50 states represented at NADA, three states have two representatives each, the positions for which are determined geographically.

WANADA is appreciative of the considerable time and effort Tammy Darvish has put in at NADA on behalf of WANADA dealer members over the past five years and looks forward to continuing to work together productively.

NADA provides overview of its Fair Credit Compliance Program

Even as NADA is working on repeal of the Consumer Financial Protection Bureau's auto lending guidance, the association offers a program and template to help dealers comply with fair credit laws. NADA's Fair Credit Compliance Policy & Program at a Glance provides a general overview of the optional program. Available at www.nada.org/faircredit: the cover memo from NADA, AIADA and NAMAD releasing the NADA Fair Credit Compliance Policy & Program; pdf's of the program and the program at a glance, and an MS Word template of the program (requires NADA member log-in). Complementing NADA's good work with their new compliance publication was WANADA's legal briefing for dealer members last month with a distinguished panel of fair credit experts, including lawyers Paul Metrey of NADA's legal group and WANADA Kindred-Line member and dealer attorney Mike Charapp.

Dealers spend 22% of pre-tax net profits on regulatory compliance

You knew you spent a lot of staff time and dealership money complying with federal regulations, but now NADA has quantified it. In 2012, the average dealership spent $182,754 in federal regulatory compliance costs. That comes to 21.7 percent of the average dealership's 2012 before-tax net profits, nearly $2,400 per employee. The study, commissioned by NADA, was conducted by the Center for Automotive Research.

Most of the costs are for regulations on employment, accounting and vehicle financing. The rest cover business operations, sales, marketing and vehicle repair and maintenance. The 60 federal regulations the study looked at are "a mere subset of the full catalogue of federal regulations with which light vehicle dealerships must comply," the report says.

The $3.2 billion that dealers spent on regulatory compliance in 2012 was passed on to consumers in the form of higher prices. "The overall impact on the U.S. economy – including direct, indirect, and expenditure-induced effects – is estimated at $10.5 billion in lost economic output and more than 75,000 fewer jobs in 2012," says the report.

The cost estimates were based on information from eight dealerships, one in Maryland and the rest in Michigan and Ohio. The dealerships were not named.

Proposed CO2 regs would cause $51 billion loss in GDP by 2030

Many coal plants would be shut under proposed EPA regulations, hurting GDP. Photo by Arnold Paul, cropped by Gralo.

The Environmental Protection Agency's proposed regulations for coal plants could have a drastic effect on the economy, says a new report from the U.S. Chamber of Commerce. The proposal would shut many coal plants in an effort to cut carbon emissions 42 percent from 2005 levels by 2030.

The Chamber estimates that average annual GDP would be reduced by $51 billion and 224,000 fewer U.S. jobs would be created every year through 2030 as a result of the regulations. The shuttered coal plants would be replaced by natural gas plants with carbon capture and sequestration, renewables and some nuclear energy. The changes mean consumers could be expected to pay nearly $190 billion more for electricity between 2014 and 2030, the report says.

"Spending in pursuit of regulatory compliance rather than economic expansion will lead to an overall drop in U.S. economic output," says the report. "The subsequent negative impacts on GDP and employment will exert additional downward pressure on disposable income and consumer spending."

The South Atlantic, which includes Maryland, DC and Virginia, would be hit the hardest in terms of GDP and lower job numbers, according to the report.

Seven in 10 North American pickups will be aluminum by 2025

More than 75 percent of all new pickups produced in North America will be aluminum-bodied by 2025, according to a survey of automakers conducted by Ducker Worldwide for the Aluminum Transportation Group. The study surveyed all major automakers and found that Ford, General Motors and Fiat Chrysler will be the biggest users of aluminum in the next decade.

The survey forecasts that vehicles with complete aluminum body construction will reach 18 percent by 2025, up from less than 1 percent today. Pickups, SUVs, and midsized and full-size sedans will be the leaders, with more than 20 percent of SUVs and full-size sedans expected to be aluminum.

Staying Ahead...

Outstanding leaders go out of their way to boost the self-esteem of their personnel. If people believe in themselves, it's amazing what they can accomplish.

--Sam Walton, founder of Walmart
1918-1992