

2015's Top Twenty Legal Trends for Automobile Dealers

By Eric L. Chase[©]

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NOTE: 2014 Rankings are in parentheses; NR (Not Rated in 2014).

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DealersEdge

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The good news! The year ahead will likely be a profitable one – very profitable – for most of America's franchised auto dealers. There's every sign that new retail auto sales, building on the strength of a soaring 2014 marketplace, may turn 2015 into a record year. The downer: At the same time, legal minefields and issues need close attention, and for too many dealers, one or two of the year's trends could be all-consuming.

For 2015, the regulatory storm for car dealers (as well as for other businesses) will continue unchecked; the stunning 2014 mid-term Republican wins will offer negligible, if any, headwinds against this runaway trend. The vast overreaching sweep and universal applicability of regulatory growth keep this trend in first place.

The retail automotive market's sales have boomed in spite of the bureaucratic maelstrom – great news for dealers. It would be even better for bottom lines, and more sustainable, if government impediments were reversed or lessened. Even though many Republicans, and some Democrats, vow to make genuine headway, the outcomes of 2014 mid-term federal elections are not likely to convert to any discernable relaxation of the regulatory explosion of dealer obligations and associated costs. Nor will state regulatory activity abate. Sadly, this trend is bipartisan.

In May 2014, the Center for Automotive Research ("CAR") completed its study for NADA – "The Impact of Federal Regulations on Franchised Automobile Dealerships." In a nutshell, the findings are not pretty. Data from 2012 showed that "the average federal regulatory compliance annual expenditure was \$182,754 per rooftop." That number helped trigger a total loss of "\$441,332 per rooftop," a cost of "\$245 for every new and used vehicle sold, or nearly \$8,035 for every dealership employee." Nationwide, auto dealer loss to the U.S. economy was \$10.5 billion, and "76,000 fewer jobs across all sectors." And these numbers do not include the negative cost impact of state and local regulations.

Anecdotal evidence from individual dealers strongly suggests that costs have risen each year since 2012, and that 2015 will continue the upward trend. In some years, for some dealers, wasteful and unnecessary bureaucratic compliance can spell the difference between profitability and loss.

No one contends, of course, that U.S. dealers or businesses generally should be free of all regulations. Some regulations are necessary and good. No one, for example, advocates dirty air or water, or unchecked consumer scams, unsafe vehicles, racial discrimination, or sexual harassment. The growing alarm, however, is that a virtual sea of over-regulation, ideological pressure, and mini-enforcement is stifling and drowning small