A Vision of Dealerships in 2025

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Dear Colleagues,

Fall is the season when many of PAA’s activities and programs come together - highlighting the different ways PAA serves its members all year. This is especially true in an election year when Harrisburg and Washington officials are focusing on re-election.

In September, PAA and dealer representatives from the state traveled to Washington D.C. to attend the NADA Legislative Conference, which you can read about in this issue on page 6. As we all know, PAA’s political presence is important at both the state and the federal level. Your PAC and DEAC donations help us to gain access to elected officials. If you haven’t made a contribution this year, it isn’t too late to do so.

Also in September was a meeting of the PAA Board of Directors. At the meeting, the Board was advised of the Consumer Financial Protection Bureau’s heightened interest in potential violations of the Equal Credit Opportunity Act. Read Chad Marsar’s article on Disparate Impact, page 14, and the practices in our F&I Department that may put us in harm’s way.

In October, we traveled to Kiawah Island, South Carolina. The 2012 Fall Conference was a well-attended, enjoyable, informative opportunity for dealers in the state to come together. If you’ve never attended a PAA Fall Conference, check out the pictures beginning on page 25 and consider joining us next year in South Beach, Miami Beach, Florida.

Also, the PAA Scholarship Applications became available on PAA’s website in October, and I encourage you to inform your employees about these very substantial awards. Applications are due by March 1, 2013, and more information will be sent to the dealers in the coming months. In this issue of the magazine, you can read about last year’s winners and what it takes to be selected for one of these awards. These aren’t just bright students – they are heavily engaged in their schools and communities and are dedicated to making a difference.

Finally, as my year as Chairman winds down, I’d like to promote the importance of being involved in our state association. Contribute to PAC, take advantage of PAA’s many services and partnership arrangements, look into the insurance programs offered by the PAA Insurance Agency, and reach out to PAA with any questions you may have regarding your day-to-day business operations or any legal or regulatory concerns. The more we stay involved, the more our voice resonates.

Sincerely,

John Giambalvo
Delegates and Dealers: PAA’s Political Presence in Washington D.C.

PAA joined dealers and automotive associations from across the country in September at NADA’s Washington Conference

By Mark Stine, Executive Vice President Legislative & Public Affairs

Each September, dealers and the executives from state and metro automotive associations attend the NADA Washington Conference to address with members of Congress the concerns of our industry. Less widely known however is that conducted in conjunction with this yearly conference is potentially one of the best events PAA organizes throughout the year. But, despite the importance of the conference’s agenda, only a handful of dealers in Pennsylvania have experienced it.

At PAA’s annual congressional reception, the company is august. Almost every one of Pennsylvania’s 19 representatives and its two senators, as well as their chiefs of staff and legislative directors regularly attend PAA’s function. But while navy blue suits and cuff links invariably comprise their traditional uniform, the setting for PAA’s event is nonetheless informal and relaxed. Just down 1st Street from the U. S. Capitol sits Tortilla Coast, an atypically casual stomping ground for Washington politicos in search of Tex-Mex favorites and collegial conversation.

Tortilla Coast has a rich and respected tradition among Washington watering holes (among its lore: in an earlier incarnation, Congressman Paul Ryan, this year’s Republican Candidate for Vice President, was a bus boy there.)

It is both the timing of the PAA event and its proximity to the Capitol that begets such high attendance rates among our congressional delegation. The function originated years ago when I sought a venue ‘off campus’ to talk informally, and often politically, with members of Congress who I’d known before they came to Washington (typically, most members start their elective service in Harrisburg). These individual slip-aways gradually evolved into an open and more formal invitation to the entire Pennsylvania Congressional Delegation to attend.

Over the years, Pennsylvania dealers attending NADA’s conference have enjoyed the opportunity to visit with their representatives and senators, who similarly appreciate the chance to acquaint themselves with dealers serving as representatives of the new vehicle sales industry.

Additionally, by attending the PAA congressional reception, these dealers are provided an opportunity to see something that is very rare in Washington: Republicans talking (and very often sharing humorous anecdotes and hearty laughs) with Democrats and focusing on things that they have in common rather than the things they insist on irreconcilably separating them.
Maintaining Important Relationships

NADA organizes its annual Washington conference as a chance for dealer attendees to both meet with their congressmen as well as to discuss issues important to the industry among themselves. Framing critical issues and preparing talking points, NADA helps dealers to deliver necessary messages to members of congress and their staffs.

At times, this is done through visits on the Hill in the office of the congressman or the member’s chief of staff. These formal meetings are often invaluable - such as when discussions revolve around manufacturer bankruptcy or massive numbers of dealership closings. Though they are charged with making crucial decisions, business experience among elected individuals may be slim. It is important for them to hear from the dealer body and connect with the people their decisions impact.

While NADA’s legislative staff is constantly communicating with elected officials on the needs of the national dealer community, there is no greater benefit than having our delegates meet with the dealers who’ve (conceivably) voted for and elected them - and those who have the ability to help them be re-elected.

Relationships forged by dealers (and their lobbyist) both in DC and in the congressional districts have been essential to the successful realization of our industry’s legislative priorities. Pennsylvania dealers should be proud of the voting record of their representatives in congress, our level of access to their offices, and their willingness to support the legislative agenda put forth by NADA.

For example, Pennsylvania legislators were very well represented among those who voted in favor of legislation
• Reinstating lost franchises through a federally mandated protest and reconsideration procedure,
• Enacting (and funding!) a cash for clunkers program, and
• Exempting dealers from the direct oversight of the newly established federal Consumer Financial Protection Agency.

More recently, NADA turned to our long-time friend Cong. Jim Gerlach to be the lead sponsor of their initiative which would repeal the excise tax on heavy trucks and trailers sold at retail, the Heavy Truck Tax Fairness Act of 2012.

Gerlach has maintained an ongoing relationship with dealers and has acquired not only a familiarity with our issues, but an appreciation for the problems faced by dealers as well.

For example, in July, Congressman Gerlach visited Bergey’s Truck Center in Conshohocken where he asked questions regarding how truck dealers and their customers were dealing with rising diesel fuel prices and freight costs, whether interest in natural gas powered trucks was increasing, and if any local efforts were underway to community colleges to increase the number of service technicians.

Regardless of the reasons for gridlock in Washington, which I won’t list here, maintaining relationships with Pennsylvania’s congressional delegation is essential. If you’ve never attended NADA’s Washington Conference, consider doing so in the future.

Also, it is always a good idea to get to know your congressman, to invite him or her to tour your dealership, and to stay knowledgeable about current issues.
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Over two years ago, Auto Team America (ATA), a network of 11 CPA firms that serve over 2,000 auto dealerships nationwide, began a process to create a vision of the retail automotive industry a decade or more into the future.

Over the two-year period, we assembled a steering committee of experts, created a focus group for the project, held numerous conference calls, surveyed dealers and presented the final paper in Las Vegas at ATA’s 18th Annual CEO/CFO Forum in February this year.

The following are highlights of the predictions that were developed through our research.

To download a complimentary copy of the full report, go to www.mironovgroup.com/ata-white-paper-download/.

Based on what we know today, what is the retail automotive landscape going to look like for dealerships in the year 2025?

Overall, we believe that operating profits for dealerships in the year 2025 will be driven by three main factors:

1. The ability of a dealership group to expand its brand portfolio by leveraging greater economies of scale within geographic regions.
2. Technology advances that will greatly expand vehicle throughput and reduce personnel costs.
3. Changing real estate requirements as a result of faster inventory turnover and relocation of some departments to lower cost locations.

We decided that the best way to see how these factors will impact the dealership’s operations is to follow them through each department and consider the overall atmosphere that dealerships will face in the future. While outside influences will impact operations, they are beyond the scope of our paper. Instead, we concentrated on dealership operations as they continue to evolve and focused on addressing the opportunities and challenges that lie ahead within the industry.
Dealership Sales Environment

We expect that the use of Internet research, lead generation communications, and the ability to shop inventory and price vehicles electronically will accelerate into the year 2025 – with most of the shopping experience and vehicle research being primarily driven by technology. Through the increasing availability of various research tools, consumers will continue to be closer to a purchase decision before they walk into the dealership showroom. This increased use of technology will accelerate the pace of closing transactions; the future will see salespeople doubling their current rate of 12–18 vehicles per month. We predict that there will be smaller staffing requirements from the use of technology and efficiency improvements. The increased sales activity per salesperson will allow the average dealership to triple throughput and sell 175 new units a month.

When the consumer reaches the point of purchase, we believe the actual sales transaction, at its core, will be the same in 2025 as it is today. The purchase of a vehicle is a major decision, and it will take a skillful salesperson to guide the customer into a situation that is comfortable to them. Additionally, due to regulatory and manufacturer requirements, the actual closing process will still take place in the dealership, with all the required forms being completed electronically and vehicle delivery occurring at the showroom location.

The only efficient way to address compliance on every transaction will be to leverage technology. The Finance & Insurance department will once again be absorbed into the salesperson position. Since much of the customization of after-sale products and finance qualifications will happen prior to the close of the sale, the function of F&I will be reduced to compliance. New technology innovations will make compliance easier, so the final F&I compliance items will be performed with a delivery specialist or salesperson at lower cost to the dealership.

There will be larger payments from the manufacturers, giving them greater influence and control on how dealers conduct their business, including the areas of facility requirements, business practices, advertising decisions, stocking guides and much more.

Moving to the pre-owned vehicle department, we see changes in the sales process and inventory. Technology has resulted in the commoditization of used vehicles; no longer is any dealership’s inventory unique. Technology will make the department much more efficient. Program/remarketed vehicles will be sold via online bidding and wholesale buyers will bid on vehicles in an online marketplace, allowing the dealership to maximize wholesale profits. The market will continue to push manufacturers to maintain high residual/pre-owned wholesale values – forcing more vehicles into their branded certification process. Manufacturers will begin to recondition vehicles to certification status before remarketing them. And some manufacturers will take the next step in “certification” and begin to offer “refurbished” vehicles that will have more components inspected to a greater degree and replaced as necessary. The factory will expand its influence over the used department in order to maintain control over marketing pre-owned vehicles. To counter this, the dealership can go outside the factory channel to acquire used vehicle inventory. These options for the pre-owned department will allow it to be one of the areas where dealers will continue to chart their own path and be responsive to their individual market needs and business goals.

Dealership Fixed Operations

Better logistics, improved demand analysis, careful selection of strategic warehouse locations and more common vehicle systems in 2025 will allow for more efficient control of parts inventory. Overall, manufacturers will control 90% of dealership inventory with guaranteed buybacks, eliminating much of the past obsolescence issues. With timely delivery of parts improving, the average

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turn of dealership inventory will improve to six to eight times a year. Parts gross profit will remain highest on most non-maintenance parts, and a variety of other factors will allow dealerships to maintain parts gross profit percentages.

The service department will continue to be the most profitable department for dealerships. This is in spite of a reduction in the maintenance requirements, extended maintenance intervals, and more manufacturers covering maintenance items under the new vehicle warranty. The growth over the next decade will be in customer repair work. This will not be due to a decrease in quality but an increase in the average vehicle’s age, the complexity of systems and several new propulsion systems that will have limited repair expertise in the marketplace.

Also assisting service department profitability will be increasing reliance on remote diagnostics, where vehicle monitoring systems will alert the driver of an error and automatically upload data files to the manufacturer and dealership. Such systems will also develop to the point that, under warranty repairs, required parts will be sent automatically to the dealership. Having a stream of information being fed to the service department directly from the vehicle will also aid the write-up process. This will allow the dealership not only to have electronic communication with the vehicle but also with the customer. Much of the repair order will be pre-populated upon arrival at the dealership, which will free up time for the service advisors to build a relationship with the customer.

**Dealership Facilities and Structure**

Dealerships will be looking to have faster throughput of inventory, cleaner “retail” environments and more efficient operations. Future dealerships must sell more vehicles, with fewer salespeople at lower operating costs; that will cause dealership locations to shrink in physical size and footprint. The high priced rents and real estate frontage on desirable highway and premier retail locations will be cost-prohibitive, and the economics of the dealership will dictate that a more skillful use of space and capital resources will be key to survival.

Efficient vehicle inventory management and service operations will curtail the need for storage space. Test drives will be accomplished by a true “demo” fleet, and vehicles will be sold out of the dealership’s limited inventory or through more sophisticated locator programs. Satellite service facilities will become prevalent in lower cost spaces where allowed by the manufacturer or state regulations. When allowed by state franchise regulations, there will also be small satellite sales facilities for demonstration and presentation purposes only.

Given the current marketplace environment, with the capital requirements and needs for professional management, there is no doubt consolidation will be the largest factor impacting the face of dealerships by 2025. Consolidation will accelerate dealership buy/sell transactions over the next 10 years.

Ownership will condense into 80 to 100 mega-dealer groups owning hundreds of dealerships. Initially, the pool of dealerships for sale versus the number of potential purchasers will be disproportionate, creating a buyer’s market with stagnating prices. However, as the selling pool diminishes by 2020, a seller’s market will take over. By 2025, the mega-dealer groups will control a significant number of dealership points.

**Other Influences of Dealership Business**

There will continue to be pressures on dealerships from government regulators, consumer organizations and the manufacturer. These pressures cannot be discounted as they shape the way business is conducted.

It is expected that manufacturer influence through payments for increased sales volume, facility appearance, and customer satisfaction scores will increase in the future. By 2025, manufacturers will recognize that those that overstep the bounds of interference in the retail environment will harm their relative value of the franchise brand.

As the decade progresses, the multiple of earnings for the valuation on dealerships will increase. If the current multiple ranges from three to five times earnings (with thousands of factors influencing valuation to an individual buyer and seller), by 2025 the multiple will be four to six times earnings or greater. The injection of private equity against public companies, the ability of large groups to have a lower cost of capital and the ability to leverage their presence in the marketplace will cause values to rise. In addition to the franchise brand, the dealership’s real estate position will be a key to the dealership’s valuation.

Few industries are as heavily regulated as retail automotive, and no participant or observer of the industry expects that to change. As noted previously, when new regulations come into play dealerships will have to increasingly rely on technological solutions to ensure compliance. Technology will not be free, and only dealership groups of a certain size or scale will be able to comply economically. Such regulations will also certainly come at a cost of compliance and potentially reduced gross.

George E. Berry, Jr., CPA, is a partner with The Mironov Group, LLC, a certified public accounting and consulting firm that specializes in the retail automotive industry.
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Approximately five years ago the U.S. Department of Justice (DOJ) was concluding an investigation of two Pennsylvania dealers in the Philadelphia area for alleged Equal Credit Opportunity Act (ECOA) violations regarding discrimination against African-American customers through finance interest rate mark-ups.

These were the first two cases filed by the DOJ under ECOA alleging discrimination by a car dealership - and they happened right here in Pennsylvania.

Over the last five years this issue has continued to gain momentum and has become the focus of the Consumer Financial Protection Bureau (CFPB), which was established by the Dodd Frank Act in 2010. As some of you may be aware, the CFPB has begun to ramp up its supervision and enforcement activity this year.

With the CFPB’s recent posturing, I thought it would be a good idea to refresh everyone’s recollection of the facts surrounding those Philadelphia lawsuits, since “those who cannot remember the past are condemned to repeat it”.

In the two separate complaints filed in the U.S. District Court for the Eastern District of Pennsylvania, the DOJ alleged that the two dealerships violated ECOA (through evidence of disparate impact) by charging systematically higher mark-ups on vehicle loan interest rates to African-American customers from at least 1999-2002.

The ECOA makes it illegal for a creditor to discriminate in any credit transaction against any applicant because of race, color, religion, national origin, sex, marital status, and age.

The DOJ argued that one method to prove that a dealership violated the ECOA is evidence of disparate impact.

**Disparate impact is a practice that is non-discriminatory in its intention but, nonetheless, disproportionately affects individuals in a protected class and is not justified by a business necessity.**
That means, dealers may not be intending to discriminate against a particular class but statistical data shows that they unknowingly are.

Since race is not collected on auto loans, the DOJ determined an applicant’s race based on “proxy”. An applicant living in a census tract with an 80% or greater minority population was considered a minority for purposes of the investigation.

That means, customers receiving the higher mark-ups on vehicle loan interest rates may not have been in a protected class (in this instance, African-Americans) but may have been living in a “minority census tract” and were viewed as a minority.

So basically, the DOJ examined the interest rate mark-ups of the dealerships’ loan applicants, from minority census tracts and non-minority census tracts, to determine if there was an ECOA violation.

As a result of the cost of the protracted investigation by the DOJ and potential exposure of the dealerships involved, both dealerships entered into consent orders with the DOJ in which they admitted no wrongdoing but were required to pay monetary settlements to those individuals who allegedly received higher interest rate mark-ups.

The dealerships also agreed to pay settlements to the Pennsylvania Attorney General’s Office.

In addition to paying settlements, both dealerships agreed to change the way they set mark-ups to prevent further enforcement action by the DOJ.

The dealerships had to follow the same procedures for setting interest rate mark-ups for all customers, and only good faith, competitive factors consistent with the ECOA could influence that process.

Lastly, both dealerships were required to provide enhanced equal credit opportunity training to their officers and employees who set rates for vehicle loans.

As I mentioned early, the CFPB has begun to focus on this issue, and has reaffirmed this year that the legal doctrine of disparate impact remains applicable as the CFPB exercises its supervision and enforcement authority to require compliance with the ECOA.

As a reminder, the CFPB will regulate all banks, finance companies, credit unions, and dealerships (i.e. Buy-Here Pay-Here Dealerships) that directly underwrite, fund, and service auto loans.

Although many new car dealerships may dodge direct oversight by the CFPB, any enforcement action and compliance guidance directed at lenders will eventually be felt, if not directly, then indirectly at the dealership level.

continued on page 16
Dealerships should be aware of the practices within their finance and insurance offices and the impact that they have on protected classes.

We know the CFPB is targeting credit discrimination. The bureau has stated that it will monitor all lenders and credit products under its jurisdiction for potential fair lending violations including practices with unlawful discriminatory effects.

When investigating lenders, the CFPB plans to follow the ECOA doctrine of disparate impact, which, remember, holds that practices appearing neutral may be considered discriminatory and illegal if those practices have a disproportionate adverse impact on any group of protected persons.

A disparate impact case is expensive to defend and will require dueling statistical experts and analyses of most of a dealer’s portfolio to address discrepancies.

Furthermore, dealerships should take proactive steps to review their policies and procedures within their finance and insurance offices for compliance with the ECOA.

**Things you can do:**

1. **Written Guidelines**
   The dealership should develop formal written guidelines for interest rate mark-ups which should include a checklist that sets forth the non-discriminatory standards for establishing the terms and conditions for credit extensions for vehicle purchases.

2. **Anti-Discrimination Policy**
   Develop and enforce a strict, anti-discrimination policy throughout your dealership.

3. **Training**
   Employees involved in financing should receive ECOA/Anti-discrimination training.

4. **Perform a Self-Test.**
   By auditing and analyzing your previous deals on a regular basis, you can justify how your dealership fairly settles on a particular rate and supports fairness to a diverse customer base over time.

Disparate Impact could impact you and your dealerships. Dealers should be prepared.
A concern has recently surfaced as to the validity of the PA vehicle emission inspection program. You may have read in your local papers about a bill that passed the Senate (but was not taken up by the House before they adjourned for the year) that would waive the annual emissions tests for 10 years for all new vehicles.

As you know, 1996 through current model year vehicles are equipped with “monitors” to indicate an increase in acceptable manufacturer parameters which is referred to as Onboard Diagnostics II (OBDII). A component of OBDII is a Malfunction Indicator Light (MIL) that will turn on a light located in the instrument panel indicating a monitor has recognized a system operating out of acceptable parameters. These parameters are accessed through a procedure referred to as Mode 6 and are many times used by diagnostic technicians to determine the functionality of a vehicle.

The MIL can be displayed as “Check Engine”, “Service Engine Soon”, a lighted ISO symbol of an engine, or some other light indicating a component failure. Any time a MIL is lighted it is also accompanied with a Diagnostic Trouble Code (DTC) indicating to a technician the general area of malfunction.

Vehicles displaying a lighted MIL would indicate something or some component is operating out of acceptable parameters – HC and CO could be elevated which pollutes the atmosphere as well as damages the catalytic converter, or NOx could be high which is thought to be a carcinogenic.

As vehicles are presented for annual Emission Inspection with an illuminated MIL, it is imperative to record the lighted MIL as a failure prior to the vehicle being repaired.

Many times technicians, to save time, are repairing the MIL prior to performing the test procedure and consequently the failure is not recorded as being repaired during the Emission Test procedure.

Those in support of the bill have claimed that research shows that 98 percent of all cars pass the annual inspection. Those in the industry know this isn’t an accurate representation of failure rates. Failures must be recorded and reported correctly in order to provide data to demonstrate the merits of the program.

The more common failures are due to fuel caps being either loose or not sealing, evaporative valves leaking or in some cases the vehicle is operating in either a rich or lean condition. In the case of evaporative failures, the vehicles operate normally. In the event the vehicle experiences a rich or lean condition, the vehicle computer makes adjustments to compensate for the adverse condition. Add high levels of Ethanol to the whole equation and the problems are compounded. In most instances, vehicles with the MIL lighted are operating within acceptable drivable conditions even though the exhaust is emitting unacceptable atmospheric pollutants.

In large part, vehicles displaying a lighted MIL will not be addressed until the Emission Test is required because the vehicle is operating satisfactorily.

The question remains, is the PA Emission Test program working? The answer is yes - the program is working and is cleaning up the atmosphere by eliminating raw HC vapors as well as severe carcinogenic agents.

Dealers must direct and support technicians to record Emission Testing correctly in order to keep this valuable program in place.

If a vehicle will not pass the test - Record the Failure, then repair the problem.
You’ve read PAA News Bulletin 17, and skimmed over everything else on the Patient Protection and Affordable Care Act (PPACA). Now test your knowledge.

1 Yes or No: Beginning in 2014, does the PPACA require most Americans, regardless of employment status to have health care coverage or else pay a penalty (tax)?

2 Beginning in 2014, the health care reform law will require plans to offer coverage to adult children up to (but not including) age:
   a. 23    c. 25    e. 27
   b. 24    d. 26

3 True or False: The cost of employer-provided health care coverage will be reported on certain 2012 employee W-2s and will be considered taxable income for each individual’s filing.

4 Beginning in 2014, large employers (with more than 50 full-time equivalent employees) will be required to offer minimum essential coverage to all of their full-time employees or else pay a penalty. The PPACA defines full-time employees as someone who works an average of ____ hours per week:
   a. 20    c. 30    e. 40
   b. 25    d. 35

5 True or False: The U.S. Supreme Court ruled that the Medicaid expansion provisions found in the PPACA were unconstitutional and that the federal government could not force states to expand Medicaid eligibility to 133 percent of the federal poverty level.

6 True or False: The PPACA mandates that individuals will eventually have to pay a 40 percent excise tax for health coverage that exceeds certain annual cost levels.

7 Beginning in 2013, taxpayers earning above $200,000 ($250,000 joint) will have to pay an additional Medicare tax on wages in excess of the limits. What is this additional percent?
   a. 0.50    c. 0.90    e. 1.1
   b. 0.75    d. 1

8 Yes or No: The PPACA requires employees enrolling in employer-sponsored plans to be given a summary of benefits and coverage guide for open enrollments after Sept. 23, 2012. Can the employer use the existing plan summary plan description to satisfy this requirement?

9 True or False: Some of the PPACA provisions could apply to employer-sponsored vision and dental benefits.

10 If a large employer (more than 50 full-time employees) chooses to drop coverage completely, what penalty amount will the employer have to pay each year for each uncovered employee?
   a. $2,000    c. $4,000    e. $3,000 (excluding the first 30)
   b. $3,000    d. $2,000 (excluding the first 30)

It isn’t an easy quiz - PPACA is incredibly confusing. But PAA’s Regional Managers are well-informed resources on Healthcare Reform, who also know the franchised dealer business. As a full service broker, PAA Insurance Agency offers all of the major insurance carriers and can provide your dealership with a plan design that is right for you. Contact your Regional Manager for more information.
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¹ www.ambest.com/consumers, April 3, 2012 (A+ is the 2nd highest rating out of 16 with 1 being the highest.)
Here is an eye opening exercise - Stop what you’re doing several times throughout the day and pay attention to how the people around you are using media. It will quickly become obvious that almost everyone is online. People of all ages are using their smart phones, tablets and lap tops in just about every situation you can imagine to watch video and access their favorite websites. At airports, restaurants, while walking down a sidewalk or riding (sometimes driving-Yikes!) in a car -- no matter where they are or where they are headed, the web is their destination.

As an advertiser, this trend is a chance for you to access your customers and drive them to your dealership. Last year, over 60% of media usage time was spent watching TV and using the internet.

**Video Marketing**

Customers aren’t just going online to read and play - they are going online to watch videos. Video marketing has the ability to boost your local search ranking and drive quality traffic (via the social community) back to your website. There is a huge market on video distribution sites, like YouTube and Vimeo, just waiting to be tapped.

**Testimonials**

These are a great way to promote your dealership. Real people from the community expressing a positive opinion about their experience. Think of it as online “word of mouth”, which is always the best. A simple 20-40 second video of various “interviews” placed on your website, blog, social media and video distribution sites will give potential customers another reason to trust your services. People want real-life examples. Testimonials give them that. When the new owner drives away singing your praises…ask if they’d like a picture on their phone to share with Facebook friends.

**How-To Videos**

Interested consumers are searching online for videos to help them solve their problems. Think vehicle safety or enhanced performance tips. A short clip on installing child safety and booster seats or the importance of proper tire pressure. Short videos like these are great ways to give your dealership the reputation of wanting to help people without asking for anything in return. Like the old adage says: give in order to receive.
INTERVIEW THE DEALER
Record a short welcome message from the dealer or GM. Include local involvement which can help the community relate to your dealership through the personal connection—not just the business one.

Remember to keep it short and sweet to keep your viewers engaged and wanting more.

SUCCESS WHEN WEB MARKETING
There is no denying that social media is one of the greatest marketing tools available to dealers today. When properly executed, the results can blow pre-conceived notions about traffic and lead generation out of the water. However, some dealers are reluctant to abandon familiar and “comfortable” marketing practices, even though they are no longer cost effective.

The average consumer visits 18 sites when researching a vehicle purchase. Up to 38% use social media like Facebook, LinkedIn, Twitter, etc. And 80% say peer reviews influence their buying decisions. These numbers are impossible to ignore. Social media as part of an integrated Internet marketing platform will allow you to dominate your local market and increase ROI. Start by taking action, today, with these three critical steps…

STEP 1. Ensure your website is capturing visitors by using your phone number and a request for quote or service estimate form.

STEP 2. Develop a content marketing strategy to drive prospects to your dealership. This is key to providing your website with high Page Rank back-links to drive additional traffic.

STEP 3. Incorporate ongoing SEO that is locally focused and employs both on-page and off-page strategies to create a digital footprint around the web. Google, and other popular online search engines, are machines that want to be fed, but like the rest of us, they want fresh meat. Be sure to update online local business directory listings (photos, videos, special offers, reviews, etc.), social media networks and blogs on a consistent basis to achieve higher ranking.

The key to successful auto advertising is pairing TV and online advertisements. Engage car buyers in new places on new devices.

“My focus is running my dealership—not worrying if my business is protected or how to generate income in my finance department. Zurich lets me do that.”

One insurance company for your business insurance and F&I product needs
In 2011, more than 1,300 dealerships purchased both business insurance and F&I products from Zurich. Products such as our Unicover® policy, which packages most of the coverages needed by dealerships into one policy, or our Streamlined Selling System®, which can help you drive increased F&I profit. One company for all your needs, backed by 90 years insuring dealerships. Call Mick Csernica, Regional Sales Manager, at 610-246-2727 or visit www.zurichna.com/dealer for more information.

Visit www.FandIResourceCenter.com to register for our complimentary on-demand webinar—“Six Principles of Success in the New Economy”
Each year, PAA, through a fund within the PAA Foundation, awards scholarships in two areas. Applications for these awards are currently online - but what does it take to win one of these competitive scholarships? And what kind of students won them last year?

The Awards

1. **Community Service Scholarship awards** are available to the children, step-children, and grandchildren of Pennsylvania new car and truck dealership personnel who demonstrate charitable characteristics on a continual basis, volunteering their time and their talents to their communities, schools, churches, and other charitable organizations.

Recipients are eligible to receive awards of up to $5,000 per year for two years, and may reapply for subsequent years three and four.

2. **Automotive Technology Scholarship awards** are available to individuals who want to develop the skills necessary to work as a technician in the new retail motor vehicle industry in Pennsylvania. Applicants demonstrate their interest in pursuing a career in automotive technology through their acceptance to an automotive technician training program and the support of a sponsoring Pennsylvania new car or truck dealer.

Recipients enrolled in degree programs at community colleges or four year universities, or non-degree certificate post-secondary training programs receive awards of up to $5,000 per year for each of the first two years.

In May 2012, PAA awarded $200,000 in scholarship awards to thirteen selected students, representing dealerships across the state. Ten students were chosen to receive the Community Service Scholarship awards from the 80 applications received. Three students were chosen to receive the Automotive Technology Scholarship awards from 13 applicants.

All reviews are done blindly with any reference to the dealership removed. The applications are first reviewed by a committee of PAA staff members, narrowed to the top twenty applications, and sent to an outside committee to rank the top twenty. For the Community Service Awards, the selection process is heavily weighted to those students who display charitable intent through their documented commitment to those in need in their areas. Consideration is also given for involvement in other extracurricular activities such as sports, music, and arts, as well as other school or community related endeavors and employment. For the Automotive Technology Awards, sponsorship by a new car or truck dealer is required.

The Winners

Dean Cass is an employee at Dave Hallman Chevrolet in Erie. He was hired twenty years ago as a line tech but suffered a back injury and now mixes paint in the stores body shop. His son, **Gregory Cass**,
graduated from McDowell High School last spring and is now attending Penn State where he is majoring in Secondary Education and English. He has been actively involved in his community. He helps run a program called “Gliding with the Stars” which teaches mentally and physically disabled individuals to ice skate. He serves food at a local food bank, raises awareness about the dangers of drugs and alcohol, and, through the ROTC program in which he is actively involved, he places flags on military grave sites. These are just some of Gregory’s many achievements. In June, Dave Hallman, together with approximately twenty of his employees from the store’s body shop, including Gregory’s father, Dean, held an event to recognize Gregory’s scholarship award at the dealership.

**Alexandra Garret**, the daughter of Jason Garrett, an employee at L & L Ford in East Berlin (Adams County), was a 2012 recipient of a PAA Scholarship. In 2012, she graduated from Spring Grove High School, with honors, and in the Fall began courses at Lebanon Valley College. She is majoring in physical therapy. She wants to dedicate her life to helping others and improving their well-being through physical therapy after accidents and injuries. Alexandra is an active participant with her local soup kitchen. She assists at the Middle School and organizes Toys for Tots fundraisers. She also organized a fund raiser for her local Ronald McDonald House, has participated in Take Down Cancer projects, raises money for March of Dimes, and participated in a gym class renovation project.

**Meighan Henry** is the daughter of Milan James Crawford, an employee at Weber Harris Ford in Meadville (Crawford County). Last Spring, she graduated from Saegertown High School and this Fall began pursuing nursing at Penn State University. Her career goal is to become a flight nurse or practice nursing in an ambulatory unit, ICU or trauma center. Throughout high school, Meighan volunteered as an EMT with two local fire departments. She has worked as a shadow physician. President of Campus Club, a Christ-centered Bible study, she raised funds to build a school in Venezuela and built wheelchair gardens at the local nursing home. She teaches educational classes on strengthening the family and participates in Creative Expressions, which provides trouble children with an outlet for their frustrations. She’s also assembled packages to support troops and raised funds for UNICEF.

**Margaret Keifer** is an employee at Springfield Ford Lincoln in Delaware County. Her daughter, **Jacqueline Keifer**, is currently attending the University of the Sciences in Philadelphia after graduating in the Spring from Archbishop Pendergast High School. Jacqueline is majoring in pharmaceutical studies with plans to get her doctorate degree, return to her home town, and continue to serve her community. Among her many achievements and in addition to maintaining exemplary grades, Jacqueline is heavily involved with the Girl Scouts of America, is a troop mentor and Brownie Troop leader. She organizes warm coat drives, puts together gift boxes for children at the Children’s Hospital of Philadelphia, visits with elderly at nursing homes and collects items the nursing home needs. Jackie organized relief funds to be sent to Katrina victims and participates in local playground clean-ups, hauling dirt, weeding, picking up trash, and more. She helps organize Special Olympics in her area and is also an academic tutor at her school.

**Christa Matthews**, the daughter of Scott Matthews, an employee at Power of Bowser in Pittsburgh, recently began her Junior year at Messiah College where she is majoring in nursing with the hope of one day working in labor and delivery. With two years of college remaining, Christa’s award was in the amount of $10,000. Her volunteer work includes mission trips, food drives, and volunteering at both Washington Hospital and Morning Star Pregnancy Center. She is a Sunday school teacher and a camp counselor. She also installed drywall and home repairs in New Orleans following Hurricane Katrina.

**Robert McFadden** is an employee at JL Freed & Sons in Montgomeryville. His daughter, Kimberly, was a 2012 PAA Scholarship recipient. **Kimberly McFadden** is a Senior this year at East Stroudsburg University where she is majoring in Special Education and Mid-level
Education with minors in English and Social Studies. Kimberly volunteers with the Council for Exceptional Children. She is a live in mentor to six students with Down Syndrome. She is a church leader, volunteers with Special Olympics, coordinates pen-pal volunteers and connects them to children with disabilities. She is involved with her local nursing home and delivers to them cookies and crafts. She also tutors, organizes book drives and raises funds for the Muscular Dystrophy Association and for the United Way.

**Nicole Reibold** is the daughter of Lorrie Reibold, a long-time employee at Chapman Chrysler Jeep in Horsham (Montgomery County). Nicole is a Sophomore at Bloomsburg University where she is majoring in Nursing. Nicole assisted with cleaning homes and collected needed items for flood victims in her community. She spends much of her time volunteering at Abington Memorial Hospital. She also is a camp counselor and assists the elderly. She teaches children at a local gymnastics club, is a Special Olympics volunteer and raised money to send to children in Africa. The company held an event where Nicole and her mother were recognized for the achievement.

Hanover Toyota’s employee Eugene Groft’s granddaughter, **Autumn Shank**, was a 2012 Scholarship recipient. Autumn graduated last Spring from New Oxford High School and is currently pursuing studies in the field of pre-medicine and biology. Among her many achievements, Autumn volunteers at a retirement community, is a fundraiser for United Cerebral Palsy, is a volunteer coach, mentors peers, speaks on peer pressure, volunteers in the nursery at her church, and participates in food drivers and cancer walks.

**Allison Slinger**, the daughter of Paul Slinger, an employee at West Hills Nissan in Moon Township (Allegheny County). In 2012, Allison graduated from Ambridge High School and is currently attending Penn State where she is majoring in pre-medicine. Her career goal is to become a pediatrician. She volunteers a significant amount of her free time to Allegheny General Hospital. She also participates in Relay for Life helping them to raise over $20,000. She participated in World Youth Day in Madrid, Spain. She also prepares food for the hungry, purchases Christmas gifts for needy children, and volunteer at the Rotary’s festival to help raise money.

**Dylan Thomas** is the grandson of Raymond Morris, an employee at Vasko Dodge in McMurray (Washington County). Last year, he graduated from Trinity High School and is now attending Westminster College where he is majoring in Engineering. While on community service trips to Pittsburgh where he helped build a house for the needy, he decided he wanted to be an engineer. He has participated in several mission trips, bringing aid to others. He prepares food for the homeless, collects toys for needy children, and volunteers at the local soup kitchen. He also assists with lawn care at his church and is the volunteer statistician for a local softball team. Dylan won first place at the Carnegie Science Center for a chain reaction contraption.

Three students also won **Automotive Technology Scholarships**. **Sean Dalinger** from Brown Daub Kia, **Tyler Frye** from Ebersole Honda-Buick, and **Judd Hayner** from Johnson Motors.

**2013 Awards**

Applications for the 2013 Scholarship Awards are now available online at [www.paa.org](http://www.paa.org). Applications are due by March 1, 2013.

These very worthwhile programs need contributions from the dealer community in order to continue. Contact PAA to contribute. Remember the next student helped may be one of yours.
The 2012 PAA Fall Conference was held October 3-7, 2012, at The Sanctuary at Kiawah Island Golf Resort in South Carolina. Informative business sessions and a spectacular array of activities and dining highlighted the well-attended conference.

Guests enjoyed the breathtaking views of South Carolina’s beaches and golf courses as well as spectacular sunsets as they indulged in luxury accommodations and enjoyed the conference’s many social functions.

The program included valuable information for attendees to take back to their dealerships. Author and speaker, Jay Rifenbary spoke first on incorporating core values when balancing your life and your career. After, Dave Zuchowski of Hyundai Motor America addressed the audience on why “Generation Y” doesn’t seem to care about automobiles. Last, attendees received information about reclaiming lost service customers from Larry Edwards. During Saturday’s business session, Tori Morandi from AutoTrader presented a dealer’s guide to attracting customers. Following that, there was a presentation on the best of NADA 20 Group ideas by Brad Lawson, as well as a discussion session with the PAA panel.

While the two half-day business sessions were informative and inspirational, dealers also enjoyed a number of social functions which provided opportunities to meet and converse with fellow dealers. A welcome reception was held Wednesday night on the lawn overlooking the ocean.

Saturday night a dinner and reception was hosted by PAA Chairman John Giambalvo and his wife, Bonnie, providing a fun time for all.

PAA would like to thank the sponsors who contributed to making this event successful and the dealers who attended this year’s conference.
What your Customers can expect from ADAM:

- Preview factory recommended services by their year, make, model, and current odometer reading
- Pay for their selected services. ADAM then passes on all information for payment to the dealer DMS System
- Tell the dealership how to contact them via phone, cell, email or text message
- Schedule their own appointment and drop off the key at the ADAM Kiosk
- Pick up their vehicle at their convenience, not based on Dealership hours
- It’s all about the customer convenience: ADAM can be used from any internet connected device, smartphones, Ipad, laptop, or desktop computer

What the Dealership can expect from ADAM:

- A 24/7 Automated Service Attendant that works, nights, weekends and holidays
- A software system that promotes “additional service requests,” 100% of the time
- Collects the most current clean data - all data is consumer driven
- Communicates with your customers - based on customers chosen method
- Provides the “KEY” return to the customer directly, any hour, day and night
- ADAM can integrate into most DMS Systems, allowing for sharing and updating of data
- Automated “RO”, generation for most DMS Systems
- A complete technology platform that is a “Win - Win” for both the consumer and dealership
- ADAM does all this for about 1/5 of the cost of what dealerships currently pay service writers
- ADAM will target market for sales department, qualified leads based on current customer year, make, model and driving habits

ADAM, a true 24/7, technology platform that allows dealership customers to have a complete service experience for their vehicle, from outside the dealership walls.
3 DealersEdge® Factoids…
What you don’t know can hurt!

DealersEdge provides weekly access to industry experts on a variety of time-critical management issues. PAA offers special discounts to these programs. You can check out everything offered at the PAA Online Learning Portal. (http://paa.dealersedge.com)

Almost every week we all learn something we just did not know before. Here are 3 Factoids from recent Webinars:

1. **One simple addition to your store’s Google account can reduce your cost-per-referral and improve your sales results.**
   Pay-per-click online advertising is often overlooked by car dealers because they think it is too expensive. PPC does cost more, but the added expense is almost always offset by the benefits. Research performed by PCG Digital Marketing shows that effective use of a pay-per-click budget reduces a car dealer’s cost-per-visitor by a factor of 12. Google also allows dealers the option of capping their monthly charges.

2. **BIG DATA comes to car dealerships and the results are often counter intuitive to what dealers expected.**
   Big Data refers to the explosion of structured and unstructured data about people — you, me and everyone.

   Computers, smart phones, GPS devices, embedded microprocessors, sensors — all connected by the mobile Internet — are generating a cloud of data about people that is growing at an exponential rate.

   Often, the data proves the opposite of what we think. For example, on December 19, 2011, Saab announced that it was filing for bankruptcy. In the three weeks leading up to that announcement, search traffic for new Saab vehicles was down 10% to 50% depending on the day. But a funny thing happened on the day of the bankruptcy announcement: searches for new Saab vehicles surged 150% and maintained an average increase of 10% for the next thirty days. What’s more, the increased web traffic continued even after Saab said it would no longer support warranty service for its vehicles. There are free or nearly free resources available to car dealer that track customer search activity well before they make a buying decision. Identify those resources and use them.

3. **A surprising statistic shows the folly of being too quick to offer a vehicle price quote online.**
   Check with your BDC reps or Internet sales people. They’ll tell you that nearly every prospect they interact with is interested in only two things: is a particular vehicle available and what is your bottom line price for that car. But research shows that fully 80% of the shoppers who contact your store and subsequently come in for a test drive end up buying something different from the vehicle in which they first expressed interest.

   Train your BDC reps and Internet sales people to maintain control of the customer call and bring prospects into the showroom without prior knowledge of your pricing strategy or only a general idea of a vehicle’s price.

   Learn more with DealersEdge webinars. Visit http://paa.
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