



NAMA NEWS AUGUST 2018

Dear Colleagues,

This month's newsletter has a number of articles covering the vehicle market, the latest inflation report from the Bank of England, and the ICDP's European Dealer of Tomorrow report. We also as usual have our monthly legal update and of course the latest NAMA Market Report.

We will shortly be sending out invites to our next Executive meeting which will be held on 16 October. This is going to be an open meeting for all members and we would encourage as many of you as possible to attend. This will be an opportunity to find out what is happening in the industry and learn about important issues affecting the auction sector, and allow you to have your say on what you want from your association.

A reminder that we have dates available at Stephenson College for our Appraiser Courses. If you would like to book a space, please contact Susan Munslow on 01788 538 304. Also, a reminder that there is Grading Group Meeting on 17 September to be held at the college.

Earlier this year, we launched a Parliamentary Engagement Programme where we are arranging for local MP's to visit motor auctions. The aim of the scheme is to encourage parliamentary engagement and raise awareness of the significant contribution that the motor auction industry makes to the economy of the UK. We already have some upcoming MP visits arranged for members. If you would like to take part please let us know.

If you would like to be involved in the initiatives above or have any comments about the newsletter, please let us know on 01788 538336 or email louise.wallis@rmif.co.uk.

Louise Wallis

Head of NAMA

Tel: 01788 538336

Email: louise.wallis@rmif.co.uk

AUCTION MARKET REMAINS STABLE IN JULY SAYS NAMA

Auction activity has been buoyant in 2018 so far, and it is believed that around 5.5% more cars have been sold compared to last year. However, the first time conversion rate was -3.4% lower than a year ago, indicating that stock availability was greater this year.

The report published shows over in July:

- Average sale price has risen by £473 from June and £438 from a year ago.
- There remains a significant gap between the average sale price of petrol and diesel cars at £4,202 for petrol and £7,347 for diesel, indicating that each one has a different model mix.
- The first time premium was £318, up on last month's figure of £220. Premiums for first time sales for both petrol and diesel cars were up by £109 and £310 respectively.
- First time conversion rates decreased by -1.4% to 76.1% from June to July, and decreased -3.4% on July 2017.
- Diesel converted at 76.7%, down 0.6% on last month.

Despite more units being sold across auction channels in July, the volume of cars between 2.5 and 4.5 years of age fell by -2.3%. These would typically have been ex-contract hire and lease cars where purchasing new vehicles has been delayed because uncertainty with the new vehicle emission testing.

Hammer prices have been strengthening in recent weeks as fresh stock has been reducing, which is anticipated to continue throughout August. Although more volume is expected in September due to plate change activity, it doesn't usually build up until the third week of the month, so strong hammer prices are expected well into September.

Whilst demand softened slightly, the seasonal shift was expected with the start of the summer holidays and hottest summer on record since the 70's. There was a focus around year on year value improving which highlighted the underlying strength of the used vehicle market this year.

With the upcoming plate change next month, there is a requirement to take into account the condition, age and mileage of vehicles.

The full NAMA Car Auction report is available on request.

NAMA PARLIAMENTARY ENGAGEMENT PROGRAMME

This year NAMA has launched a Parliamentary Engagement Programme where we are arranging for local MPs to visit motor auctions.

The aim of the scheme is to encourage parliamentary engagement and raise awareness of the significant contribution that motor auctions make to the economy of the UK. It is also an opportunity for MPs to obtain a better understanding of how auction houses are operated, the significance of the site to the local area, and the employment and business opportunities available in the sector.

We are actively engaging with government on the following policy issues which could be discussed with your local MP at these site visits:

- **Interchange Fee Regulations**

The removal of the 50p cap on transaction fees has resulted in a dramatic rise in the cost of taking payments. Also, earlier this year, the Government banned the right for businesses to apply surcharges and to not allow businesses to offset the additional cost. NAMA's findings suggest the combination of these changes will cost the motor auction industry almost £1.8 million a year.

- **Diesel**

Current government policy on diesel and clean air is confusing. It is important that clear and consistent policies are outlined to give auction customers certainty when buying and selling vehicles.

- **Brexit**

It is important for businesses including motor auctions, that the UK gets the best possible deal from the Brexit negotiations. Engagement with government is key to this and will help to ensure the sector remains buoyant.

If you are interested in hosting your local MP, please contact Louise Wallis on louise.wallis@rmif.co.uk

BANK OF ENGLAND INFLATION REPORT – AUGUST 2018

The Bank of England's quarterly Inflation Report sets out the economic analysis and inflation projections that the Monetary Policy Committee uses to make its interest rate decisions.

Full report available here: [Inflation Report – August 2018](#)

UK NEW CAR MARKET STABLE IN JULY WITH AROUND 1.5M NEW REGISTRATIONS IN 2018

The UK new car market remained stable in July, with year-on-year demand growing by 1.2%, according to the latest figures released by the SMMT.

163,898 new cars were registered in the month as the market stabilised following a turbulent first six months.

Although registrations by businesses with fleets of 25 cars or fewer fell by -10.2%, demand from private buyers was up by 0.1% on the same month in 2017. Meanwhile, large fleets grew by 2.6%.

In terms of fuel type, the market followed the trend of previous months, with diesel registrations falling -24.4% as petrol demand grew 20.1%. Meanwhile, alternatively fuelled vehicles enjoyed an uplift of 21.0%, with market share of hybrids and plug-ins reaching a record 6.5%. Growth was particularly strong for plug-in hybrids, up by a third (33.5%), while hybrid registrations grew 17.5%, followed by battery electric cars, up 2.4%.

Year to date, the market remains down by -5.5%, broadly in line with expectations as demand begins to level out. In the first seven months of the year, almost 1.5 million new cars were registered by consumers and businesses in the UK.

BEST SELLERS

JULY 2018			YEAR-TO-DATE		
①	Ford Fiesta	6,222	①	Ford Fiesta	62,637
②	Volkswagen Golf	5,582	②	Volkswagen Golf	45,512
③	Volkswagen Polo	3,847	③	Nissan Qashqai	33,536
④	Vauxhall Corsa	3,670	④	Ford Focus	32,899
⑤	Nissan Qashqai	3,470	⑤	Vauxhall Corsa	31,673
⑥	Audi A3	2,867	⑥	Volkswagen Polo	25,874
⑦	Mercedes-Benz A-Class	2,840	⑦	MINI	25,704
⑧	Ford Kuga	2,776	⑧	Ford Kuga	24,560
⑨	Volkswagen Tiguan	2,687	⑨	Mercedes-Benz A-Class	22,842
⑩	Kia Sportage	2,442	⑩	Mercedes-Benz C-Class	21,872

July	Total	Diesel	Petrol	AFV	Private	Fleet	Business
2018	163,898	52,303	100,861	10,734	67,772	91,542	4,584
2017	161,997	69,161	83,965	8,871	67,684	89,209	5,104
% change	1.2%	-24.4%	20.1%	21.0%	0.1%	2.6%	-10.2%
Mkt share '18		31.9%	61.5%	6.5%	41.4%	55.9%	2.8%
Mkt share '17		42.7%	51.8%	5.5%	41.8%	55.1%	3.2%

Year-to-date	Total	Diesel	Petrol	AFV	Private	Fleet	Business
2018	1,477,892	480,915	913,396	83,581	654,976	769,152	53,764
2017	1,563,808	683,146	813,133	67,529	685,325	817,816	60,667
% change	-5.5%	-29.6%	12.3%	23.8%	-4.4%	-6.0%	-11.4%
Mkt share '18		32.5%	61.8%	5.7%	44.3%	52.0%	3.6%
Mkt share '17		43.7%	52.0%	4.3%	43.8%	52.3%	3.9%

Image source: SMMT

POLITICAL EDITOR ROBERT PESTON ANNOUNCED AS GUEST SPEAKER AT RMI ANNUAL DINNER

Political Editor Robert Peston will be the guest speaker at this year's Retail Motor Industry Federation (RMI) Annual Dinner, on Thursday 11 October at the InterContinental Park Lane, London.

Robert Peston currently hosts the politics and current affairs show 'Peston on Sunday', and previously worked for the Sunday Telegraph, Financial Times and was formerly the BBC's Economics Editor.

Guests can look forward to an evening of fine dining and stimulating discussions, and the opportunity to network with fellow colleagues.

We look forward to seeing you all there!

For more information or to make a booking, please contact Sarah O'Connell on 0207 307 3580 or email sarah.oconnell@rmif.co.uk

LEGAL UPDATE



COMPANY FAILURES

"I have been trading with another company for some time, but I am now having difficulty contacting them and they are not paying the debts. I've been told that they have failed and what do I do."

It's a sad fact of business life, but from time to time companies with which members trade will fail. Often such failures leave large debts to creditors, so what do you need to know if you become a creditor to a failed company?

What will happen?

When a company is failing it will have a number of options. If the company is capable of being rescued, or there is a tangible benefit to creditors, then it may enter Administration. Here all debts are frozen and an independent expert appointed to run the company as a going concern, or to achieve the best possible outcome from creditors if this is not possible.

If it is not possible to save the company it will enter Liquidation. Here it is not possible to rescue the company and an independent expert will be appointed to wind it up.

If the company is not trading do I have to pay them?

Yes. Any debts due will still be owed to the company. They will continue in a non-trading state in order to collect debts. If the company is in administration, when it is restructured it will be sold and start again and any debts will be dealt with. If not, then once the liquidation has been finalised the company will cease to exist.

Will I get my money?

This will depend on your status. If the company enters Administration, then payment is possible once it is returned to a going concern. If the company enters into Liquidation, the company will collect in all debts as part of the insolvency process. Once all debts are collected, the amount recovered will be distributed between the creditors. Any secured creditors will be paid first, and in full, in line with their securities. Once these are settled, any remaining creditors will be paid a percentage of their debt.

Rarely do unsecured creditors get paid if the company enters Liquidation. Even if a payment is made, it is highly unlikely that a significant percentage of the debt will be recovered.

Am I a Secured Creditor?

I cannot say. You can gain a security over company assets in a number of ways.

The most likely will be a specific charge over an asset, similar to a mortgage. Most asset specific securities require a legal agreement between the parties. If you believe you hold such a security, you should review any written agreements as a matter of priority.

If there is no specific agreement, the most likely security held by a motor trader is a 'Lien' on the vehicle or goods held. Where you have carried out work that is more than maintenance, you may hold a 'Lien' on any vehicle or goods. If you are normally paid before you release the vehicle or goods to the owner and the company fails before you are paid but while you have the vehicle or goods, you may be able to withhold the vehicle or goods from the owner until you are paid. Furthermore, you may be able to sell any vehicle or goods to settle your debt. This is complicated, so it is essential that advice is taken as soon as possible.

Offsetting your debts

Where you have supplied a product to the failed company, check your terms to see if legal ownership has transferred at the time of failure. If the goods remain your property, then it is essential that the rights of ownership are exercised immediately. Any goods may be recovered to you and their value used to reduce the money owed.

If you bought and sold products and services to each other, and any goods and services have already passed to the failed company, you may have 'a history of mutual credits and debits'. In this case you can offset that money owed to the failed company against that money owed to you by them.

For example, where the motor trader owes the failed company £1,000, and the failed company owes the motor trader £500 then the motor trader can withhold their £500 in order to reduce the amount they owe.

This right cannot be excluded under the contract. If there is the potential for such a relationship, it is essential that advice is taken as soon as possible.

Who is liable for any failures?

This is a trickier question and will depend on the nature of the contract and services provided.

Where the failed company is a parts supplier, then you will remain liable to your customer for the quality of any work, including the parts supplied. Where a parts supplier would

normally arrange for a repair or replacement, this will no longer be an option and will result in a greater risk to you.

The same applies where the failed company is a supplier of work. You will have a liability to the failed company in the event they are sued for a fault on your work. However, this is unlikely if they are in liquidation. A much more difficult question is whether the ultimate customer can overreach your supplier and hold you responsible. Again, statutory protections apply, but this is arguable where your contract with the failed company excluded the Contract (Rights of the Third Party Act) 1999. It is essential that advice is taken as soon as possible on this point.

What to do next

The effects of a company failure will depend on how much money you are owed, and prevention is much better than cure. Often the first sign of a problem will be difficulty in obtaining payment and an increase in the length of time taken to pay. You should maintain accurate records of the payment terms between you and your suppliers/customers and monitor these regularly. As this is a general guide only, any motor trader who is looking for more advice on this matter, or even assistance should us for more detailed position.

Source: Motor Industry Legal Services (MILS)

ICDP EUROPEAN DEALER OF TOMORROW REPORT

The ICDP has published their European Dealer of Tomorrow report which is attached to this month's NAMA newsletter.

The report is based on a consolidation of their research over the last couple years, covering topics such as retail trends including online and new physical formats, the threats from the "ACES" – autonomy, connectivity, electrification and sharing, changing customer behaviour and the underlying economics.

The Executive Summary provides a good overview in one page, but the key points are:

- We do not believe that megatrends such as car-sharing and autonomy will have a significant impact on individuals having a personal car – albeit it is more likely to be leased than owned in the future
- Although car buyers are doing more research online, this is accompanied by more dealer visits, with buyers willing to drive further to get there. The difference is engaged vs unengaged buyers, not online vs offline
- There will be therefore still be a need for physical networks, and these will be formed from the existing dealer investors – although their role will change as part of an "omni-channel" network
- We anticipate more separation of sales and service points in franchised dealer networks, with the possibility that some points would be authorised repairers rather than owned and operated by the franchised dealer, and more innovation such as mobile service and greater use of over-the-air updates

- For retail customers. there will be further moves towards bundling of sales, service, insurance and other new services in a “just add fuel” type offer – this will be promoted by OEMs, but also by large leasing companies when they are defleeting, leading to changes in retention patterns and the used car market
-

DATES FOR YOUR DIARY

NAMA Executive Meeting, Wilsons Auctions, Telford

Tuesday 16 October 2018 (All members)

NAMA Grading Working Group, Stephenson Collage, Coalville

Monday 17 September 2018