

THE WANADA BULLETIN

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

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Annual Meeting & Lunch Special

December 10, 2014

Headlines...

Geo. Will cites CFPB as government overreach

Chairman Korengold lauds robust year for WANADA and industry

Dick Patterson is new WANADA chairman; Board is elected

Photo Collage – Annual Meeting and Luncheon, Dec. 2

U.S. dealership jobs grew 3.4% last year; high weekly earnings

November sales show SAAR above 17 million; 2nd time this year

Welcome new WANADA members!

Staying Ahead...

Geo. Will cites CFPB as government overreach while extolling the value of American individualism

Hundreds turn out for WANADA Annual Meeting and Lunch at Ritz/Tyson's, Dec. 2

Political analyst and unabashed baseball fan, George Will, entertained and enlightened WANADA members at the dealer organization's 2014 Annual Meeting and Luncheon at the Ritz-Carlton in Tysons Corner last Tuesday, December 2. He spoke of the endangered spirit of American individualism and its entrepreneurial philosophy, jeopardized by a creeping statism, or big government, which by design will increase dependency on government.

From there, Will challenged the very existence of the Consumer Finance Protection Bureau, using a quote from economist Milton Friedman: "Take any four letters in the alphabet and throw them in the air, and you'll come up with the acronym of a federal agency we can do without," Will said. "The four letters I'll toss out are CFPB."

Will's focus on CFPB, the regulatory offspring of President Obama's *signature* Finance Reform Law, was in response to WANADA Chairman Danny Korengold's report earlier in the meeting that spotlighted the problems CFPB has been posing for dealers.

But Will noted that in the new Congress the House Financial Services Committee will oversee the CFPB, to be chaired by Sen. Jeb Hensarling (R-Tex.), who is on record as saying he "has no use for the CFPB."

More broadly, Will spoke of the dangerous growth of government and its intrusion into every aspect of American life. He held up the 1,197-page Finance Report Law (a.k.a, the Dodd-Frank Act) and contrasted it with the Homestead Act of 1862, the nation's first immigration law. "This



George Will challenged the CFPB's very existence when he spoke at WANADA's Annual Meeting and Lunch.

was a very significant piece of legislation enacted in the 19th Century that weighed-in at just two (2) pages,” said Will.

“The government has lost all sense of its actual scope,” Will said. He contrasted the common liberal view that the United States is, and should be, a government-centric society with the conservative view that business markets are more rational and should be the dominant force.

Vice President Biden, Will told the crowd, recently said that every important idea of the past two centuries has depended on government. Will countered with a list of inventors and business people whose contributions have had immeasurable impacts on American society *without* government: Ely Whitney’s cotton gin; the John Deere tractor; Alexander Graham Bell’s telephone; and Ray Kroc’s McDonald’s restaurants.

“They didn’t begin at the ballot box,” said Will. “They represented the spirit of American individualism.” That individualism, and “the fact that government is not the center of our lives,” Will said, are what has made America exceptional. “This is the culture of America and of American business.”

By contrast, the philosophy of statism, that “government should seize what it can and thereby become omnipresent is insidious.” The controversy over the Keystone XL pipeline that has been blocked shows to what extent energy is permeated by political interests. The CFPB is another example. “Is the government going to direct *everything*, on down to the allocation of credit?” Will asked.

Circling back to Washington, he asked, “Why the temperature is so high in politics today? “Because the stakes are high.” Will said, with some leaders advancing a “dependency agenda,” designed to make more Americans dependent on government.

Turning around a common argument on income inequality, Will noted that the top 5 percent of earners pay 60 percent of income tax, and the bottom 60 percent pay just 3 percent. As a result: “The American majority has no incentive to restrain the growth of government because they’re not paying for it.”

But, said Will, “We can get better by choosing to get better.” He quoted Winston Churchill, who said, “The American people invariably do the right thing—as long as they have exhausted all the alternatives.” Then, in departure from a number of his philosophical bedfellows, which he admitted he was doing, the topic of immigration was spotlighted, where WANADA’s keynote speaker said America needs to properly assimilate immigrants into the U.S. -- who are here illegally -- because the economy benefits by their readiness to work hard and contribute.

“Immigrants historically have been a big factor in what has made America great and there is no difference with today’s immigrants,” he said. “In short, *we need them.*”



2014 WANADA Annual Meeting and Luncheon, December 2, Ritz-Carlton/Tysons Corner

Chairman Korengold lauds robust year for WANADA and industry



Chairman Korengold said two of WANADA's biggest challenges this year were the CFPB and Tesla.

WANADA Chairman Danny Korengold spoke at the Annual Meeting and Luncheon of the “robust year for the auto industry” and the challenges and triumphs for the association and the U.S. dealer associations coalition in 2014 and beyond.

This year the industry is poised to approach 17 million sales, reminiscent of the glory days of 2000 and 2001. But the recent midterm elections showed that Americans continue to be concerned about the nation’s overall direction.

Two of NADA’s and WANADA’s biggest challenges this year, said Korengold, were dealing with the negative fallout from the auto finance guidance of the Consumer Finance Protection Bureau and with Tesla’s efforts to retail its cars without dealers.

“CFPB decided that dealer credit arrangers should only be compensated by lenders on a flat fee basis, as opposed to the sliding scale lenders have used with dealers from time immemorial,” said Chairman Korengold. The reason: Discrimination against minority consumers of car loans, the net result being something called “disparate impact.” Despite efforts by NADA and the National Association of Minority Auto Dealers, CFPB regulators don’t seem to realize that “credit, once arranged by the dealer, then finalized by a lender, is a *numbers game*, pure and simple,” Korengold said.

He referenced H.R. 5304, a bill introduced in Congress with NADA’s backing that would rescind CFPB’s inappropriate regulatory guidance to lenders on dealer credit arranging.

As for Tesla, Korengold credited VADA for working through the DMV such that Tesla is limited to a single location in Tysons Corner from which to directly retail its cars in Virginia. Tesla continues to press its dealership retail model with some states replicating Virginia’s limited location approach, while others, such as Michigan, prohibit Tesla sales without dealers entirely.

In Maryland, Korengold noted two actions that helped dealers this year. The first is a *second generation* warranty reimbursement law that will “align dealers and franchisor OEMs on proper compensation for performing new vehicle warranty repairs.” The second is a law that has raised the vehicle sale processing fee maximum from \$200 to \$300.

Chairman Korengold also highlighted the success of The Washington Auto Show, now recognized by the *Organisation Internationale des Constructeurs d’Automobiles* (OICA), the international OEM group headquartered in Paris that accredits *tier one* shows around the world. Washington is one of only *five* OICA auto shows in the U.S.

Regionally, The Washington Auto Show was recognized by DC event evaluator BIZBASH as one of the Top 100 events in town, placing the Auto Show in company with events ranging from DC Fashion Week to the State of the Union. In the Trade Shows and Conventions subcategory, the Auto Show was rated *number one*.

The 2014 Auto Show was a big success despite a snowstorm on industry/media days last January, when Ford Motor CEO Mark Fields gave the keynote address at the automotive press breakfast and Secretary of Energy Ernest Moniz spoke later in the day. During the public days, Vice President Joe Biden toured the show with his family.

Korengold highlighted two important WANADA programs for dealer association members: Employee Benefits Planning and the Auto Dealer Education Institute (ADEI).

“WANADA dealer leaders have engaged first rate insurance professionals to put together employee benefits plans that maintain the highest quality of coverage and customer service, while ensuring compliance with the new and challenging Affordable Care Act,” Chairman Korengold said.

ADEI’s *NATEF-Certified* Technician Development Program trains adults for two and a half years while they work in a dealership service department. Each trainee completes ADEI as a full-fledged, line technician for the sponsoring dealership. The program has been operating successfully at Montgomery College in Rockville, and more recently through the adult education division of Fairfax County schools at Marshall Academy and Hayfield Academy.

Finally, Chairman Korengold referenced an important 2014 event at WANADA, that being a well-attended, memorable evening last May commemorating John O’Donnell stepping in as WANADA’s new president and CEO, taking over from Gerry Murphy who held the job for 32 years. The transition evening took place at the new Washington Marriott Marquis where 80 *plus* years of the automobile business in Washington was enjoyably reviewed.

Dick Patterson takes over as WANADA chairman from Danny Korengold ***Other officers change, along with Five positions on WANADA’s 17 member Board***



New WANADA Chairman Dick Patterson (right) salutes outgoing Chairman Danny Korengold at the podium.

Longtime dealer group leader Dick Patterson of RRR Automotive was installed as WANADA’s 2014-15 chairman of the board at last week’s Annual Meeting and Luncheon where Patterson took over from Danny Korengold, Ourisman of Virginia, who wrapped up two, one-year terms as chairman. Besides Patterson, Charles Stringfellow, Brown Automotive, was elected by fellow Board members to become chairman elect; John Bowis of Chevy Chase Cars, corporate secretary; and Kevin Reilly, Alexandria Hyundai, treasurer. Reilly is currently Auto Show chairman for 2015, a position that will conclude when the show ends next February. Danny Korengold remains an officer, by operation of WANADA’s bylaws, as immediate-past-chairman so long as Dick Patterson is chairman.

WANADA’s Executive Committee consists of the aforementioned officers, plus the Auto Show chairman and Insurance Committee chairman, which are Kevin Reilly and Ralph Mastantuono, Alexandria Mercedes Benz, respectively. John O’Donnell is also a member of the EC in his role as president and CEO. The Executive Committee, then, totals eight and operates on the Board’s behalf in exigent circumstances or situations when it is not practicable or possible to bring the Board together.

Five dealer members filling expired terms on WANADA’s Board are: Jamie Darvish, DARCARS; Dottie Fitzgerald, Fitzgerald Auto Malls; Daniel Jobe, Capitol Cadillac; Geoff Pohanka, Pohanka Automotive; and Tony Santy, Chesapeake Petroleum (Kindred-Line representative). These directors were elected by the WANADA membership assembled at the Annual Meeting and Luncheon pursuant to a slate formulated by a Nominating Committee of past chairmen chaired by Chip Lindsay, Lindsay Automotive. Terms on WANADA’s 17 member Board are three years in duration such that a director may run for two consecutive three year terms, totaling six years, before being subject to term limits. Of the five elected directors,

three are continuing on the Board -- Jamie Darvish, Geoff Pohanka and Tony Santy; two are starting first terms-- Dottie Fitzgerald and Daniel Jobe.

Going off the Board were Harold Redden, Fitzgerald Auto Malls, who will stay in WANADA leadership as chairman of the Auto Dealer Education Institute. Redden served two terms, totaling six years on WANADA's Board.

Additionally, longtime WANADA member and the *last* DC dealer, Harry Martens of Martens Car left the Board after selling his dealership and ending his distinguished career in the Washington area automobile business. Martens Cars was the legacy to the longstanding LP Stuart chain.

The Nominating Committee also recommended officers for the new Board to elect, which happened after lunch.

The NADA director for Metropolitan Washington, Tamara Darvish of DARCARS, is automatically an *honorary* member of the WANADA Board whose role is to keep the Board informed of NADA business while keeping WANADA supportive of NADA leadership initiatives and programs. Tammy will commence a follow up three year term on the NADA Board, in January at the 2015 Convention. NADA has approximately 58 geographic director seats plus several *at large*. Besides WANADA's Metro Washington area represented on the NADA Board there are several other major metro areas, all 50 U.S. states, with several states given more than one seat.

The WANADA organization consists of the trade association, a business services corporation, the Auto Dealers Education Institute (ADEI) and the WANADA Community Support Foundation. Among other things, WANADA, the Association produces, The Washington Auto Show; WANADA Business Services houses the insurance agency, F.B.O. WANADA employer members; and ADEI oversees the Technician Development Program.



Chip Lindsay reads the Nominating Committee report to members with a slate of Board members



New WANADA Board at the Annual Meeting, December 2, 2014 (from left):

Chip Doetsch, Apple Ford/Lincoln; Frank McCarthy, Sheehy Auto Stores; Daniel Jobe, Capitol Cadillac; John O'Donnell, WANADA CEO; Charles Stringfellow, Brown Automotive; Geoff Pohanka, Pohanka Automotive; Danny Korengold, Ourisman Automotive of Virginia; Dick Patterson, RRR Automotive; Dottie Fitzgerald, Fitzgerald Auto Malls; John Bowis, Chevy Chase Cars; Kevin Reilly, Alexandria Hyundai; Lou Cohen, BMW of Rockville; Robert Fogarty, Jr., Sport Automotive; Melanie Funkhauser, Fair Oaks Chrysler; Jamie Darvish, DARCARS; Tony Santy, Chesapeake Petroleum; Ralph Mastantuono, Mercedes-Benz of Alexandria; and Chip Lindsay, Lindsay Automotive. Not pictured: Alex Perdikis, Jim Koons Automotive Companies

Photo Collage 2014: WANADA Annual Meeting and Luncheon, Dec. 2



Keynoter George Will (center) speaks with Charles Stringfellow after the meeting. In the background, are Danny Korengold and WANADA Chairman, Dick Patterson (right most).



Jim Koons Automotive Companies' table at Annual lunch.



WANADA CEO John O'Donnell opening the 2014 Annual Lunch program.



Michael Ryan, formerly of the "president's own" United States Marine Corps Band, delivers a moving rendition of the National Anthem to open the Annual Meeting.



2015 WANADA officers (from left): John O'Donnell, president/CEO; Gerry Murphy, general counsel; Charles Stringfellow, chairman-elect; Danny Korengold, immediate past chairman; Dick Patterson, chairman; John Bowis, secretary; Kevin Reilly, treasurer.

U.S. dealership jobs grew 3.4% last year; high weekly earnings

Total dealership employment grew 3.4 percent last year and topped 1 million people, according to NADA's *2014 Dealership Workforce Study Industry Report*.

"As the appeal of careers with new-car and -truck dealerships grows, so do the opportunities for these businesses to attract top talent," said John Lyboldt, NADA's vice president of dealership operations.

A few of the study's key findings:

- Dealership weekly median earnings of \$976 are 25 percent higher than the \$782 earned by private employees.
- Median weekly earnings grew by 1.3 percent – a slower pace than the 3.7 percent rate in 2012.
- Turnover rose slightly to 36 percent, but is still less than the private sector's 42 percent.
- Sales rep. turnover remained higher than the rest of the staff, at 66 percent.
- Nearly half of *new hires* at dealerships are millennials (born from the early 1980s to early 2000s), who now make up 27 percent of the dealership workforce.
- Of active payroll employees, nearly 18 percent are women, similar to last year.
- The percentage of dealerships that schedule employees to work more than 45 hours per week has dropped significantly in the three years of the study. Only 13 percent of dealerships surveyed schedule salespeople to work more than 50 hours.

November sales show SAAR above 17 million, 2nd time this year

November sales, up 4.5 percent from a year ago, reached a seasonally adjusted annual rate (SAAR) *above* 17 million for the second time this year, according to NADA analysts.

Low gas prices, low interest rates and *Black Friday* promotions all helped, but some in the industry said the steadily improving auto sales signal *a recovery* in the broader economy.

"More people have jobs and job security, their wages are starting to increase, household wealth is growing and low pump prices look like they're here to stay through 2015," Kurt McNeil, GM's vice president for U.S. sales operations, said in a statement.

With gas prices so low, trucks continued to sell well, making up 53 percent of the U.S. market, up 10 percent from November 2013. Chrysler Group sales jumped 20 percent from a year ago, propelled by the Jeep and Ram truck. GM sales rose 6 percent. Ford was off, down 2 percent. Ford executives said the new Mustang is selling well, and the company is still transitioning to the new all-aluminum F-150, whose sales dropped close to 10 percent last month.

On the non-Detroit side, Honda rose nearly 5 percent, Toyota was up 2.3 percent, and Volkswagen sales rose 3.2 percent after a long decline. International nameplates made up more than 55 percent of the U.S. market.

Welcome New WANADA Members!

WANADA is pleased to welcome the following dealer and Kindred-Line organizations to membership in the association:

Dealers

Lindsay Manassas

Usual Rep: Paul Smyth (psmyth@lindsaychevrolet)

Kia of Silver Spring

Usual Rep: James Coleman (jcoleman@jimcolemanauto.com)

Kindred-Line

The Washington Times-media company

Usual Rep: John Solomon (jsolomon@washingtontimes.com)

Merchant Lynx-merchant services

Usual Rep: Bill Green (bill@merchantlynx.com)

Payroll Network-payroll services

Usual Rep: Charlie Wolf (cwolf@payrollnetwork.com)

WANADA urges and looks forward to their active participation in WANADA dealer organization programs and activities.

Staying Ahead...

Is the government going to direct *everything* all the way down to the allocation of credit?

--George Will, speaking at the WANADA Annual Lunch

Referring to CFPB's intervention into car loans



WASHINGTON AREA NEW AUTOMOBILE DEALERS ASSOCIATION