THE WANADA BULLETIN

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

WANADA Bulletin # 26-13 **July 10, 2013**

Reprieve until 2015 on employer mandate for health care law:
But what does it mean?

White House plans to simplify reporting requirements for health care law.

In well publicized news accounts last week, the Obama administration delayed until January 1, 2015, the employer mandate under the health care law that requires businesses with 50 or more employees to offer health insurance to those working 30 hours or more a week.

Starting in 2015 (not 2014, as was the case until the administration intervened last week), employers must pay a fine of up to $3,000 per uninsured employee or $2,000 per employee if they opt not to offer coverage. The other part of the mandate that has been put on hold is a complex set of reporting requirements; that is to say, including the value of the benefits offered, which employees they were offered to, any waiting period, and the dates when coverage was offered. A Treasury official said in the blog post announcing the delay that it plans to simplify the reporting requirements and give employers a chance to adjust their reporting systems.

"We have heard concerns about the complexity of the requirements and the need for more time to implement them effectively," the blog post reads. "And we are taking action." The administration encourages employers who already offer insurance to comply *voluntarily* with the reporting requirements in 2014.

The administration plans to publish guidance about the transition to the new reporting systems in the next week. And it expects to publish proposed rules this summer on reporting by self-insuring employers and other insurers, "after a dialogue with stakeholders."

The WANADA Bulletin is a membership publication published weekly by the Washington Area New Automobile Dealers Association
5301 Wisconsin Avenue, N.W., Suite 210 • Washington, DC 20015 • Tel: (202) 237-7200 • Fax: (202) 237-9090

The delay does not affect the requirement that all individuals have insurance by January 1, 2014, or pay a penalty. State health exchanges – whether run by the state or city, as with Maryland and DC, or by the feds, as with Virginia – must be open for enrollment by October 1, 2013, with insurance coverage to begin January 1, 2014. Some employees may be eligible for a subsidy if they enroll in the state exchange initially, but they could lose it in 2015 if their employer starts offering affordable and adequate coverage, as defined by law.

WANADA recommends that dealers begin to think about ways to comply with the law and avoid penalties. Questions may be directed to John O'Donnell, 202-237-7200 or jod@wanada.org.

Best June in 6 years keeps U.S. auto sales in front of recovery

June sales exceeded analysts' expectations.

If June's good news on vehicle sales lasts, it is safe to say the auto industry is booming again. In the best sales month in six years, June sales rose 9 percent from a year ago. Year-to-date sales are up 8 percent. And the SAAR (seasonally adjusted annual sales rate) for the month is an impressive (and unexpected) 15.98 million. Analysts' sales forecasts for the year range from 15.3 million to 15.5 million.

"Even moderate economic growth will be enough to keep the auto sales rate in the second half of the year at healthy levels, around the mid-15 million-unit mark," General Motors chief economist Mustafa Mohatarem said in a statement.

June sales were driven by pent-up demand, low interest rates and the ever gradually recovering economy. Pickups, small cars and crossovers were all big sellers.

Importantly, transaction prices also rose. The average transaction price of new vehicles sold through mid-June was $28,900, the highest ever for June, according to J.D. Power and LMC Automotive.

As in recent months, Ford improved at a greater rate than other brands, boosting sales 13 percent. Sales of Ford's small cars were up 39 percent. But all the Detroit Three did well, with Chrysler sales up 8 percent and GM's up 6.5 percent. Indeed, Chrysler saw its 39th straight month of increased sales.

Individual truck models blew sales out of the water. Chevrolet Silverado sales rose 29 percent, GMC Sierra's 33 percent, Chrysler Ram's 23 percent and Ford F-series' 24 percent. Without trucks, GM sales would be up only 1 percent. Many of the truck sales were to fleets, which needed more construction vehicles to keep up with rising new home demand, another positive indicator for the economy.

International brands did well, too, taking 53.5 percent of the market. Nissan sales rose 13 percent (no doubt helped by price cuts across the lineup in May), Toyota was up 10 percent (its trucks up 14 percent) and Honda 10 percent. Mercedes saw its 44th straight month of sales gains. Subaru sales jumped 42 percent.

CFPB responds to House Democrats' letter on auto lending

The Consumer Financial Protection Bureau responded to a letter by several House Democrats requesting background information on the CFPB's March guidance to banks and financial institutions making auto loans, alerting them to possible racial discrimination by dealer credit arrangers. The letter was signed by Director Richard Cordray, who resigned at the end of June. The *WANADA Bulletin* originally reported on the Democrats' letter in a previous issue; it was followed by a similar request by several House Republicans.

In answer to the inquiry by members of Congress, CFPB said its examination of an indirect auto lender would include "a review of credit denials, interest rates quoted by the lender to the dealer (called 'buy rates'), and any discretionary markup of the buy rate by the dealer." The Bureau examines the prospect of discrimination on a case-by-case basis.

CFPB lists a few ways a lender may address the risk of discrimination: "imposing controls on dealer markup and compensation policies," revising the policies to prohibit unexplained pricing disparities, or "eliminating dealer discretion to mark up buy rates and fairly compensate dealers using another mechanism that does not result in discrimination."

CFPB, then, is simply reiterating for the members of Congress its original position on lender compensation of dealer credit arrangers, that being the agency's preference for flat payments as opposed to sliding rates. NADA and the National Association of Minority Auto Dealers (NAMAD) continue to support the existing lender to credit arranger approach, while adamantly denying CFPB's view that dealer discretion in credit rating car buyers is tantamount to illegal discrimination when minority car buyers are involved.

Foxx sworn in as DOT chief; LaHood bids farewell

The new Secretary of Transportation, former mayor of Charlotte, N.C., Anthony Foxx, has been sworn in. He has said he would continue outgoing Secretary Ray LaHood's work on distracted driving and also push for more funding for the nation's infrastructure.

DOT Secretary Foxx has said improving infrastructure will be one of his priorities. Photo by Randy and Sharon Green.

"We must work together across party lines to enhance this nation's infrastructure," Foxx said when President Obama nominated him in April. As mayor of Charlotte, Foxx was known for his support of light rail.

Sen. Jay Rockefeller (D-W.Va.), chairman of the Senate Transportation Committee, called Foxx a "superb and qualified person who is very much needed to oversee our enormous transportation system, which is in trouble," according to *The Hill*.

In LaHood's farewell at the National Press Club, LaHood said two of his proudest achievements were the cash for clunkers program and raising the fuel economy standards to 54.5 mpg by 2025. His final blog post focused on the need for a variety of transportation choices in addition to cars, but he noted "we know that people will continue to drive cars." He mentioned that DOT is looking at "vehicle-to-vehicle communication, or cars talking to cars."

Asked at the Press Club about DOT's shift in focus away from cars, LaHood said, "It seems like they're selling a heck of a lot of cars these days," reports *The Hill*. But "the kind of vehicles that people drive, I believe, will change dramatically. By 2025, every family in America will likely have some kind of hybrid." Outgoing DOT Secretary LaHood, a speaker at the last two Washington Auto Show Press Days, remains an advocate of robust advanced technology in the auto industry.

Maryland's transportation in 2035: Plans have begun

Not well known is Maryland's 20-year vision for transportation called the 2035 Maryland Transportation Plan (MTP). The final version will be released in January 2014 as part of the State Report on Transportation. In the meantime, the state is working on a draft 2035 MTP, to be released later this year for public comment.

The plan's vision emphasizes sustainability, balance and a "multimodal transportation system that supports the safe and efficient movement of people and goods." The goals and objectives cover community vitality, safety and security, quality of service, environmental stewardship, economic prosperity and system preservation. That is the order of priority based on public comments.

For more information on 2035 MTP, click here.

Auto buyers now spend more of their purchase process online.

Role of traditional media in auto sales process drops as consumers spend more time online

The amount of time consumers spend shopping for a car has decreased dramatically in the past two years, but the percentage of that time spent online has risen substantially. That's the conclusion of a new study commissioned by AutoTrader.com and done by R.L. Polk.

First conducted in 2011 and again in 2013, the study showed that buyers who used the Internet spent 13.75 hours shopping for a new vehicle, down 5.25 hours since 2011. Used car buyers who used the Internet spent 15.25 hours shopping, down 2.75 hours.

Consumers are now spending a greater proportion of their shopping time online. Internet shopping rose from 60 percent of shopping time to 75 percent. The change was likely caused by improved listings, better online merchandising, greater use of mobile devices and a recovering economy, says AutoTrader. The study also found that the role of traditional media in the shopping process has decreased notably. For new car buyers, the use of TV in shopping dropped from 34 percent to 22 percent. Print newspapers and direct mail saw smaller declines. Used-car shoppers saw similar decreases.

"We know from the study that buyers who use the Internet are spending the most time on third-party sites, so dealers and automakers should ensure they are marketing their brands, their dealerships and their inventory where the active car shoppers are going online," says Kevin Filan, AutoTrader's vice president of customer relations and industry relations.

Among Internet users, 62 percent of used car buyers and 47 percent of new car buyers said the Internet was the primary source that led them to the dealership where they bought a car.

Staying Ahead…

Men who respond to good fortune with modesty and kindness are harder to find than those who face adversity with courage.

--Cyrus the Great