

THE WANADA BULLETIN

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

WANADA Bulletin # 26-14

Happy Birthday America!

July 3, 2014

Headlines...

O'Donnell officially becomes WANADA CEO this week

OEMs quit suit over Fla law reimbursing dealers for warranty

NJ Assembly votes 77-0 to allow Tesla direct sales stores

Despite action by MD legislators to freeze rental car title fees, the rate goes from \$50 to \$100, July 1

Register for WANADA Flu Shots

Maryland sets up EV Recharging Equipment Rebate Program

AAA calls it: Maryland, DC drivers have the most accidents

U.S. auto sales hit astonishing 17 million, SAAR

Recall repair rate is only 25%, even when notices are sent

Audi, Jaguar, Kia are top brands in Total Quality Index

Edmunds, *Chief Executive* pick best play cars for CEOs

Hybrids will depreciate faster than gas vehicle, says NADA

Thought for the Week on the 4th of July...

O'Donnell officially becomes WANADA CEO this week



John O'Donnell

For the first time in 32 years, WANADA has a *new* chief of staff. Effective Tuesday of this week, July 1, 2014, John P. O'Donnell officially became president & CEO of the Washington Area New Automobile Dealers Association, taking over from Gerard N. Murphy, who held the post since 1982.

"To be sure, I'm new as chief of staff here at WANADA, but I'm anything but new to WANADA or its staff," President O'Donnell said, referring to his 13 year tenure as a WANADA executive and an earlier business relationship with the WANADA dealer organization that antedates that experience by an additional 10 years. "I'm not old, but I've been around WANADA in one way or another for 20 *plus* years starting when I was MDIPA's rep on WANADA's group insurance plan in the early 1990s," said O'Donnell, 46. "Through it all, I'm fortunate not to be

superstitious, because if I was, I'd likely be a bit creeped out right now recalling that my first day on staff at WANADA was Tuesday, September 11, 2001 –for real! Then this week, I'm promoted to CEO, again on a Tuesday, and in the lucky 13th year of my staff tenure."

Shortly after graduating with a business degree from Loyola University in Baltimore, O'Donnell launched his career in insurance marketing at MDIPA in Rockville, Md, where, as mentioned, he interacted early on with WANADA's employee benefits programs. He joined WANADA in 2001 to reorganize the dealer association's Group Insurance Operations into the full service insurance agency it is today that offers the complete gamut of employee benefits coverage to

WANADA dealer and Kindred-line member employers. While continuing to direct the insurance agency at WANADA, O'Donnell was appointed by Murphy to be executive vice president and assistant CEO in 2006, because, as Murphy was fond of saying of O'Donnell, "anyone who can handle the insurance business of our members can handle anything else the association does."

O'Donnell's involvement at WANADA for the past eight years plus as EVP, then, has been to work shoulder to shoulder with Murphy as assistant CEO, which has kept the pair hopping with WANADA's greatly expanded role in building the Washington Auto Show into the tier one event it has become as the Public Policy Show on the global industry circuit. WANADA's government relations role has ramped up substantially, too, in recent years with more regulator overreach at all levels and fresh challenges in OEM/dealer relations impacting the franchise system.

WANADA dealer leaders and Kindred-line members hosted a well attended, well received CEO transition evening several weeks ago that took a ballroom full of dealer principals, public officials and industry notables down memory lane where 82 years of the automobile business in Washington and the DC region was presented in an informative, lighthearted way. (See the WANADA Bulletin #21-14, Special Report on *The Passing of The Keys* Evening, reported June 10.)

Hitting the bricks running, O'Donnell and WANADA's Executive Committee appointed several staff officers from the ranks of senior professionals on the WANADA team to include shifting Murphy to the role of general counsel, which he has committed to do for a time before actually retiring; expanding Isabel Garcia's role as vice president of financial affairs to chief financial officer; naming Ed Mullaney in WANADA's Insurance Agency to vice president of insurance operations; and putting insurance department administrator Joe Koch on a path to become vice president of association operations in 2015.

"Besides calling the office, WANADA dealers can email me anytime at jod@wanada.org just as they can reach any of us on staff by each person's initials followed by @wanada.org."

[Click here](#) for Gerry Murphy's letter to the membership on transitioning the CEO position to John O'Donnell from June 30th sent electronically at that time.

Breaking News!

OEMs quit suit over Fla law reimbursing dealers for warranty

The Alliance of Automobile Manufacturers yesterday, July 2, 2014, withdrew their ongoing lawsuit in Florida against a state franchise relations measure that passed into law there in 2008 requiring OEMs to reimburse their franchise dealers for warranty repairs at the same level dealers charge consumers at retail for vehicle repairs. The principal issue raised by the Alliance in the Florida case, and in other states where the OEMs have challenged warranty reimbursement legislation passed into law, has been on the constitutional premise that the law violated the Commerce Clause that prohibits states from enacting laws that negatively impact interstate commerce.

The Florida law, pushed initially in the state legislature by the new car dealer association in Florida, is of the "second generation" variety such that it represented recognition by dealers in the state that certain OEMs were not complying with the spirit, if not letter, of the law already on the books providing that OEMs fairly reimburse their dealers for warranty repairs they perform on behalf of OEMs, measured by such yardsticks as the level of fees dealers charge consumers

for repairs. Despite attempts by dealers and OEMs to come to terms on the warranty reimbursement law since its enactment by Florida in 2008, the Alliance forged ahead with its suit, the closest thing to consensus between the parties being an amendment to the complaint in 2012. According to Automotive News, information sought on discovery from OEMs was thought by some of them to be confidential and not something they wanted to provide the other side, which caused the Alliance, after six years of wrangling with the state of Florida and dealers there, to call it a day and withdraw their complaint.

This action will likely impact conversations that have been ongoing between OEMs and dealers in other states that have offered second generation style warranty reimbursement legislation that has passed into law, or measures of this variety that they and their dealer associations are considering. Close to home, Virginia has a warranty reimbursement law that pretty effectively takes care that dealers there are fairly compensated. Maryland, which, on point, passed legislation in the General Assembly earlier this year, has a second generation warranty reimbursement law that becomes law October 1, 2014.

With OEM lawsuits like the one in Florida in mind, care was taken in Virginia and Maryland to avoid constitutional questions to which the OEMs could point in mounting legal challenges that could be protracted. Stay tuned.

NJ Assembly votes 77-0 to allow Tesla direct sales stores



A bill that would allow Tesla to have four retail stores in New Jersey passed the General Assembly 77-0. The measure moves next to the state's Senate, and the New Jersey Coalition of Automotive Retailers (NJ CAR) is fighting it with an alternative bill that strengthens the franchise system.

When the state Motor Vehicle Commission stopped direct sales at Tesla's two stores in April, Tesla CEO Elon Musk vowed to take the fight to the legislature, and he did. The bill that passed the Assembly does not name Tesla but would let any company selling zero-

emission vehicles set up as many as four stores. The company would be required to have at least one service facility.

General Motors and Toyota, among other automakers, have resisted Tesla's model "because once the factory comes in and starts to sell direct, like Tesla is trying to do, that's going to make it more challenging [for other automakers] to maintain their foothold and protect their margins," Alec Gutierrez, a senior analyst at Kelley Blue Book, told Bloomberg News.

The arguments on Tesla's side partly centered on making sure the state welcomes innovators and entrepreneurs. Curiously, the bill that passed was supported by the New Jersey Commerce and Industry Association.

In responding to the Assembly's action, NJ CAR president Jim Appleton said in a statement to the *Star-Ledger*, "NJ CAR is committed to working with members of the Legislature who are exploring options that would allow a start-up electric car maker, like Tesla, a reasonable period

of time to ramp up operations (or sales volume) before they conform their business operations to the franchise model.”

Despite action by MD legislators to freeze fees on rental car titles, the rate goes from \$50 to \$100, July 1

Dealers with rental car companies in Maryland need to know that the MVA fees for certificate of title on rental cars jumps from \$50 to \$100, effective this week, July 1, 2014. This increase, which was legislated by the Maryland General Assembly at the same time a few years ago when the maximum dealers could charge for processing fees was raised to \$300 and made effective this July, was *reversed* by the General Assembly this past 2014 session, effectively leaving the title fee for rentals at \$50. Lawyers for the executive branch, however, determined the legislation reversing the rental title fee increase was unenforceable on the technical grounds – i.e., because it was included in legislation that violated the General Assembly’s “single subject rule.”

Recognizing that the legislature is likely to reinstate the measure it thought it passed in 2014 in the 2015 session next January, the extra \$50 per rental vehicle title will be set aside in an escrow-style fund so the government can readily and easily refund the overage to rental car companies paying the extra fare in the meantime.

And, yes, the new rate for rental car titles as of last Tuesday, and going forward until further notice, is now \$100 per certificate. WANADA dealers with rental car operations are advised to review the fee increase with the appropriate personnel accordingly.

Maryland MVA’s recent dealer Bulletin on this topic and others is available by [clicking here](#).

Register for WANADA Flu Shots

Registration is open until August 31 for WANADA’s seasonal flu shot program for dealership employees. The program will again be available on-site at WANADA dealerships and administered by Norvar Health Services.

The service will be available for adults aged 18 and older. For adults younger than 65, the fee will be \$23 per shot, with a minimum of 20 participants required at each location. Adults 65 and older will have a choice of getting the regular flu shot or the high-dose flu shot, which offers better protection. A higher dose of antigen in the vaccine gives older people a better immune response against the flu. The fee for the high-dose shot will be \$38.

To sign up your dealership, please register online at <http://www.norvarhealthservices.com/>, under “Scheduling.” Because of the popularity of this program, all are encouraged to register early to guarantee the date of choice. Any request received after August 31 may be subject to vaccine availability.

Norvar Health Services will begin conducting on-site visits starting September 15. All scheduling will be done by Norvar upon the dealer’s submission of registration. Norvar will contact the dealer’s designated representative with the scheduled date/time and forward all appropriate forms. Norvar



WANADA will again offer an on-site flu vaccine program for dealership employees.

will invoice the dealership directly for all flu shots administered through the program, subject to the 20-shot minimum.

If you have questions, call Connie Ryan in WANADA's Insurance Operations department, at (202) 237-7200.

Maryland sets up EV Recharging Equipment Rebate Program

A Maryland bill effective July 1 (HB 1345/SB 908) replaces the state income tax credit for installation of electric vehicle recharging equipment with a rebate. Under the Electric Vehicle Recharging Equipment Rebate Program, a business, individual or government unit may apply to the Maryland Energy Administration (MEA) for a rebate of a portion of the costs of purchase and installation.

The bill also extends the excise tax credit available to buyers of electric vehicles, to \$125 times the number of kilowatt hours of battery capacity of the vehicle or \$3,000, whichever is less. Last, the bill requires the MEA to report to specified legislative committees on EV owners' contributions to the Transportation Trust Fund for construction and maintenance of roadways in the state.

AAA calls it: DC, Maryland drivers have the most accidents

Virginians know that Maryland drivers are the worst, and Marylanders blame Virginia and DC drivers for the city's many fender-benders and worse. DC drivers blame everybody, since that's who drives on the city's roads. So who's right?

A new report from American Automobile Association/Mid-Atlantic says drivers from the District and Maryland have the most accidents in the city. Of the nearly 30,000 traffic crashes that took place in the city in 2012, District drivers were involved in 37 percent, according to Howard University's Transportation Safety Data Center. Maryland drivers came in second, at 33 percent, and Virginia drivers trailed, at 14 percent.

"With an average of 82 crashes per day and a litigious lawyer virtually on every street corner, auto insurance premiums can be very expensive, an average of \$1,800 per year in the city, and the highest in the entire region," said John Townsend II, AAA Mid-Atlantic's manager of public and government affairs. "The estimated economic and societal impact of motor vehicle crashes in the city was just shy of \$1 billion in 2010 or \$1,659 per capita."

Male drivers are more likely to be involved in a crash than women, by a margin of two to one. Men were involved in 65 percent of traffic accidents in 2012.

U.S. auto sales hit astonishing 17 million, SAAR



Sales of the Buick Encore surged 81.7 percent in June.

Auto sales are like the energizer bunny, defying all expectations of slowdown. June's solid sales numbers – including, as every report has noted, a 1 percent increase for General Motors – tamped down fears set off by rising fuel prices and the most modest of economic recoveries. Although overall sales were only 1 percent higher than a year ago, the seasonally adjusted annual sales rate (SAAR) of 17 million was considerably above the rate for the first five months of the year. LMC Automotive raised its retail sales forecast for 2014 from 13.3 million to 13.4 million.

GM had its best month since June 2007. "The first half of

the year was our best retail sales performance since 2008, driven by an outstanding second quarter,” said Kurt McNeil, U.S. vice president of sales operations. Buick did particularly well, surging 18 percent. And fuel price worries aside, sales of GM’s new full-size SUVs were strong

Chrysler Group, with a 9 percent lift in sales, trumpeted its 51st straight month of growth – helped in part by Jeep’s 28 percent jump. Ford was down 6 percent as it retooled for new models. The Ford Edge dropped 28.6 percent, in large part because it was at the end of its model run. Fusion sales rose 14 percent.

Sales at Toyota, Nissan and Hyundai divisions rose slightly, at 4 percent, 5 percent and 4 percent respectively. Volkswagen (down 23 percent) and Audi (down 23 percent) fared poorly.

Transaction prices for the first six months of 2014 were at record levels, averaging \$29,630, up from \$28,880 a year ago, according to J.D. Power. To help consumers afford the higher prices, lenders are offering longer loan terms. Loans of at least 72 months accounted for 31.8 percent of retail sales in the first half of the year, up from 30.2 percent in 2013. The lengthening terms could create problems in the future if they take consumers out of the market, Morgan Stanley analyst Adam Jonas warned in an interview with *Automotive News*.

Recall repair rate is only 25%, even when notices are sent

Here’s a missed opportunity for customer interaction: One-quarter of recalled cars are not repaired, even though recall notices are sent. The information is based on data from the National Highway Traffic Safety Administration.

“Our data suggests that there are 36 million cars that are on the road that have an unfixed recall,” said Christopher Basso, spokesman for Carfax, which provides vehicle history reports.

Car owners may move and not receive a recall notice or may just ignore it, Basso said. NHTSA says the repair rate for older cars is even lower.

Audi, Jaguar, Kia are top brands in Total Quality Index

Audi and Jaguar were rated the best luxury brands in Strategic Vision’s 19th annual Total Quality Index, and Kia had the highest Total Quality score of nonluxury brands. The best model in Total Quality was – ready? – the Tesla Model S.

Strategic Vision says its index encompasses reliability, problems, driving excitement “and other measures that collectively are energized by the emotional response associated with the aggregate of all those experiences.” Survey respondents are asked to choose from “love it, delightful, excellent, satisfactory, unsatisfactory, a failure and hate it” on various points such as reliability. The company surveys more than 38,000 new vehicle owners.



The Soul has helped boost Kia’s popularity.

Edmunds, *Chief Executive* pick best play cars for CEOs

One more marketing tool for your sales force: Edmunds.com and *Chief Executive* magazine have chosen the best MY 2014 play cars for CEOs: the Jaguar F-Type V8 S, Porsche 911 Turbo S, Audi RS 7, BMW i8 and Chevrolet Corvette Stingray.

The cars are “an intelligent range of new or recently refreshed selections,” according to Edmunds’ editor in chief Scott Oldham and *Chief Executive*’s William Holstein. Each sends a different message about respect, stylish performance, excellence, demanding the ultimate, cutting edge technology or seriousness about torque. Urge your customers: Have cash, should enjoy.

Hybrids will depreciate faster than gas vehicles, says NADA

A new report from NADA suggests that plug-in hybrid electric (PHEV) vehicles and plug-in electrics (PEV) will depreciate faster than both traditional hybrids and traditional gasoline-powered vehicles.

NADA gives several reasons for its forecast: First, the report says, “consumers have adjusted both expectations and household budgets to today’s higher level of fuel prices, to the detriment of hybrid demand.” The volatility in gas prices over the past few years has desensitized consumers to their impact.

Second, “improvements in internal combustion engine fuel economy mean that it takes longer for hybrid savings at the pump to offset their higher upfront costs.” For example, assuming current gas prices and 15,000 miles driven annually, it would take nearly five years to offset the higher purchase price of a 2014 Toyota Camry XLE hybrid versus the same gas-powered model.

Third, gas prices are expected to drop in the next several years because of increased domestic oil production. That prediction is from the U.S. Energy Information Administration.

The report from the NADA Used Car Guide is the June 2014 *NADA Market Review: Hybrid Electric Vehicles*.

Thought for the Week on the 4th of July...

This, then, is the state of the union: free and restless, growing and full of hope. So it was in the beginning. So it shall always be, while God is willing, and we are strong enough to keep the faith.

--Lyndon Johnson