

THE WANADA BULLETIN

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

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Headlines...

Gov't regulations and franchise system top agenda at annual dealer assn. conference

Cordray is confirmed as CFPB director. What's next?

Delays in Affordable Care Act throw health care reform into question

An increasing number of Americans doubt ObamaCare will help

Senate to discuss transportation bill this week

New DOT chief Foxx promises focus on efficiency

WANADA members saluted in Automotive News' 40 Under 40

Leasing is back and Ford is tops in satisfaction

Luxury compact crossovers are a growing part of the market

Illinois dealer offers technology for safer teen driving

Thought for the week...

Government regulations and franchise system top agenda at annual dealer association conference

Dealer associations producing auto show confer separately

Last week's Summer Meeting of the Automotive Trade Associations (ATAE) in Newport, RI drew dealer association CEOs and senior staff from across the U.S. and Canada representing metro, state and national organizations where mammoth, but mercurial, regulatory issues were *front and center*, no less than new and ongoing challenges to the franchise system.

WANADA staff representatives were on deck at the ATAE conference with colleagues from MADA, VADA, AIADA and NAMAD grappling with troubling issues such as the regulatory over reach of the newly established Consumer Finance Protection Bureau for its unwarranted venture into the retail automobile business. Another hot button regulatory topic of discussion was the ever elusive, ever changing Affordable Care Act and the disconcerting prospects it is imposing on employers. Then there is the latest challenge to the dealer franchise system, that being Tesla CEO Elon Musk's quest to remain *dealerless* in the retailing of his high end, electronic sports cars, the wisdom of which continues to be bandied about in the press, state legislatures and motor vehicle agencies around the U.S.

Time at the ATAE conference was also allocated to those members of the ATAE dealer association network which form up the Auto Shows of North America group (ASNA) to discuss programs and best practices with OEM exhibitors and various exposition service providers that



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were on hand. ASNA's mission is to make auto show member organizations all they can be for new car shoppers and dealer associations which produce them. As with ATAE, ASNA covers most major automobile dealer markets across the U.S. and Canada. Besides WANADA, which produces The Washington Auto Show, there are about 40 dealer associations producing auto shows that comprise ASNA's ranks. The ASNA organization, now in its tenth year, is administered by ATAE which is headquartered with NADA in McLean, Virginia.

Cordray is confirmed as CFPB director. What's next?

After months of wrangling, the United States Senate came together and confirmed Richard Cordray as director of the Consumer Financial Protection Bureau by a vote of 66 to 34. President Obama nominated Cordray in July, 2011 and appointed him on an interim basis during a Congressional recess in January 2012. His appointment would have expired at the end of this year.

Republicans objected not so much to Cordray himself as to the way the Bureau is structured. They wanted a bipartisan committee to head it, rather than a single director. Legislation introduced last week by Sen. Rob Portman (R-Ohio) would require the Senate to confirm a separate inspector general for the CFPB, instead of sharing one with the Federal Reserve as it does now.

Analysts say that Cordray's confirmation makes it more likely that the Bureau *will continue* on the course it has started on in auto loans. That means close scrutiny of the practices of lenders, who have been told to monitor dealer practices as credit arrangers. The CFPB says it is concerned about the potential for discrimination against minority buyers. Some industry observers predict dealer reserve, to target the regulatory scrutiny, will survive; others say it won't. At a minimum, it is likely to be limited.

Dealership trainer and former F&I manager Jim Ziegler, who has spoken at many NADA conferences and blogs for *Wards Auto*, predicts that dealer reserve may disappear, but dealer profits will be unaffected. Despite many efforts by the auto industry over the years to self-regulate and reduce dealer markup of car buyer credit, Ziegler says "the problem remains that it is negotiable and at the F&I manager's discretion," albeit within the lender's guidelines. "Consumers with better negotiating skills can usually leverage a better interest rate," Ziegler concluded.

The CFPB has also indicated it expects greater disclosures in the sale of F&I products, like GAP insurance and extended service contracts. Even before Cordray's confirmation, *Automotive News* reported more requests for staff training by dealers. All dealers should have an Equal Credit Opportunity policy, training on that policy, and a chain of command that regularly checks compliance, an attorney for Wolters-Kluwer Financial Services told AN.

Delays in Affordable Care Act throw health care reform into question

As has been widely publicized, the Obama administration has delayed implementation of much of the Affordable Care Act, most notably the employer mandate. As the *WANADA Bulletin* previously reported, employers with 50 or more full-time employees will now be required to provide insurance starting January 1, 2015, a year later than originally scheduled. The administration has said that in the first year, it won't be able to verify the income of people applying for income-based federal subsidies.

Does that mean the law is doomed and it won't work as planned? Nobody knows at this point. What is clear is the need for an extended bureaucracy, a large portion of which won't be in place on time, by the administration's own admission. Another piece that will be delayed is the complex, massive data hub that will collect information from different government agencies –e.g., the Veterans Administration, the Defense Department, Office of Personnel Management, etc.– which in turn will need to communicate with the state health exchanges.



There are many unknowns about the new health care law.

Indeed, the state health care exchanges mandated by the law are critical to the success of health care reform. These entities, by the way, are supposed to start enrolling people October 1 and be open for business January 1, 2014.

“There will be a Web portal, and there will be call centers, and they will enroll people in products and put them on tax credits,” Cindy Gillespie, senior managing director of the law firm McKenna Long & Aldridge, told the *National Journal*. “That’s the plan. How smoothly the eligibility process works? Who knows?” *Who* makes it work depends on the state, where, for example, Maryland has elected to be engaged, while Virginia, opting not to operate a state exchange, will defer to the federal government to operate an exchange there.

And the cost of premiums? Also uncertain, due in part because the answer depends on how many young, healthy people enroll in the exchanges. As with any insurance system, if enough healthy people enroll, they balance out the sick who require more health services which ramps up the costs.

An increasing number of Americans doubt ObamaCare will help

Just 35% of people surveyed in a recent National Journal (NJ) poll believe the Affordable Care Act, President Obama’s signature law, will benefit them and their families, while nearly one in two (49%) believe it will make things worse for the middle class.

This is a turn around, NJ reported, from its last survey in September, 2012, in the heat of the presidential election campaign, when 50% thought ObamaCare would make things better for the country overall. Those currently favorable on the “country over all” question have slipped to 41%, while those who believe the country will be worse off now represent 48% of those surveyed.

Correspondingly, the survey showed that the majority of those polled believe health care reform will help the poor and uninsured. Only about a third of Americans are calling for repeal of the law.

Commenting on the general findings of the latest poll, NJ concluded that it reflects “marked deterioration in public expectations of the plan,” which they attribute to the uncertainty from the president on down through the various agencies of government charged with implementing it. This has become evident with the litany of missed deadlines on scheduled roll outs.

Another significant aspect of NJ’s polling perspective of white respondents versus non-whites such that 56% to 27% of non-whites believe the law *will* benefit middle class families mirrored by 58% to 27% of whites who now believe the law *will harm* the middle class.

Senate to discuss transportation bill this week

The bill to fund transportation along with housing and urban development will be *the first* appropriations bill for the next fiscal year that the Senate will discuss, accordingly to Majority Leader Harry Reid (D-Nev). With the House scheduled to be in session only 17 more days this year, the Senate is expected to take up the bill this week.

Congress will need to reconcile the Senate version, which allocates \$54 billion and the House version, allocating \$44 billion. Last year's bill had \$51 billion. Senate Budget Committee Chair Patty Murray (D-Wash.), who also chairs the subcommittee covering transportation and HUD, said that bill was chosen because it highlights the effect of sequestration on infrastructure and economic growth across the country, according to *The Hill*.

New DOT chief Foxx promises focus on efficiency



Foxx is looking for ways to stretch federal highway dollars.

In his first blog post as DOT secretary, Anthony Foxx promised to work on improving the efficiency and performance of the nation's transportation system, even while "we must work harder than ever to stretch our transportation dollar."

Although Foxx didn't talk about this, road funding presents an immediate problem. There is a \$20 billion gap between the \$35 billion the gas tax yields annually and the \$54 billion allocated by the current surface transportation measure. For now, lawmakers have closed the gap by reallocating money from other parts of the federal budget. But they likely won't do that again once the current measure (known as *Moving Ahead for Progress in*

the 21st Century, or simply MAP-21) expires in September 2014.

Foxx gave an example of a money-saving measure, the use of Warm Mix Asphalt in paving roads, which he says saves taxpayers millions of dollars each year. Because the new technology can withstand lower temperatures, it allows road crews to keep working into the colder months. That should save \$3.5 billion by 2020.

WANADA members saluted in Automotive News' 40 Under 40

Two WANADA members appear on on *Automotive News'* prestigious "40 Under 40" list.

Allison Centore, 38, is director of e-commerce and service support for Ted Britt Automotive Group in Fairfax, Va. She helped boost the group's CSI sales satisfaction score from the mid-70s to 86.7, earning it Ford's Triple Crown rating, one of just 22 dealerships to do so. She helped the store achieve the high score by setting up a customer service department and making sure its employees asked all new-car buyers about their service experience before they had even signed the finance paperwork.

Centore has also helped the Ted Britt organization increase its Internet marketing. In April, the dealership group had 1,350 Internet sales leads.

Bob Peterson, 26, is digital media director of Rosenthal Automotive in Reston, Va. Bob Rosenthal's grandson, Peterson uses his degree in film production and business administration to bring a creative flair to the group's marketing. He has made more than 100 videos and commercials since he started working there three years ago. He spends a month producing each one, then puts them on Rosenthal's YouTube channel. Many have gone viral. A video of the BMW 5 series received 983,676 views. Combined, Peterson's videos have gotten 10 million views.

Although outside WANADA's membership area, Virginian Liza Borches, 38, CEO of Carter Myers Automotive in Charlottesville, is also on the list. Daughter of Carter Myers, a former chairman of NADA, Borches came over to the retail side from Honda of America.

Leasing is back, and Ford is tops in satisfaction

With leasing back to the 27 percent range, Ford tops the list of mass market brands for lease satisfaction, according to CNW Research. Many of the customers swelling leasing's ranks have never leased before but are attracted by the low monthly payments. That's where Ford's Red Carpet Lease succeeds, with its crew of salespeople trained to discuss the benefits of leasing and explain how it works.

Premium brands such as Mercedes and Lexus have always had a high percentage of lease customers. During the recession, says CNW president Art Spinella, leasing was a useful way to keep customers in the brand. The lower payments enabled them to stick with the nameplate, perhaps downgrading to a more affordable model.

"In 2009 to 2010," said Spinella, "89 percent of luxury lessees stuck with the brand, with 42 percent moving down a notch in the model selected, 51 percent staying at the same price point and 7 percent moving up,"

Luxury compact crossovers are a growing part of the market

In the luxury market, compact crossovers are the vehicles to sell, says Tom Libby, senior forecasting analyst at Polk. Though it remains a niche market at 1.15 percent of new-vehicle sales, registrations have grown almost fourfold since 2008. The number of models has grown from three in 2008 to eight now.

Two of the models, the Acura RDX and Audi Q5, are the top sellers for their makes as of May. Two others, the Land Rover Evoque and Volvo XC60, are runners-up. The other models are the Audi A4 Allroad, BMW X3, Land Rover LR2 and Mercedes Benz GLX.



Luxury compact CUVs such as the BMW X3 are a growing part of the U.S. market.

The growth of this segment will be moderated somewhat, Libby said, by the planned introduction in the next two years of the even smaller subcompact crossovers such as the Mercedes GLA and Audi Q3. That category is expected to grow as well, as automakers work to meet the stricter fuel economy requirements.

Illinois dealer offers technology for safer teen driving

MyKey technology lets parents set limits on a car's speed and radio volume when their teenager drives it, and the Wickstrom Auto Group in Barrington, Ill., installs the program on every car it sells, reports the *Barrington Courier-Review*.

MyKey is in keeping with the Governors Highway Safety Association's recommendation that parents become more involved in their teenager's driving.

With several keys to the same car, parents use an administrator's key to program their teen's key. Parents can restrict the radio volume and set a speed limit, after which an audible warning is heard. They can also create a warning sign for low fuel.

MyKey was developed two years ago for businesses with fleets, so the businesses wouldn't be responsible for their drivers' speeding tickets.

Thought for the week...

"I don't think asking the president a tough question is disrespectful. I think it's my job."

--Helen Thomas

Famed White House reporter for *Associated Press* who covered every president from Kennedy to Obama (1920-2013)