



WARDSAUTO™

THE BIG STORY / JANUARY 2017

A large crowd of diverse people is arranged in a large 'U' shape, framing the central text. The people are seen from above, casting shadows on the white ground.

100 Years Ago, DEALERS SAW **STRENGTH IN NUMBERS**

BY TOM BEAMAN



THE BIG STORY

NADA TIMELINE

1917

NADA begins in 1917, when 30 dealers travel to Washington, D.C., to convince Congress not to impose a luxury tax on automobiles and keep personal transportation affordable for consumers.

1918

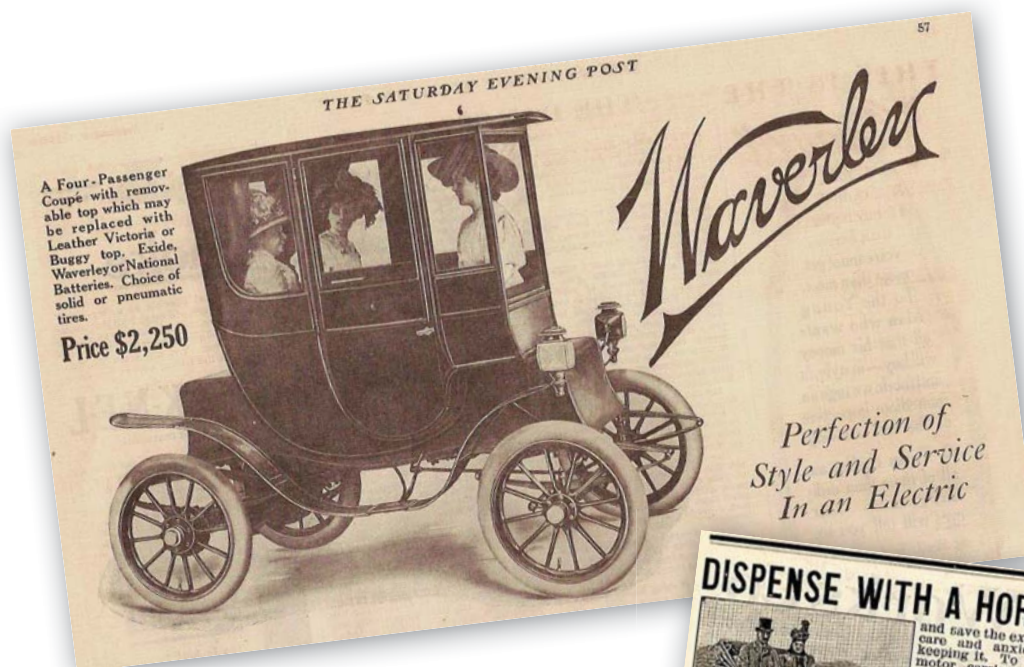
NADA headquarters established in St. Louis.

1919

NADA sponsors first major legislation, National Motor Vehicle Theft Law.

1922

NADA begins used-car value study at government's request.



In 1895, there were only four registered automobiles in the U.S. Within five years, more than 4,000 cars were on roads that originally

were built for horse-and-carriage transportation.

As the industry grew, its leaders faced the perplexing question of just how to sell these new machines. Many business models were attempted.

“These fledgling automakers tried every way possible to sell cars, including mail order, consignment, even traveling salesmen,” Robert Genat says in his book “The America Car Dealership.”



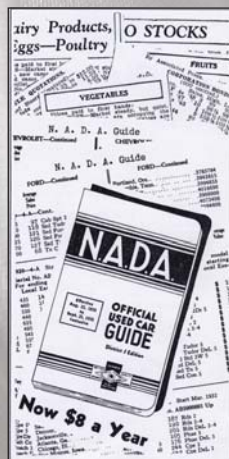
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SOON IT BECAME CLEAR THAT
**A BETTER DISTRIBUTION
SYSTEM WOULD BE NEEDED.**
”

“Soon it became clear that a better distribution system would be needed,” he says. “The inde-

WAVERLEY PHOTO BY SATURDAY EVENING POST; PUBLIC DOMAIN.
PHOTO BY WINTON MOTOR CARRIAGE COMPANY - SCIENTIFIC AMERICAN; PUBLIC DOMAIN.



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1933

NADA begins publishing *N.A.D.A. Official Used Car Guide*.

1936

NADA moves from St. Louis to Detroit.

1941

NADA moves from Detroit to Washington, D.C.



1942

NADA is 25-years-old.

pendent businessman-dealer was the answer.” The arrangement “ended up being the automakers’ salvation.”

In 1896, William Metzger of Detroit opened the first independent dealership to sell Waverly electric cars and other models. In Reading, PA, of that year, H. O. Kohller began selling Winton automobiles at the nation’s first franchised dealership for domestically produced cars.

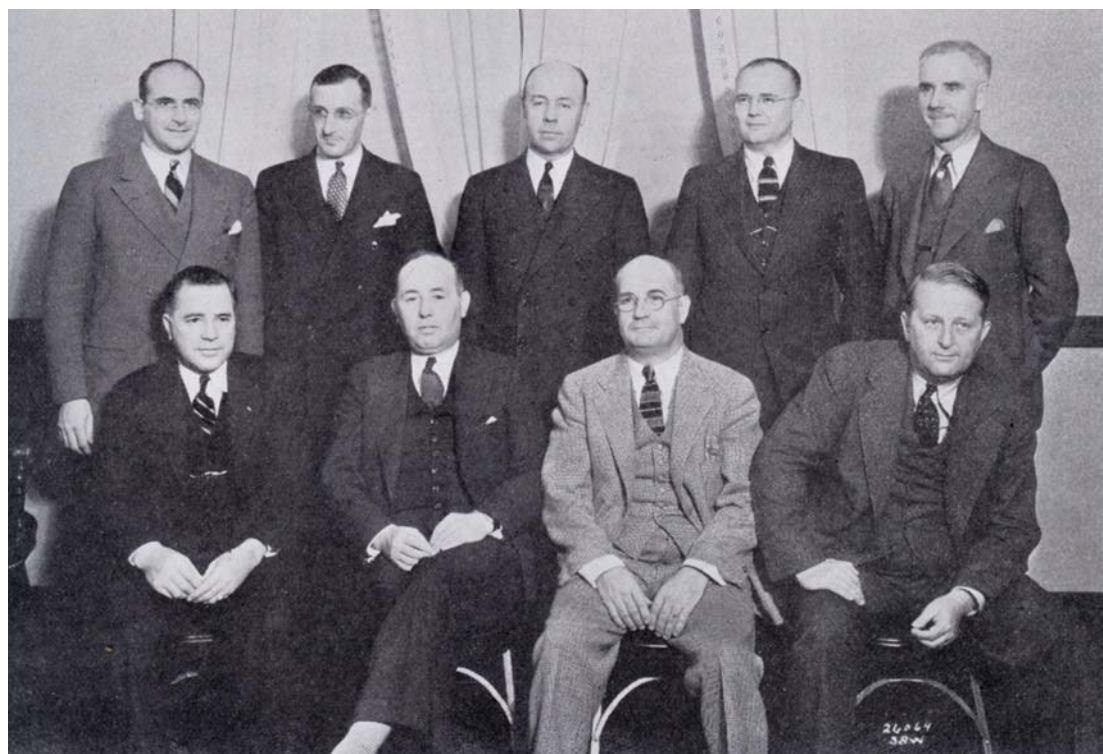
The early storefront dealerships gave way to purpose-built show-

rooms and repair facilities.

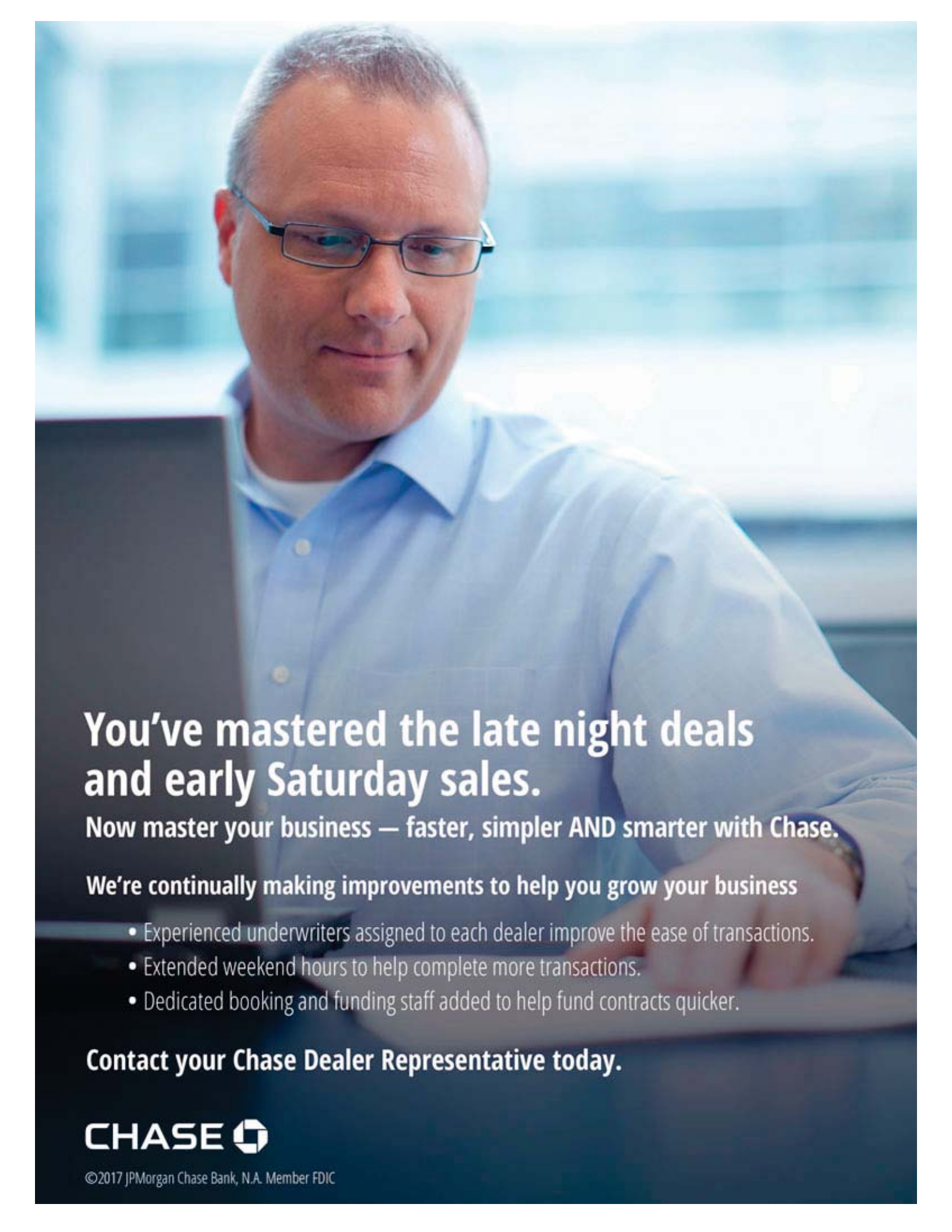
“Because of the volatility in the unstable auto business, manufacturers came and went, as did the early dealers,” Genat says.

Many dealers sold several different nameplates to be sure of a steady supply of vehicles. Automaker-dealer agreements often consisted of a handshake, upfront money and an agreement to accept a couple of cars.

To increase consumer confidence in the horseless carriage, the 112-member National Association



Early NADA regional representatives.



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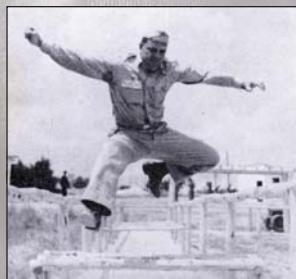
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1943

NADA honored for wartime recruiting efforts.

1955

NADA gets anti-bootlegging bills introduced.

1959

NADA offers first workshop on how to sell imports.

1967

NADA is 50-years-old.

1968

NADA 20 Groups begin.

of Automobile Manufacturers was formed in 1902, offering a 60-day guarantee on their vehicles.

As the fledgling industry grew, dealers saw strength in numbers. Three dealer groups that formed in the first decade of the 20th century died quickly.

But in 1917 dealers faced two government proposals they believed could kill their businesses: a proposed 5% tax on the factory price of a new vehicle (a '17 Ben-Hur four-passenger roadster sold for \$1,875) and a government ruling that defined the automo-

bile as a non-essential luxury and ordered vehicle manufacturers to focus 100% on WWI military production.

Thirty dealers went to Washington to seek Congressional relief. They got it. They then realized they needed to band together to protect their interests. That is how the National Automobile Dealers Assn. came about in July of 1917 after a rambunctious meeting or two.

The group that began with 130 dealers celebrates its 100th anniversary this year with a membership of 16,500.



NADA makes presence known at annual conventions.



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1970

NADA forms American Truck Dealers division.

In the 1970s, NADA worked with Congress to create a bipartisan consensus to correct the overreaches at the Federal Trade Commission on the used car rule.

As a result, the rule (which the FTC updated in November 2016) provides consumer disclosure without increasing the cost of used cars unnecessarily for consumers.

WHAT TO EXPECT IN NADA'S 2ND CENTURY

As NADA begins its second century, expect both change and stability, says Peter Welch, president of the trade group.

"Clearly the buying habits of Millennials are changing," he says. "Most are using mobile devices to shop, and are visiting many different sites before making a purchase decision. The big things coming down the road that will affect vehicle sales are mobility services such as Uber and Lyft and ride sharing."

A report by consultant Glenn Mercer predicts a slight decline in the number of dealership rooftops in the next 10 years with a 15% to 20% contraction in the number of owners.

NADA predicts annual vehicle sales will stay in the 16 million to 18 million unit range.

Welch doesn't foresee major changes for dealers in suburban or rural markets, where 39% of its members sell 300 or fewer new cars a year.

"The NADA will evolve just like

Stair-step dealer incentives unfair, Welch says.





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1977

NADA begins its charitable foundation.

1979

NADA begins Dealer Candidate Academy.

1984

NADA conducts first all-member dealer attitude survey.

1987

NADA backs anti-odometer tampering law.

1992

NADA celebrates 75th anniversary.

our members evolve,” Welch says. “There will be an emphasis on e-commerce and electronic marketing tools and we always have to be looking for new and bigger and brighter instructors in the Academy as the curriculum changes. “

There always will be updates for our compliance manuals because Congress and the regulatory agencies “continue to spout this stuff out,” he says. “The issues may change but the need for advocacy and for representation with our auto manufacturer business partners remains.”

It’s exciting to celebrate a 100th anniversary, “but we’re not spending much time looking

back,” Welch says.

“We’re looking at the next 100 years and beyond. As long as

there is America’s love affair with cars and the freedom of mobility that their personal ownership provides, there will be car dealers selling and servicing those vehicles.”

NADA throughout its history has pioneered services such as the *NADA Official Used Car Guide*, so-called 20 Groups that brought non-competing dealers together to share best practices, a retirement program, a charitable foundation, and a dealer academy.

But dealer-interest lobbying remains a main role for the organization.

FOUNDING PRINCIPLES

The founding principles of NADA “have remained pretty much the same,” says Peter Welch, the trade group’s president.

“Two main goals have remained consistent throughout the years.”

Welch cites them:

- To promote and enhance the franchise system and communicate dealer views to the federal government, manufacturers and the public.
- To offer members professional programs and services to improve business skills of management personnel and the technical capabilities of non-management employees.





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1996

NADA pushes Congress on national title-branding standard.

NADA fought for increased consumer awareness of motor vehicle histories by supporting federal legislation to require “brand carry forward” and increased disclosure by insurance companies of the “total loss” history of vehicles.

2001

NADA swaps convention dates with Super Bowl in New Orleans after 9/11 and sets up Survivors Relief Fund.



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WORKING THE HALLS OF CONGRESS

NADA’s lobbying laundry list ranges from easing fuel-economy standards to reducing needless regulatory paperwork.

Congressman Bob Latta (R-OH) is not currently working with NADA on specific legislation, but he serves as an as-needed advocate for the group.

“When the dealers come in, they cover a broad range of issues like the cost of energy or the cost of disposal of used oil,” he says.

“On the tax side, we get with the

Ways and Means Committee folks and say ‘I’m sure you’ve all been hearing this, but we just had our dealers in and there are the issues that they’re very concerned about as we go forward legislatively. We have to take these issues into account.’”

“The NADA is so important because its strength comes from its dealer members who live in their local communities,” says U.S. Representative Debbie Dingell (D-MI). “They know their elected representatives and they’re able to be the educator about an indus-



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2002

Congress passed landmark legislation to preclude the use of mandatory binding arbitration clause in motor vehicle franchise agreements.

This legislation prevented the OEMs from unilaterally using non-negotiated provisions of contract to ignore duly-enacted state franchise laws that provide a wide variety of state and local economic benefits to consumers, communities and manufacturers.

try so that elected officials get the facts about the issues.”

The auto industry often is the target of “negative shots,” she says. In the face of those, “the dealers are always trying to make sure people have the facts.”

NADA will continue to be an important voice at the table in Washington, says Mack McLarty.

He is a third-generation dealer. His sons established and operate McLarty Automotive Group and RML Automotive. The latter consists of dealerships in the central and southeastern U.S. and is No.31 on the *WardsAuto Megadealer 100*.

“The NADA is clearly a venerable organization,” McLarty says. “It still is very respected on the Hill and in the executive branch. They really understand the crosscurrents and changes that are taking place in the industry. The NADA is relevant and will continue to be.”

McLarty knows his way around Washington, having served as President Clinton’s chief of staff and as an adviser to Presidents

George H.W. Bush and Carter.

He says the Trump administration likely will be positive for dealers in terms of tax and regulatory reform, but he encourages the dealer industry to be actively involved in

discussions about U.S. trade policy.

“What is a concern is the trade issue, particularly the North American Free Trade Agreement,” McLarty says.

Automakers are intricately linked in the supply chain under NAFTA, he says. “If that is disrupted and (causes)



NAFTA future concern for automakers, dealers, says McLarty, a megadealer and former U.S. president chief of staff.

an increase in cost and availability, it may affect the manufacturers first, but it will affect dealers.

“This whole issue of trade, globalization, technology and how that affects the middle class and good jobs is critical. We have to do a much better job of understanding that equation. Dealers should be fully engaged in the trade issue, side-by-side, shoulder-to-shoulder, with the OEMs.”



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Testifying before Congress during 2008-2009 auto crisis are (from left) former Chrysler President Jim Press, former GM CEO Fritz Henderson and NADA Chairman John McEleney.

2003

NADA celebrates end of new-car luxury tax after 6-year phase-out.

2005

NADA raises \$3.5 million for dealership employees impacted by hurricanes Katrina and Rita.

BETTER DEALER-AUTOMAKER RELATIONS

U.S. franchised auto dealers once had an often-antagonistic relationship with the manufacturers.

“The dealer-manufacturer agreement was extremely one-sided,” says Jack Pohanka, a veteran dealer and a NADA chairman in the 1970s “It could be cancelled by the manufacturer on a 30-day notice without cause.”

Stories are told in dealer circles about Merle H. “Doc” Yager, a Pontiac dealer in Albany, NY, and former General Motors zone manager who stood up to GM

President Harlow Curtice in a 1955 U. S. Senate hearing, accusing the auto giant of arm-twisting by factory field reps, wrongful terminations, and general indifference to dealers’ views.

By exposing these issues, Yager is credited with compelling automakers to rewrite their franchise agreements to give dealers more protection.

Dealer-factory relationships today are more equitable and automakers readily position themselves as partners in the business.

“We value our relationship with



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2009

NADA helps “Cash for Clunkers” become law. NADA’s multi-pronged advocacy was essential to the successful administration and timely funding of the program.

2010

NADA helps get exemption for dealers from the oversight of the Consumer Financial Protection Bureau.

the NADA,” says Dianne Craig, Ford’s director of U.S. sales. “We link our own dealer council process to the organization by including our NADA representative on our dealer council board.

“In particular, we review feedback from the NADA bi-annual survey at the highest levels of our company to make sure we are aligned on key issues that are important to our dealers – including effective listening, responsiveness to feedback and dealer perception on franchise value.”

An old industry saying is that nothing happens until a car is sold “so a strong, dynamic and customer-focused distribution network” is vital,” says Kurt McNeil, GM vice president-U.S. sales operations.

“NADA has been at it for more than 100 years, they have a strong track record, and its role is going to be even more critical in the years ahead as technology reshapes personal mobility,” he says

Adds Reid Bigland, head of U.S. sales at Fiat Chrysler Automobiles: “Our relationship



“We value our relationship with the NADA,” says Ford’s Dianne Craig.

with NADA is important to our process of communicating with all of our dealers. We appreciate the contributions and the feedback from our NADA representatives on our National Dealer Council, and we always look forward to addressing a packed house during our franchise meetings at the NADA conventions.”

“The NADA has always been a good ombudsman for the dealers,” says Bill Powell, former GM vice president-dealer/industry affairs and now a senior adviser for the Michigan-based



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2013

NADA fights to preserve consumer discounts in dealer financing.

2017

NADA celebrates 100th anniversary.

LaFontaine dealer group.

NADA was in the loop when GM and Chrysler declared bankruptcy and reduced their dealer counts as part of a reorganization plan, Powell says. “NADA didn’t necessarily agree with the decisions, but they were at least at the table and their voices were heard. They worked with the manufacturers to try to lessen the hardships.”

Subsequent NADA-backed legislation that established arbitration between automakers and disenfranchised dealers allowed some to make relatively soft landings.

When GM effectively closed Pohanka’s Cadillac dealership in Fredericksburg, VA, the company initially offered him \$66,000. Pohanka ultimately received \$660,000.

“Generally we’re in a good place within the industry today,” says Michael Regan, NADA’s senior vice president-industry affairs.

Although there are always issues that will bubble up from the dealer perspective that the OEMs may not agree with, “right now, industry-wide we’ve enjoyed a successive run of good sales



“Generally we’re in a good place within the industry today,” says NADA’s Michael Regan.

years, and that certainly helps the overall attitude,” Regan says.

Results of NADA’s 2016 winter bi-annual dealer attitude survey show Lexus ranks No.1 overall among automotive brands in terms of dealer opinion of franchise value, automaker policies, and automaker field staff. Toyota was second, followed by Subaru, Honda, Porsche, Ford, Mercedes-Benz, Kia, Jeep, and Audi.



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SOME SORE POINTS PERSIST

Automaker-dealer relations are better than in some earlier contentious times, but friction remains here and there.

“The area that has been most disturbing lately is the incentive compensation plans that (some manufacturers) come up with,” says Peter Welch.

Many dealers believe some dealer incentive programs are unjust unfair.

Welch explains:

“The top of that list would be stair-step programs that are either volume- or target-based. You have one dealer who decides to go with the stair-step program and they are giving away cars literally for less than they pay for them, hoping they’ll hit the high stair-step at the end of the month.

“Then you have another dealer who decides they’re not going to risk going for the gold but they have a long-term customer.

“That customer comes in and says ‘I’ve been buying cars here for a long time and getting great service, but the dealer down the street is selling the car for \$4,000 less.’

How do I explain that to my customer and enhance the consumer experience for that customer?”

Another dilemma is what Welch calls the relentless push by manufacturers to build bigger and better facilities while more and more customers are shopping online. “(Automakers) are saying you need to enhance the consumer experience when they’re buying the car, (which means) spending more time online and spend fewer hours in the dealership,” Welch says.

“We want to get them processed and out and happy in less than 30 minutes,” he says. “It kind of begs the question, why do you need a \$50 million facility if they’re only going to be in the Taj Mahal for 10 minutes? There’s a lot of tension and release on that.”

NADA talked to automakers about that and provided them with supporting data in the form of the study.

“It gave them something to think about,” says Regan, adding that at least one automaker, after reading the NADA study, came out with an optional facility image program that dealers largely embraced. **WA**



NADA Veteran Recalls **AUTOMAKER- DEALER FIRST, ORIGINS OF CAFE, MORE**

Jack Pohanka, 88, a Washington-area dealer who was the first to sell Oldsmobiles and Fiats on the same showroom floor in the 1950s, for decades has been a pillar of the National Automobile

Pohanka, 88, heads namesake auto group, No.41 on WardsAuto Megadealer 100.



Dealers Assn., celebrating its 100th anniversary this year.

As a young man, he wrote his senior thesis at Princeton University on dealer-manufacturer relations. He went on to serve as NADA chairman in 1976 and 1977. He was instrumental in encouraging the formation of 20 Groups and working with NADA attorneys to remove or delay onerous parts of General Motors franchise agreements.

Pohanka, currently is the chairman of the Pohanka Automotive Group, No.41 on the 2016 *WardsAuto Megadealer 100* with 15 dealerships, eight franchises, nearly 30,000 vehicle sales and \$1.2 billion in total revenue.

CREATION OF PROGRAM FOR SERVICE TECHS

Pohanka credits the NADA with helping to establish Automotive Service Excellence (ASE), the formal certification program for technicians.

In 1968, forces ranging from consumer advocate Joan Claybrook to CBS's "60 Minutes" were investigating abuses in the automotive repair industry.

The U.S. Senate Antitrust and Monopoly Subcommittee on Auto Repair Legislation was considering legislation to crack down on repair-shop abuses.

At the NADA's request, Pohanka, who had sold an Oldsmobile to the subcommittee's chairman, Sen. Philip Hart (D-MI), convened a group of dealers to study the issue and report to the NADA board.

"We recommended that NADA support a joint program with the Automobile Manufacturers Assn. for the creation of a voluntary certification program for technicians," Pohanka says. "The NADA approved it and budgeted \$10,000, which was matched by AMA. Senator Hart decided to hold off on the legislation and give NADA a chance."

The National Institute for Automotive Service Excellence (later changed to ASE) was incorporated in 1972, and is still going strong today.

"We've certified over 3 million mechanics since that time," Pohanka says. "It was a tremendous milestone; the first time the



manufacturers and the dealers had ever worked jointly to study a problem and do something about it.”

Pohanka says the NADA’s role in creating ASE led to cooperation with, among others, consumer advocates. “We realized these people didn’t have horns in their heads,” he says. “They were people like us. We really had the same goal in mind: to take care of the customer. To this day, one of our NADA dealer directors is on the board of the ASE.”

SETTING STANDARDS FOR CLEAN AIR

Pohanka was also active on the NADA’s behalf in lobbying for CAFE standards as part of the Clean Air Act.

In 1975, NADA chairman-elect Pohanka was in NADA President Frank McCarthy’s office when McCarthy got a call from the chairman of the House Ways and Means Committee.

The legislator said Congress was “going to do something about gas-guzzlers because the average car got about 9 mpg (3.8 L/100

km),” Pohanka recalls.

“He told McCarthy ‘We’re going to do one of two things, and don’t tell me you don’t like either one because that’s what the auto manufacturers told me. We’re looking for guidance, and if you want to give us guidance, well listen to you.’”

The first option was to tax fuel-inefficient cars to drive up the cost and encourage people to buy more efficient cars. The second approach was to set fuel economy standards that the manufacturers would have to meet over a period of time.

“We got the other dealers together the very next morning and met in Washington,” Pohanka says. “I said the tax would definitely not work. They would put the tax on the cars, the manufacturers would continue to build them and charge the customers more money and the customers wouldn’t have a choice unless they wanted to buy a Volkswagen or a Morris Minor.

“It would not achieve the result that the government is looking for. Besides, we had just spent



years getting rid of the excise tax on new cars.”

Meanwhile, the auto industry was mounting a vigorous lobbying effort against CAFE standards.

NADA ended up supporting fuel-economy standards. Pohanka calls that “a gigantic move, because we as a dealer group stood up publicly and told our manufacturers you are wrong.”

The decision also enhanced the trade group’s stature on Capitol Hill, he adds.

GOVERNMENT INTERVENTION?

The resolve of Pohanka and NADA was tested at a later NADA Convention in Las Vegas where he was scheduled to speak.

In an early morning phone call from General Motors President Pete Estes, Pohanka learned that GM Chairman Tom Murphy, in a keynote speech at the same meeting, was going to accuse NADA of “inviting government intervention into our business.”

“So I tore up my speech and completely re-wrote it with our PR guy,” Pohanka says. “I said that

the manufacturers have no credibility in Congress, because they basically want Congress to go away and leave them alone, but Congress is not going to do that.

“Their constituents have questions and the industry has to answer them. We just couldn’t tell the press and the public to go away.”

Pohanka envisioned NADA would become a major spokesperson for the industry. “I predicted we would, and we did.”

Congress enacted CAFE standards for cars and light trucks in 1975. But today, NADA says some of the standards are too stringent, such as a government mandate that requires CAFE to hit 54.5 mpg (4.3 L/100 km) by 2025.

The advanced technology to achieve that could price some consumers out of the market, says Jeff Carlson, NADA’s 2016 chairman. “The mandate could cost the consumer \$3,000 or more. We live and die by the customer, so we’re trying to educate people in DC on these costs to keep cars affordable.” **WA**

– Tom Beaman