

Legislative News

Legislative Session Coming to a Close

On Monday, May 21, the 90th Session of the Minnesota Legislature is constitutionally-required to come to a close, and as has become routine, many of the outstanding issues have yet to be resolved. The House and Senate are still reconciling their differences on budget and bonding issues. While the GOP-controlled Legislature works toward consensus, Democratic Governor Mark Dayton is opposed to a majority of the policies lawmakers are including in their budget, setting the state for a gubernatorial veto without time for an override. In the meantime, Governor Dayton is using his bully-pulpit to advocate for new issues, like an emergency education spending bill, that legislators did not anticipate as part of their end of session negotiations.

Fate of MADA's Agenda Uncertain

As legislative activity winds down, MADA awaits final action on our top priorities, including updating Minnesota's franchise law to provide for fair warranty reimbursement and tempering the problems created by the launch of MNLARS, the state's new motor vehicle titling and registration system.

MADA's MNLARS bill, House File 3463/Senate File 3250, is still moving on a dual-track through the legislative process. The Senate has incorporated the provisions into the Omnibus Supplemental Budget Bill, Senate File 3656, while the stand-alone bill is still viable for consideration. The House is expected to vote on the bill in the coming days. While legislators embrace the policy changes proposed to take pressure off the strained MNLARS system, they were surprised by a \$4 million cost Driver and Vehicle Services (DVS issued) claims is needed to implement the bill. MADA and policymakers are working diligently to dig into how the agency arrived at that cost and whether there's any merit to the claim.

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

Legislative Session... *continued from cover*

MADA's franchise bill, House File 740, seems to be caught in the feature film *Groundhog Day*. As transpired in 2017, the Senate won't move the bill unless there is sign-off by Commerce Chair Gary Dahms (R-Redwood Falls). He continues to insist the factories totally agree with whatever moves, or that a "compromise" he fashioned moves forward. Unfortunately, his "compromise" authorizes the factories to use surcharges to recover the warranty costs due to dealers, forcing dealers to take on their factories through arbitration and the courts to reverse. The MADA Board of Directors resoundly rejected this idea to resolve the stalemate with Senator Dahms, leaving the fate of the bill in limbo.

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
FAX: 651-291-2894 • Web site: <http://www.mada.org>

Insurance News

Renewal Reminder and Other Offerings

MADA Insurance has sent covered dealerships renewal information for their health care insurance. Please remember that we need a response in writing, before May 28, 2018, to let us know if you will be renewing your policy with us.

New plan option: In our packets there is also information on a new plan option for a \$5,000 High Deductible Health Plan (HDHP). Based on member feedback, we have added this option which will be available in the upcoming renewals. If you are a current member and would like to talk about this new HDHP, or get information on setting up Health Savings Accounts (HSA's), please contact us.

If you are not part of the health care plan but are interested in this new option, give us a call. Please remember that we can only insure new vehicle franchised dealerships.

See More Clearly

Remember - MADA Insurance provides a vision program. We offer vision insurance - with or without an eye exam included. If your dealership would like to participate, you can sign up during our renewal period which is going on right now. Give us a call at 651-291-2400, or email Sue@mada.org, for more information.

MADA News

Wage Survey Reminder

Dealer Principals: check your mailbox for the MADA Wage Survey around June 1. Those who participate in the survey receive valuable wage information in return. The survey due date will be June 22, 2018.

Legal News

78° and Sunny, with a Chance of Wheel Theft

Finally, spring has arrived. While warmer temperatures help dealers sell more cars, it also helps the bad guys commit property crimes, like wheel and tire theft. MADA would like to remind all dealers that vehicle theft and wheel-tire theft is back, and that dealers should be proactive about trying to prevent these costly crimes from occurring.

While no preventative measure can guarantee results, there are a few simple things dealers can do to minimize their risk of loss from property crimes:

1. Instruct lot staff to be on the lookout for “pre-theft” activity. The thieves often loosen or remove lug nuts a day or two before the actual theft, or stash cinder blocks under vehicles, in the beds of pickup trucks, or in nearby bushes. Both actions greatly speed up the process when the thieves come back to actually take the wheels. If you notice this activity, inform your local law enforcement right away.
2. Install “Gorilla Guard Wheel Locks,” or another trusted brand, on all vehicles. While it is true that thieves are often able to bypass or beat certain locks, they nevertheless deter some theft, and at least slow down others. To save on costs, do not sell the vehicle with these wheel locks, rather, reuse them as inventory turns-over.
3. Never leave keys unattended - in either the service or sales departments. Keys should, at all times, be locked-up, in the physical control of dealership staff, or in the possession of a customer. Important times of concern include immediately after a test drive or customer drop-offs and pickups in the service area. This may sound like common sense, however MADA regularly receives calls from dealers where vehicles are stolen during business hours because keys were simply left unattended.

MADA News

Title Certification Classes on Hold

With the launch of MNLARS and lapse of a working electronic vehicle titling and registration system (“EVTR,” formerly known as “CVR”), Driver and Vehicle Services (DVS) has suspended providing instructors for MADA’s Title Certification Classes. MADA understands the frustration this is causing dealership employees looking to keep their certification before it lapses. The association is exploring other options to provide recertification.

In the meantime, DVS is working to reinstate EVTR as part of the MNLARS system. The underlying programming needed to reconstitute EVTR is part of the next MNLARS system upgrade, and Synadapt, the agency’s newly-hired vendor, is ramping up in preparation for a third quarter 2018 launch. As part of this, DVS, is expected to make staff available again to provide the Title Certification Curriculum. Updates will be available in the coming months.

Legal News



BBB Issues Second Strike

Chevy continued to offer significant conquest cash on certain model vehicles sold during the month of April. Relying on the conquest cash, select dealers chose to include this manufacturer incentive in the most prominent price on their web ads. This is a clear violation of the Minnesota Automotive Advertising Standards. While only one dealership has been issued a Second Strike so far, the BBB has issued several First Strikes on cases involving the same issue and continues to initiate cases as it identifies violations.

MADA has seen this exact situation play-out before:

One dealer violates the ad standards by including a conditional offer/discount in their most prominent price. Another dealer, believing that their price is no longer competitive, reacts by doing the same thing. Then another dealer follows. Before we know it, several dealerships have impermissible and misleading ads. Then, when the BBB goes to enforce the standards, every dealer says the same thing: "I'll change my ad only when the other guy(s) does too!"

While MADA certainly appreciates the hyper-competitive conditions that dealers operate under, particularly as a result of the many illogical, incomprehensible, and down-right unfair manufacturer incentive programs, a violation

of the ad standards is no less egregious just because multiple dealerships are involved.

It is important for everyone to remember why we have the ad standards in the first place. The Federal Trade Commission (FTC) mandates that advertisements cannot be deceptive and misleading. To that end, the FTC publishes detailed guidance on how to comply with the law, much of which is incorporated into the Minnesota ad standards. If dealerships can manage to follow our own standards, we as an industry accomplish two important goals: (1) we avoid the consumer mistrust that follows when dealerships publish prices that they know full well many consumers will not qualify for, or worse, prices that no consumer can possibly qualify for (i.e. prices that include both conquest cash and customer loyalty cash), and (2) we ensure that Minnesota dealerships are not the target of an FTC enforcement action where fines can, and do, reach into the millions of dollars.

Dealers are encouraged to reach out to Steve Farr, BBB Auto Industry Liaison, with questions, concerns, and to have ads reviewed in advance of being published. Steve can be reached at steve.farr@thefirstbbb.org or 651-695-2430. Dealers can access the Minnesota Automotive Advertising Standards and the Three Strike Policy here: <http://bit.ly/MADAbbb>.

Insurance News

MADA Endorses Arthur Gallagher for Garage Keepers Insurance

After receiving numerous inquiries from dealers dealing with the exit of Zurich as their liability carrier, MADA set out to find a solution. Our search led us to the well-known and respected insurance broker Arthur Gallagher. Based out of Illinois but with offices here in Minnesota, Arthur Gallagher will act as a broker for numerous types of insurance coverage including: garagekeepers, property, open lot, errors and omissions, crime, cyber, general auto, umbrella and management professional liability.

Any dealership facing coverage issues should contact David Howard at 952-358-7523 or david_howard@ajg.com.

Reported registrations at the end of 2017 appear to be negatively impacted by implementation of the state's new vehicle titling and registrations system (MNLARS). This has likely resulted in underreporting of registrations during these months and has led to declines in year-over-year new vehicle registrations. Future data updates released by IHS Markit should address the apparent shortfall in reported registrations.

Minnesota Auto Outlook

Released by:
**Minnesota Automobile
Dealers Association**

Covering the Minnesota automotive market

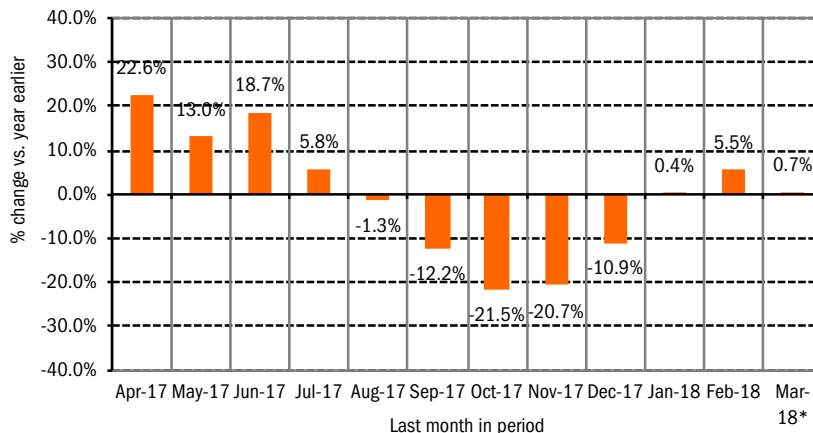
Data thru March 2018

Minnesota New Retail Car and Light Truck Registrations

	Most Recent Two Months			YTD thru March			YTD Market Share		
	2/17 & 3/17	2/18 & 3/18*	% change	YTD '17	YTD '18	% change	2017	2018	change
Industry Total	32,313	33,924	5.0%	46,947	47,275	0.7%			
Cars	8,339	7,005	-16.0%	11,878	9,656	-18.7%	25.8	20.6	-5.2
Light Trucks	23,974	26,919	12.3%	35,069	37,619	7.3%	74.2	79.4	5.2
Japanese Brands	10,994	11,526	4.8%	16,176	16,217	0.3%	34.0	34.0	0.0
Honda	3,004	3,025	0.7%	4,377	4,160	-5.0%	9.3	8.9	-0.4
Nissan	1,651	1,603	-2.9%	2,511	2,218	-11.7%	5.1	4.7	-0.4
Toyota	3,729	3,866	3.7%	5,360	5,452	1.7%	11.5	11.4	-0.1
Other	2,610	3,032	16.2%	3,928	4,387	11.7%	8.1	8.9	0.8
Domestic Brands	17,610	18,432	4.7%	25,382	25,599	0.9%	54.5	54.3	-0.2
FCA (excl. FIAT)	4,508	5,069	12.4%	6,564	7,093	8.1%	14.0	14.9	0.9
Ford	5,280	5,169	-2.1%	7,742	7,372	-4.8%	16.3	15.2	-1.1
General Motors	7,774	8,147	4.8%	10,968	11,046	0.7%	24.1	24.0	-0.1
Other	48	47	-2.1%	108	88	-18.5%	0.1	0.1	0.0
European Brands	1,852	1,993	7.6%	2,767	2,778	0.4%	5.7	5.9	0.2
BMW	385	349	-9.4%	581	486	-16.4%	1.2	1.0	-0.2
Mercedes	324	297	-8.3%	437	376	-14.0%	1.0	0.9	-0.1
Volkswagen	847	983	16.1%	1,321	1,411	6.8%	2.6	2.9	0.3
Other	296	364	23.0%	428	505	18.0%	0.9	1.1	0.2
Korean Brands	1,857	1,973	6.2%	2,622	2,681	2.3%	5.7	5.8	0.1

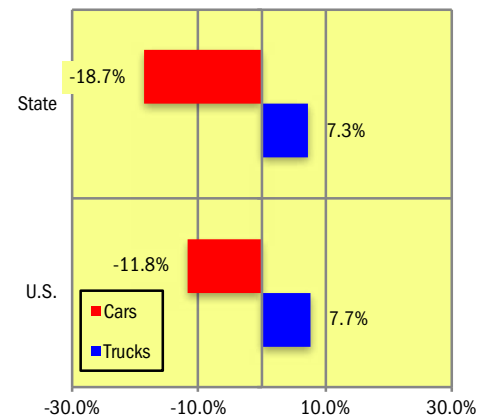
Brands included above: Domestic Brands: GM (Buick, Cadillac, Chevrolet, and GMC), Ford (Ford and Lincoln), Chrysler (Chrysler, Dodge, Jeep, and Ram). Japanese: Toyota (Toyota, Lexus, and Scion), Honda (Honda and Acura), Nissan (Nissan and Infiniti), Other (Mazda, Mitsubishi, and Subaru). European: VW (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 March 2018 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 March 2018 were estimated by Auto Outlook. Data Source: IHS Markit.

Percent Change in State and U.S. New Retail Light Vehicle Markets YTD '18 thru March* vs. YTD '17



The graph above compares the change in new retail car and light truck registrations in both the state and U.S. markets. Figures for March, 2018 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. Data Source: IHS Markit.

Minnesota New Retail Light Vehicle Registrations					
	Registrations			Market share	
	YTD '17	YTD '18	% change	YTD '17	YTD '18
	thru Mar.	thru Mar.*		thru Mar.	thru Mar.*
TOTAL	46,947	47,275	1%		
Acura	243	227	-7%	0.5%	0.5%
Alfa Romeo	9	37	311%	0.0%	0.1%
Audi	353	398	13%	0.8%	0.8%
BMW	501	398	-21%	1.1%	0.8%
Buick	963	1,120	16%	2.1%	2.4%
Cadillac	257	276	7%	0.5%	0.6%
Chevrolet	7,778	7,718	-1%	16.6%	16.3%
Chrysler	965	739	-23%	2.1%	1.6%
Dodge	1,027	984	-4%	2.2%	2.1%
FIAT	52	32	-38%	0.1%	0.1%
Ford	7,495	7,138	-5%	16.0%	15.1%
Genesis	18	17	-6%	0.0%	0.0%
GMC	1,970	1,932	-2%	4.2%	4.1%
Honda	4,134	3,933	-5%	8.8%	8.3%
Hyundai	1,206	1,135	-6%	2.6%	2.4%
Infiniti	164	153	-7%	0.3%	0.3%
Jaguar	41	37	-10%	0.1%	0.1%
Jeep	2,622	3,518	34%	5.6%	7.4%
Kia	1,398	1,529	9%	3.0%	3.2%
Land Rover	96	110	15%	0.2%	0.2%
Lexus	502	484	-4%	1.1%	1.0%
Lincoln	247	234	-5%	0.5%	0.5%
Maserati	13	11	-15%	0.0%	0.0%
Mazda	1,071	1,287	20%	2.3%	2.7%
Mercedes	432	376	-13%	0.9%	0.8%
MINI	80	87	9%	0.2%	0.2%
Mitsubishi	443	480	8%	0.9%	1.0%
Nissan	2,347	2,065	-12%	5.0%	4.4%
Other	20	11	-45%	0.0%	0.0%
Porsche	65	85	31%	0.1%	0.2%
Ram	1,950	1,852	-5%	4.2%	3.9%
Subaru	2,412	2,619	9%	5.1%	5.5%
Tesla	102	88	-14%	0.2%	0.2%
Toyota	4,858	4,968	2%	10.3%	10.5%
Volkswagen	903	928	3%	1.9%	2.0%
Volvo	210	269	28%	0.4%	0.6%

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

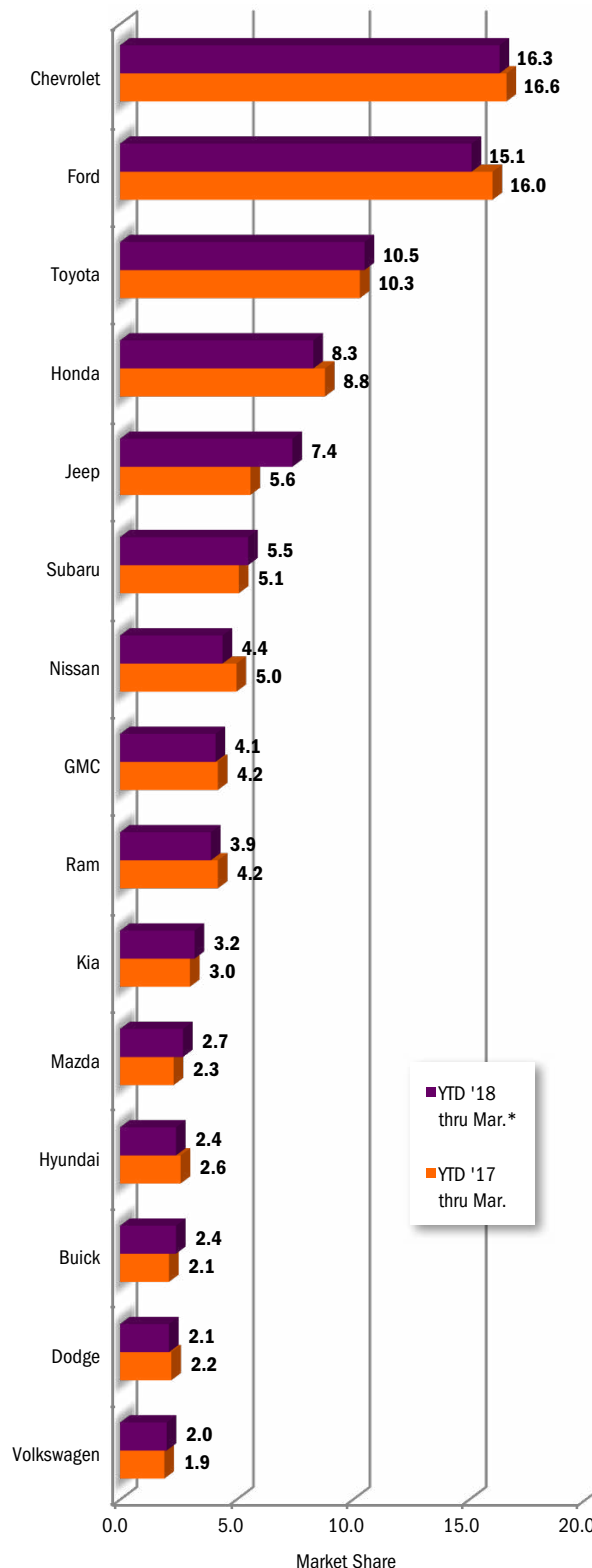
*Figures for March 2018 were estimated by Auto Outlook.

Data Source: IHS Markit.

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State Market Share for Top 15 Selling Brands
YTD '18 thru March* vs. YTD '17



*Figures for March 2018 were estimated by Auto Outlook.

Data Source: IHS Markit.

Member News

Carousel Automotive Group's Porsche St. Paul held its Grand Opening on Thursday, April 19. They moved into their new, stand-alone facility in January.

Vern Eide Chevrolet of Albert Lea is now under new ownership. The store is now part of Eau Claire, Wisconsin-based **Markquart Group** and is renamed **Chevrolet of Albert Lea**.

Chevrolet of Delano was purchased on May 1 by the **Davis Motor Group**. The new dealership's name is **Davis Chevrolet of Delano, Inc.**

Service News

MADA Services Team Grows



MADA Services is pleased to welcome Dave Swanson to our sales team.

Dave will be selling MADA's endorsed internet marketing programs, such as PureInfluencer and Purple Cloud, to the dealers in Minnesota.

Dave is familiar with automotive internet sales, having spent the last 13 years as a sales executive for CarSoup.



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

Online Marketing Services
Dealer 1-2-1
PureInfluencer
Purple Cloud

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





MADA NEWS ▪ MAY 2018

FAQ

Q: We do a pretty good job selling GAP. We used to provide our GAP customers a special form disclosing that buying GAP is voluntary. Should we still be doing that?

A: The disclosure is still mandatory. However it does not require a separate form. GAP vendors may choose to include the disclosure within the waiver documents that the customer receives.

The disclosure must be in made in bold, 14-point type: **THE GAP WAIVER IS OPTIONAL. YOU DO NOT HAVE TO PURCHASE THIS PRODUCT IN ORDER TO BUY [OR LEASE] THIS MOTOR VEHICLE. YOU ALSO HAVE A LIMITED RIGHT TO CANCEL.**

The Minnesota Law that requires the disclosure was enacted in 2015. Many GAP vendors have now included the disclosure in their waiver documents. If your vendor has not, a sample disclosure is here: <http://bit.ly/MADAsample>