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October 28, 2019

National Highway Traffic Safety Administration (NHTSA)
Docket Management Facility (M-30)
U.S. Department of Transportation
West Building, Ground Floor, Rm. W12-140
1200 New Jersey Avenue SE,
Washington, DC 20590

Re: Electronic Motor Vehicle Transactions Systems, 49 CFR Part 580, Docket ID
NHTSA-2019-0092

Dear Sir or Madam:

By way of background, the National Auto Auction Association (“NAAA”) is a trade association for wholesale motor vehicle auctions headquartered in suburban Washington, D.C. It is comprised of more than 340 domestic and international wholesale member auctions, with an additional 100 associate members. Its mission is to provide a strong, unified voice to protect and promote the interests of both its members and the wholesale auto auction industry. On behalf of our members, we welcome the opportunity to comment on the efficiencies realized by auctions as a result of NHTSA’s enablement of electronic motor vehicle transaction systems.

Paper Title Delays

In 2018, NAAA member auctions sold 9,932,000 vehicles. According to a study completed in 2015¹, roughly 35% of all vehicles are sold at auction without title present (for example, if a lienholder has possession of the title and transfers upon payment). If we apply that 35% to the number of vehicles sold through NAAA member auctions last year, approximately 3,476,200 were sold without title present. The title delivery process can take a week on average - the title has to arrive at the auction, be processed by the auction, and then delivered to the buying dealer. Many dealers purchase vehicles on a line of credit, meaning that every day of delay has a compounding effect on the dealer’s bottom line. Assuming a prime rate of 5% and an average purchase price of \$10,000, NAAA member auctions incur approximately \$4,762,394 per day in interest accrual charges solely as a result of title delays. Electronic titling across all jurisdictions would eliminate title delays, equating to a tremendous cost-savings across the NAAA auction industry customer base.

It is important to note that the above costs do not consider the other impacts to a dealer’s business that result from title delays – vehicle depreciation, storage costs, and lost sales opportunities (among others).

¹ Manheim Consulting, “Impact of Delayed Titles at Auction,” Manheim.

http://www.manheim.com/content_pdfs/products/Impact-of-Delayed-Titles-at-Auction.pdf

Paper Title Shipping Costs

NAAA member auctions receive, handle, and process titles on behalf of purchasing and selling dealers. Based on an informal survey of approximately 22% of NAAA auction members², and extrapolating that data across the NAAA membership, it is anticipated that NAAA member auctions could save approximately \$22,983,116.90 in title shipping costs if all jurisdictions enabled electronic titling.

The wholesale whole vehicle auction industry hosts many ancillary service providers that are NAAA associate members. For example, lienholders (like financial institutions or floorplanners) usually have possession of a title when a vehicle is purchased/sold at auction, and are often the entity that starts the title transfer process that results in a purchasing dealer receiving title. One floorplanning associate member of NAAA reported that they processed 2 million titles in 2018 and incurred shipping expenses close to \$10 million, costs that would be largely eliminated with an electronic titling system.

Operational Efficiencies

Electronic motor vehicle transactions limit or eliminate the costs of human error, reduce the risk of fraud, and remove the possibility of mishandled mail. NAAA member auctions process approximately 16,598,000 titles per year. While no formal study has been conducted across the industry, operational efficiencies will certainly be realized from a system of electronic motor vehicle transactions. Assuming a minimum efficiency gain of just two minutes per title, that would equate to approximately 553,267 workhours saved per year, or \$8,299,000 (assuming a labor force at \$15/hr, a low estimate). Higher efficiencies and higher salaries will produce larger cost savings across the industry.

Again, thank you for the opportunity to comment. I welcome the opportunity to discuss this further with you.

Sincerely,

Tricia Heon
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² Informal survey conducted 10/24/19 among varying size NAAA auction members across the country.