

MADA News

MNLARS Fixes to Cost \$43 Million and Take Two Years



Six months into the launch of MNLARS, the state's beleaguered motor vehicle titling and registration platform, the agencies charged with its oversight have come forward with a plan to fix it. On January 31, staff from MN.IT and Driver and Vehicle Services (DVS) delivered their "roadmap" for fixing the flaws to give the system the functionality needed to meet the demands of Deputy Registrars, motor vehicle dealers, and the general public. The roadmap will cost upwards of \$43 million and take until December 2019 to complete. The price tag - and timeline - shocked legislators and users, who didn't expect either the cost

MNLARS... continued on page 2

Legislative News

MADA Day at the Capitol on March 15

With Reception and Entry to the Twin Cities Auto Show



MADA will continue to push for updates to the Motor Vehicle Franchise Protection Law during the 2018 Legislative Session. In order to help us get the bill to the governor's desk, we need dealership owners and managers to make the case for warranty and recall reforms with their local legislators. For the past several weeks, lobbyists for the big auto companies have been making the rounds at the Capitol and trying

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Policymakers are uncertain of next steps.

upcoming events

mar 10 Twin Cities Auto Show
Minneapolis

mar 13 Accessories: Mine Your Hidden Gem
Minneapolis

MAR 15 MADA Day at the Capitol
Twin Cities

apr 10 Title Basics
West St. Paul

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

MNLARS..... *continued from cover*

of repairs or timeline for making them to be so extensive.

Stakeholder Input

The agencies rolled out their plan after holding regional meetings around the state with users to hear what problems need to be fixed. Upon conclusion of those meetings, the list of deficiencies was presented to a group of stakeholders, including Deputy Registrars and MADA representatives, to review the list and severity of issues. After meeting for nearly 40 hours, the participants vetted the 100+ items and prioritized which need immediate attention. This list was then forwarded to the programmers so the priorities of MNLARS users could be aligned with the technical adjustments that are planning to be made. However, no discussion of the cost or time frame was held before the roadmap was unveiled.

Next Steps

The huge cost - and lack of confidence in the agencies that put forward a failed product - have left policymakers uncertain of next steps. The state has already spent over \$90 million on a system that doesn't work. Legislators are loathe to throw more money to the parties who created

the problem and want to know what has changed that will make this rebuild work. To its credit, the Dayton Administration has cleaned house and removed the MN.IT supervisors who failed to manage the development of the project and made ruinous programming decisions. No changes have been made to staff at DVS. But for some legislators, this is too little too late. However, they also realized that the longer MNLARS doesn't work, the greater the costs to the businesses and people who rely on the system to facilitate commerce. Whether a credible and affordable third-party can be brought in to remedy the situation without significant delays is a huge unknown. There is incredible tension between getting the job done - and getting it done right.

MADA is glad to finally have a seat at the table with the agencies to make sure they understand what the priorities for dealers are - and what the consequences are for additional delays. Beyond fixing the system, the Association plans to put forward a legislative package when session convenes on February 20 that will help streamline the titling and registration process in order to help alleviate some of the pressures on the MNLARS system. We hope to provide dealers some relief - but ultimately, it will be in the hands of policymakers to decide the best path forward to get a stable and accurate motor vehicle system in place.



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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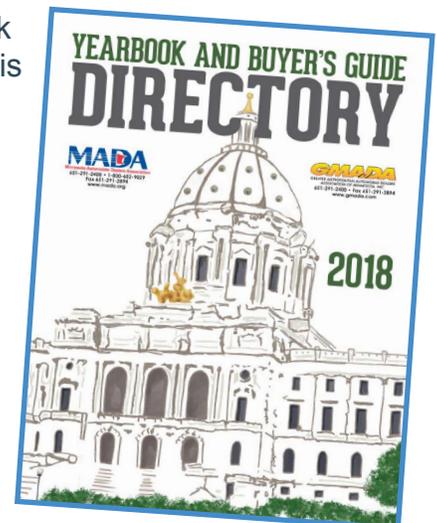
Scott Lambert, *MADA*

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MADA News

Watch your Mail

The 2018 Yearbook and Buyers Guide is on its way!



Legislative News

Franchise Forum Tour Complete, but the Work Continues

In early February, MADA completed its tour of dealer franchise forums in 15 senate districts across the state. The purpose of the meetings was for dealers to meet with their state senators to explain the one-sided nature of the dealer-factory relationship and how underpayment for warranty and recall work hurts employees and the long-term viability of the dealership. Thank you to the over 70 dealers that turned out to engage with their senators in these important discussions. Ten of the 15 senators agreed to push for reforms that will restore fairness in the reimbursement rates and prevent the factories from making up the costs on the front-end, through surcharges.

However, we need to keep the pressure on to ensure their promised “push” turns into “passage” of a bill. As legislators return to St. Paul, please check in with your state senator to find out if they have asked leadership to allow a vote on warranty reimbursement reform. Keep your eye out for MADA action alerts that instruct you to call at specific times. And make sure to join us for MADA Day at the Capitol on Thursday, March 15, to keep the face of the franchise in front of your senator and remind them that constituents at home are counting on them to support local jobs and businesses.

Status Quo Maintained in Special Elections

On February 12, Special Elections were held in House District 23B and Senate District 54 to fill vacancies created by the resignation of legislators accused of sexual harassment. On the House side, Republican Jeremy Munson handily won with 60% of the vote and kept the seat in the GOP column. Munson is a small business owner who will be sworn into office in time for the 2018 Legislative Session, which begins on February 20. He will have to run for re-election in November to continue to represent portions of Blue Earth County, Le Sueur County, Waseca County, and Watonwan County.

In Senate District 54, the margins were closer, but Democrat Karla Bigham continues DFL representation in this suburban district, which includes Afton, Cottage Grove, Hastings, Newport, St. Paul Park, and parts of South St. Paul. Bigham is well known in the area, having served as a former member of the Minnesota House, member of the Cottage Grove City Council, and currently as Chair of the Board of Washington County Commissioners. She will also be sworn in for the start of the 2018 Legislative Session, but as a state senator, her term won't expire until the end of 2020.

MADA Day at the Capitol..... continued from cover

to portray our bill for fair compensation as an “overreaching” initiative that will allow dealers to manipulate the prices of warranty work. Come explain to your legislator how the relationship really works - and that underpayment for repairs shortchanges employees in their district and hurts the profitability of their Main Street businesses.

The day will begin and end at the Minneapolis Convention Center, home of the 2018 Twin Cities

Auto Show. In the morning, attendees will hear the latest status of the franchise bill and get tips on what to say to their legislators. Buses will then take the group over to the State Capitol for legislative meetings. Afterwards, the group will return to the convention center for a cocktail reception with legislators and free admission to check out this year's Auto Show, which will feature over 600 vehicles valued at \$21 million.

Legal News

FTC Continues Assault on Dealer Ads

On January 24, 2018, the Federal Trade Commission approved a final consent order settling deceptive advertising charges against a Dallas, Texas dealership doing business as Cowboy Toyota and Cowboy Scion.

This is the latest installment in a very active multi-year campaign where the FTC has targeted new vehicle dealer ads for enforcement actions.

According to the FTC's December 2017 complaint, in full-page Spanish-language newspaper ads, Cowboy Toyota and Scion misrepresented the availability of vehicles as well as the costs and qualifications to purchase and lease.

The dealership also failed to disclose credit or lease terms required under the Truth in Lending Act when they touted certain "triggering" terms of the credit or lease, such as the monthly payment. The complaint also alleged that favorable terms were prominently stated in Spanish in the ads, with material limitations to those terms provided only in fine-print English at the bottom.

MADA urges dealers to take advantage of the BBB Advertising Program so Minnesota dealers can continue to stay out of trouble with the FTC. The BBB contact person is Steve Farr at 651-695-2430 or email, steve.farr@thefirstbbb.org.

Legal News

Federal Law Prohibits Photocopying Federal Government ID's

Dealers are ramping up new F&I compliance procedures in light of a recent interpretation by the Department of Defense that installment sales contracts, which finance GAP and credit insurance premiums, are covered by the Military Lending Act. Make sure that your compliance procedure does not include making a photocopy of the customer's Military ID.

Dealers routinely take a photocopy of customers' driver's licenses to put in their deals. That's good practice to document the identity of the customer and to document their legal right to drive.

However, photocopying any U.S. government identification is a violation of 18 USC §701 which provides:

"Whoever manufactures, sells, or possesses any badge, identification card or other insignia of the design prescribed by the head of any department or agency of the United States for use by any

officer or employee thereof, or any colorable imitation thereof, or photographs, prints, or in any other manner makes or executes any engraving, photograph, print, or impression in the likeness of any such badge, identification card, or other insignia, or any colorable imitation thereof, except as authorized under regulations made pursuant to law, shall be fined under this title or imprisoned not more than six months, or both."

Dealers may ask to see the ID card to verify military or other government affiliation or to provide government rates for services. However, they can't photocopy it.

The law does not apply to medical establishments like hospitals and doctor's offices who are allowed to make a copy for filing insurance claims. It also doesn't apply to other government agencies that are using the copied ID to perform official government business.

Minnesota Auto Outlook

Released by:
**Minnesota Automobile
Dealers Association**

Covering the Minnesota automotive market

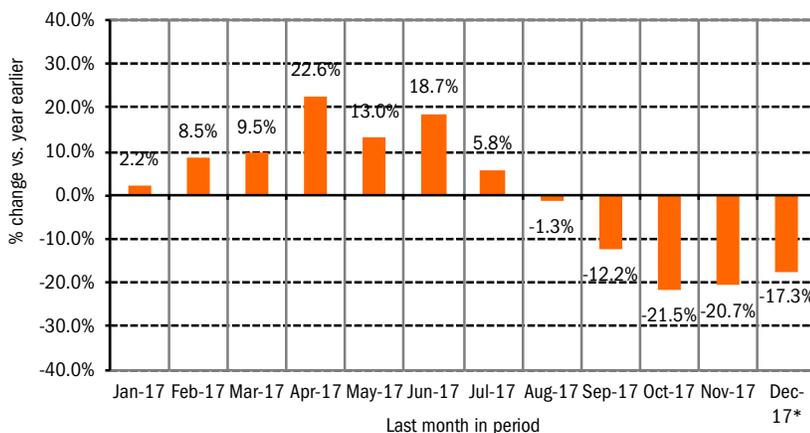
Data thru December 2017

Minnesota New Retail Car and Light Truck Registrations

	Most Recent Two Months			Annual total*			Annual Market Share		
	11/16 & 12/16	11/17 & 12/17*	% change	2016	2017	% change	2016	2017	change
Industry Total	36,835	34,304	-6.9%	216,812	211,334	-2.5%			
Cars	8,809	7,294	-17.2%	60,922	52,325	-14.1%	28.1	24.8	-3.3
Light Trucks	28,026	27,010	-3.6%	155,890	159,009	2.0%	71.9	75.2	3.3
Japanese Brands	12,729	11,100	-12.8%	75,751	74,624	-1.5%	34.9	35.3	0.4
Honda	3,334	3,075	-7.8%	19,718	20,508	4.0%	9.1	9.7	0.6
Nissan	1,842	1,532	-16.8%	10,777	10,441	-3.1%	5.0	4.9	-0.1
Toyota	4,544	3,554	-21.8%	27,030	25,939	-4.0%	12.5	12.3	-0.2
Other	3,009	2,939	-2.3%	18,226	17,736	-2.7%	8.4	8.4	0.0
Domestic Brands	19,610	18,270	-6.8%	115,492	111,095	-3.8%	53.3	52.6	-0.7
FCA (excl. FIAT)	4,714	4,147	-12.0%	28,916	28,444	-1.6%	13.3	13.5	0.2
Ford	6,198	5,771	-6.9%	36,627	34,429	-6.0%	16.9	16.3	-0.6
General Motors	8,611	8,047	-6.5%	49,500	47,720	-3.6%	22.8	22.6	-0.2
Other	87	305	250.6%	449	502	11.8%	0.2	0.2	0.0
European Brands	2,519	3,187	26.5%	13,423	13,096	-2.4%	6.2	6.2	0.0
BMW	486	822	69.1%	3,234	2,666	-17.6%	1.5	1.3	-0.2
Mercedes	463	498	7.6%	2,260	2,118	-6.3%	1.0	1.0	0.0
Volkswagen	1,250	1,100	-12.0%	6,010	6,290	4.7%	2.8	3.0	0.2
Other	320	767	139.7%	1,919	2,022	5.4%	0.9	1.0	0.1
Korean Brands	1,977	1,747	-11.6%	12,146	12,519	3.1%	5.6	5.9	0.3

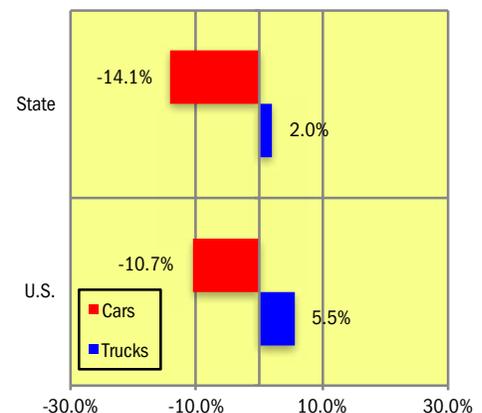
Brands included above: Domestic Brands: GM (Buick, Cadillac, Chevrolet, and GMC), Ford (Ford and Lincoln), Chrysler (Chrysler, Dodge, Jeep, and Ram). Japanese: Toyota (Toyota, Lexus, and Scion), Honda (Honda and Acura), Nissan (Nissan and Infiniti), Other (Mazda, Mitsubishi, and Subaru). European: VW (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 December 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 December 2017 were estimated by Auto Outlook. Data Source: IHS Markit.

Percent Change in State and U.S. New Retail Light Vehicle Markets 2017* vs. 2016



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

Minnesota New Retail Light Vehicle Registrations					
	Registrations			Market share	
	2016	2017*	% change	2016	2017*
	Annual	Annual		Annual	Annual
TOTAL	216,812	211,334	-3%		
Acura	1,225	1,218	-1%	0.6%	0.6%
Alfa Romeo	4	146	3550%	0.0%	0.1%
Audi	1,884	2,130	13%	0.9%	1.0%
BMW	2,747	2,261	-18%	1.3%	1.1%
Buick	4,148	4,098	-1%	1.9%	1.9%
Cadillac	1,285	1,105	-14%	0.6%	0.5%
Chevrolet	35,034	33,749	-4%	16.2%	16.0%
Chrysler	3,622	3,522	-3%	1.7%	1.7%
Dodge	5,283	4,650	-12%	2.4%	2.2%
FIAT	207	182	-12%	0.1%	0.1%
Ford	35,410	33,379	-6%	16.3%	15.8%
Genesis	18	122	578%	0.0%	0.1%
GMC	9,033	8,768	-3%	4.2%	4.1%
Honda	18,493	19,290	4%	8.5%	9.1%
Hyundai	5,012	5,483	9%	2.3%	2.6%
Infiniti	751	800	7%	0.3%	0.4%
Jaguar	157	218	39%	0.1%	0.1%
Jeep	11,332	11,759	4%	5.2%	5.6%
Kia	7,116	6,914	-3%	3.3%	3.3%
Land Rover	479	417	-13%	0.2%	0.2%
Lexus	2,544	2,331	-8%	1.2%	1.1%
Lincoln	1,217	1,050	-14%	0.6%	0.5%
Maserati	62	72	16%	0.0%	0.0%
Mazda	4,789	4,946	3%	2.2%	2.3%
Mercedes	2,238	2,103	-6%	1.0%	1.0%
MINI	485	405	-16%	0.2%	0.2%
Mitsubishi	2,153	2,161	0%	1.0%	1.0%
Nissan	10,026	9,641	-4%	4.6%	4.6%
Other	110	89	-19%	0.1%	0.0%
Porsche	319	347	9%	0.1%	0.2%
Ram	8,679	8,513	-2%	4.0%	4.0%
Subaru	11,277	10,623	-6%	5.2%	5.0%
Tesla	419	485	16%	0.2%	0.2%
Toyota	24,486	23,608	-4%	11.3%	11.2%
Volkswagen	3,807	3,813	0%	1.8%	1.8%
Volvo	961	936	-3%	0.4%	0.4%

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

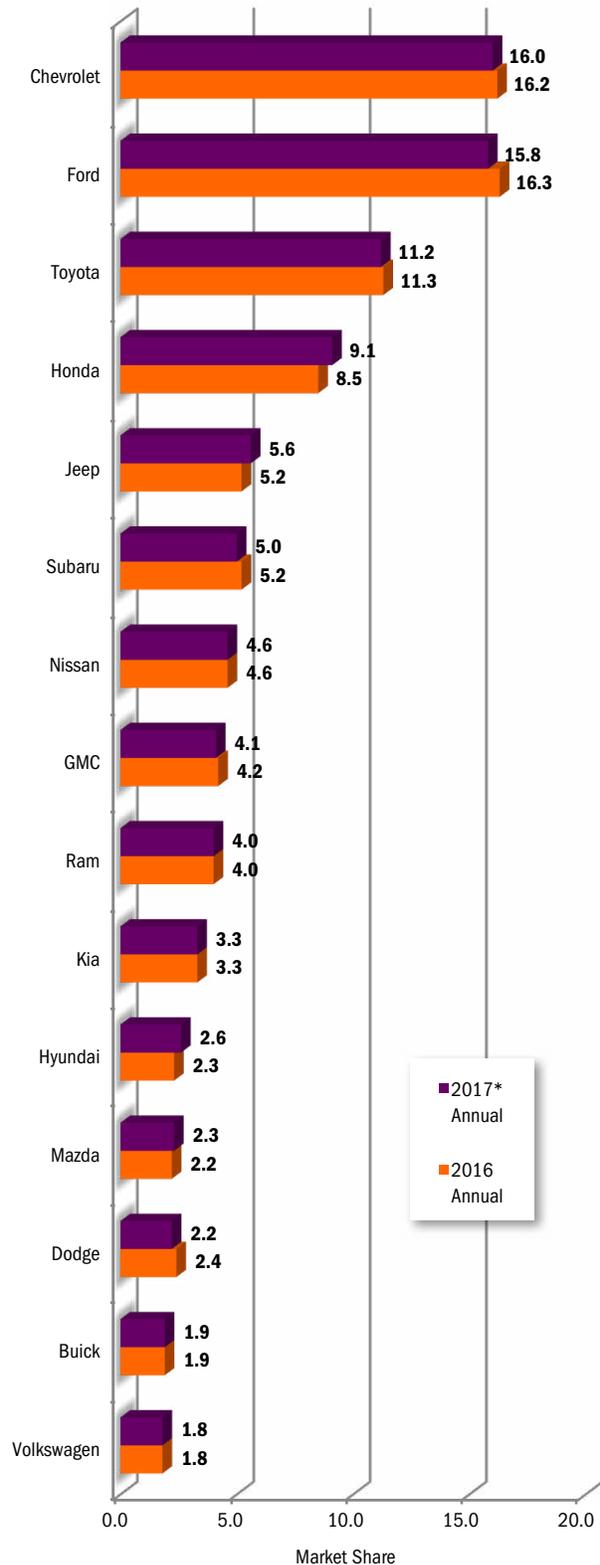
*Figures for December 2017 were estimated by Auto Outlook.

Data Source: IHS Markit.

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State Market Share for Top 15 Selling Brands
2017 vs. 2016



*Figures for December 2017 were estimated by Auto Outlook.

Data Source: IHS Markit.

Member News

Morrie's Automotive Group opened **Morrie's West End Lincoln** located at 6475 Wayzata Boulevard in St. Louis Park on January 8, 2018.

Carousel Automotive Group's Porsche of St. Paul moved to their new facility and officially re-opened on January 22, 2018.

On Thursday, February 8, 2018, **Tom Leonard** of **Fury Motors** was named and crowned King Boreas LXXXII for the 2018 Winter Carnival.

MADA News

Share the Good News!

Our dealers participate in an incredible number of activities to benefit their communities. Please make sure to share updates and photos of your latest contributions with MADA, so we can publish them in the "Good News" section of our quarterly publication, *Minnesota Dealer Outlook*.



Please submit your stories to DeAnna Eckerdt at deanna@mada.org.

visit us online at
www.mada.org

Insurance News

Zurich is leaving Minnesota

Insurance giant Zurich has stunned the Garagekeepers Liability world by announcing their immediate departure from 22 states and effectively leaving the dealers general liability insurance market.

By now, the dealers in Minnesota who use Zurich for their Property and Casualty insurance have received notice of an April 1, 2018 deadline.

Although MADA does not have a current partner in the General Liability field, we are actively exploring opportunities in order to give our membership options as they look towards the marketplace. We hope to get to market as soon as possible with a liability product and ask that members keep a watchful eye for announcements from MADA on this issue.

MADA already offers a Worker's Comp solution with Ensure and dealer bonds with Auto Owners.



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 ▪ FEBRUARY 2018

FAQ

Q: Is a dealership required to charge a doc fee?

A: No. A dealership is allowed to charge a doc fee up to \$100.

Under Minnesota law, a motor vehicle dealer may charge a doc fee, not to exceed \$100, “for services actually rendered . . . to prepare, handle, and process documents for the closing of a motor vehicle retail sale or lease.” The law sets a ceiling on the doc fee; it does not say what the doc fee should be as a matter of course. However, the doc fee should bear some reasonable relationship to the cost for services actually rendered by the dealership in closing each vehicle purchase or lease.

Note: The law explicitly requires that the doc fee be separately stated on the sales agreement.