



New Motor Vehicle Board

In-Site

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BOARD WELCOMES NEW MEMBERS

The New Motor Vehicle Board is pleased to announce Governor Brown's recent appointment of three new Board members, and the reappointments of Victoria Rusnak and Glenn Stevens.

•Anthony A. Batarse Jr., was appointed to the Board in September 2013, by Governor Jerry Brown. Mr. Batarse has been chief executive officer and president at Lloyd A. Wise Companies in Oakland since 1972. He is a member of the Oakland Metropolitan Chamber of Commerce, San Leandro Chamber of Commerce, SF State University Business Advisory Board (Board Member) and, the Youth Opportunity Foundation (Board Member). He attended Liceo Salvadoreno, College of San Mateo and the Harvard Graduate School of Business, and holds degrees in Science & Letters and Business Management.

•Kathryn Doi is a partner in the Sacramento business law firm MurphyAustinAdams Schoenfeld LLP. She advises and represents healthcare trade associations, hospitals and health systems, and other respective organizations in the California and federal courts. Kathryn is an AV® Peer Review Rated lawyer, the highest rating given by Martindale-Hubbell for legal ability and ethical standards. She was named a Northern California Super Lawyer in 2004, 2011, 2012, and 2013. Ms. Doi previously served the State of California as a Senior Deputy Legal Affairs Secretary in the Office of the Governor under Governor Gray Davis. She also served as Counsel to the Secretary of the Technology, Trade and Commerce Agency under the Davis Administration, ensuring agency compliance with state and federal laws and overseeing agency rulemaking. Prior to joining the Davis Administration, Ms. Doi served as Staff Counsel to the Commission on Judicial Performance where she investigated and evaluated alleged ethics violations by California state court judges. Prior to

her government service, Ms. Doi worked in private practice and clerked for a federal judge. Kathryn received a B.A. in Economics from Stanford University and her J.D. from the University of California, Davis.

•Rahim Hassanally of Fairfield has been the owner of Momentum Auto Group since 2010 and at Infiniti of Fairfield since 2006. He is secretary for the Toyota Lexus Minority Dealers Association Board of Directors and a member of the National Automobile Dealers Association ("NADA") and the National Association of Minority Automobile Dealers Board of Directors.

At age 16 he sold new cars in the afternoon at Colonial Chrysler-Dodge-Jeep in Dallas under his high school co-op, work-study program. After 60 days he was selling 25 to 30 vehicles a month. By the time he was 24, he had worked at three local dealerships, rising to general sales manager and earning a bachelor's degree in political science at Southern Methodist University in Dallas. In 2006, at age 28, he bought his first dealership, which houses Infiniti of Fairfield and Volvo of Fairfield, in Fairfield, CA. He now operates 16 franchises, which employ more than 250 people and generated \$300 million in revenues in 2012. Early in his career he learned the importance of making sure that the customer is always happy and keeping expenses in line. He runs his business on a percentage metric, devoting certain percentages of his budget to areas such as advertising, salesperson compensation, supervision compensation and data processing.

•Victoria Rusnak is Chief Operating Officer and General Counsel for the Rusnak Group. The Rusnak Group

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CNCDA SCHOLARSHIP FOUNDATION

The California New Car Dealers Scholarship Foundation (“Scholarship Foundation”) created a new scholarship award to honor Peter Welch, who recently took the helm of the NADA. In 2005, Peter was instrumental in the creation of the auto technician scholarship fund. Donations were raised to setup funds for auto technician scholarships.

For the 2013-2014 school year the Scholarship Foundation has awarded scholarships to 123 California students enrolled in post-secondary automotive technology or automotive management programs.

Based on outstanding academic achievement this year, the board of directors of the Scholarship Foundation selected two auto technician students and an auto management student to receive these honors. A Cypress College student was awarded the Peter Welch Honorary Scholarship, a Fresno City College student was awarded the Bill & Harriett Bader Memorial Scholarship, and a junior

attending Northwood at the Michigan campus was the recipient of the Jay Gorman Academic Scholarship. Since 1995, the Scholarship Foundation has awarded scholarships totaling \$546,850.



New Motor Vehicle Board

ATTORNEY ROUNDTABLE

Friday, January 10, 2014

9:00 a.m.

Sacramento, California

For additional information contact
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Victoria Rusnak
Glenn E. Stevens

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is a privately held corporation that employs over 700 associates and operates 11 luxury automobile dealerships in the Southern California region including BMWMercedes-Benz, Audi, Rolls Royce, Porsche, Bentley, Volvo and Jaguar. Ms. Rusnak is currently Chair of the Fiscal Committee.

•Glenn Stevens currently operates the Law Offices of Glenn E. Stevens, specializing in real estate, construction, and real estate title matters. He is Vice President and of counsel to Nelson Shelton & Associates, a real estate brokerage in Beverly Hills. Mr. Stevens is currently a Member of the Policy and Procedure Committee.

Sadly, we have to say goodbye to long time Board members, Robert T. (Tom) Flesh, appointed in 1996, David Wilson, appointed in 2000, and also to Peter Hoffman, who was appointed in 2009. They will be greatly missed.



ALJ JERRY PROD LEAVES BOARD

Jerold A. Prod (“Jerry”) was appointed Administrative Law Judge of the New Motor Vehicle Board (“Board”) on March 2, 2005, and served the Board through August 2013. Jerry capably presided over hearings and settlement conferences held before the Board. Prior to his service with the Board, he served during several State administrations, having been appointed to various executive positions by Governors Wilson, Deukmejian, Brown and Reagan.

Jerry has moved to Missouri, and we at the Board wish him all the best.

NAMVBC 2013 FALL WORKSHOP

The National Association of Motor Vehicle Boards and Commissions (“NAMVBC”) held its Fall Workshop at the Royal Sonesta Harbor Court in Baltimore, MD September 25-28, 2013. Various industry associations and government regulators were present for the three day event, with several keynote speakers discussing industry issues. A packed agenda with the theme “Resilience –Working with an Ever Changing Industry” provided valuable information and ideas of common interest to all.

Thursday morning began with a welcome by Peter Welch, President of the National Automobile Dealers Association (“NADA”). Mr. Welch remarked to the audience the important role as regulators that the association plays in the vehicle industry. He pledged continued support and involvement with the association in the future. He then went on about the growth and general health of the auto industry. Following was a presentation by Steve Jarczyski, MPA Marketing, Port of Baltimore who spoke about the port’s history. He discussed plans for port growth in anticipation of larger container vessels passing through the Panama Canal and discharging in Baltimore. Almost every foreign vehicle manufacturer exports into the port of Baltimore.

Teresa Kosmidis from the Bureau of Consumer Protection, Federal Trade Commission (“FTC”) presented an update on the FTC crackdown on deceptive motor vehicle practices. In her remarks, she stated that the 2nd biggest financial transaction a consumer will make is the purchase of a vehicle. Under the Dodd-Frank Act, the FTC obtained broad jurisdiction over dealers. The FTC has taken recent law enforcement action in the following areas:

Negative Equity Cases: These are cases where a dealer will agree to pay off a car loan regardless of the amount owed. In reality, the loan is not being paid off, but instead the payoff amount is rolled up into the new loan;

Debt Consulting: These are cases of loan modifications where the consultant is paid an up-front fee for services and does nothing;

Deceptive Auto Ads: These are cases where a dealer falsely advertises discounts on a vehicle that are not available to members of the public. The offer is usually accompanied by conditions and restrictions that are outside the capability of a regular customer;

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Peer to Peer (P2p) NetworkAccess: These cases involve a dealer allowing privacy information to be exchanged with another dealership. Ms. Kosmidis explained that the above examples are typical cases where the FTC is taking action to better protect consumer rights when dealing with the new vehicle industry.

Next was a panel discussion on the Consumer Financial Protection Bureau (“CFPB”) moderated by Aaron Jacoby, Partner, Arent Fox, LLP. On the panel were Paul Metrey, Chief Regulatory Counsel, Financial Services, Privacy and Tax with the NADA and Joel Winston, Partner, Hudson Cook, LLP. Mr. Metrey spoke first to explain that the CFPB’s authority stemmed from the 2010 credit crunch. He stated that the CFPB is growing into an enormous agency which has extensive rulemaking and enforcement authority while at the same time has only minimal supervisory oversight. The CFPB has automatic funding and its single directorship gives it unbound power. In Section 1029 of the Act, auto dealerships are specifically excluded from CFPB oversight. However, the CFPB argues that certain classes of consumers are suffering pricing disparity by captive financing companies which needs to be corrected. CFPB’s solution is to change the way dealers are compensated by trying to impose a flat fee on dealers for each sales transaction. Mr. Metrey argued that there is a vast difference between direct lending and indirect lending that involves an auto dealer. In a typical auto transaction where the auto dealer is involved in an indirect lending situation, the dealer assumes all the advertising cost, handling retail distribution services, handling truth & lending requirements. Therefore, the CFPB ought to step back.

Following was a panel discussion moderated by Greg Kirkpatrick, Executive Director, Arkansas Motor Vehicle Commission on manufacturer ownership of alternative fueled vehicles. The panel included James Chen, Director of Public Policy & Associate General Counsel for Regulatory Affairs with Tesla Motors, John Weistart, Professor of Law with Duke University, Michael G Charapp, Partner, Charapp and Weiss, LLP, and Bill Wolters, President, Texas Automobile Dealers Association. All panelists were very informative in representing their perspectives on this issue.

Mr. Chen started the discussion by outlining why Dealer/Owner makes sense to him. Mr. Chen stated that it simply is leveraging technology and trying to achieve economies of scale. Using Tesla Motors as a case model, he stated that the market to support numerous dealerships

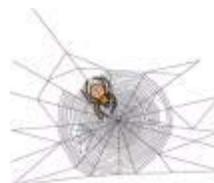
is not there yet. Tesla produces too few vehicles to support a franchised dealer system, and there is not sufficient profit in it. Furthermore, because of the technology (electric motors) there are no or little future service requirements that otherwise support a traditional auto franchise.

Mr. Wolters sees no reason to change the franchise system that has worked so well for so long, such as in Texas. He believes that dealers sell cars. That’s their business, whether it’s a Ford model vehicle or a Tesla electric vehicle. And, he believes that it is inherently wrong that consumers can sell vehicles for a profit, but will not be around to service the vehicles in the future. Dealers want to make deals, so they will compete against other dealers to give the best price available, which helps the consumer. A manufacturer has only one price. A manufacturer doesn’t compete against itself; it doesn’t negotiate. Consumers cannot negotiate against a manufacturer.

Mr. Charapp stated that the issue is not against Tesla, but a much broader one. He stated that this issue is about the laws and why we have them. Both state licensing and dealer franchise laws are at issue. Dealer franchise laws are set up to protect dealers, which is true, but Mr. Charapp claims there are good reasons to support the protective nature of the law. A dealer has made a significant capital investment in distribution, service, warranty and maintenance systems. For example, in order to start a new Toyota dealership it may cost an estimated \$30 million. Floor planning alone is an enormous cost factor. More importantly, Mr. Charapp argues the law protects the public. He states that it is in the best interest of the public to have a local dealer network. A multi-national who sees a market dry up or a better market elsewhere can pick up and leave, stranding the consumer to fend for itself. A local dealer is there to protect the consumer.

Professor Weistart approached the issue from a different perspective in that the issue is between new technology and new ways of doing things and the status quo. His premise is that technology drives innovation and as a public policy, we favor innovation, which translates into the law supporting innovation. Did we protect bookstores from

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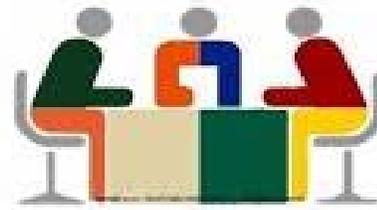
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Amazon? Did we save newspapers from innovation and the Internet? The answer is no. And, if for example government steps in to protect the franchised dealer network, we need to watch out for anti-trust considerations.

Friday morning started with a panel discussion with an update on automated cars and vehicle connectivity which was moderated by Bill Brennan, Executive Director of the California New Motor Vehicle Board. The panel was made up of Professor Raj Rajkumar, George Westinghouse Professor of ECE and Robotics, Carnegie Mellon University and Co-Director, General Motors-Carnegie Mellon Autonomous Driving Collaborative Research Lab, and Stephanie Dougherty, Chief of Strategic Planning and Organizational Development, California Department of Motor Vehicles. Ms. Dougherty spoke on California's efforts to draft legislation to implement its recent law to allow autonomous vehicles on California roads for testing purposes by January 1, 2015. She described the state's outreach efforts to acquaint itself with the state of the technology by visits to leading manufacturers, including Nissan, Google, Volkswagen, and Bosch. Professor Rajkumar also provided a presentation that highlighted Carnegie Mellon University's collaboration with General Motors and others to develop vehicle connectivity and autonomous driving. There was a friendly exchange between the two presenters as each represented different areas of the country which are vying for leadership in this new technology. A lively discussion took place on how new vehicle connectivity is being successfully introduced into the industry annually and within the next 7 to 10 years, autonomous vehicles on U.S. roadways will be a reality.

The next topic with Michael Rothe, Director of Legal Services, Ontario Motor Vehicle Industry Council ("OMVIC"), and Carey Smith, Director of Investigations with OMVIC, addressed computer technology in modern investigations. They discussed how computer technology assists with investigations. By using algorithm improvements and social media sites like Craigslist, OMVIC has been able to refine its investigative efforts to more readily detect, identify and prosecute curbside violators and underground businesses not properly registered.

The subject of negotiating the mandate of a transparent government was discussed by Ian Christman, Registrar, Motor Vehicle Sales Authority of British Columbia and Prin Cowan, Senior Management Analyst with the Virginia Motor Dealer Board. The two discussed how to



MEDIATION SERVICES

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conduct business in a transparent way Mr. Christman stated that the passing the Access to Information Act provides for proactive disclosure of many types of records maintained in Canada and British Columbia. The purpose of the Act is to make government and public body records or information available to individuals for review without the need to make a formal access request, thus providing better transparency. Compliance with the Act in the long run should result in cost savings to the government.

Ms. Cowan discussed the state of Virginia's efforts to reduce paper by instituting electronic document management practices, which was initially begun in 2005. She reported that many automotive forms and documents are now successfully stored electronically and available for easy retrieval by using their system.

Jennifer Timian, Chief, National Highway Traffic Safety Administration ("NHTSA") Recall Management Division, described a serious problem within the auto industry. NHTSA is responsible for reducing deaths, injuries and economic losses resulting from motor vehicle crashes. However, each year hundreds of safety recall notices are issued by manufacturers to millions of consumers many of which are never acted upon. The primary examples of these recalls involve faulty airbags, fires, tire failures, child restraint failures, fuel leaks, and brake and steering failures. NHTSA is providing easy and efficient ways for the public to find vehicle-specific safety recalls information on the internet starting in September 2014. This is called a "Recall Look-Up Tool" that will allow a consumer to go on-line and type in a VIN to determine if there has been a recall notice for the vehicle. An additional tool is directed to manufacturers where

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they will be required to check the web page for outstanding recall notices when doing repair, service or warranty work on a vehicle.

After lunch, a roundtable discussion took place to speak briefly about current events and/or trends in the attendees' industry, business, jurisdiction, or area of expertise.

Saturday was the final day of the conference and was open to all attendees to express any additional ideas or concerns not already discussed. The creation of a \$2,000 scholarship was discussed at the amount of \$500 each to encourage the participation and presence of administrators from other states.

The regular session was concluded and was continued with the business meeting of the government members. San Diego was decided as the site for the 2014 Fall meeting. Bill Brennan was elected President, Ian Christman remains as Vice President, Greg Kirkpatrick was elected Secretary, and Roy Dockum remains as Treasurer.

UPCOMING BOARD MEETINGS/EVENTS

November 12, 2013, Special Meeting
(Sacramento)

November 13, 2013 General Meeting
(Sacramento)

January 2014, General Meeting
(date and location to be determined)

January 10, 2014, Attorney Roundtable
(Sacramento)

April 9, 2014, General Meeting
(Sacramento)

April 10, 2014, Industry Roundtable
(DMV Headquarters, Sacramento)

A LITTLE TRIVIA...

FORD ASSEMBLY LINE CENTENNIAL

One hundred years ago October 7, 1913, Henry Ford engineered a rope tow to get Model T chassis across the floor of his Highland Park assembly plant, implementing the assembly line. Cars were winched across the factory floor to add sets of scheduled parts at certain intervals. Initially primitive, the idea was a technological breakthrough to the complicated and costly process of automobile production.

Ford and his engineers continued to refine the assembly line, strategically breaking Model T production up into 84 distinct steps where each of the cars roughly 3,000 parts were bolted together. Before the implementation of the assembly line, production time for a Model T was about 12 hours. By the year 1927, production of the Model T was achieved at a rate of about one every 24 seconds.

With his vision to manufacture a car that would be affordable and appeal to the masses, Ford's assembly line was part of the formula to save manpower as well as time, and it was ultimately responsible for lowering the price of the Model T from \$850 to as little as \$260.

THE CENTENNIAL ELECTRIC

In 1979, General Electric experimented in developing a practical electric vehicle. The four-passenger Centennial Electric was expected to drive up to 75 miles in a single charge using a 24-hp direct-current traction motor built by GE, with power coming from 18 six-volt batteries slung under the vehicle. Unfortunately the drawbacks were lack of range and length of charge time. Although the Centennial Electric never took off, it is still an interesting look into the past for the attempt at an alternative-fuel vehicle.



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