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Dealers would prefer consumer-first approach to CAFE standards, NADA vice-chairman tells NPR

NADA vice-chairman David Westcott told National Public Radio's "Talk of the Nation" that dealers are pleased about the increased fuel economy standards "because that's what our customers want." But, he added, "we would prefer to have the consumer tell us what they need rather than the top-down approach." Westcott was a guest on the program September 7, along with *Wall Street Journal* (WSJ) senior editor Joseph White and Daniel Sperling, director of the Institute of Transportation studies at the University of California, Davis.



CUVs like the Chevy Equinox may be the most popular now, but that could change as baby boomers age.

Asked if car buyers consider mileage their first priority, Westcott said it's probably fifth or sixth. "They really want to find a vehicle that's going to fit their lifestyle, and more importantly, because of all the financial challenges we've had through the banks, find one that they can afford also."

Westcott said the new rules would take seven or eight million buyers out of the new car market. "It is going to be very difficult when you get that consumer who is used to a larger car having to go to a smaller car, for

price or whatever.” The crossover utility vehicles (CUV) and midsize CUV are probably the most popular segment now, he said. But UCAL’s Sperling predicted that with the aging of the baby boomers, SUVs will start to give way to sedans.

Although automakers supported the new standards, White of WSJ said, “if you ask them off the record if they think that the 2025/54.5 mpg standard is something that’s attainable, they would say ‘yes, but,’ and the ‘but’ is a pretty big one.” He added that “consumers are going to be the ultimate arbiters.”

Sperling focused on the rapid advancement in technology that makes the standards possible. “What we’re going to see in the U.S. is that vehicles are still going to be just as powerful and very likely almost as large. And the new improvement is going to be gained mostly by better technology.” Not many battery-electric or fuel-cell vehicles will be required, he said. And improved technology will result in cars that are “very, very lightweight, but also very, very safe.”

Still, White said, it all comes down to the consumer. “People tell pollsters, almost unanimously, ‘Absolutely, we want the highest possible fuel economy standards.’ ” But when they’re in the showroom, “they weigh fuel economy as one in a basket of attributes that are important, and to them, comfort and the sound system are sometimes almost as important.”

Fiscal cliff looms for DC region; businesses appeal to Congress

The Washington, DC region is unprepared to face the massive federal cuts that would result from the fiscal cliff scheduled for January 1 unless Congress acts, says a new report from the Metropolitan Washington Council of Governments.

“Today, the combination of slowing federal spending, automatic spending cuts of \$1.2 trillion (*sequestration*), and ongoing budget uncertainty is pushing metropolitan Washington dangerously close to a fiscal cliff,” says the report, *Economy Forward*. From 2000 to 2010, federal spending in the region more than *doubled*. In 2010, Virginia, Maryland and D.C. were first, fourth and fifth among the states in receiving federal procurements.



The U.S. Chamber of Commerce sent Congress a letter, signed by 298 businesses, protesting sequestration.

Sequestration or not, the slowdown in federal spending has already begun and is likely to accelerate. In 2011, federal employment dropped for eight months. Between 2010 and 2015, the share of metro Washington’s gross regional product coming from federal spending is forecast to drop by 3.5 percent – a trend that will greatly affect the local workforce and area businesses.

But the Washington area isn’t the only part of the country worried about the fiscal cliff. On September 12, the U.S. Chamber of Commerce sent a letter signed by 298 organizations to

President Obama and members of Congress, urging them to act now to avoid sequestration. “Economists from across the political spectrum warn that such tax increases and spending cuts would have a devastating effect on a still sputtering U.S. economy, quite possibly returning it to recession,” the letter said.

The letter urged Congress to extend the lower Bush-era tax rates for individuals and businesses and find spending cuts to replace the lost revenue.

Among those signing on was the American International Automobile Dealers Association.

Dealers lobby on tax reform at NADA’s Washington Conference



NADA Chairman Bill Underriner urged dealers to fight an increase in the estate tax to 55 percent.

NADA’s Washington Conference this year fell on the inauspicious date of Tuesday September 11, as it did the day of the attacks on the World Trade Center and the Pentagon 11 years ago. But this time the conference continued as planned, as nearly 400 dealers lobbied their members of Congress on various issues, starting with the repeal of the estate tax.

It was the first time in 12 years that Phil Brady did not preside at the conference as NADA president. Brady became senior vice president of government affairs at Philips 66 as of last month. Joe Cowden, NADA’s COO is interim president.

WANADA Chairman Chip Lindsay, past WANADA Chairmen Jack Fitzgerald, Geoff Pohanka and Jack Pohanka all attended, as did WANADA CEO and assistant CEO Gerard Murphy and John O’Donnell respectively. Among the speakers were NADA Chairman Bill Underriner, Sen. Max Baucus (D-Mont.), Acting Secretary of Commerce Rebecca Blank and House Majority Whip Kevin McCarthy (R-Calif.). Those in attendance agreed that the uncertainty of the elections made it difficult to make forecasts about the “fiscal cliff” or any other issues.

Nonetheless, NADA has several legislative priorities for which dealers from across the U.S. lobbied their Congressmen.

Estate tax rates should remain at 35 percent. Unless Congress acts by December 31, the estate tax will rise on January 1 from 35 percent with a \$5 million per-spouse exemption to 55 percent and a \$1 million exemption. Most dealerships are family-owned businesses with significant estate tax exposure. NADA supports a permanent solution to the estate tax in 2013. The issue will likely be debated in the *lame-duck* session after the November election, prior to the inauguration.

LIFO should be preserved. Congress has considered repealing LIFO (the “last in, first out” inventory accounting method) several times in the past few years to raise revenue. Doing so

would require dealers to report their LIFO reserves as ordinary income, resulting in a large tax increase. NADA is lobbying for *no changes in the current law*.

Tax reform should protect small businesses from tax increases. With a discussion of tax reform increasingly likely in Congress next year, NADA is asking that any reform include both C corporations and “pass through entities” such as S corporations, partnerships and LLCs. The Obama administration has proposed reform that would affect only C corporations, but NADA believes all small business entities should be treated equally.

“Right-to-Repair” legislation is unnecessary. A coalition of aftermarket parts manufacturers is promoting H.R. 1449, a bill that requires automakers to turn over repair information so all auto technicians have equal access. But NADA says independent repair shops already have access to the information they need to make repairs. Automakers and third party vendors sell the information to independent repair shops. The bill has been tied up in the House Energy and Commerce Committee since Spring 2011.



Nearly 400 dealers attend NADA's Washington Conference this week.

Congress should retain service advisors' overtime exemption. The Department of Labor has tried to roll-back a decades-old overtime exemption for service advisors. The FY 2012 Labor-HHS Appropriations bill prevented DOL from spending money to enforce the rule change, and NADA is pushing for a similar restriction in the 2013 bill.

End the mandate for auto insurance booklets. H.R. 5859 would repeal a mandate that requires the National Highway Traffic Safety Administration to distribute a booklet about auto insurance to car buyers through auto dealers. They are required to keep a copy and have it available for prospective new-car buyers, but consumers rarely request it. The House has passed the bill and NADA wants the Senate to follow suit.

NADA runs ad campaign against OEM *stair step* incentives

NADA has kicked off a national print ad campaign against stair-step incentives from automakers.

A full-page ad, “Stair-Step Incentive Programs are Bad for the Auto Industry,” ran in *Automotive News* September 10. The ad says in huge red letters, “Stair-step Incentive Programs are Bad for the Auto Industry.” A list below says the incentives “harm brand credibility; hurt dealers of all sizes, undermine relationships between dealers and their customers; have an adverse effect on CSI scores; and destroy consumer confidence in dealers – and in manufacturers’ brands.”

Drivers save money by driving in DC metro area

Maryland, Virginia and D.C. are cheaper to drive in than most states, according to an Automotive Misery Index compiled by CarInsurance.com

The index looks at the cost of gas and auto insurance in each state, plus the average income and miles driven. D.C. was 35th most expensive out of 51. It helps that only Alaskans drive fewer miles in a year than D.C.'s, 9,950. Drivers in Virginia (43rd) and Maryland (44th) have a higher income, drive more miles and pay more for gas.

Darvish talks power to women business owners



Tamara Darvish, vice president of DARCARS Automotive Group and past WANADA chairman, was keynote speaker at The Power Conference: Women Doing Business, sponsored by the Women Business Consortium at the Bethesda Marriott in August.

She spoke about the power of women in business, a theme of the conference. Overall conference topics were business development and contracting, technology and marketing, and personal development for business growth.

The consortium is made up of several groups of local women business owners and entrepreneurs. Nearly 700 regional businesspeople, men and women, attended Darvish's talk.

"Tammy was on top of her game and one of the most compelling speakers there," said WANADA Kindred-Line member Larry Shulman of Shulman, Rogers an attendee.

F&I Certification Workshop, Oct. 3, WANADA Conference Center

WANADA will offer an F&I Certification Workshop October 3 at its headquarters in Friendship Heights, DC as part of its Business Seminar Series.

The workshop will teach best practices for reviewing paperwork, general compliance and the keys to good selling. At the end, attendees will take a multiple choice test and receive a certificate of attendance for the legal compliance seminar.

Subjects to be covered include: unfair and deceptive trade practices; Tax Reform Act 1984; FinCen Form 8300; Truth in Lending – Regulation Z, Regulation M(Consumer Leasing) rate spread; Equal Credit Opportunity Act – Regulation B; Fair Credit Reporting Act and the FACT Act; Gramm-Leach Bliley Act, Magnuson-Moss Warranty Act; USA Patriot Act; and OFAC.

Trainer Ty Courtney spent 25 years in law and politics before switching to the automotive field.

Register for the conference [here](#).

Higher used-car prices driver buyers to consider new

More than half of consumers say that higher used-car prices have led them to consider buying new instead, according to a poll of 136 consumers conducted in early August by Kelly Blue Book.

Just less than half (44 percent) have considered buying a new car instead of used because of the big increase in fuel-efficient models.

Many buyers are choosing their purchase with their head rather than their heart and are strongly swayed by financial considerations. About two out of three said they would consider a new vehicle they wouldn't have otherwise because it was deeply discounted or offered special financing. The same proportion said the vehicle they were leaning toward buying is "not the vehicle I am in love, with but will meet my needs based on affordability, fuel efficiency or practicality."

Thought for the Week...

The Constitution gives every American the inalienable right to make a damn fool of himself.

-- John Ciardi
U.S. poet (1916 - 1986)