

Legislative News

Mixed Results for MADA at Capitol

Doc Fee Increased, Warranty and Recall Reform Stalled

The Minnesota Legislature again went into overtime, holding a 3½ day Special Session to complete work on budget bills for the upcoming budget cycle. One of the bills passed during the Special Session is Chapter 3, the Omnibus Transportation Budget Bill. Importantly for the dealers, it contains language to increase the cap on the dealer document fee by \$50 over the next three years. The provision had also been passed as part of the transportation budget during the regular session, but that first bill was vetoed by Governor Dayton.

The language that passed allows dealers to charge as much as \$100 in document fees beginning July 1, 2017. On July 1, 2020, the cap will be increased by another \$25 to \$125.

Beyond an increase in the cap, there were also changes made to the enforcement and administration of the doc fee. To learn more, turn to page 3 of the *June MADA News* or attend a webinar on the details with MADA General Counsel Jim Schutjer on June 21.

Franchise Bill Stalled by Senate GOP

The weekend before the regular session came to a close, a conference committee comprised of five senators and five representatives was appointed and met to discuss the differences on MADA's bill to update the motor vehicle franchise protection statute. Recall, the House passed a bill with all of the updates MADA was seeking while the Senate's version lacked any changes to improve warranty reimbursement or allow for stop sale compensation. Unfortunately, the Senate stacked the committee with Senators who would follow the lead of Senate Commerce Chair Gary Dahms (R-Redwood Falls). Dahms blocked MADA's efforts to attain fair warranty reimbursement and stop sale compensation all session long.

Capitol Results... *continued on page 7*

inside

Employee Vision Program Now Available

Don't Discriminate against Financed Customers

Checkout NitroX on June 30

MADA will be launching a significant grassroots and media campaign to get a Senate vote on warranty reform in 2018.

upcoming events

jun 20 Dealership Customer Service Training
West St. Paul

jun 21 Make the Most out of the NEW DOC FEE Webinar

jul 11 Certified Title
West St. Paul

visit
www.mada.org
for details, registration
and a complete list of
Upcoming Events and
Training



Member News

Wally McCarthy (1923-2017)

A huge figure for decades in the Twin Cities retail automotive market, Wally

McCarthy passed away on May 31. At one point the largest Oldsmobile dealer in the nation, Wally owned several Twin Cities dealerships in the 1970s, 80s and 90s - long before it became commonplace to have more than one brand. A trendsetting retailer and large personality in the community, Wally trained a generation of car salespeople and dealers how to work with the manufacturers and succeed in the business while maintaining the highest ethical standards.

visit us online at www.mada.org



Minnesota Automobile Dealers Association

The Minnesota Automobile Dealers Association is a non-profit trade association dedicated to the progress of the retail auto industry in Minnesota.

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200 Lothenbach Avenue • West St. Paul, MN 55118
Metro: 651-291-2400 • Toll Free: 800-652-9029
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Legal News

\$10 Transfer Tax Due On Leases

DVS announced effective June 1, 2017 that the \$10 transfer tax is due on lease transactions. According to DVS:

Due to the upcoming MNLARS implementation, some processes have been reevaluated for statutory compliance.

As a result, it has been determined that leasing companies are NOT exempt from the \$10 transfer tax in reference to Minnesota Statute 115A.908

To bring our procedures into compliance with Minnesota Statute 115A.908 the \$10.00 transfer tax will need to be collected when a vehicle is being transferred into a leasing company's name.

Questions? Contact us at (651) 201-7800 or dvs.dealerquestion@state.mn.us

FAQ

Q: We think one of our competitors is advertising unfairly - perhaps even illegally. What should we do?

A: Minnesota dealers generally do a pretty good job with advertising compliance. There is a longstanding relationship between dealers and Minnesota Better Business Bureau. BBB administers and enforces a set of Advertising Standards which are designed to prevent illegal misleading advertising.

You can find the Advertising Standards at: <http://www.mada.org/legal-resources/consumer/BBBAdvertising>

If you have a complaint, MADA urges you to contact: Steve Farr, Auto Industry Liaison
Direct: 651-695-2430 or Email: steve.farr@thefirstbbb.org

Steve will also review your ads "prior to publication" to ensure compliance.

Legal News

New Max and More in the Doc Fee Law Change

The BIG news: Effective July 1, 2017 Minnesota law permits dealers to charge a maximum documentary fee of \$100 for each motor vehicle sale and lease. Furthermore, the maximum is scheduled to increase to \$125 in three years.

But the legislature did more than just tinker with the maximum. It codified standard doc fee practices, enacted important protective language allowing dealers to exclude the fee from their advertised vehicle prices and expanded government agency oversight for dealer compliance.

Under the new law, the documentary fee maximum specifically applies to all motor vehicle transactions. The old law was totally housed within the Motor Vehicle Retail Installment Sales Act. That meant that its restrictions and protections technically applied only to credit sale transactions. Under the new law, the doc fee max (and its protective provisions) specifically cover all new and used motor vehicle sales - cash, credit or lease - made by Minnesota dealers. This codifies the existing practices of most if not all Minnesota dealers.

The new law also requires dealers to separately state the doc fee on their customer purchase agreements (buyer's order). This codifies existing dealer practice. Itemization is not required - but is permitted - on installment sales contracts.

Price advertising is an important consumer protection issue - here and around the country. Doc fees have been the subject of very contentious and expensive lawsuits in several jurisdictions around the United States. A protective provision was enacted as part of the new doc fee law. It specifically permits dealers to exclude the doc fee from their advertised vehicle prices. Minnesota dealers have historically treated the doc fee like taxes and state fees and excluded it from the advertised price. The new law authorizes and approves this procedure.

The new provision retains a presence in the Installment Sales Act to insure that lenders can legally finance it. However, much of the substantive doc fee language was moved to the motor vehicle dealer licensing statute that is administered by Driver and Vehicle Services. This means that the dealer inspectors have authority to inspect and review your doc fee compliance.

Insurance News

New Vision Program

MADA Insurance is proud to announce that we are offering Vision Insurance. For a small monthly premium you, and your family, can have eyewear insurance at savings of hundreds of dollars a year. There is no group participation requirement, and you do not have to be part of the MADA Health Insurance plan to participate. The only requirement is that participants be employees of a new car dealership in order to join the Vision Insurance program. This is a voluntary, stand-alone Blue Cross policy which costs employers nothing. Participants pay 100% of the low premiums.

Through the program, glasses from Davis Vision are available once a year and can be purchased at Costco, Walmart, Sam's Club and independent providers. Annual prices for one person are under \$100 and go up to an annual premium of \$244.20 for an entire family. There are two fashion levels that are free to the insured, and add-ons that are inexpensive - or sometimes free. Contact Sue@mada.org, or Sarahw@mada.org for more details.

Remember, MADA Insurance also offers Dental and Life policies to new car dealerships that do not require Health Insurance participation.

Legal News

The Price is the Price is the Price

Dealers can run afoul of a number of regulations when they charge different prices depending on whether the buyer finances the vehicle or not. The price should be the same regardless of the method of payment. Moreover, attempts to recover additional money in finance deals through increasing other fees is equally problematic.

In a case out of New York, a dealer advertised a price of \$10,000. When the customer entered into a retail installment contract, the stated sale price was almost \$18,000. The customer sued and the trial court ruled that the different price amounted to a "hidden finance charge." Because this finance charge was not disclosed, the dealership violated the Truth in Lending Act.

In a second New York case, a finance customer brought a suit when the dealership overstated the amount financed and understated the finance charge by inflating the fees for licensing, registration, and inspection because the customer financed the vehicle. The judge ultimately ruled that this practice violated the Truth in Lending Act. In addition, the judge held that the dealership breached the covenant of good faith and fair dealing under the Uniform Commercial Code when it collected more than was actually owed for governmental and other fees.

The take home point in both cases is: the price is the price is the price. It is bad business and illegal to charge customers different prices based on whether they are finance or cash buyers.



Service, Parts & Collision Council News

Dakota County Technical College (DCTC) Hosts First Annual Transportation Summer Camp, NITRO-X.

NITRO-X is a week-long day camp designed to introduce middle school-age students to the exciting industry of transportation. Camp participants will have the opportunity to learn about the construction and operation of vehicle systems on RC Traxxas vehicles that include real brakes, transmission, suspension, electronics, and diagnostics. The campers will also experience the painting process as they design, decal and paint their own unique shell. Beyond the hands on experience, campers will go on on industry tours and hear from professionals in the field.

Join DCTC on Friday, June 30, to support the efforts of the Nitro-X program and watch the students demonstrate their skills.

NitroX Media Day

Friday, June 30, 2017

11:30 p.m. – 12:30 p.m.

program introduction and lunch

12:30 – 2:30p.m.

RC vehicle race and awards

Dakota County Technical College

1300 145th St East

Rosemount, MN

(East end of campus/parking near Baseball field)

For more information, contact
Jeff Copeland at 651-423-8296
or jeff.copeland@dctc.com



Minnesota Auto Outlook

Released by:
**Minnesota Automobile
Dealers Association**

Covering the Minnesota automotive market

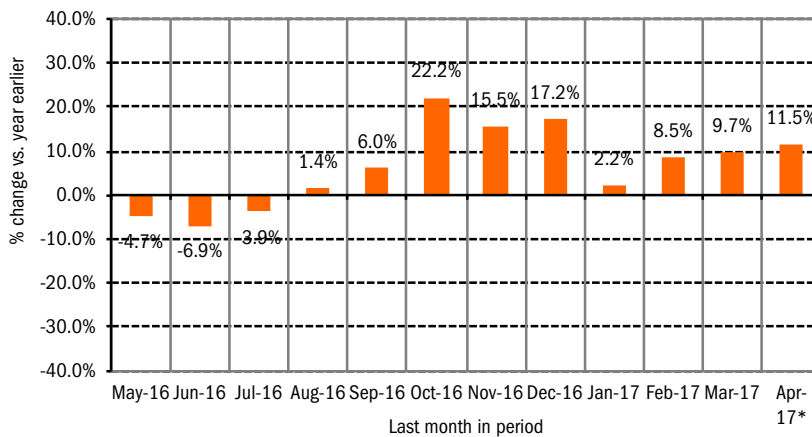
Data thru April 2017

Minnesota New Retail Car and Light Truck Registrations

	Most Recent Two Months			Year to date thru April			YTD Market Share		
	3/16 & 4/16	3/17 & 4/17*	% change	YTD '16	YTD '17	% change	YTD '16	YTD '17	change
Industry Total	30,711	32,665	6.4%	58,240	62,561	7.4%			
Cars	9,246	8,811	-4.7%	17,111	16,108	-5.9%	29.4	25.7	-3.7
Light Trucks	21,465	23,854	11.1%	41,129	46,453	12.9%	70.6	74.3	3.7
Japanese Brands	10,586	11,430	8.0%	19,968	21,770	9.0%	34.3	34.8	0.5
Honda	2,899	3,068	5.8%	5,222	5,886	12.7%	9.0	9.4	0.4
Nissan	1,396	1,581	13.3%	2,829	3,261	15.3%	4.9	5.2	0.3
Toyota	4,022	4,211	4.7%	7,366	7,463	1.3%	12.6	11.9	-0.7
Other	2,269	2,570	13.3%	4,551	5,160	13.4%	7.8	8.2	0.4
Domestic Brands	16,424	17,278	5.2%	31,440	33,533	6.7%	54.0	53.6	-0.4
FCA (excl. FIAT)	3,809	4,352	14.3%	7,308	8,560	17.1%	12.5	13.7	1.2
Ford	5,353	5,445	1.7%	10,072	10,372	3.0%	17.3	16.6	-0.7
General Motors	7,231	7,433	2.8%	13,986	14,471	3.5%	24.0	23.1	-0.9
Other	31	48	54.8%	74	130	75.7%	0.1	0.2	0.1
European Brands	2,065	2,009	-2.7%	3,757	3,771	0.4%	6.5	6.0	-0.5
BMW	504	391	-22.4%	1,037	765	-26.2%	1.8	1.2	-0.6
Mercedes	365	361	-1.1%	595	602	1.2%	1.0	1.0	0.0
Volkswagen	885	889	0.5%	1,539	1,762	14.5%	2.6	2.8	0.2
Other	311	368	18.3%	586	642	9.6%	1.0	1.0	0.0
Korean Brands	1,636	1,948	19.1%	3,075	3,487	13.4%	5.3	5.6	0.3

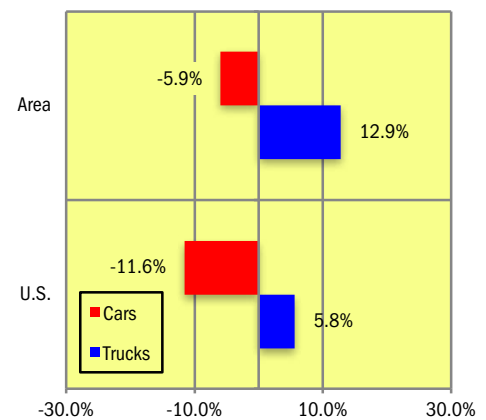
Brands included above: Domestic Brands: GM (Buick, Cadillac, Chevrolet, and GMC), Ford (Ford and Lincoln), Chrysler (Chrysler, Dodge, Jeep, and Ram). Japanese: Toyota (Toyota, Lexus, and Scion), Honda (Honda and Acura), Nissan (Nissan and Infiniti), Other (Mazda, Mitsubishi, and Subaru). European: VW (Audi, Bentley, Porsche, and Volkswagen), BMW (BMW, Rolls Royce, and MINI), MB (Mercedes Benz and smart), Other (Alfa Romeo, Aston Martin, Ferrari, Fiat, Jaguar, Land Rover, Lotus, Maserati, and Volvo). Korean: Hyundai and Kia.
*Figures for April 2017 were estimated by Auto Outlook. Data Source: IHS Markit.

Percent Change in Three Month Moving Average of New Retail Registrations versus Same Period Year Earlier



The graph above provides a clear picture of the trending direction of the state market. It shows the year-over-year percent change in the three month moving average of new retail light vehicle registrations. The three month moving average is less erratic than monthly registrations, which can fluctuate due to such factors as the timing of manufacturer incentive programs, weather and title processing delays by governmental agencies.
*Figures for April 2017 were estimated by Auto Outlook. Data Source: IHS Markit.

Percent Change in State and U.S. New Retail Light Vehicle Markets YTD '17 thru April* vs. YTD '16



The graph above compares the change in new retail car and light truck registrations in both the state and U.S. markets. *Figures for April, 2017 were estimated by Auto Outlook. Data Source: IHS Markit.

Data Information

All data represents new vehicle retail registrations in Minnesota and excludes fleet and wholesale transactions. Please keep in mind that monthly registration figures can occasionally be subject to fluctuations, resulting in over or under estimation of actual results. This usually occurs due to processing delays by governmental agencies. For this reason, the year-to-date figures will typically be more reflective of market results.
Data Source: IHS Markit.

Minnesota New Retail Light Vehicle Registrations					
	Registrations			Market share	
	YTD '16	YTD '17	% change	YTD '16	YTD '17
	thru Apr.	thru Apr.*		thru Apr.	thru Apr.*
TOTAL	58,240	62,561	7%		
Acura	347	340	-2%	0.6%	0.5%
Audi	521	503	-3%	0.9%	0.8%
BMW	892	665	-25%	1.5%	1.1%
Buick	1,071	1,310	22%	1.8%	2.1%
Cadillac	308	331	7%	0.5%	0.5%
Chevrolet	10,045	10,187	1%	17.2%	16.3%
Chrysler	864	1,207	40%	1.5%	1.9%
Dodge	1,492	1,434	-4%	2.6%	2.3%
FIAT	57	70	23%	0.1%	0.1%
Ford	9,760	10,022	3%	16.8%	16.0%
GMC	2,562	2,643	3%	4.4%	4.2%
Honda	4,875	5,546	14%	8.4%	8.9%
Hyundai	1,281	1,577	23%	2.2%	2.5%
Infiniti	180	223	24%	0.3%	0.4%
Jaguar	10	44	340%	0.0%	0.1%
Jeep	2,624	3,283	25%	4.5%	5.2%
Kia	1,794	1,893	6%	3.1%	3.0%
Land Rover	139	122	-12%	0.2%	0.2%
Lexus	748	682	-9%	1.3%	1.1%
Lincoln	312	350	12%	0.5%	0.6%
Mazda	1,116	1,362	22%	1.9%	2.2%
Mercedes	588	597	2%	1.0%	1.0%
MINI	145	99	-32%	0.2%	0.2%
Mitsubishi	536	554	3%	0.9%	0.9%
Nissan	2,649	3,038	15%	4.5%	4.9%
Other	61	101	66%	0.1%	0.2%
Porsche	89	97	9%	0.2%	0.2%
Ram	2,328	2,636	13%	4.0%	4.2%
Subaru	2,897	3,242	12%	5.0%	5.2%
Tesla	60	126	110%	0.1%	0.2%
Toyota	6,618	6,781	2%	11.4%	10.8%
Volkswagen	929	1,162	25%	1.6%	1.9%
Volvo	342	334	-2%	0.6%	0.5%

Top ten ranked brands in each percent change category are shaded green.

*Figures for April 2017 were estimated by Auto Outlook.

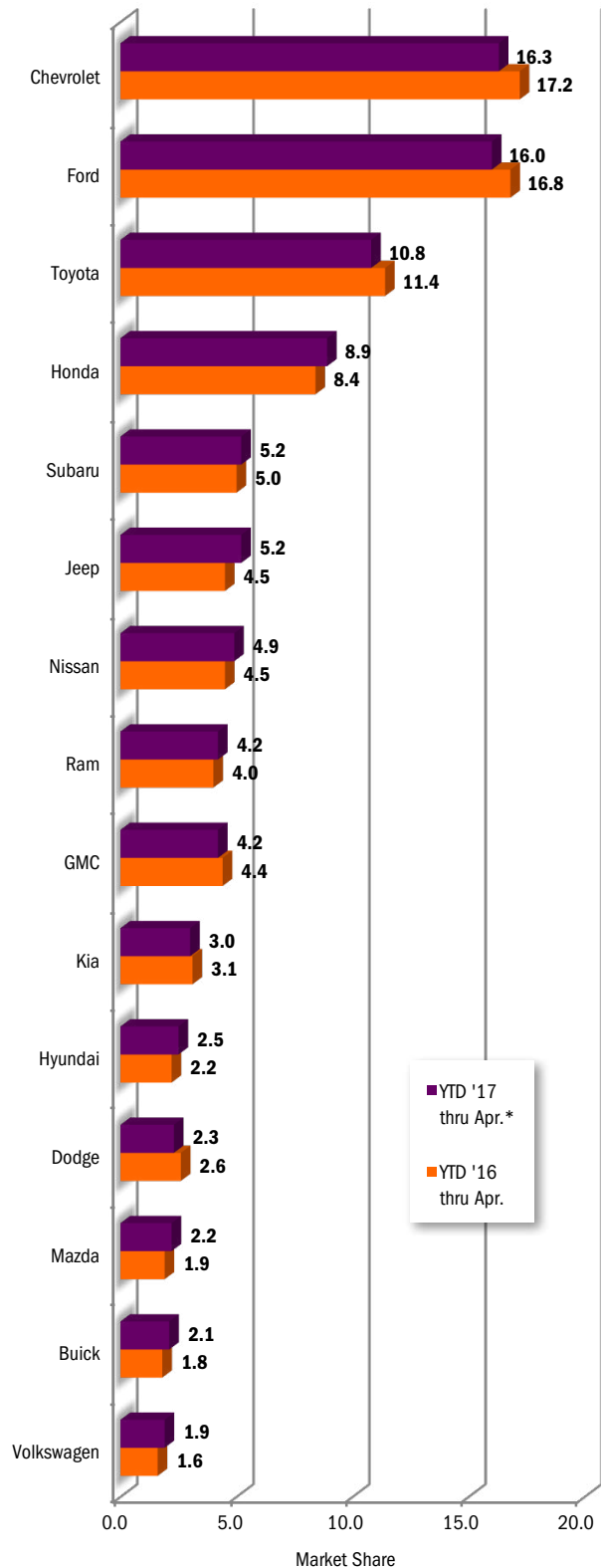
Data Source: IHS Markit.

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State Market Share for Top 15 Selling Brands
YTD '17 thru April* vs. YTD '16



*Figures for April 2017 were estimated by Auto Outlook.

Data Source: IHS Markit.

Member News

From NextGen to Dealer Principal... On June 1, **Chris Kvarnlov**, an alumni of the 2015 MADA NextGen program, became dealer principal at **Lake Country Chevrolet Buick** in Warroad, Minnesota. Chris has been working in varying capacities at the store since 2008 and takes the reigns from his father Mike, who has owned the dealership since 1999.

Lupient Kia of Brooklyn Park held an Open House on June 8 in their newly-remodeled facilities.

Cornerstone Ford Chrysler in Elk River held a Grand Reopening event on May 5. They now have two separate showroom floors, one for Ford and one for Chrysler.

Bemidji Chrysler Center recently completed a full remodel. All areas of the interior and exterior were updated.

June marked **Motor Inn Honda's** 40th year of Honda automobile dealership service in Albert Lea. Congratulations.

Capitol Results..... *continued from cover*

After the conferees took considerable testimony from MADA and factory lobbyists and had a robust discussion, Representative Ron Kresha (R-Little Falls) offered an amendment for the committee's consideration including warranty and recall compensation, but with several concessions made to neutralize the objections of the factories. The committee then recessed to contemplate the measure. Late in the evening, the conference committee reconvened to decide whether it would adopt the amendment to which MADA reluctantly agreed. While all five House conferees voted to support the amendment as a final compromise, the motion failed since only one Senator, Nick Frentz (DFL-Mankato), supported it. Senator Dahms and his Senate GOP colleagues remained steadfast that no warranty or recall language should be adopted unless the factories agreed to it. Since MADA refused to accept a "compromise" that would allow the factories to undermine the measure by surcharging dealers for accepting fair reimbursement, the factories prevailed in stopping reform altogether in 2017.

Next Steps

Thanks to everyone who contacted their legislators during the session and explained the need for this important legislation, but there is more work to do. During the summer and fall, MADA will be launching a significant grassroots and media campaign in key Senate districts to garner support in 2018 to get a Senate vote in favor of warranty and recall reform.



Endorsed Service & Vendors

Check Guarantee/Credit Card Processing

FIS / Certegy

Dealer Bond Program

Ensure Agency

Disability Income Insurance & Section 125

Cafeteria Plans

American Fidelity Assurance

Employee Placement

Hireology

F&I Products

Protective

Fleet Fueling Program

SuperAmerica

Group Health Insurance

Blue Cross Blue Shield of MN

Delta Dental

ReliaStar Life

Hole-In-One Insurance

Hole-In-One-USA

Office Supplies

Innovative Office Solutions

OSHA, EPA & DOT Compliance/Training

ComplyNet Corporation

Pre-Paid Legal, Jim Gavin

Identity Theft Shield &

Pre-Paid Legal Services

Uniforms and Linen Services

AmeriPride Linen & Apparel

Services

Workers Compensation

Ensure Agency



MADA Services sells a wide variety of products directly to the dealers including business forms, clothing and promotional items. For a full review of options, contact your sales representative at 651-291-2400 or go to www.mada.org

ADVOCACY ▪ EXPERTISE ▪ EDUCATION ▪ COMMUNICATION

MADA NEWS ▪ JUNE 2017

MADA Vendor Viewpoint

Planning for People in Retail Automotive

The automotive industry has experienced a sales boom since 2013 as more jobs, low interest rates and low gas prices have fueled automotive sales. In many cases, customers have also chosen vehicle upgrades from sedans to SUVs and a slew of infotainment and other premium packages. However, industry experts have predicted automotive sales have peaked and may soon see a decline. In fact, leading up to the 2017 New York International Auto Show, automotive sales were predicted to decline to between 17 million and 17.2 million units in 2017, down from a record high of 17.5 million the year before.

If new car sales decrease, you might think you can simply cut headcount to address the diminished revenue. But in the event of an economic downturn, your team is the only thing you can control and can help differentiate your dealership from the competition.

Organizational design should focus on planning for people no matter the economy – the economic downturn simply offers the opportunity to reevaluate to make sure your organization is effectively structured.

Article contributed by By Mike McSherry, Senior Account Executive
Hireology