

ON THE BLOCK

THE OFFICIAL MAGAZINE OF NAAA

SETTING THE STANDARD FOR THE AUTO AUCTION INDUSTRY



NATIONAL AUTO AUCTION ASSOCIATION

WWW.NAAA.COM



WWW.NADA.COM

NATIONAL ASSOCIATION
OF AUTOMOBILE DEALERS





Nicole Graham-Ponce » General Manager » Manheim Dallas-Fort Worth

**I'M NOT SUCCESSFUL
UNTIL THE DEALERS
I WORK WITH
ARE SUCCESSFUL.**

I'm your Manheim.

Manheim is there for dealers, inside and outside the lanes. Nicole is proof. Whether you want to save time and money, reduce your risk or grow your business, she and her team will work tirelessly to help every dealer succeed. See how much she helped one dealer increase sales at MyManheim.com/Story



IN THIS ISSUE

ON THE BLOCK MAGAZINE

VOL. 3 NO. 2

FEATURES

12 **COVER STORY**
NAAA arbitration and structural damage policy receives updates.

COLUMNS

04 **PRESIDENT'S MESSAGE**
NAAA President Mike Browning details a very busy first quarter for NAAA, and discusses preparations for the upcoming 2016 NAAA/CAR Conference in Las Vegas on March 16-17.

06 **LEGISLATIVE UPDATE**
NAAA is working on and closely monitoring a handful of federal legislative issues across the country.

07 **ECONOMIC OUTLOOK**
Ira Silver compares 2015 economic stats with 2016 forecasts for the upcoming year.

08 **SAFETY FIRST**
Michael Rohdy discusses the pros and cons of hiring a staffing service to provide drivers.

09 **AUCTION NEWS**
Manheim reports a strong finish to 2015, and Louisiana's 1st Choice Auto Auction expands its operations and adds key staff members.

10 **ASSOCIATION NEWS**
Tom Adams Jr. retires as CEO of AIA; NAAA provides answers to frequently asked questions about the NAAA, NRC and Used Car Week; NAAA does some spring cleaning by moving association's records and materials into a new onsite storage facility.

14 **AUCTION COMMUNITY**
Member auctions around the country show their continuing support to their communities through a host of fundraisers and special events.

17 **MARKETWISE**
Credit bureaus spur new car sales and used car values; Manheim launches new market structure for 2016.



THE OFFICIAL MAGAZINE OF THE NATIONAL AUTO AUCTION ASSOCIATION



READ US ONLINE

www.naaa.com • www.niada.com
Click on ads to link directly to their websites.

PREVIOUS ISSUES



JANUARY 2016



NOVEMBER 2015



SEPTEMBER 2015



JULY 2015

On the Block Wants To Hear From You. Tell Us What You Think!

On the Block encourages its readers to send comments, opinions and suggestions about the publication.

Letters can be emailed to naaa@naaa.com. Include your full name, address and phone number. We may be unable to publish some submissions and may edit submissions for length and clarity. This is a great opportunity to hear back from our readers on what you think about the articles and what topics you would like to see covered in future issues.



Visit us on Facebook and LinkedIn  

Roaring Ahead

Regardless of the weather, March came roaring in like a lion for us at the National Auto Auction Association in terms of activity. We've been busy in the new year launching initiatives, updating policies, preparing for 2016 NAAA/CAR



MIKE BROWNING

Conference and even translating programs into other languages to reach more people in our industry. The second quarter will see the kickoff of the next step in our ongoing mission to promote greater safety awareness and accident prevention with the rollout of a free online safety certification program for all auction staff and a safety training certificate for temporary agency

drivers or other part-time employees. The NAAA Auction Safety Certification and Lane Safety Training courses will be available in April to help make your workplace safer, so I encourage you to take advantage of this invaluable resource at www.naaa.com.

In an effort to expand on this initial effort, we've scheduled a Safety Summit next month in Dallas, TX, with the goal of establishing best practices for use of the safety program across the remarketing community. I promise to keep you posted on further developments because I believe this program is a real opportunity to reduce accidents and save lives throughout our industry.

Another opportunity for NAAA members to bring about positive change is by serving their communities through philanthropic acts. So I hope you're aware that nominations opened in January for our first annual "Auction of the Year Award for Excellence in Community Service" to recognize the charitable acts auctions already perform and promote even greater volunteer involvement. Remember, no act is too small to go unnoticed!

THIS MONTH MARKS OUR SIXTH YEAR AS CO-SPONSOR OF THE CAR CONFERENCE, MARCH 16-17 IN LAS VEGAS.

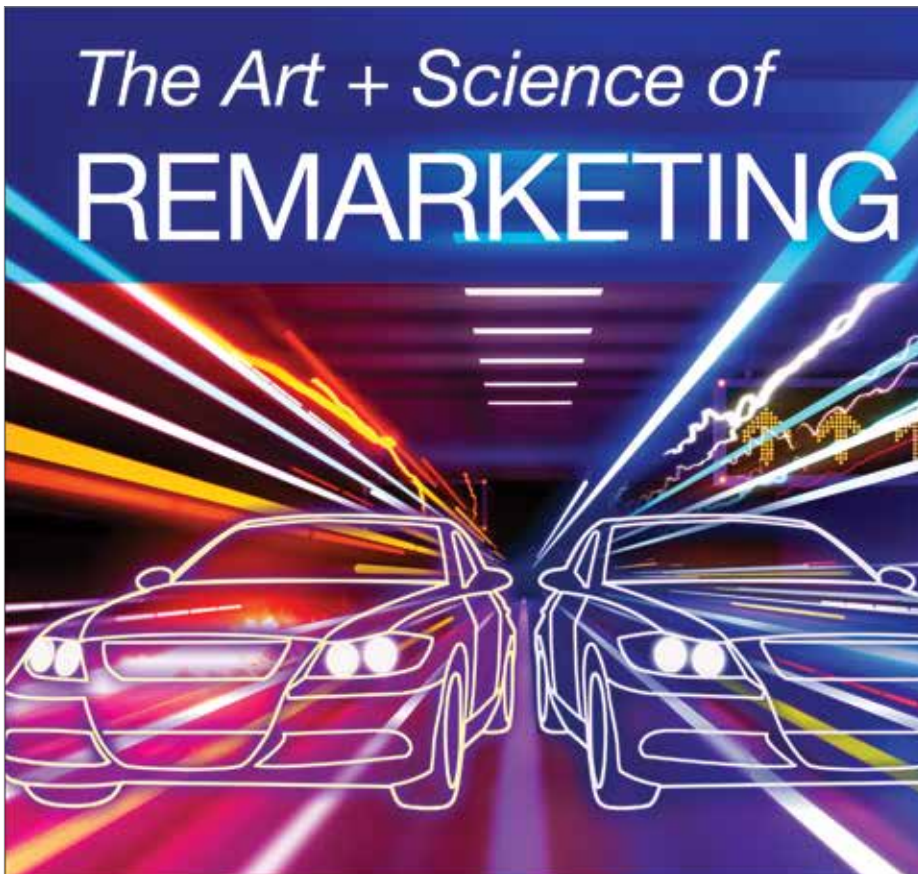


Then, on February 1 we put into effect NAAA's updated Arbitration Policy. Materials have been sent out to members, but you can read more about the changes in these pages as well as view a short video presentation online, or download the revised document and posters by visiting naaa.com.

Also on our website are the recently released Spanish and French versions of NAAA's National Certification Standard. Why go to the trouble? Because we believe these translations make our pioneering program for certifying used vehicle quality accessible to our entire North American membership and an increasingly diverse market.

And finally, this month marks our sixth year as a co-sponsor of the NAAA/CAR Conference, March 16-17 in Las Vegas. With NBA legend and broadcaster Bill Walton as the keynote speaker and the latest information on new technologies, wholesale market conditions, industry standardization and more, it promises to be another major remarketing event. I want to thank in advance all the participants who make NAAA/CAR Conference such a success. I hope to see you there.

Working together we've accomplished a lot — but there's more to do. Rather than resting on our laurels and going out like a lamb, with your help I want to keep NAAA roaring ahead in 2016 to finish as an even bigger lion in the remarketing jungle! ■



Process + Technology

Auctions, consignors and third parties use AutoIMS to streamline remarketing.



autoimssolutions.com | 888-683-2272

Connected Inventory Management | Custom Technology Solutions

CHEER ON
**YOUR FAVORITE
AUCTIONEERS**
APRIL 15, 2016 AT MISSOURI AUTO AUCTION



VIEW THE
ENTIRE
WEBCAST
FOR FREE

FRIDAY
APRIL 15th
AT MISSOURI
AUTO AUCTION

L I V E W E B C A S T

www.niada.tv

WORLD AUTOMOBILE AUCTIONEERS CHAMPIONSHIP

Watch live as the best auto auctioneers in the world go toe to toe!



View the entire webcast for **free** on www.autochampionship.com & www.niada.tv

live webcast sponsored by:



2016 Federal Legislative Outlook

H.R. 1737, Reforming CFPB Indirect Auto Financing Guidance Act:

On November 18, 2015, the House passed the bill. It is now pending in the Senate. H.R. 1737 rescinds the auto financing guidance action taken by the Consumer Financial Protection Bureau (CFPB) in March 2013 and provides for a more transparent and accountable process by directing the CFPB, when proposing and issuing guidance primarily related to indirect auto financing, to provide for a public notice and comment period before issuing the guidance in final form; make publicly available all information relied on by the CFPB; redact any information exempt from disclosure under the Freedom of Information Act; consult with the Board of Governors of the Federal Reserve System, the Federal Trade Commission, and the Department of Justice; and study the costs and impacts of the guidance to consumers, veterans and women-owned and minority-owned and small businesses. NAAA will continue to

advocate for enactment of H.R.1737.

Dodd-Frank: Congressional Republicans believe that the 2010 Dodd-Frank Act's answer to the financial crisis was to institute more federal regulation and oversight. They maintain that many components of the Act did virtually nothing to address the root causes of the financial crisis and simply expanded implicit taxpayer backing for financial firms. Overall, they argue that the Act has succeeded only in further socializing the cost of financial risk-taking, thereby increasing the likelihood of future financial crises and bailouts. So far this Congress, the Republican effort to dismantle the 2010 Dodd-Frank financial regulation law has centered on the House Republicans who have initiated more anti-Dodd-Frank bills than their Senate counterparts. However, it has been recently reported that this year both chambers will pursue a broader Republican effort to repeal Dodd-Frank. NAAA will monitor developments and pursue strategies

as warranted.

FAST Act: The recently enacted multiyear highway bill (FAST Act) includes a number of provisions that impact the motor vehicle industry. Those include requiring the Department of Transportation (DOT) within two years to implement technologies and practices to ensure that safety recall information is readily accessible to, and easily used by, the public; allowing states, without DOT approval, to provide electronic odometer disclosure under certain conditions; and directing DOT to issue a report on the feasibility of a technical system in a motor vehicle to indicate when the vehicle is subject to an open recall. NAAA will monitor implementation of FAST Act provisions that are of interest to, and/or impact, the auction industry.

Bill Tracking: NAAA is currently monitoring 30 CFPB, Dodd-Frank and motor vehicle bills. NAAA will continue to identify and monitor bills of interest for possible advocacy action. ■

KEN SHOEMAKE

Used Car Manager –
McCurley Integrity Dealerships
Pasco, WA

- With McCurley 16 years
- Steve Doyle's customer since 2000
- "DAA Northwest feels like home. The service is incredible and everyone here gives it their all to get my cars sold."

STEVE DOYLE

Director of Dealer Sales,
Northwest Division –
McConkey Auction Group
Spokane, WA

- With DAA Northwest 19 years
- Ken Shoemaker's account representative for 16 years
- "All of us at DAA Northwest are committed to taking care of our customers, and we have the flexibility to do so."

"This Is My Auction."

McConkey
AUCTION GROUP

DAA DAA KCI EPI
NORTHWEST SEATTLE KANSAS CITY EL PASO

AUCTION EDGE

ServNet

PO Box 19190 | Spokane, WA 99219 | McConkeyAuctions.com





ECONOMIC OUTLOOK

Economy - 2015

Real GDP is estimated to have increased about 2.5 percent in 2015. This would be the highest gain since 2010, the first year after the recession ended.

The economic expansion solidified in 2015 as employment had a second year of very strong growth. In the past two years employment increased by 5.8 million for the highest two-year gain since the boom years of the late 1990s. With employment growing much faster than the labor force, the unemployment rate has moved down from 6.6 percent at the beginning of 2014 to 5.0 percent at the end of 2015.

Robust employment growth, a declining unemployment rate, and low inflation led to strong gains in real disposable income and consumer confidence. These positive conditions resulted in a pickup in real consumer spending growth to over 3 percent in 2015 and the highest since 2006.

Housing construction and business software/systems were other areas of strength in 2015. Overall government spending, while still very weak, was positive for the first time in five years.

A strong dollar and relatively good growth in the U.S. hurt our trade balance by reducing exports and increasing imports.

Economy - 2016

This year, consumption will continue strong as employment gains and rising wages (due to the very low unemployment rate) drive up income growth.

Business investment will improve as the drag from the declines in energy investment lessens. Government spending will also be less of a drag, as the recent budget agreement allows for growth in federal spending. State and local spending will continue rising as tax revenue climbs and spending to help the unemployed declines.

Housing construction, while increasing in 2015, still is low relative to underlying demand, which is rising as the stronger labor market encourages household formations. Therefore, spending on the construction of new homes should have a good year in 2016.

Relatively higher economic growth and interest rates in the U.S. will support a strong dollar, damping U.S. exports while stimulating import demand, and act as a drag on GDP growth. This weakness in the external sector will likely keep real GDP growth below 3 percent, but we expect overall growth in 2016 to be at least as high as it was in 2015.

Light Vehicles - 2015

One sector that has experienced a normal recovery/expansion is the auto industry. The year 2015 will be a record sixth year in a row that retail sales of light vehicles have increased. The 17.4 million light vehicles sold in 2015 was the highest number on record. The previous record was reached in the year 2000. Since 2000, the driving-age population has grown by 18 percent and real disposable income is 38 percent higher, strongly suggesting that unit light vehicle sales could increase from current levels.

Light Vehicles - 2016

The conditions that supported the record level of light vehicle sales in 2015--pent-up demand created during the recession, a growing driving-age population, easy/cheap credit, low household debt-service burden, increased household wealth, low gasoline prices, rising housing construction, and an improving labor market--will be in place in 2016, and we expect that new light vehicle sales will rise to 18 million units.

Auctions - 2015

Auction unit volume increased for the fourth year in a row in 2015 as past new light vehicle sales came back to the auction lanes in the form of off-lease, off-rental and other older units. Continued growth in current new sales and the resulting trade-ins also supported dealer consignment growth.

We estimate that auction unit volume was up by about 6 percent in 2015 after increasing 6.2 percent in the previous year.

Auctions - 2016

This year, auction volume will continue growing, but at a slower pace, as the rate of increase in past and current new light vehicle sales moderates. We anticipate that unit auction volume growth in 2016 will be 4 percent. ■

BY IRA SILVER PH.D
NAAA ECONOMIST





HIRING A STAFFING SERVICE TO PROVIDE DRIVERS?

CONSULT YOUR INSURANCE PROFESSIONAL AND LEGAL COUNSEL FIRST

Maintaining a productive yet lean workforce is a significant challenge faced by auto auctions. While most businesses have a need for a relatively constant number of employees from 9 to 5 every day, auction labor demands fluctuate based on the volume of vehicles and sale day each week.

The common auction goal is to maintain a stable and reliable driver pool without sacrificing profitability. I'm often asked if it is more advantageous, from a risk management and insurance standpoint, to maintain an in-house drive team, outsource transportation to a third party or use a staffing service to satisfy the demand for drivers.

This is a pertinent question and my typical response is that there are, as in many situations, benefits and drawbacks with any of the options. A staffing service might decrease the burden on the human resources department to hire and retain employees and alleviate some employee benefit issues. However, corollary issues, such as the quality of the drivers, and fallout in the event of injury to the staffing personnel, often arise. Auctions should require that staffing services only provide drivers who meet the auction's minimum qualification criteria for the same

in-house position. Staffing service contracts should be reviewed by legal counsel and your insurance professional to be sure you know which responsibilities lie with the auction and which with the staffing service. My experience has been that the contracts are generally written by the staffing service legal team and are more favorable, in terms of responsibility and indemnity, to the staffing service.

Although workers' compensation coverage is customarily procured by the staffing service for its employees, it is noteworthy that the auction loses the benefit of the employee-employer protected relationship. In other words, while the staffing service's workers' compensation policy responds to its employee's injuries, the staffing service employee is not necessarily precluded from bringing a third-party claim against the auction for the injury. The auction is also typically responsible for any resulting third-party bodily injury or property damage caused by the staffing service employee, while working on the auction's behalf.

Outsourcing transportation to a third party might circumvent some human resource issues, but there can be ramifications from entrusting customer vehicles to a third-party service. It is paramount that your

transportation providers not only deliver vehicles in a timely fashion, but also handle any accidents with their insurance company in a way that protects your relationship with your customers. While you might have gone to great lengths to tailor your own insurance coverage to protect your customer relationships, it is important to realize that your insurance policy might not be able to respond if you no longer have care, custody and control of the vehicle. Reviewing the insurance policies of the third-party provider with your insurance professional is crucial to ensure that your client relationships are protected should an accident occur.

Each auction situation is unique and what works well for one auction might not be a great fit for another. Regardless of how you handle the demand for labor, especially drivers, please consult your insurance professional and legal counsel to make sure you understand how your garage policy will respond. ■

BY MICHAEL J. ROHDY
AREA PRESIDENT ARTHUR J. GALLAGHER
AUTO AUCTION SERVICES





MANHEIM REPORTS STRONG FINISH TO 2015 FOR USED CAR MARKET

STRONG USED VEHICLE VALUES IN Q4 OF 2015 CONTINUE LONGEST STRETCH OF WHOLESALE PRICE STABILITY IN INDEX'S 20-YEAR HISTORY

Wholesale used vehicle prices increased in December signifying the sixth increase out of the previous seven months. Illustrating continued strength and stability, this brought the Manheim Used Vehicle Value Index – a measure of wholesale prices adjusted for mix, mileage and season – to a reading of 125.7 in December. This represents an increase of 1.5 percent from a year ago and is the Index's highest level in more than four years.

On an average annual basis, the Manheim Index rose 1.2 percent in 2015, after a 2014 increase of 1.5 percent. In 2012 and 2013, the Index declined by 1 percent and 1.8 percent respectively. These four consecutive years with annual price movements of less than 2 percent represent the longest stretch of wholesale price stability in the Index's 20-year history.

"A variety of macro-economic and industry factors have contributed to the ongoing stability and strength we're experiencing," said Tom Webb, Chief Economist for Cox Automotive. "We also have to give credit to better and more efficient marketing practices that have enabled commercial consignors to anticipate and respond to – and ultimately minimize – impending swings in wholesale pricing."

Despite the recent interest hike by the Federal Reserve and analysts expecting further increases in 2016, it is predicted the availability and cost of retail credit will remain favorable for both the new and used vehicle markets throughout the year. Additionally, a favorable economic outlook and continued job growth have added to both lender and consumer confidence.

Compact cars were once again a weak segment in December in terms of wholesale

pricing, while vans and trucks showed continued strength.

Fourth quarter wholesale pricing for vehicle segments included:

- **Compact Car** prices were down 7.2 percent in December from a year ago and continued to underperform the overall market due to fierce price competition in the new vehicle market, as well as shifting consumer preferences.

- **Pick-ups and Vans** in stark contrast to the compact car segment, were particularly strong due to higher pricing in the new truck market and low gas and diesel prices, with vans representing an increase of 6.2 percent over last year and trucks coming out on top with an increase of 11.8 percent.

- **Mid-size Cars** again remain one of the weaker segments, seeing little movement from last year at this time with an extremely modest 0.2 percent gain.

- **Luxury Car** values showed some strength in December, but are down 1.6 percent compared with the same period last year and will likely face higher wholesale volumes in early 2016.

- **SUVs and CUVs** rose a modest 1.8 percent compared with last December, but within that segment full-size SUVs were up a strong 8.1 percent thanks to lower gas prices and favorable lending and leasing terms.

"To round out 2015, new and used vehicle sales increased for the sixth consecutive year with new car and light-duty truck sales reaching a record 17.5 million," said Webb. "Also as a proof point to strength in the industry and continued growth, CPO sales totaled 2.55 million, up 9.1 percent, which made 2015 the fifth consecutive year of record sales." ■

Louisiana's 1st Choice Auto Auction: 14 Years and Growing Strong



Louisiana's 1st Choice Auction hit the ground running in 2016 with the completion of another phase of property expansion and two key staff promotions to position the auction for its burgeoning growth.

An additional 4.5 acres were cleared and developed to accommodate increasing consignment numbers.

The expansion allowed for an easier



MATT ALOMBRO

operational flow for the 1,200 vehicles featured at the auction's annual Rockin' Mardi Gras Sale in early February and will make the upcoming 14th Anniversary Sale on May 17th the biggest and best yet.



JACOB WARREN

The motto at Louisiana's 1st Choice Auto Auction is "Outstanding Service Begins with Outstanding People."

The recent promotions of Matt Alombro to assistant general manager operations and Jacob Warren to assistant general manager administration will further strengthen the management team to fulfill that motto.

Managing Partner John Poteet had this to say about his new AGMs: "Jacob and Matt both began working part-time at the auction while attending Southeastern Louisiana University. After graduation Jacob took a position in sales and Matt worked for Louisiana Department of Corrections but continued part-time at the auction. Matt returned to us as a permanent team member in 2007. Jacob and Matt have worked in several areas of the auction and between the two of them have gained experience in every aspect of the auction business. We are looking forward to their enthusiasm and leadership as Louisiana's 1st Choice Auto Auction continues its phenomenal growth."

Louisiana's 1st Choice Auto Auction, located in Hammond, Louisiana, has served the dealers of the Gulf Coast and surrounding states since 2002. ■

Tom Adams, Jr. Retires as CEO of AIA

Auction industry leader and innovator Tom Adams, Jr. retired Dec. 31, 2015, as CEO of Birmingham, Alabama-based Auction Insurance Agency (AIA) after serving the company and its affiliates since 1970. He remains as chairman and will be involved in long-range planning and new venture creation.

Auction Insurance provides payment and title insurance coverage to nearly all National Auto Auction Association member auctions as well as numerous other non-NAAA auctions.

The company's origins date back to a family business Adams' great grandfather founded in Birmingham in the 1890s. His father, Tom Adams, Sr., purchased the agency from his wife's family in 1949 and wrote the first policy guaranteeing auto auction checks and titles in 1953. By 1970, when Tom Adams, Jr. joined the firm after serving in the United States Navy, more than 80 auctions were covered by AIA.

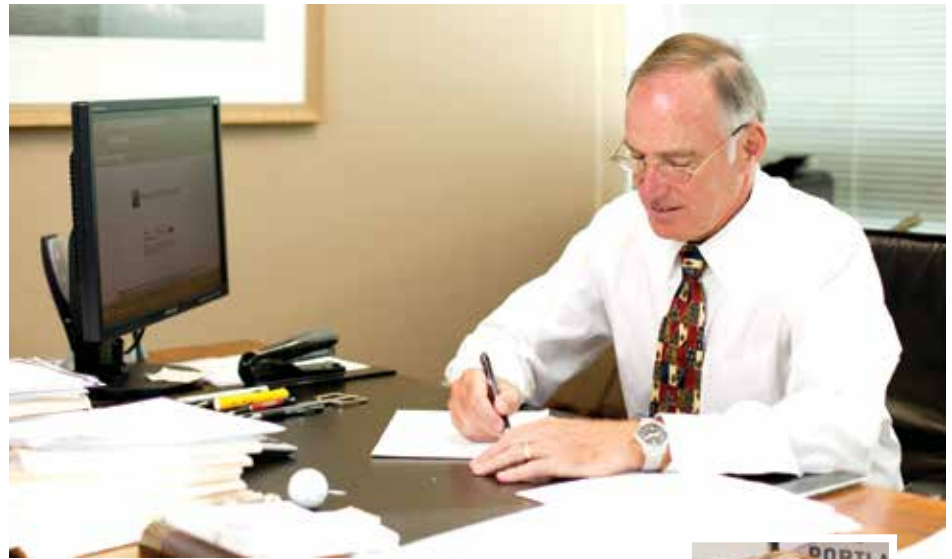
Adams graduated from the University of North Carolina in 1967. He and his wife Cathy recently celebrated their 43rd anniversary. They have two children, Jenny, a freelance journalist in New York City, and Jeff, who works with Manheim Auctions and is based in Denver. The Adams are grandparents to 7-year-old twins Ashlyn and Skylar.

AIA has led the auto remarketing industry in meeting evolving needs over the past 60 years. AuctionACCESS and AutoCheck were developed to address needs identified by the company's customers.

AuctionACCESS is the comprehensive

“TOM ADAMS HAS ALWAYS PUT CUSTOMERS FIRST... WHENEVER WE HAD TOUGH BUSINESS DECISIONS, BOTH OUR STAFF AND AUCTION OWNERS COULD ALWAYS RELY ON HIS BEING A BEACON OF REASON WITH A WEALTH OF INDUSTRY KNOWLEDGE.”

— STEVE DEMEDICIS



nationwide database that allows any licensed dealer to visit any participating auction and complete registration in a fraction of the time it would normally take to complete the auction's own application.

AutoCheck, a vehicle history database with more than 5 billion records, is utilized by all auctions across the country. Experian Automotive powers the service.

Adams explained that AuctionACCESS had its genesis with Manheim Auctions' late Chief Executive Officer Darryl Ceccoli, who recognized the systemic problem of registering dealers at multiple auctions and the potential of the emerging Internet to benefit auctions and their customers.

“Having dealers undergo five credit checks at five different auctions, even auctions owned by the same parent company, was a serious duplication of effort and expensive,” Adams said. “While Manheim funded the development, we committed to a goal of getting the first phase accomplished in 8 months.”

The Internet was in its infancy, programmers were hard to find, and the effort was both time and cash intensive.

“As we approached the deadline, I realized we weren't even close, and we offered to return all of the venture investment or absorb all cost until we met the agreed target,” Adams recalled. “Manheim had recently suffered a loss on one dealer writing bad checks totaling \$7 million at multiple Manheim auctions. Fortunately for us, Manheim senior management wanted to make sure that they would not face this kind of exposure going forward and told us to keep working. It was a year before we again charged Manheim for development work.”

AuctionACCESS now has 120,000 dealers and wholesalers registered in the database worldwide.

AutoCheck was developed in 1997 in response to auction owner concerns that

mis-represented vehicles and odometer rollbacks were becoming a huge liability for the industry. The data originally came from R. L.

Polk, former owner of Carfax, and is now provided by Experian.

Steve Demedicis has worked with Adams for 35 years. He serves as president of Red Mountain Technologies and vice president of AIA.

“Tom Adams has always put customers' interests first,” Demedicis said. “He forged very strong personal relationships in the industry. Whenever we had tough business decisions, both our staff and auction owners could always rely on his being a beacon of reason with a wealth of industry knowledge.”

Over a 45-year career of guaranteeing checks for vehicle purchases at most of the auctions across the country, Adams recalled that the firm had its share of losses and interesting adventures in loss recovery.

One example occurred in the early 1990s when a dealer gave phony checks in purchase of \$675,000 in vehicles and had them shipped to Cartagena, Colombia--at the time, the stronghold of a powerful Colombian drug cartel.

Over the Christmas holidays, with most Colombian officials on holiday leave, Adams, and later Demedicis, were on the ground in Colombia supported by the AIA team in Alabama. After weeks of intense efforts they were successful in convincing Colombian port officials to return the cars to AIA instead of releasing them to the dealers involved with the drug cartel. Adams, who spoke no Spanish, enlisted the help of a bilingual taxi driver who served as his interpreter in the negotiations. ■

NAAA, NRC and Used Car Week November Events: Frequently Asked Questions

The National Auto Auction Association, the National Remarketing Conference (NRC) and Used Car Week will host a powerful, industry-leading weeklong event during the 2016 Used Car Week November 14-18 at the Red Rock Casino Resort & Spa in Las Vegas.

The NAAA Annual Convention and Exposition, which has a rich history spanning more than six decades, along with the NRC and Used Car Week, have become “must-attend” events attracting automotive retailers, auction industry leaders and vendors to both industries.

As the year unfolds, more will be detailed about the important, exciting events that will take place in mid-November, but here are the **Top 10 Important Items** you should know about if you are planning to attend this year’s events!

1. What drove the decision to combine the two events?

As the remarketing industry has flourished over the past 25 years, so has the number of industry-related events. This has made it a challenge of both time and expense for those in the industry to choose which events to attend. Combining the two events into one will result in savings on travel-related costs alone, which will reach into the millions of dollars collectively for the industry.

2. What will be the schedule of the combined events?

If you have attended the annual NAAA Convention and Exposition over the years, much will be the same. Now, as part of the National Remarketing Conference and Used Car Week, there will be more professional and business-building networking opportunities for NAAA members to take advantage of onsite.

3. What will remain of the NAAA Convention?

“Honoring the Tradition and Embracing the Future,” will be a priority for NAAA leadership in its approach to the annual convention. What will remain are: the special NAAA Opening Ceremonies and Luncheon; the famous Black Book Reception (we love those shrimp too!); and the Presidential Gala and the President’s Parting remarks. Staff has already begun planning to make these popular events even more fun and exciting.

4. Who will handle the exhibit hall and sponsorships?

The NRC staff will handle all of the exhibit hall and the vast majority of the sponsorships. NAAA staff will handle all

NAAA-related events and activities.

5. Who will handle the registrations?

All registrations will be handled through the NRC and Used Car Week channels and website.

6. If I have not attended the NRC and Used Car Week in the past, what can I expect?

Used Car Week Certified Pre-Owned Forum: This event is focused on the growing CPO sales within the retail marketplace. This event has distinctly dealer-centric content and is designed to provide training, information and data around selling more CPO units.

SubPrime Auto Finance Forum: This conference, produced in concert with the National Auto Finance Association, is focused on companies firmly committed to the all-important subprime auto finance component of the used car industry. Finance company executives attend to network, learn and share critical information on compliance, trends and more.

Re3- Repo, Recovery, Remarketing: This event has overlap with both the SubPrime Forum and the NRC. The Re3 was developed to provide unique content

and information within the recovery segment of the business. Many executives who attend the Re3 will also choose to attend the NRC/NAAA.

7. Will this combined event take place in November?

Yes, for the foreseeable future.

8. Are any other associations part of Used Car Week?

Yes, the National Independent Auto Dealers Association and the National Auto Finance Association will join NAAA as partners during Used Car Week. Many vendors are planning user forums.

9. Will you be adding more associations and groups to Used Car Week?

Yes. We are in conversations now with others to discuss how we can integrate their needs with the convenience of having the industry at one, central location during Used Car Week.

10. What are the future locations and dates for Used Car Week, NRC/NAAA?

The event will be held at the Red Rock Casino Resort & Spa in Las Vegas for the 2016 Used Car Week, November 14-18. In 2017, we will be at the Waldorf Astoria | La Quinta Resort in La Quinta, CA, November 13-17, and at the Kierland Resort in Scottsdale, AZ, November 12-16, 2018. ■

Preservation Hall

NAAA BUILDS ONSITE STORAGE FACILITY, REVIEWS TREASURE TROVE OF RECORDS AND PHOTOS, CREATES ONLINE ARCHIVE



It may be a little early for spring cleaning, but the staff at the National Auto Auction Association headquarters is getting a jump on the job as they begin the task of moving the association’s records and materials into a new onsite storage facility.

And they’ll need the time to review, organize, consolidate and catalog the documents, photos, artifacts, displays and other items the association has accumulated since its founding in 1948, according to NAAA Chief Executive Officer Frank Hackett.

“We’ve already discovered some things we didn’t even know existed that provides more of an insight into our past and that of our industry,” he says. “We want to protect that history for future generations while also making this archive more accessible to our members.”

In addition to easier access, the new 12-by-16-foot shed next to the NAAA office offers greater security and significant savings over the current off-site private storage space. “Eliminating those storage costs and other fees from our budget will result in savings of about \$10,000 annually, so building our own storeroom will more than pay for itself,” observes Hackett.

The massive project involves examining and evaluating all the materials, cataloging them and organizing their storage, either physically, digitally or both. Assisting NAAA in this major undertaking is Tom Adams, the owner of Auction Insurance Agency, who has volunteered to identify old photographs.

“Tom’s family goes back to the beginning of the auto auction business, so we appreciate his knowledge and are grateful for his help in this effort,” says Hackett. “Otherwise the identity of some of those folks in these fading photos who worked hard to build our industry and the association into what it is today would be lost to history.”

The most important paper records will be scanned into a digital file to create a searchable online archive that will eventually be available on NAAA’s website.

NAAA will attempt to return some items of personal or sentimental value, such as snapshots, to members or their families, notes Hackett. “I’ve started sending the originals to those I know who’d want them,” he says. “I’m sure they appreciate having a piece of their past for their own scrapbook, perhaps to hand down to the next generation in the industry.” ■



SETTING THE STANDARD FOR THE AUTO AUCTION INDUSTRY

NAAA ARBITRATION AND STRUCTURAL DAMAGE POLICY RECEIVES UPDATES

Just in case you missed the announcement, the updated National Auto Auction Association's Arbitration Policy became effective last month. Since the Policy was last amended in May 2015, I thought it'd be helpful to outline for you these latest changes below. (You can also view online a 20-minute video I hosted discussing the details of the new policy, as well as download the revised document and posters, by visiting NAAA's website, naaa.com.)

So in summary, here are the revisions from the 2016 Arbitration Policy:

Taxi and Government Vehicle Disclosure

- "All Taxis & Livery requiring local or state license and Law Enforcement vehicles"
- "Vehicles being sold with a government release for title (i.e. 27A, SF-97-1, etc.), CO, MSO, or Repo Affidavit title (if required by law)"

"Total Loss History by Insurance Records"

"Total Loss and Salvage Retention (by insurance records) **"

- "Theft Recovery/Stolen Vehicles (including history)"
- Creating extra line in appendix 1 separating this from total loss line.
- Time period "30 days"
- Required disclosure for all lights except "red/yellow" (As-Is, No Arbitration) age Retention by Insurance Records" to appendix 1 and Amend Theft history)

Safety Announcement Amendment

- "Announcements are required for any matters that relate to the safety or integrity of the vehicle as per the stated dollar threshold and disclosure requirements stated in this policy and/or all requirements under local, state or federal statutes or regulations. Announcements must be made both verbally and disclosed on the auction invoice/sale contract/bill of sale or equivalent document in a physical or online auction environment"

Third Party Remarketing Disclosure

- "If a vehicle is being offered for sale by a third party, an announcement of "3rd Party Seller" is required. Disclosure requirements and time limits are subject to local auction policy."

Structural/Seller Disclosure Update with Red/Yellow

- "Sellers must disclose structural damage, repairs or replacements as outlined in this policy prior to selling a vehicle at auction regardless of sales channel or light condition (except RED-YELLOW light, see main Arbitration policy for light definitions)"

Foreign Titles

- "Where legal by municipal and/or state law, any vehicle being offered for sale with a foreign (non-US) title, must be disclosed prior to the sale by the seller. Disclosure requirements and time limits are subject to local auction title policy."

Public Vehicle Identification Number Clarification

- "All vehicles consigned must have a visible public Vehicle Identification Number (VIN) plate attached by the manufacturer or state inspector (state reassigned VINs only) to the vehicle."

Buyer Responsibility Process Clarification and Bid Lights

- "Any single mechanical defect that has a repair cost of \$500 or more is subject to arbitration on vehicles sold under qualifying lights and lack

of announcement per Appendix I. Each vehicle transaction is allowed one chance at arbitration. The arbitrator will inspect only the defect that is on the arbitration form/documents. Repair costs will be determined by the auction and will reflect the auction cost to repair. If price adjustment is made and accepted, vehicle becomes 'As-Is, No Arbitration' property of the Buyer, and is not subject to any further arbitration. The auction management makes the binding decision upon both the Buyer and Seller on all arbitration matters."

- "Prior to placing bids, the Buyer is responsible for inspecting the vehicle, listening to and reviewing any verbal or written announcements and disclosures made by the Seller, Auction, Auctioneer or Selling representative. Online buyers are also responsible for reviewing all pertinent information available online, including but not limited to announcements, disclosures, condition reports, pictures and online listings. Buyers are also responsible for observing and understanding the sale lights (Green, Green/Yellow, Yellow, Red, Red/Yellow and/or Blue), which identify various sale conditions for the vehicle. Once the vehicle is sold, the Buyer should check the Auction sales receipt or appropriate document to confirm the vehicle price, disclosures and announcements are correct before legibly printing and signing their name or digitally/electronically signing the Auction sales receipt or appropriate document."

Wearable Item Clarification

- "Wearable Items: Auction will not arbitrate vehicles for wearable items. For purposes of this policy wearable items are defined as parts of the vehicle that the manufacturer recognizes the need for replacement/adjustment during the expected life of the vehicle. These items are normally identified in the Owner's Manual for routine check and replacement and would include, but are not limited to: air ride suspensions, tires, wipers, brake pads, shoes, rotors, belts, hoses, lubricants/fluids, timing belts, bulbs, filters, shocks and struts."

Structural Damage

- "Existing permanent damage" to stay synchronized with the policy

Structural Damage Policy Rear Body Panel and Core Support

- "Damaged or replaced core supports or rear body panels do not require a structural disclosure under this policy."
- "Damage to the aprons, rails, floor pan assembly, inner wheelhouse, D pillar (if equipped) or other ancillary structural components on a unitized structure in the area where the radiator core support or rear body panel attaches will require a disclosure if permanent damage exists"

Flood Policy

- Amended existing Flood Damage policy then attached it to the main Arbitration policy.

Added Hybrid, Electric Battery and Charger to "Major Components"

- "Hybrid or Electric Vehicle ■"

2016 AUCTION STANDARDS TRAINING SCHEDULE – MARK YOUR CALENDARS!

MARCH 22-23 AT MANHEIM RIVERSIDE

MAY 10-11 AT MANHEIM TORONTO

JUNE 21-22 AT MANHEIM DALLAS

AUGUST 23-24 AT MANHEIM
PENNSYLVANIA

OCTOBER 18-19 AT MANHEIM
CENTRAL FLORIDA



BY MATT ARIAS

DIRECTOR OF ARBITRATION, MANHEIM



Offer Ends December 31, 2016



Get This Bundle - \$100 Value

With a 2-Year Car Brite SELECT Agreement



(1) Paint Correction Wash Mitt



(12) Super-plush Edgeless Microfiber 16x24



(1) Premium Synthetic Drying Cloth 17x27

To redeem this offer, attach this sheet to SELECT agreement.

Car Brite **SELECT** is more than a product line. It is a **SYSTEM** developed to assist dealerships:

- **Control costs** with a built-in proportioning system
- **Ensure compliance** with local, state and federal regulations
 - All products are VOC compliant, phosphate and nonylphenal ethoxylate-free
 - MSDS binder attached to rack
- **Effectively train** employees with a turn-key system that helps ensure a quality job and consistent process
 - Color-coded products and labels help reduce confusion and misuse
 - Video training provided along with supporting waterproof shop poster to reinforce process
- **Organize the detail bay** with a custom designed mobile rack



For more information or to have a distributor contact you, visit www.carbrite.com/select or call 844-696-4836

The Season of Giving Continues in January

MANHEIM CARIBBEAN PARTICIPATES IN THREE KINGS DAY COMMUNITY OUTREACH

On January 7, Manheim Caribbean participated in Three Kings Day, a local holiday symbolizing the voyage of the Three Kings who brought gifts to the baby Jesus. In accordance with the local tradition, the Three Kings bring gifts to the children. The Manheim Caribbean team donated bicycles and joined a city-wide caravan distributing gifts to children living in underprivileged communities throughout Toa Baja, Puerto Rico.

“We wanted to make this year special,” said Nelson Acosta, Manheim Caribbean general manager. “What struck me the most was the number of kids and their families that were waiting for the mayor’s float to arrive.” ■



FROM LEFT TO RIGHT: Miss Toa Baja Teen; Nelson Acosta, general manager for Manheim Caribbean; Representative Julio “Pellé” Santiago; Mayor Anibal Vega Borges; the Three Kings with members of the community of Palo Seco in Toa Baja.

ADESA Partners with EMKAY to Support JDRF

During a recent campaign, ADESA teamed up with fleet management company and industry partner EMKAY to raise more than \$50,000 for the Juvenile Diabetes Research Foundation (JDRF), the leading funder of type 1 diabetes research.

Both ADESA and EMKAY have long supported JDRF, and this is the fourth year for this fundraising partnership. Including this year’s \$50,660 donation, the four-year grand total is nearly \$160,000 to this worthy cause.

During 2015’s eight-month campaign, both companies donated \$10 for each EMKAY vehicle sold in the lanes. With 21 ADESA locations participating, the donations quickly added up.

“At ADESA, we appreciate every opportunity to support JDRF, so joining forces with industry partners like EMKAY, who is also a longtime supporter, is a natural fit,” said ADESA President and CEO Stéphane St-Hilaire. “We hope that the funds raised will help to someday find a cure for type 1 diabetes, which affects the lives of so many people in our families and communities.” ■



Jim Randazzo, ADESA’s executive sales director, presents the donation check for JDRF.

Value Auto Auction Raises \$4,000 for Wounded Warrior Program

Value Auto Auction (VAA), located in Crooksville, Ohio, held a fundraiser that raised \$4,000 for the Wounded Warrior Program on its sale day Nov. 12, 2015, to help support U.S. military veterans.

Before the regular auction started, VAA auctioned off jackets, sweatshirts, vests, hats and other items in less than 10 minutes to raise the money for our American heroes.

VAA Owners Bob and Chris Fahey said they sponsored the fund-raiser to support our veterans, who have done so much for our country.

“They gave so much, asked for so little, and it is our responsibility to give back to them whenever and however we can,” the Fahey brothers said.

To show their appreciation for the dealers and staff that participated in the fundraising auction, the Fahey brothers provided a free steak dinner for all employees and car dealers who served in the U.S. military.

VAA continues to improve and enhance the buyer and seller experience with its weekly auto auction, known as “The Thursday Sale.” The Thursday Sale begins at 10:30 a.m. with financial institutions’ repossessions, and continues averaging over 590 units available on a weekly basis—typically 65 percent from new-car dealer trades. ■

Cox Automotive Provides Holiday Cheer to Boys Shelter in Greer, SC

Representing Cox Automotive, Kevin Phelan, VP of Customer Marketing, recently joined NIADA Quality Dealer of the Year, Darla Booher on a holiday outreach in Greer, South Carolina. Booher has been a major benefactor of Miracle Hill Ministries Shelter, which among other functions houses teenage boys who have been deemed wards of the state due to their parents/guardians being incarcerated, in rehab or having been declared unfit. To join Booher in her efforts to impact the local community, Cox Automotive provided 21 boys with Christmas gifts, which Kevin, his family and Darla delivered at a special luncheon on Dec., 23, 2015.

“The event was so special,” said Rodney Johnson, program manager of the Miracle hills Boys Shelter in Greer. “For a while, these young men felt like typical teenagers.” ■



FROM LEFT TO RIGHT: Darla Booher, Dealer President & Owner, Deal Depot of Greer, SC.; Kevin Phelan, VP of Customer Marketing; Kevin's family and Rodney Johnson (far right), Program Manager of the Miracle Hill Boys Shelter in Greer.



Another Record Year For The Food Drive at KAR Headquarters

Things were pretty quiet during the first three days of the traditional food drive at KAR's headquarters. KAR Software Quality Analyst Scott Schultz, in his fifth year of organizing the collection efforts, was a bit nervous. After all, last year's drive was an exciting, record-breaking event that brought in nearly 20,000 items, so expectations were high.

But by Thursday morning of that week, there was quite a buzz.

Incentives set by competitive executives ignited some bold thinking and amazing generosity. One local store matched a group's \$300 to double their efforts for that

shopping trip. And other employees made a “canstruction,” building a castle with the cans and boxes of food. Parking lot traffic was a constant flow of trucks being unloaded onto carts on the final day, especially nearing the 1 p.m. deadline.

This was KAR's fifth year of hosting a November food drive, collecting nonperishables and paper products for Midwest Food Bank. And this was KAR's second consecutive year of record-breaking donations.

The final count of cash and food: 26,822 items! ■

ADESA Continues Longtime Support of Jim Moran's Youth Automotive Training Center

When ADESA learned of an opportunity that would help hundreds of young people turn their lives around, it decided to create a long-term partnership to support this organization. During the last 17 years, ADESA has donated \$1.8 million to the Young Automotive Training Center (YATC).

When Jim Moran founded the YATC in 1984, he wanted to give some troubled teens a jump-start in life. So he developed a program to educate them about the industry he knew and loved: the automotive industry.

Today, YATC is a tuition-free, hands-on program that teaches basic automotive

repair, job readiness and life management skills to at-risk young adults in the Deerfield Beach, Florida, area. Since its inception, the training facility has grown from a one-room center to a 16,000-square-foot property, including a state-of-the-art automotive shop, classrooms and a computer learning center/library.

YATC has seen 700 graduates in 37 groups, and it has an incredible success rate. Almost 90 percent of these graduates are successful and employed, and many choose to continue their education or eventually start their own shops.

As a sponsor, ADESA has contributed to the success of this program. ADESA has regularly participated in YATC's largest fundraiser, the Jim Moran Classic, which includes teams of golfers playing alongside golf pros like Chi Chi Rodriguez and other celebrities.

ADESA supports YATC's mission of keeping young people on the road to a successful future and to become contributing members of their community and our industry. ■



ADESA's VP of Dealer Services Keith Crerar golfs with Chi Chi Rodriguez during the 2015 Jim Moran Classic, YATC's fundraiser.



ADESA DALLAS: Santander's beef brisket sliders vs. ADESA Dallas's pulled pork sliders.



ADESA GOLDEN GATE: Santander's salsa also wins.

Many ADESA Auctions Take the Santander Culinary Challenge

Again this year, Santander Consumer USA and Chrysler Capital sponsored a “culinary challenge,” with Santander versus ADESA in head-to-head cooking competitions at many ADESA locations. The crowds at the events voted for their favorite recipe by donating dollars toward the chosen charity, Child Legacy International. These fun events, along with a per-car donation, brought in big dollars for a great cause — more than \$60,000.

ADESA Long Island General Manager Noel Nixon got to keep his “King of the Kitchen” crown, earned last year when he defeated Santander Auction Manager Frank Estrada in a chili cook-off. This year, his Manhattan clam chowder crowded out Santander representative Steve Garrigus’ New England clam chowder. Together they raised \$621 for Child Legacy.

While he barely got beat in Long Island, Santander representative Steve Garrigus entered his chili recipe at ADESA Concord and won against General Manager Bob Haluska’s sweet potato corn chowder. The score was chili with \$572 versus chowder with \$428, so the auction raised exactly \$1,000 for Child Legacy.

At ADESA Los Angeles, the queso dip cook-off between Jennifer from Santander and Carrie from ADESA Los Angeles resulted in a standoff. The cheesy goodness brought in \$355 for the cause.

ADESA Dallas sent Fleet Lease Manager Ronna Webb’s pulled pork sliders to battle Santander’s beef brisket sliders in the kitchen competition. Employees and customers formed a line out the door to taste these sandwiches, eventually choosing Ronna’s sliders as the winner. Child Legacy will receive a \$400 donation from this event.

Santander’s salsa was a winner at ADESA Golden Gate’s salsa cook-off. And tastings brought in \$346 for Child Legacy.

At ADESA Phoenix, finger foods were on the menu. ADESA Phoenix’s Bobby Cade faced off against Santander’s Terry Unruh, with Terry

taking the title. The event raised \$158.

To include many cooks from Team ADESA, many locations chose to host a bake sale instead.

ADESA Cincinnati/Dayton had a great turnout for their event, inviting all employees—along with the Santander rep—to bake their favorite goodies. The popular vote chose four winners including cupcakes, cheesecakes and carmelitas, while raising an impressive \$470 donation.

Bakers at ADESA Buffalo raised \$120 for Child Legacy with their sale. ■

ABOUT THE CHARITY

Child Legacy International is a non-profit working to build sustainable communities and break the cycle of poverty in Africa. Donations enable the organization to establish safe water sources, teach productive farming methods, construct healthcare centers and provide education and vocational training.



ADESA LOS ANGELES QUESO DIP COOK-OFF: Jennifer from Santander vs. Carrie from ADESA Los Angeles.



Online Sales and Service Manager Joanne Kwarciany, Santander representative Dick Perilman and Marketing Specialist Nicole Covey selling sweets at ADESA Buffalo.



ADESA LONG ISLAND’S CHOWDER CHALLENGE: Santander’s New England clam chowder vs. ADESA Long Island General Manager Noel Nixon’s Manhattan clam chowder.



ADESA CONCORD’S CHOWDAH CHALLENGE: Santander’s chili vs. ADESA’s sweet potato corn chowder.



Bake sale/contest at ADESA Cincinnati/Dayton.

Credit Bureaus Spur New Car Sales and Used Car Values—But is Danger Lurking Ahead?

Record new car sales have been propped up by the credit score changes that allow higher scores and more ability to qualify for a new vehicle. With lenders approving lower-income consumers with greater frequency, there are 9.5 million minorities who were previously unscored (and therefore denied) who are now getting approved, often as prime credits. These newly-approved consumers are juicing used car values because of higher used car demand and less bargaining experience from customers who feel lucky to get approved, so they don't bargain much over the price of the vehicle.

According to Experian, auto delinquency rates have held steady or even declined slightly over the past two years. However, that can be a function of increasing portfolio volumes, particularly in the lower credit tiers, since most delinquencies don't occur until the account has aged at least 8 months. The key will be to watch what happens when portfolios hit a steady state of volume, which is almost certain to occur in 2016.

If delinquency rates start rising then, three overlapping factors could dramatically affect used car values. First, increasing delinquency rates will force more vehicles



into the auction lanes, swelling supply. Second, lenders will tighten credit standards, thereby reducing demand for used vehicles. Thus, used car values will inevitably fall with this increase in supply, while demand is falling. Third, the 800,000 additional lease vehicle terminations will flow into the used car market at a greater rate because dealers will need fewer used cars on their lots and with falling use car values, consumers and dealers won't have interest in purchasing the off-lease vehicles at residual.

This could end up being a “perfect storm” like the one the industry witnessed back in 1997 – 99 that not only decimated lease profitability and used car values, but also pushed the economy towards the 2000 – 2001 recession. Could history repeat itself? ■

BY RANDALL MCCATHREN
COO, AUCTION ACADEMY



Manheim Launches New Market Structure in 2016

STRENGTHENS POSITION AS A LEADING INVENTORY SERVICES PROVIDER; SELECTS TWO NEW DIVISION VICE PRESIDENTS TO DRIVE LOCATION STRATEGIES

To drive its efforts to become a leading inventory services provider and better serve its dealer and commercial clients, Manheim launched a new, simplified market structure on January 1, 2016 segmenting its physical operating locations into two divisions: Local & Mobile and National.

“This is a strategic change for Manheim, but one that we are confident enables us to be an even stronger partner and solutions provider for our commercial and dealer clients,” said Grace Huang, Manheim senior vice president of inventory services. “Our

new market structure also positions us for continued innovation and growth in 2016 and beyond.”

By aligning Manheim's operating sites according to their strengths and focus areas, the company expects to offer a nimbler, targeted approach to its dealer and commercial clients while sharpening its ability to impact their success. The new market structure will provide partnerships focused on specific client needs, signaling to dealers, especially local dealer clients, Manheim's commitment to their businesses.

To lead the Local & Mobile auction division that will serve local franchise and independent dealers, Manheim has selected Alan Lang as division vice president. Lang joined Manheim from NextGear Capital where he served as senior vice president of Operations. This division will also drive Manheim's mobile auction strategy and growth, identifying new opportunities and partnering closely with the company's local and national sites.

Mike McKinney has been selected to lead the National division as division vice president. McKinney joined Manheim in 1993 and was most recently regional vice president for Manheim's East Operations. The National division will continue to offer a full spectrum of physical and digital services to Manheim dealer clients from designated



Northeast, Southeast, Central and West regions. In many cases, these locations will also support the company's Vehicle Solutions. This includes its newly created Retail Solutions offering, a service that helps dealer clients focus on their used car operations, showrooms and service bays while Manheim delivers front-line-ready vehicles that meet their customers' expectations. ■