

THE WANADA BULLETIN

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

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Senators press dealers on recalls; study highlights dealer role



Models such as the 2015 VW Jetta will likely be recalled. Will consumers get it repaired?

Recalls have been in the news a great deal the last couple of years, and with the Volkswagen scandal, they are about to hit the headlines again. Two Senators are weighing in as an industry study shows the critical role of dealers in getting consumers with recalled cars to the dealership.

In letters to NADA and NIADA, Senators Bill Nelson (D-Fla.) and Richard Blumenthal (D-Conn.) pressed for dealers to fix all recalled vehicles before they are sold. New cars under recall already must be repaired before sale, and

a Senate transportation bill would require the same with rental cars. The Senators wrote, "we remain very concerned that used car purchasers will be the only category of vehicle consumers unprotected against potentially dangerous recalled vehicles."

NADA opposes a requirement for all recalled vehicles. In a statement to the *Detroit News*, NADA said "there is no evidence that a blanket grounding of all used vehicles with open recalls will make the roads or consumers any safer." Such an action would severely depress used-car and trade-in values.

A study recently released by the Auto Alliance and Global Automakers shows the key role dealers play in getting consumers to bring their recalled cars for repair. The research was designed to understand why about one-fourth of owners don't have their recalled cars fixed.

“Nationwide, 93 percent of those who had heard about a safety recall on their vehicle learned about it from the automaker and the new vehicle dealer communications,” said Mitch Bainwol, president of the Alliance.

Consumers who bought their car new or who have their car repaired at a dealership are more likely to bring their recalled car for repair, the study found – reinforcing the idea that regular dealership customers are the most likely to have recalled cars fixed. Those least likely to bring a recalled car for repair include people who bought their car used or who are younger than 35.

House committee, NADA press CFPB for internal documents



NADA has filed a Freedom of Information Act request for internal CFPB documents.

Both NADA and the House Financial Services Committee are pressuring the Consumer Financial Protection Bureau to release internal documents related to its allegations of auto loan discrimination against minorities.

Financial Services Committee Chairman Jeb Hensarling (R-Tex.) sent a letter to CFPB Director Richard Cordray asking for documents that showed how the bureau built its case against lenders for racial discrimination on auto loans. The *Wall Street Journal* first reported the story.

The letter also asks Cordray to make Patrice Ficklin, director of the Office of Fair Lending and Equal Opportunity, available for a transcribed interview. Ficklin is in charge of the CFPB’s investigation of auto lending. If the committee’s requests are not met, a spokesman told the *Journal* it would consider subpoenas.

NADA made a Freedom of Information Act request for several internal documents referenced in articles in *American Banker*. NADA said the documents, as reported by *American Banker*, showed that the CFPB:

- based its understanding of the vehicle financing marketplace and dealer compensation on a discredited advocacy report;
- purposely decided to try to regulate the auto finance market through “market-tipping” enforcement actions; and
- persisted in using its disparate impact methodology even though the CFPB knew it was flawed. The CFPB has admitted that the methodology is flawed when used to analyze mortgages, but is much more accurate with other types of loans such as auto loans, according to the *Wall Street Journal*. A CFPB spokesman told the *Journal* that the *American Banker* reporting does not negate the allegations of discrimination.

Meanwhile, NADA continues to lobby for passage of HR 1737, which would revoke the CFPB’s auto lending guidance and make the CFPB’s research methodology public. The bill has bipartisan support, and NADA Chairman Bill Fox has told reporters he feels optimistic about passage.

Cyber hacking of cars a continued threat; NHTSA says it's understaffed



A Jeep Cherokee was driven into a ditch by remote hackers in July in an effort to show how easy it was.

NHTSA Administrator Mark Rosekind is worried about cyber hacking of cars, and he said his agency has neither enough funds nor staff to deal with the issue, reported Autoblog.com.

The problem came to the forefront in July, when *Wired* magazine enlisted two hackers who remotely took control of a Jeep Cherokee from across the country and drove it into a ditch, just to show how relatively easy it was. The incident was widely publicized.

NHTSA announced more than a year ago that it would create an Information Sharing and Analysis Center, and automakers agreed to pool their resources to help.

But nothing has been set up yet.

Senators Ed Markey (D-Mass.) and Richard Blumenthal (D-Conn.) recently sent a series of questions to automakers about whether they are prepared to defend against hackers. When they sent a similar survey a year ago, only 2 of 15 automakers reported adequate security measures.

With the increasing development of vehicle-to-vehicle communications, cars will only become more vulnerable to cyberattack.

Md. MVA must have current owner info before IRP registration

Per a recent MVA Bulletin to all Maryland dealers the Maryland Motor Carrier Division will require immediate submission of vehicle transactions that will need apportioned registration under the International Registration Program (IRP). This is effective October 21, 2015.

The Motor Carrier Division cannot process apportioned registration unless the Motor Vehicle Administration's titling database has been updated with the current owner.

A qualified vehicle traveling outside of Maryland must have an apportioned temporary plate and cannot operate on a Maryland temporary or base plate. A qualifying vehicle travels in Maryland and other IRP jurisdictions and is used to transport persons for hire or used primarily to transport property. It also has certain weight and axle requirements.

Click [here](#) for MVA's Bulletin to Maryland dealers of Oct. 6 and direct questions to irp@mva.maryland.gov.

'Small business' now means 50 or fewer staff under Obamacare

President Obama has signed a law that changes the definition of "small business" under the Affordable Care Act (ACA) from 100 to 50 or fewer employees. Each state plus DC has the option of operating under that new definition or under the one originally in the ACA of 100 or fewer employees.

Maryland quickly announced it would go with 50 or fewer. Virginia and DC have yet to announce their intentions. They will want to give their insurance carriers time to prepare, so they will likely announce their choice in the next month or two.

It could make a big difference to dealers that fall in the 50 to 100 employee range whether their dealership group is classified as a small business or not. Under the Affordable Care Act, a small business's rates are based almost exclusively on the claims of a large pool of businesses, not on the claims history of that business. Individual rates within a small group plan are largely based on age. This could result in older, tenured employees having to pay more for their portion of medical premiums.

Supreme Court won't hear case on closed Chrysler store

The Supreme Court declined to hear the case of an Ohio Chrysler dealer who stayed open during the 2009 bankruptcy and dealership closings and sued to prevent a nearby store from reopening, reported the *Detroit News*.

The question was whether a federal law passed after the bankruptcies of Chrysler and General Motors that allowed closed dealerships to arbitrate their reopening was constitutional. Akron, Ohio, dealership Fred Martin Motor Co., which sued to prevent Spitzer Autoworld Akron, LLC from reopening, argued that state franchise law should pre-empt the recent federal law. Leaving the law as is, Fred Martin argued, would allow Congress to interfere in future bankruptcies. The Supreme Court apparently disagreed.



What Detroit media heard from NADA chairman on VW, Tesla

When NADA Chairman Bill Fox spoke before the Automotive Press Association in Detroit, he addressed several hot button issues, including the Volkswagen scandal, federal fuel economy requirements and Tesla's direct sales in some states.

"I think Volkswagen sales are going to fall off the end of the world until they solve this problem, though I hope that doesn't happen," said Fox, according to the *Detroit News*. The consumer should come first, he said, concluding that the scandal reflects poorly on the entire industry.

Fox said VW was using diesel to try to meet tough federal fuel economy requirements of 54.5 mpg by 2025. Those requirements are going to raise the price of a new car an average of \$3,200. That means 7 million Americans will be priced out of the new-car market.

On an entirely separate subject, Fox said he supports Tesla's right to sell its cars directly to consumers if state law allows, the *News* reported. But, he added, it's not a good solution. It's better if the consumer has a local dealer to call if there's a problem, rather than an 800 number.

Uber may encourage delay in car purchases, survey finds

A new survey from CNBC found that nearly one-fourth of consumers who had used Uber car services in the past six months are delaying or holding off on buying a new car because they use Uber. The survey was conducted by Magid Advisors.

Uber is like a "Mack truck just rolling down the street gaining speed," said Magid Advisors President Mike Vorhaus on CNBC's "Fast Money." He expects that the car sharing service's success will eventually affect auto sales.

Of course, Uber drivers also buy cars. A Toyota dealership in Texas even offers discounts to Uber drivers buying a new car.

DC has fewer road deaths than any state

We seem to hear official confirmation at least once a year that the national capital area has the worst traffic of any in the nation. But here's the flip side: Washington, DC, has fewer road deaths per capita than any state – maybe because we're not driving fast enough to be killed. DC also has the fewest road deaths – 0.4 percent – as a percentage of all fatalities. The findings come from University of Michigan Transportation Institute researchers Michael Sivak and Brandon Schoettle.

Overall, the northern Atlantic seaboard and Pacific states have the fewest road deaths as a percentage of all fatalities. Maryland is also in the top third, with Virginia just a few slots behind. States in the Northern Rockies and the Dakotas, and the South and Southwest, have the most road deaths as a percentage of all fatalities. Two features shared by the states with the highest rate of road deaths, said Sivak: speed (higher speed limits) and greater distance driven per capita.

Gas mileage drops for second straight month

The average fuel economy of light vehicles bought in September dropped for the second straight month to 25.2 mpg, down 0.1 mpg from August. That's probably no surprise, with continuing low gas prices pushing up sales of SUVs, crossovers and light trucks. Figures are from the University of Michigan Transportation Research Institute.

Overall, fuel economy is down 0.6 mpg from the peak reached in August 2014, but up 5.1 mpg from October 2007, the first full month of monitoring by the researchers.

Staying Ahead...

Of course there is no formula for success except perhaps an unconditional acceptance of life and what it brings.

--Arthur Rubinstein (1886-1982)
Composer and pianist