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

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Headlines…

In its 25th year, NADA's Dealer Attitude Survey now a key manufacturer yardstick
New dealer disclosure requirements under federal Finance Reform
Recent IRS changes for dealer to note
New study says CO2 emissions reductions of up to 40 percent still possible with conventional auto technologies
Even the founding fathers had their second thoughts…

In its 25th year, NADA's Dealer Attitude Survey now a key manufacturer yardstick

Summer survey now available online

NADA has posted a summary report of results of the winter 2011 Dealer Attitude Survey at www.NADAFrontPage.com The survey results, like those of the more than 1,000 surveys that have been presented to senior auto executives in face-to-face meetings since NADA began doing the surveys, have been one of the most powerful tools the association has had in its arsenal to protect dealer rights and ensure their voice is heard. A record 56 percent of dealer franchises nationally responded to the winter 2011survey.

The surveys were begun in 1985 as a single sheet, 11-question survey mailed to NADA dealer members once each year by the association's Industry Relations department, headed at the time by J. Ferron, who would later become NADA vice president, a J.D. Power & Associates Partner and head of the Price Waterhouse Cooper Automotive Consultancy. Automaker response to the initial surveys was, by and large, dismissive, labeling them as unscientific and mostly answered by 'troublemaking" dealers. NADA persisted, however, and over the years continued to improve the depth, quality and frequency of the survey. And, over time, manufacturers began to embrace the survey as a legitimate measure of how they and their field organizations were interacting with their dealer business partners. Today, formal semi-annual meetings involving NADA IR staff, National Dealer Council chairmen, NADA Line Group representatives and automaker senior staff have become institutionalized, as have the constructive conversations surrounding the survey results. Indeed, a number of manufacturers now tie a portion of executive compensation to the company's rank in the Dealer Attitude Survey.

Additionally, the survey work led to the creation of the separate franchise meetings, controlled by the dealer body as opposed to the manufacturer, at the annual NADA Convention. Overall, there have never been more open and comprehensive communications between manufacturer and dealer than now, and this is largely a result of dealer willingness to complete the NADA Dealer Attitude Survey and automaker willingness to embrace the findings and resolve the issues it unearths.

The highlights of the winter Dealer Attitude Survey are:

• Dealers' satisfaction with their manufacturers is increasing, with dealer opinion of product quality hitting an all-time high.

• Satisfaction with OEM policies has rebounded significantly from the historic lows of recent surveys.

• Dealers believe manufacturers still have some ground to cover in terms of consideration of dealer input.

The summer 2011 NADA Dealer Attitude Survey is available to complete through August 4. NADA will present the results of the next survey to OEM execs in the fall.

WANADA urges all its dealer members to complete the survey and have their voices heard!

New dealer disclosure requirements under federal Finance Reform

Effective July 21, 2011

Adverse Action Notice & Risk-Based Pricing Notice Changes

A provision in the new federal Finance Reform Law (a.k.a. The Dodd-Frank Act) requires dealers and others who use credit scores in taking "adverse action" on consumer credit applications (such as a credit turn-down) to include new credit score disclosures in these notices beginning July 21, 2011. These include:

1) The consumer's numerical credit score;
2) The range of possible credit scores under the model used to generate the score;
3) The key factors that adversely affected the consumer's credit score in the model used;
4) The date on which the score was created; and
5) The name of the person or entity that provided the credit score.

Note that the new July 21 risk-based pricing notice disclosure requirement does not affect dealers who issue Credit Score Disclosure Exception Notices to comply with the Risk-Based Pricing Rule in lieu of a risk-based pricing notice.

The "key factors" explain the credit score and are provided by the entity that provides the score. Creditors must list up to four (4) key factors; however, if one of the key factors is the number of inquiries made with respect to that credit report, then the creditor must list up to five (5) key factors.

Holder in Due Course Rule Threshold Raised

Also effective July 21, 2011, the Holder in Due Course Rule will apply to retail installment sales contracts where the amount financed is $50,000 or less. The rule currently only applies to installment contracts with amounts financed in the amount of $25,000 or less. The rule requires dealers to include in their credit contracts a specific notice that lenders who buy the contracts are subject to the claims and defenses consumers may assert against dealers.

Truth-In-Lending Act Changes

Also effective July 21, 2011, the dollar threshold for consumer and lease transactions under Regulation Z (Truth in Lending) and Regulation M (Consumer Leasing), will apply to all installment contracts where the amount financed or the total lease obligation is $50,000 or less. The current threshold is $25,000. As a result of this increase, a much larger portion, if not most, vehicle sale or lease contracts will be covered and open to "statutory damages" claims, above and beyond any possible actual damages. The Federal Reserve Board announced on June 13, 2011 that beginning January 1, 2012, the threshold will again be raised so that the protections of the Truth in Lending Act and the Consumer Leasing Act generally will apply to consumer credit transactions and consumer leases of $51,800 or less. This January 1 threshold increase comes per the provisions of the Dodd-Frank Act, which provide that on or after December 31, 2011, these thresholds must be adjusted each year by any increase in the consumer price index.

Collection of Information Regarding Small Businesses

This portion of the Dodd-Frank Act amends the Federal Equal Credit Opportunity Act and requires financial institutions and dealers to collect and report specific information concerning credit applications made by women-owned or minority-owned businesses and by small businesses. The purpose of the new requirement is "to facilitate enforcement of fair lending laws and enable communities, governmental entities, and creditors to identify business and community development needs and opportunities of women-owned, minority-owned, and small businesses."

The compliance date for this provision will likely be extended beyond July 21, until rules can be adopted to implement it.

Recent IRS changes for dealers to note

New form 8300 for cash reporting issued;
Mileage rate increased

Recently the Internal Revenue Service (IRS) implemented two changes of note for automobile dealers: the 8300 form has been revised and the rate for business driving mileage has been increased to 55.5 cents per mile. Both these changes are effective July 1, 2011.

Form 8300, which IRS requires for reporting certain cash transactions in excess of $10,000, has been updated. The new form, along with its instructions, can be downloaded and printed at www.irs.gov/pub/irs-pdf/f8300.pdf

The new 8300 must be used for applicable transactions beginning July 1, 2011. Among other things, the new form shows "Rev. June 2011" in the upper left hand corner and "Rev. 6-2011" in the lower right hand corner. Dealers should take care to discard all old versions of the form. For additional information on the cash reporting rules, dealers can reference the IRS website, www.irs.gov

Effective July 1, also, IRS increased the mileage reimbursement rate on business driving to 55.5 cents per mile, up from the prior 51 cents per mile, in effect since January 1, 2011. Dealers can access additional information at www.irs.gov/pub/irs-drop/a-11-40.pdf

New study says CO2 emissions reductions of up to 40 percent still possible with conventional auto technologies

Europe and China likely best market for EVs

Internal combustion engines are improving their ability to cut CO2 (carbon dioxide) emissions at a lower cost than expected. As a result, carmakers should be able to meet 2020 emissions targets mainly through improvements to conventional technologies, according to a new report by The Boston Consulting Group (BCG).

The report, *Powering Autos to 2020*, says internal-combustion-engine (ICE) technologies offer the potential to cut tailpipe emissions of carbon dioxide by approximately 40 percent at a cost to consumers of $50 to $60 per percentage point of reduction for an average passenger car. This is about half the cost of what was expected three years ago. To get there, however, automakers will need to modify current combustion technologies, transmissions, vehicle mass, aerodynamics, and power management systems, all at the same time!

Although conventional technologies will pose stiff competition for electric vehicles (EVs), according to BCG, their research also found that there is a distinct "green" consumer segment that will be willing to pay a significant premium for EVs, even if the total cost is higher.

"Electric cars will undoubtedly play an increasingly larger role in many countries' plans in the decades ahead as energy independence and environmental concerns intensify," said Xavier Mosquet, a senior partner in BCG's Detroit office, "But they will gain only modest ground to 2020. Gasoline and diesel-powered vehicles are improving faster than expected and will continue to dominate the global landscape."

The report is based on proprietary economic analysis, BCG's consumer research, and interviews with industry experts. Key findings include the following:

•China and Europe--not the U.S., as many believe--will be the largest markets for EVs in 2020.

•Based solely on the economics of total-cost-of-ownership, EVs *will not* be the preferred option for most consumers. Battery pack costs are forecast to fall sharply (approximately 64 percent from 2009 levels) to $360 to $400 per usable kilowatt-hour (kwh) by 2020. For consumers, however, this still represents a cost of $9,600 per vehicle for the typical 20-kwh battery necessary for a pure battery EV, which is a purchase deterrent.

•High costs notwithstanding, EVs will see sales success with a distinct segment of environment-conscious consumers around the world who are willing to pay an average up-front premium of $4,500 to $6,000 to purchase a green vehicle, do not expect their up-front investment to be recouped over time through lower operating costs, and are willing to pay about 10 to 20 percent more in terms of the total cost of ownership over the vehicle's life. These consumers represent 13 percent of consumers in China, 9 percent of those in Europe, and 6 percent of those in the U.S.

•China is a major wildcard. Assuming that the government remains committed to EVs, BCG projects that these vehicles will represent 7 percent of the country's new-car sales in 2020. Despite this moderate penetration, China will become the world's largest market for EVs due to its overall market size.

•Europe will become the second-largest market for EVs in 2020, with a projected 8 percent share of new-car sales, supported by consumers' willingness to pay for green technologies, the region's stringent emissions standards, and high gasoline and diesel taxes.

•Sales of EVs in Japan and the U.S., meanwhile, will rise steadily through the decade but remain below those in China and Europe. BCG expects EVs to account for 5 percent of new-car sales in Japan and 2 percent of new-car sales in North America in 2020.

•Taken together, EVs and Hybrid-EVs could claim 15 percent of aggregate new-car sales in the four major markets (North America, Europe, China, and Japan) in 2020.

Even the founding fathers had their second thoughts…

I wish the bald eagle had not been chosen as the representative of our country; he is a bird of bad moral character…like those among men who live by sharping and robbing, he is generally poor and often ridden with lice. The turkey is a much more respectable bird… a true American original and a more proper representative of our country.

--Benjamin Franklin