

THE WANADA BULLETIN

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

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Headlines...

Attacks on franchise system and dealer financing top dealer assns. agenda at meeting
Porsche of Tysons and two from DARCARS make AN 'Best dealerships to work for' list
Alex Perdakis of Koons makes AN '40 Under 40' list
NLRB allows body shop workers to unionize on their own
\$39 billion needed to fix region's crumbling infrastructure
A highway funding bill with which no one is satisfied
DC has the nation's fewest driving deaths
Jeb Bush and Leno to speak at 2015 NADA convention
By 2035, cars will have no steering wheels, gas or brake pedals
Has the U.S. auto industry reached its peak?
In Memoriam: Ralph Frisbee
Thought for the week...

Attacks on franchise system and dealer financing top dealer assns. agenda at summer meeting

Senior executives from auto dealer associations across the U.S. and Canada, which comprise the Automotive Trade Associations network (ATAE), met last week on the West Coast to sort out industry issues before Congress, state legislatures and between dealers and automakers.

High on the list of government relations and industry concerns for the dealer association representatives was the ongoing assault on state dealer licensing laws by high end, electric car maker Tesla, and the media fallout it has caused calling into question the relative utility and public interest of the franchise system. While the overall impact of Tesla sales in the industry is small, the continuing media flurry stirred up by the company's flamboyant owner, Elon Musk, in furtherance of his agenda that Tesla be *dealerless*, remains bothersome. Just the same, ATAE conferees began to recognize that the Tesla controversy presented an opportunity to tout the unconditional necessity of the franchise system and its inherent value to car buyers.

Multi-state, multi-brand auto retailer Mike Jackson, chairman of AutoNation, agreed that the franchise system remains the *gold standard* of automotive retailing and as such is secure for years to come, simply because there is no better way for the OEMs to retail their vehicles to consumers than through franchised dealers. Jackson, who was the industry keynote speaker at the conference, covered a variety of macro- and inter-industry topics, including his plan to keep AutoNation ahead of the curve in social media and electronic marketing.



Mike Jackson, chairman of AutoNation, speaking at the ATAE Summer Conference.

Social media was a topic all on its own during the 2 ½ day ATAЕ Summer Conference in a segment devoted to “next generation relations and marketing considerations.”

Another high profile matter the ATAЕs took up with NADA was the escalating controversy dealers nationwide have with the unprecedented regulatory intrusion into car loans by the Obama administration’s new *signature* law agency, the Consumer Finance Protection Bureau. Issues here that have been part of the auto retail industry conversation for some time emanate from assertions put

forth by CFPB regulators that dealers as *credit arrangers* systematically engage in discrimination against minority consumers when such consumers receive offers for vehicle financing that aren’t as favorable as offers dealers make to non-minorities. From there, banks that are regulated by CFPB are being pressured by the agency to radically alter and reduce compensation arrangements they have with dealers with whom they do business, ostensibly to address the alleged illegal discrimination against minority consumers. All of this is in the context of an agency that has not been accountable to Congress for its actions, as it has resisted being transparent to the public.

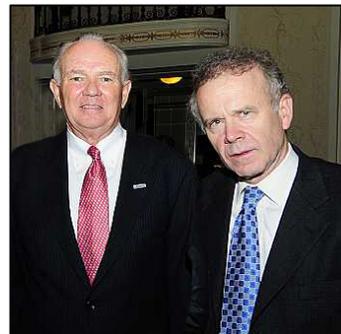
The consensus among dealer association conferees on this is that so long as the CFPB persists in choosing to emulate the closed and tyrannical style of the failed, former Soviet Union in its approach to auto financing, ATAЕ and NADA will persist in resisting their baseless intrusion into the automobile business, while arming dealers with programs necessary to protect them from the prospect of legal actions brought by misguided regulators and/or plaintiffs’ lawyers inspired by CFPB’s specious regulatory theories.



ATAЕ chairman Jim Appleton, NJ CAR, with his son and social media advisor, Gabe Appleton, at an ATAЕ break out session on Next Gen Relations.

WANADA’s John O’Donnell joins ATAЕ

On a personal note, Gerard Murphy, who has been a member of ATAЕ as CEO of WANADA for the past 30 *plus* years, introduced John O’Donnell, who succeeds him this month as WANADA’s chief of staff, as WANADA’s new ATAЕ. ATAЕ’s leadership, in turn, recognized Murphy, a former chairman of the dealer association organization, as an *Honorary* member of ATAЕ.



WANADA at the ATAЕ Conference. John O’Donnell, left, joins ATAЕ as WANADA’s new CEO. Pictured at the right is AutoNation’s Mike Jackson with Gerry Murphy, who introduced Jackson’s industry presentation at the conference. Murphy and Jackson met years earlier when Jackson served on WANADA’s Board.

Auto Shows of North America meet during ATAE Summer Conference

Taking advantage of the ATAE dealer associations from across the U.S. and Canada convening at their annual Summer Conference, the Auto Shows of North America came together ahead of time so that the many ATAE dealer associations represented, including WANADA, which produces the Washington Auto Show, would get the chance to meet and compare operational and programmatic notes among themselves, with OEM exhibitors and suppliers. ASNA represents auto shows in the U.S. and Canada, from the largest and most prestigious on the global industry circuit to the least large and strictly regional.

Porsche of Tysons and two from DARCARS make AN 'Best dealerships to work for' list

Three WANADA dealerships have made *Automotive News's* list of 101 best dealerships to work for: DARCARS Lanham Ford-Kia, DARCARS Nissan of Rockville and Porsche of Tysons Corner, Vienna, Va.

AN describes the stores on the list as “excelling in workplace satisfaction, talent retention and excellent treatment of their employees.” The list covers dealerships in the United States and Canada. The ranking will be revealed at a ceremony Oct. 15 in Chicago. The program will include a half-day conference with speakers from top-ranked dealerships and experts in employee and customer satisfaction. For more information, click [here](#).

Alex Perdikis of Koons makes AN '40 Under 40' list

WANADA member Alex Perdikis, managing partner of Koons of Silver Spring, is on *Automotive News's* “40 Under 40” list of up-and-coming young dealership executives. The dealerships on the list are “leading cultural change in dealerships driven, they say, by tech-savvy consumers who want a fast, transparent buying experience,” the editors write.

Perdikis took over the Koons store in 2011, a year after Jim Koons Automotive bought it as a struggling operation. Before Koons acquired it, the dealership was selling 56 Fords, 39 Mazdas and 52 used cars a month, according to *Automotive News*. Perdikis has boosted monthly sales to 100 Fords, 60 Mazdas and 120 used cars. Last year, the store saw its best-ever profit.

“It was a situation where I saw such a great opportunity that was slipping through our fingers,” Perdikis told *AN*. “I felt personally responsible for it.”

Continuing the good work habits he picked up as a linebacker at the University of Richmond, Perdikis rises at 4 a.m. to study the previous day's lead reports, then works out and helps his children prepare for school before heading in to work, the newspaper reports.

NLRB allows body shop workers to unionize on their own

In an important decision for US auto dealers, the National Labor Relations Board has agreed that a voting unit, limited to body shop employees, is an appropriate voting unit for purposes of a union election (*Hall Chevrolet*, June 26, 2014).

The dealership, Hall Chevrolet, in Chesapeake, Virginia, employed 70 workers in fixed operations, 19 of whom were body shop employees. The International Association of Machinists filed a petition with the NLRB's regional office in Baltimore, seeking an election among only the body shop employees, excluding workers in the service and parts departments.

The Board relied on its landmark 2011 decisions that imposed on the employer the burden of demonstrating that the community of interest among workers in the broader unit is “so overwhelming” that there is no factual basis that would allow the smaller unit to be separated from the larger overall unit. In the Hall Chevrolet case, the Board applied that principle to dealership body shops.

The NLRB in the last several years has allowed unions to petition for smaller and smaller voting units, imposing on employers the risk of having their work force fragmented by narrowly tailored union petitions.

Thanks to Stephen D. Shawe at Shawe & Rosenthal, LLP, for providing this information. For questions, contact him at 410-752-1040 or sshawe@shawe.com.

\$39 billion needed to fix region’s crumbling infrastructure

The cost of repairs and replacements for the area’s highways and bridges could top \$39 billion in the next 25 years, according to the Transportation Planning Board (TPB) of the Metropolitan Washington Council of Governments (COG). Despite the precarious state of federal highway funding, area transportation agencies are counting on federal funding to cover nearly half the cost.

About one-fourth of the region’s highways have pavements rated “unacceptable” under standard engineering definitions, meaning they will soon need repair. And 176 of the region’s 3,300 bridges have been rated “structurally deficient,” meaning a portion of the structure is in a state of advanced deterioration and needs major repairs.

Based on this information, the COG Board of Directors sent a letter to the region’s Congressional representatives urging immediate renewal of funding for the Highway Trust Fund. (A stopgap House bill extending funding until after the midterms passed last week; see next article.) The letter also asked for broader, longer-term transportation funding.

“If the region is to maintain its current transportation system and make the needed capacity investments for the future to meet population and economic growth, significant additional transportation funding is needed,” the COG Board wrote.

A highway funding bill with which no one is satisfied



The U.S. Chamber of Commerce and AAA are pushing for a long-term highway funding measure.

The best thing most people have said about the House bill to replenish the Highway Trust Fund is that it’s better than nothing – which was starting to look like the alternative. The closer it gets to the midterm elections, however, the less anyone in Congress wants to raise any taxes. That means no one wanted to raise the gas tax for the first time in 21 years so it could keep funding the Highway Trust Fund.

So the House last week passed a \$11 billion stopgap bill that would pay for the Fund until after the midterms. The Senate, which had been working on a bill to extend funding until next May, could instead take up the House bill next week. Because the gas tax is no longer enough to

support infrastructure needs, highway funding will come from “pension smoothing,” widely acknowledged as a budgeting gimmick, and customs fees. As *The Hill* points out, the revenue will

come in over 10 years but will be spent in the next eight months. Curiously, the White House, which has lobbied hard for a longer-term measure, has endorsed the House bill as the best alternative, for now.

As part of its education effort, the White House Council of Economic Advisers and National Economic Council produced a report that showed the state-by-state impact of bankruptcy in the Highway Trust Fund (HTF). It may come as no surprise to area drivers that 95 percent of the 1,051 miles of public roads in Washington, DC, are in poor condition, and nearly 6,000 jobs in the city would be jeopardized by a HTF bankruptcy. In Maryland, only 20 percent of public roads are in poor condition, but more than 12,000 jobs could be at risk. In Virginia, just 6 percent of public roads are in poor condition, but 17,228 jobs could be lost.

Transportation advocates were lukewarm about the emerging deal in Congress. “The only way that a short-term patch of the Highway Trust Fund is acceptable is if it buys Congress a few months to work on finalizing a bipartisan, long-term agreement later this year,” wrote Bob Darbelnet, president and CEO of the American Automotive Association. AAA favors an increase in the gas tax.

The U.S. Chamber of Commerce said the short-term measure is an important first step, but the group also urged “a bipartisan, sustainable and long-term solution.”

DC has the nation’s fewest driving deaths

A jurisdictional comparison putting the District in a positive light – shows the city has a lower death rate per billion miles driven than any state (maybe because it’s hard to drive very fast in the city). A new study by the University of Michigan, found that road safety has improved nationwide in the past 10 years, with substantial variation by state or jurisdiction.

DC, with 4.2 deaths per billion miles, saw a greater drop in deaths per distance driven from 2005 to 2012 (68 percent) than any state. The District also had the highest percentage decrease in the death rate per population in that period.

Traffic death rates are generally higher in the northern plain states and the south, the study found. Only three states – Vermont, North Dakota and Maine – saw *more* deaths per distance driven in the period studied.



Traffic fatalities are down nationwide.

Jeb Bush and Leno to speak at 2015 NADA convention

Giving the Republicans equal time, NADA has fielded former Florida governor and likely GOP presidential candidate, Jeb Bush, to speak at its 2015 Annual Convention in January. The bipartisan showing follows this year’s speaker line up at NADA that included Hillary Rodham Clinton, former secretary of state in the Obama administration and likely Democrat candidate for president. Curiously, NADA had Gov. Bush’s father, President George H.W. Bush, and Secretary Clinton’s husband Bill Clinton, as joint speakers at the 2009 convention, while later having Gov. Bush’s brother, President George W. Bush, as a convention speaker in 2012.

Longstanding Tonight Show host and car enthusiast, Jay Leno, will provide the light side of the NADA speaker line up, happening in January 2015 in San Francisco. For additional information on the convention, click [here](#).

By 2035, cars will have no steering wheels, gas or brake pedals

By 2030, cars will not have rearview mirrors, horns or emergency brakes, according to a survey of members of the Institute of Electrical and Electronics Engineers (IEEE). Steering wheels and pedals for braking and gas will disappear by 2035. More than 75 percent of respondents said that all 50 states would pass legislation permitting use of driverless vehicles by that time.

Asked to rank the biggest roadblocks to mass adoption of driverless cars, the engineers chose legal liability, policymakers and consumer acceptance as the biggest obstacles, followed by, to a point, cost, infrastructure and technology.

“Any time you have a technology that has the potential to fundamentally change our daily lives, laws and policies need to be established to ensure the technology is going to be used properly,” said Yaobin Chen, IEEE senior member and professor and chair of electrical and computer engineering at Purdue School of Engineering and Technology. “This is especially true with intelligent vehicles.”

Has U.S. auto industry reached its peak?

One forecast says “yes”

A new forecast by global business advisory firm AlixPartners says the U.S. auto industry may have reached its peak, starting with 16.3 million sales this year.

Of most immediate concern, the study points to a belief by many economists that those actions by the Federal Reserve will likely lead to an increase in interest rates starting next year. If consumer interest rates were to rise 3 percentage points – about the normal historical increase when rates go up in a managed fashion after a prolonged downward trend – that would translate into \$2,500 less purchasing power for car buyers, the study says. If rates were to rise 7 points, which is much less than the rise in the early 1980s recession, that would mean \$5,250 less purchasing power.

If the pulled-ahead sales of the 2000s are taken into account, U.S. auto sales are on track to pass their long-term trend line this year, the study says. In addition, the vehicle renewal rate has been on a long-term decline and is approaching replacement levels. Vehicle usage rates are also declining, because of both aging baby boomers and younger Americans, whom AlixPartners has dubbed Generation N, for “neutral about driving.”

In Memoriam
Ralph Frisbee
WANADA Publications and Marketing Director

WANADA is sad to report that its stalwart publications and marketing chief, Ralph Frisbee passed away on Sunday from complications of cancer. He was 69. Sadly, too, Ralph was the beloved husband of Trish Frisbee, WANADA's office manager and Board liaison of long standing.

Ralph had come over to WANADA after an extended and distinguished career in marketing and advertising operations at Metro, going back to the glorious, but tumultuous years of the launching of the long awaited subway system here in the mid-1970s.

A benefit added of Ralph's eminently successful oversight of WANADA's publications, and the marketing and administration of ADEI's career programming, was the annual WANADA Open, which he took under his wing and brought to new heights per his love of golf.

Arrangements are set for this Friday, July 25, at St. Rose of Lima Catholic Church, 11701 Clopper Road, Gaithersburg, MD 20878-1024. Visitation with the family is 1:00 pm - 2:00 pm, with a memorial service from 2:00 pm - 3:00 pm. A reception will follow at the Kentlands Mansion, 320 Kent Square Road, Gaithersburg, Maryland 20878, at 3:15 pm.

The funeral is through DeVol of Gaithersburg, (301) 948-6800. Contributions in lieu of flowers can go to Montgomery Hospice, 1355 Piccard Drive, Suite 100, Rockville, MD 20850.

To Trish, her sons Mark and Danny, her extended family and many friends, WANADA offers its sincerest sympathy.

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Thought for the week...

Israel's Prime Minister, Benjamin Netanyahu's assessment on the current conflict in Gaza between Israel and Hamas:

"Here's the difference: We're using missile defense to protect our civilians; they're using their civilians to protect their missiles."