



It's time to sunset surcharges.

During COVID, freight surcharges in the Powersports industry moved forward with lightning speed. First it was on vehicles, then parts, and then on everything. While these costs may have had some legitimacy during the height of the pandemic, this “cure” is now killing business for Dealers as the costs were never rescinded and continue to be passed on to consumers. The National Powersports Dealer Association has issued the below position paper on this state of affairs ... and a call to action for the entire Powersports industry that failing to sunset these costs NOW will be seen by our customers as overreach.

FULL NPDA STATEMENT ON OEM SURCHARGES:

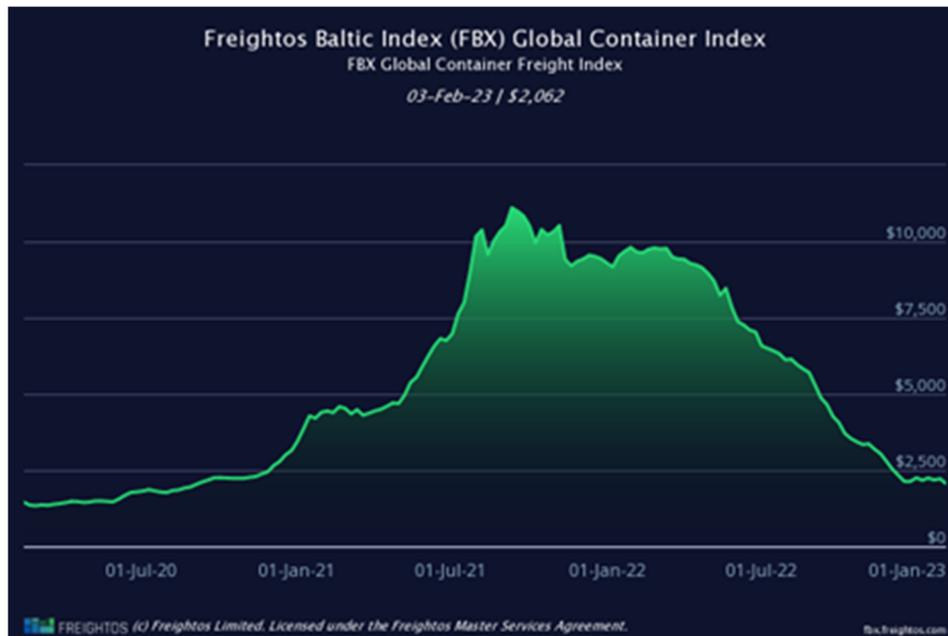
Listen to the news for an hour, and you'll hear a story about how tired of additional charges consumers have become. Airbnb's cleaning fees, Live Nation's service fees, airline baggage fees, the list goes on. When Americans say they are being nickel and dimed to death, it's not an exaggeration, it's reality. **Consumers are sick and tired of these charges.**

A large percentage of the items that Americans use each day are produced overseas, and most of those products are shipped to this country in containers.

A massive industry has been built to support the global movement of materials, and it's very competitive. Shipping costs had remained relatively stable for the last decade, but due to strong demand and a tight supply they increased dramatically during the height of the COVID pandemic. As savings accounts have emptied and demand has slowed, supply chains have normalized, and the cost to ship a container around the globe has almost returned to pre-pandemic levels.



Another example, the **Freightos Baltic Index**, is a measure of the costs associated with global shipping. It's used by many investors. The most updated chart shows that shipping costs have fallen dramatically. They are nowhere near their peak. **We can talk about theories all day, but facts don't lie.**



During COVID, freight surcharges in the Powersports industry moved forward with lightning speed. First it was on vehicles, then parts, and then on everything. And once one OEM started charging them, it took less than 30 days for almost every manufacturer to release new price lists with all kinds of additional fees. Luckily for Dealers, some of the OEMs who had heavily promoted pre-order pricing programs protected those orders, but not all. We know of one dealer who forfeited more than \$100,000 because he chose to honor the prices he had quoted his customers. He's a good guy, and he plays the long game.

Powersports consumers were never happy to pay surcharges on their vehicle purchases, but they understood. Every newscast talked about supply chain delays, and showrooms were empty. It was easy to show a customer that demand dramatically exceeded supply. Except for a few models, those days are now behind us.

For those of us who have been around for a while, we knew that once manufacturers started charging these additional fees, it would be hard for them to stop. By a couple of levels, manufacturers are removed from customers. On the other hand, Dealers are the ones who bear the brunt of the customer dissatisfaction with these additional costs, and we hear those comments every day.

We knew that Wall Street would get hooked on those additional profits, and they are. During the pandemic, many OEMs sent a constant stream of notices to Dealers detailing how their costs were increasing, and the need to pass those on dealers/customers, while at the same time many were reporting record profits. **The math doesn't feel right to customers.**

Pay attention to what's going on in DC and you'll see that Congress is starting to hold hearings related to excessive fees and surcharges. The Consumer Financial Protection Bureau is also sniffing around. We all know that if the government gets involved in our business, they will just make things worse. It would do us well to be proactive on this front.

From the beginning of when humans began making products to sell, the manufacturer of a product calculated the input cost of materials and labor, added in a reasonable margin to support the business and its owners, and then established a selling price. That model has served us well for more than 4000 years. Capitalism at its finest.

There is always going to be some level of distrust between consumers and Dealers, especially with first time buyers. Dealers who focus on building relationships with their customers can quickly overcome these issues. However, sitting down and showing the customer the advertised price, and then three or four additional fees quickly moves the customer back into a defensive position. **In many cases, the customer will still buy the vehicle, but they will continue to have a bad feeling about the transaction.** Most Dealers want to play the long game, but we need manufacturers to be aligned with Dealers in order to build lifelong relationships.

Now that the global economy has stabilized, it's time to get back to business as normal. It's time for the manufacturers to reset MSRPs based on their true input costs. It's time to abolish surcharges and other extraneous fees that Dealers and consumers are seeing. **It's time for each manufacturer to get back to playing the long game by working with dealers in the critical step of building customer loyalty.**

None of this will happen until surcharges are eliminated.

NPDA Position Statement, featuring Lead Author & Board Member Mark J. Sheffield