



FAIR DEALER NEWSLETTER

Quarterly updates for the dealer and manufacturer industry

www.dol.wa.gov/business/vehiclevesseldealer/dlrresources.html

July, 2009

Greetings from the Administrator



First of all, it seems appropriate to recognize the end of an era at Dealer & Manufacturer Services. Compliance Officer Cal Sanders officially ended his 37 year career in

DMS when he retired on June 30, 2009. Some of you have met Cal over the years, and may know he was a field investigator in Tacoma and Kennewick back in the 70s, prior to coming to Olympia and accepting the position of Compliance Officer. He had a remarkable career here and will be greatly missed. He will be remembered as a true gentleman and a dedicated public servant. (Look for additional information on Cal's DOL legacy elsewhere in this issue of the Fair Dealer).

It is my impression that most motor vehicle dealers in Washington are aware the e-permitting system is now up and running. There is much optimism about this program, but there are still some bugs being worked out. I just received an email of concern from the Washington State Motorsports Dealers Association (WSMDA) president, Jim Boltz, with some helpful critique of the system from one of his stakeholders. The staff at DOL really appreciates communication of this nature from our customers because it allows us to see another perspective on mutual issues that we may not otherwise see. As a reminder, all vehicle dealers have the option right

now to sign up and begin using the e-permit system. The use of the e-permitting system remains optional until July 1, 2011, when it becomes mandatory (RCW 46.16.045).

The e-permitting project was HUGE and became quite a challenge to implement. It has been gratifying to see such a large number of people from so many different backgrounds, and with such a variety of interests, working together to make this new program work. I have to say I have been very impressed with the way the vendor on this project worked with DOL staff to create a user-friendly system, and I am confident that once the small issues are resolved, the system will perform flawlessly.

If you have any questions about e-permitting, there are some excellent resources on-line that can help you learn more about it. DOL has worked hard to make the system user-friendly and to provide ready access to information for anyone needing it. To learn more about the e-permitting system, please visit the e-permit section located on the DOL internet homepage:

www.dol.wa.gov/business/vehiclevesseldealer/epermit.html

Greetings from the Administrator

continued

I must confess that I am still reeling from the many sad, gut-wrenching stories I have been hearing about dealers closing. As the Chrysler and GM bankruptcies unfold, it seems as though there is way too much bad news and not nearly enough good news. In some of the cases I have heard about, family run business which have been around for generations are being closed. It really is emotional when a business closes and the situation is beyond the control of those affected.

According to a recent edition of the "Automotive News," the U.S. and Canadian governments have now spent \$104 billion to aid the auto industry. On a slightly lighter side of the issue, the Automotive News article said, "A billion here, a billion there – pretty soon you're talking about real money." I just heard a news reporter quote President Obama as saying something along the lines of: "The stimulus package was not intended to CURE the recession; it was only intended to stop the freefall the economy was in, and I think it is doing that." Several notable, and apparently reliable economists, have stated publicly that they are seeing positive signs that things have bottomed out and are rebounding. As with most shifts in the economy, only time will tell.

By way of information, DOL investigator Richard Medley, who works out of the Union Gap office, will be retiring this summer. Richard has been a fixture in the Yakima area for many years and will be sorely missed. He has been tireless in his efforts serving the interests of consumers, dealers, and the Department of Licensing. We recognize Richard's accomplishments and his many contributions to the quality of life here in Washington State. Although I know he had a lot of fun and enjoyed a rewarding career as a regulator in state government, I also know he is looking forward to retirement and being able to pursue his other interests. All of us in DOL wish him well.

The Dealer and Manufacturer Services section is once again planning to host its annual Automotive Industry Stakeholders meeting this fall. This meeting provides an opportunity for us to hear about issues directly from you and we encourage your participation. At past meetings, we have had some excellent discussions on a wide range of topics. Some examples: advertising, e-permitting, VIN inspections, legislative issues, enhanced driver's licenses, and odometer rollbacks. This meeting is tentatively scheduled for October 21, here in Olympia. More details will be sent out as we get closer to the date.

Cordially;

Dan Devoe
Administrator

Tesla Motors to Open Seven Sales & Service Centers This Summer

Tesla Motors will open seven regional sales and service centers in upcoming weeks, establishing a coast-to-coast network in the United States and a solid retail footprint in Europe.

Stores in New York, Seattle and Chicago were scheduled to open in late June, followed by Miami. The new additions will complement Tesla's flagship stores in Northern and Southern California, which opened a year ago. Tesla is also scouting locations in Washington DC and Toronto.

Tesla's first European store will open in London, followed by Munich and Monaco.

Tesla takes its showroom cues from Apple, Starbucks and other customer-focused retailers. Tesla stores provide a welcoming spot to surf the Web, test drive cars and learn more about Tesla, the only production automaker selling highway-capable Electric Vehicles (EVs) in North America or Europe.

"We are rethinking almost every aspect of the automobile – from the powertrain to the customer experience, both online and in our stores," said Tesla CEO and Product Architect Elon Musk.

Store locations and hours are updated online. The showrooms are centrally located to allow quick access to nearby highways and suburbs, giving prospective owners an opportunity to experience Tesla's best-in-class performance under a range of driving conditions.

The Tesla Roadster beats nearly every other car for acceleration yet is twice as energy efficient as a Toyota Prius. With an EPA-estimated range of 244 miles per charge, it costs roughly \$4 to refuel and can be completely recharged in as little as 3.5 hours.

Teslas consume no gasoline, never need routine oil changes and require far less maintenance than internal combustion engine vehicles or complicated hybrids. They also qualify for numerous incentives, which significantly lower their total cost of ownership compared to gas guzzlers.

New Jersey, Arizona and Washington, for instance, waive sales and use taxes on EVs, resulting in an immediate savings of \$10,000 or more compared to a conventional car. Combined with a \$7,500 US federal tax credit and lower cost of electricity vs. gasoline, the Roadster has a lifetime cost advantage of at least \$25,000 over a gas-powered sports car with a similar sticker price.

Last weekend Tesla delivered its 500th Roadster in the United States. In late June, Tesla began producing the Roadster Sport, a higher performance electric supercar that does 0 to 60 mph in 3.7 seconds. European Roadster deliveries begin this summer.

About Tesla Motors

San Carlos, Calif. – based Tesla Motors produces electric vehicles with exceptional design, performance and efficiency, while conforming to all North American and European safety, environmental and durability standards. The Roadster, which has a 0 to 60 mph acceleration of 3.9 seconds and a base price of \$101,500 after a federal tax credit, is the only highway-capable production EV for sale in North America or Europe. Winner of the 2009 Globe Award for environmental sustainability, Tesla expects to begin producing the all-electric, zero-emission Model S sedan in late 2011.

State of the Business and 2009 Emissions

By Bill Wright



I would like to address a couple of topics this month. The first relates to these tough times in the car business. The second is a short reminder of the new emissions requirement starting with 2009 model vehicles.

As we all know we are in the midst of the wildest and most difficult time in the automotive business since Henry Ford made his first car.

Operating a successful dealership is a challenge in the best of times. In these times it may seem more difficult than winning the lottery. As we all know many dealerships are being forced to close not only because of the tough economy but also due to the bankruptcy reorganizations of Chrysler and General Motors. These are times when dealer trades must be made carefully to protect yourself. Make sure you are dealing with a currently licensed dealer. Get a copy of their dealership license and verify it includes a dealer endorsement. Then verify the status of that dealer number by checking the Department of Licensing website.

<https://fortress.wa.gov/dol/dolprod/bpdLicenseQuery/>

Do everything you can to protect yourself from getting burned not only from not getting paid or not receiving the title, but from cars with concealed damage or a rolled back odometer. Please beware.

Not succeeding in the car business now is not a sign of a poor businessperson. If you close operations, the measure of your character is how you close. If you are faced with ceasing operation please call your DOL Investigator or your local Dealer Services office. We can help you handle the loose ends that will remain regarding vehicles you have sold.

Properly handling your closure can assist you in obtaining a dealership license in the future as well as being less painful to you now. We really can help make it smoother for you and the car buyers you have dealt with.

Effective with 2009 model vehicles Washington is compliant with California emissions instead of Federal emissions. I thought all dealerships were aware of these requirements but we have seen several dealerships run afoul of Washington law on this. Failure to know and understand this law is a problem not only for franchised dealers but independent dealers also. The fines are much larger than any profit you might make on the vehicle.

Please pay attention to the following. What the law says is that you cannot sell a 2009 or later non-California emissions vehicle to a Washington resident unless it has over 7,500 miles when your dealership obtains it and has also been prior owned by a bona-fide retail purchaser. Here is the Department of Ecology website dealing with this issue. It contains some excellent information. <http://www.ecy.wa.gov/programs/air/cleancars.htm>

Retirements:

Cal Sanders was hired in 1971 as a field investigator in newly created Dealer/Manufacturer Control Division. At the time he worked with Bob Hayter, the Administrator who started the division. Cal worked his first five years in the Tacoma office, then was tasked with opening a new field office in Kennewick. Cal then transferred back to Tacoma where he worked an additional five years. At that point, in 1981, Cal was transferred into headquarters and promoted into the newly created position of "Compliance Officer". This new position was located at the Highway Licenses Building on the capital campus in Olympia.

Cal served on the legislative transportation committee when RCW 46.55 was drafted. Cal considered this service a great honor and remembers it as one of the highlights of his career.

After RCW 46.55 was created, Cal was tasked with writing the accompanying DOL WAC. Shortly thereafter, when the legislature wanted the wrecker and hulk hauler portions of the statute split off from the RTTO laws, Cal was once again involved in making this happen and drafting accompanying WAC rules. His knowledge and mastery of these laws and rules is legendary in law enforcement and regulatory circles.

Cal retired on June 30, 2009, with over 37 years of state service – all of it right here in Dealer and Manufacturer Services. He leaves a huge hole and will be sorely missed.





Cash for Clunker FACTS

10 Things Dealers Need to Know about Cash for Clunkers

After months of dismal sales numbers, the Consumer Allowance Rebate System Program - better known as Cash for Clunkers, couldn't come at a better time.

The program will stimulate car sales by offering consumers up to \$4,500 to put toward a new vehicle when they trade in their old clunker, which will then go to a junkyard. However, as with any brand-new government program, there are details that need to be ironed out. Already, rumors and misinformation about the CARS program are circulating among dealers and consumers. To help international nameplate dealers stay on top of the facts the following are the 10 most common Cash for Clunkers myths.

Myth: Dealers can start participating in the CARS program July 1.

Fact: While the law states that the program begins on July 1, it also states that the National Highway Transportation Safety Administration has 30 days from when the President signed the bill to finalize the rules of the program. So, in reality, the government has until July 24 to develop and finalize CARS rules. Dealers transacting CARS-type transactions before then risk violating the rules and could lose \$3,500, \$4,500, or face up to a \$15,000 fine.

Cash for Clunker Facts

Continued

Myth: Consumers will receive their car's trade-in value PLUS a CARS program voucher of up to \$4,500.

Fact: The vouchers are offered in place of a trade-in value since the car must be scrapped. So if a car is worth more than \$4,500, its owner has no reason to participate. Thus the 'clunkers' aspect of the program. In addition, a dealer must disclose the scrap value of the vehicle to the customer.

Myth: All new cars and light trucks are eligible to be part of the program.

Fact: The program only applies to customers buying new vehicles that meet the program's mileage standards and have MSRPs of \$45,000 or below.

Myth: Consumers can apply a voucher to a lease.

Fact: Not really. The program applies only to leases of 60 months or more, which are, let's just say, rare.

Myth: Trade-ins have to be at least 8 years old to be eligible for the program.

Fact: There is no age requirement on the cars being scrapped. As long as the vehicle is not more than 25 years old, and is rated at getting less than 18 mpg city and highway combined, it is eligible. Check mileage ratings here: www.fueleconomy.gov/feg/findacar.htm.

Myth: Consumers can buy a \$500 junker and trade it in the next day to get a voucher for a new vehicle.

Fact: Don't try to outsmart Uncle Sam. The clunker must be in drivable condition, and registered and appropriately insured to the same person for at least one full year preceding trade-in.

Myth: The program only applies to the first 1 million cars.

Fact: The CARS program is funded with \$1 billion, and will continue until the money runs out, or we reach the planned end date of November 1.

Myth: Dealers can register to participate in the program on a variety of websites.

Fact: Dealers must register for the program but registration is not yet open. According to the government, it should be up and running by July 23. Be wary of any website other than the official government website www.cars.gov.

Myth: The CARS program applies only to vehicles built in the United States.

Fact: All brands, international and domestic, are eligible for participation.

Myth: The CARS voucher replaces manufacturer rebates and discounts, and other government incentives.

Fact: The voucher can be used in addition to other discounts and factory rebates. So, for example, a consumer can use their voucher along with a hybrid vehicle credit and manufacturer rebate to buy a new fuel-sipper.

2009 Legislation

The following bills have been passed into law, delivered or signed by the Governor and include a brief summary:

SHB 1215 – Modifying motor vehicle warranty provisions:

- Extends the application of the Motor Vehicle Warranty Act (Act) and bases for claims under the Act.
- Modifies provisions related to the arbitration process, required disclosures by vehicle dealers, and the titles of vehicles reacquired by manufactures.

ESHB 1362 0 Vehicles used in prostitution-related offenses:

- Allows impoundment of vehicles used in prostitution-related offenses.

HB 1472 – State agency rule-making information:

- Requires state agencies to maintain a website of agency rulemaking activity.

2SHB 1481 – Electric Vehicles:

- Directs the Puget Sound Regional Council to seek federal or private funding to develop recommendations regarding development of electric vehicle infrastructure.
- Directs the state to install charging outlets for electric vehicles in areas such as rest stops and state parking and maintenance facilities.
- Provides tax incentives for electric vehicle infrastructure.
- Authorizes an alternative fuels corridor pilot project.

ESHB 1664 – Termination, cancellation, or nonrenewal of motorsports manufacturer and dealer franchise agreements:

- Requires a motorsports manufacturer to pay specified sums to a motorsports dealer upon the termination, cancellation, or nonrenewal of a franchise.

ESHB 1939 – Vehicle dealer documentary fees:

- The documentary service fee that a vehicle dealer may charge on a vehicle sale or lease is increased from a maximum of \$50 to a maximum of \$150 until July 1, 2014. On July 1, 2014, the fee is returned to a maximum of \$50.
- The dealer must disclose to the purchaser or lessee in writing that the documentary service fee is negotiable fee. The disclosure must be written in a typeface that is at least as large as the typeface used in the standard text of the document that contains the disclosure. The dealer must not represent to the purchaser or lessee that the fee or charge is required by the state to be paid by either the dealer or prospective purchaser or lessee.

2009 Legislation

Continued

SHB 2208 – Return or cancellation of new motorsports vehicles:

- Prohibits motorsports manufacturers from requiring dealers to pay a fee for canceling orders.

SSB 5042 – Providing a waiver of penalties for first-time paperwork violations by small businesses:

- Agencies must waive fines, civil penalties, or administrative sanctions for first-time paperwork violations by small businesses. A paperwork violation is defined as failure to comply with any statute or regulation requiring an agency to collect data or a business to collect, post, or retain data. In the event of a second violation or failure to correct the first violation, the agency may reinstate the previously waived penalty and impose any new penalty stemming from the second violation. The waiver is not available to small business whose owner or operator has previously committed a paperwork violation, and cannot reduce a requirement to apply for a permit or license.
- The waiver requirement does not apply where the violation: 1) presents a direct danger to the public health, results in a loss of income or benefits to an employee, poses a potentially significant threat to human health or the environment, or causes serious harm to the public interest; 2) involves knowing or willful conduct that may result in a felony conviction; 3) concerns assessment or collection of any tax, debt, revenue, or receipt; or 4) conflicts with federal law or programs.
- The waiver does not apply to a regulated entity's financial filings, an insurance rate or form filing, any business required to provide accurate and complete information regarding any claim for payment by the state or federal government, or any businesses licensed or certified to provide care to vulnerable adults or children.

SSB 5388 – Disclosure of any known damage and repair to a new motor vehicle by motor vehicle dealers:

- Any known damage and repair to a new motor vehicle must be disclosed in writing by the manufacturer to the dealer, dealer-to-dealer, and dealer to buyer. This only applies to damage that exceeds \$1,000 or 5 percent of the Manufacturer's Suggested Retail Price (MSRP), whichever is greater.
- A manufacturer or new motor vehicle dealer is not required to disclose to the dealer or buyer that glass, tires, bumpers, or cosmetic parts of the new motor vehicle were damaged if the damaged item has been replaced with original or comparable equipment.
- "Cosmetic parts" means parts that are attached by and can be replaced in total through the use of screws, bolts, or other fasteners without the use of welding or thermal cutting, and includes windshields, bumpers, hoods, or trim panels.
- If a disclosure is not required, a buyer may not revoke or rescind a sales contract due to the fact that the new motor vehicle was damaged and repaired before completion of the sale.

SSB 5574 – Protecting consumer data in motor vehicles:

- If an auto manufacturer has installed a recording device in a vehicle, it must disclose the device's presence and functions in the vehicle's owner's manual. Subscription services that include the use of a recording device must provide the same disclosures in the service agreement, and after-market

2009 Legislation

Continued

products that include the use of a recording device must provide the same disclosures in the product manual. These disclosures may be accomplished through inserts into the manuals.

- A recording device is defined as an electronic system in a vehicle that preserves or records data collected by sensors or provided by other systems in the vehicle. It includes event data recorders, sensing and diagnostic modules, electronic control modules, automatic crash notification systems, and geographic information systems.
- Data on a recording device may not be accessed by anyone other than the owner of the vehicle except in the following five situations: 1) upon a court order for the data or pursuant to discovery; 2) when consent is given by the owner or someone who would reasonably be assumed to have the consent of the owner; 3) for research to improve vehicle safety as long as the owner and the vehicle remain anonymous; 4) to respond to a medical emergency; and 5) when the data is being used to fulfill a subscription services agreement. The accessing of recording device data by anyone other than the owner except in one of the situations described above is a misdemeanor, as is the sale of any data from a recording device to a third party without the explicit permission of the owner.
- Manufacturers of motor vehicles that are sold or leased in the state must ensure that tools for accessing and retrieving information stored in a recording device are commercially available.
- Violations of the act are per se violations of the Consumer Protection Act.

SSB 5719 – Modifying title and registration requirements for kit vehicles:

- A definition of “kit vehicle” is added, together with a list of the components that must be present in order for the vehicle to pass a pre-registration inspection. In order to pass inspection, a kit vehicle must include: brakes on all wheels; brake hoses; brake fluids; a separately actuated parking brake; lights; pneumatic tires; a glazed windshield; seat belts; a defroster; door latches; an adequate floor plan; separation between the passenger compartment and any internal combustion engine; fenders; a speedometer; mirrors; an accelerator with double springs; a leak proof, ventilated, and securely attached fuel system; a steering wheel; a suspension; an exhaust system; and a horn.
- The series and body designations for a kit vehicle must describe a discrete vehicle, but need not identify the vehicle as a replica of another vehicle. The Department of Licensing (DOL) must use the model year of a manufactured new vehicle kit and manufactured body kit as the year reflected on the manufacturer’s certificate of origin.
- The reference to the WAC chapter for equipment standards in the kit vehicle statute is updated. Kit vehicles must comply with the equipment standards established by the WSP; however, a kit vehicle is exempt from the welding requirements specified in WAC if the owner provides documentation from the manufacturer that informs the owner that the welding on the frame was not completed by a certified welder and that the structural strength of the frame has not been certified by an engineer.
- DOL must issue a certificate of ownership or registration to an applicant who completes an application, complies with the statute governing the titling of a kit vehicle, and pays the requisite titling fees and taxes. DOL must issue a vehicle license or license plates to an applicant who completes an application, is a Washington State resident, complies with the statute governing the licensing of a kit vehicle, and pays the requisite vehicle licensing fees and taxes.

Trivia



Did you know???

When you go to buy bread in the grocery store, have you ever wondered which is the freshest, so you “squeeze” for freshness or softness? Did you know that bread is delivered to the stores five days a week? Monday, Tuesday, Thursday, Friday and Saturday. Each day has a different color twist tie. They are:

- Monday = blue
- Tuesday = green
- Thursday = red
- Friday = white
- Saturday = yellow

So, if today was Thursday, you would want a red twist tie; not white which is Fridays (almost a week old!)

Arnold Schwarzenegger bought the first Hummer manufactured for civilian use in 1992. The vehicle weighed in at 6,300 lbs and was 7 feet wide.

Most American car horns honk in the key of F.

The first Corvette rolled off the Chevrolet assembly line in Flint, Michigan. That early “vette” sold for \$3,250.

The first safety feature for an automobile was invented in 1908 by John O’Leary. He patented a large net, to be installed on the front fender, to scoop pedestrians out of the way before they could be run over.

Newsletter Editor, Kim Zuchlewski Questions or comments for the editor? Topics / issues you’d like addressed in the next edition of the Fair Dealer Newsletter? Please email kzuchlewsk@dol.wa.gov			
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Disciplinary Action Cases

April 1 thru June 30, 2009

Aberdeen Honda, Aberdeen

Finding: Selling from unlicensed location

Action / Penalty: \$1,000

Al's Towing & Automotive Service, Spokane Valley

Finding: Unlicensed Dealer Activity

Action / Penalty: C & D

Aspen Window Tinting, Seattle

Finding: Unlicensed Dealer Activity

Action / Penalty: C & D / \$4,500

Bayanmunkh, Dorjraa, Renton

Finding: Unlicensed Dealer Activity

Action / Penalty: C & D / \$3,500

Boyd's Towing and Recovery, Olympia

Finding: Salvage

Action / Penalty: Agreement / \$9,500

Chester Dorsey Auto Salon, Inc., Seattle

Finding: Place of Business

Action / Penalty: Suspended

Evergreen Sales and Lease, Inc., Federal Way

Finding: Late Title Transfer

Action / Penalty: \$1,000

Fairlady Motors, University Place

Finding: Unlicensed Dealer Activity

Action / Penalty: C & D / \$25,000

G V S, University Place

Finding: Unlicensed Dealer Activity

Action / Penalty: C & D / \$7,000

Hughes, Gregory G., Tacoma

Finding: Unlicensed Dealer Activity

Action / Penalty: C & D / \$2,500

Ikan Llc, Seattle

Finding: Salvage

Action / Penalty: Suspended / \$1,500

R & R Auto Sales, Spokane

Finding: Misrepresentation

Action / Penalty: \$2,000

Rangel, Maria Cruz Ibarra, Tacoma

Finding: Unlicensed Dealer Activity

Action / Penalty: \$2,500

Ruben E. Ramirez, Quincy

Finding: Unlicensed Dealer Activity

Action / Penalty: \$3,000

South Sound Towing, Olympia

Finding: Tow Truck Violation

Action / Penalty: \$1,000

Sparky's Towing, Inc., Lynnwood

Finding: Tow Truck Violation

Action / Penalty: \$1,000

Specialty Towing, Llc., Marysville

Finding: Surplus Funds Violation

Action / Penalty: \$1,000

Swedish Fitness, Bainbridge Island

Finding: Unlicensed Dealer Activity

Action / Penalty: C & D / \$3,000

Town Toyota, East Wenatchee

Finding: Dealer Plates

Action / Penalty: \$500