

# THE WANADA BULLETIN

NEWS AND INFORMATION FOR AND ABOUT FRANCHISED NEW CAR DEALERS IN THE WASHINGTON AREA

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## Dealers wage all-out assault on Border Adjustment Tax



Even the most American-made vehicle sold in the U.S. today, Toyota Camry, would be hit with the import tax.

Dealers from NADA, AIADA (American International Automobile Dealers Association) and NAMAD (National Association of Minority Automobile Dealers) are organizing a major grass-roots effort to defeat a Border Adjustment Tax (BAT) proposed in the House Tax Reform Blueprint in December.

AIADA is organizing a dealer fly-in March 8-9 for its members to visit their members of Congress and ask them to stop the BAT.

AIADA says the BAT is “a new consumer tax on all goods or services, including autos and auto parts, coming across our border into the United States from all nations, even those with which we have existing trade agreements. Auto parts would be subject to a BAT, so even the most American-made vehicle sold in the U.S. today [Toyota Camry, 75 percent American-made] would be subject to a significant price increase.”

No hearings have been held and no official legislative language has been released, but AIADA says the tax will likely be 20 percent.

“Quite clearly, this is an issue for every dealer,” wrote NADA Chairman Mark Scarpelli, “because it could affect the vehicle affordability problem already confronting the vast majority of our customers. Affordability generates fleet turnover, which drives a big portion of our economy. Our nation can’t afford to adopt any policy that causes demand destruction.”

AIADA President Cody Lusk reiterated this point. “We already have an affordability issue with the auto industry,” he said. “We’re already pushing it with consumers, with the average payment

going up and loan terms being stretched out.”

The tax would not only affect the auto industry, though that is one of the major industries that would be hurt. “Groups representing a number of businesses and different industries have all voiced serious concerns about the potential for a BAT to lead to higher costs for a wide range of goods and services – costs that could ultimately get passed down to American consumers,” NADA’s Scarpelli wrote.

NADA joined dozens of other business groups in sending a letter to the chairman and ranking member of the House Ways and Means Committee voicing concerns about the BAT. The letter warned that “companies that rely on global supply chains would face huge business challenges caused by increased taxes and increased cost of goods, which would in turn likely result in reductions in employment, reduced capital investments and higher prices for consumers.”

Toyota has publicly opposed the proposed tax and urged its dealers to do so. A report by Baum & Associates said automakers would have to raise their vehicle prices an average ranging from \$282 for Ford to \$17,204 for Jaguar or Land Rover if the tax were imposed. The estimated increase is \$1,312 for Honda and \$2,651 for Toyota. The estimated price increases were reported in *Automotive News*.

“I encourage every dealer to take advantage of opportunities to engage with their members of Congress, either at home in their dealerships or in Washington,” Scarpelli wrote. Members of Congress are on recess and, in many cases, in their districts the week of February 20.

## Annual Washington area auto sales rose 3.5 percent in 2016

Washington area auto sales once again outpaced U.S. sales in 2016, with area sales up 3.5 percent and national sales eking out a 0.3 percent gain over 2015. Fourth quarter sales in the Washington area rose by even more, at 4.1 percent.

Much of the gain came at the end of the year, as Washington area auto sales jumped 14 percent from November to December and U.S. sales rose a higher-than-expected 5 percent. The year overall logged record sales – 337,805 in the Washington area and 17.54 million nationally. Washington area figures are from WANADA’s Area Report based on R.L. Polk new-vehicle registration data, available by clicking on the link below. U.S. sales are from *Automotive News*.



Crossovers, like the Jeep Patriot have become more popular in the Washington area, where buyers once reliably favored cars.

Washington area sales for the 12 localities in suburban Maryland and Northern Virginia totaled 82,521 for the fourth quarter. Area sales were slightly higher in November (26,142) than October (25,821) and were much higher in December (30,382). Each of the three months saw higher sales than in 2015.

Sales of new imports in the Washington area made up 67.7 percent of total sales, down a bit from last year's import share of 69.5 percent. Imports (non-Detroit 3) made up 79.4 percent of all area new car sales, down half a percentage point from 2015. Imports made up 58.9 percent of area truck sales, down 1.5 percentage points from the year before. Washington area buyers have long favored imports, even as more buyers here are choosing utilities and light trucks.

The regional move toward light trucks was noticeable in 2016, as passenger truck sales jumped 12 percent from a year earlier. New-car sales, by contrast, dropped 6.1 percent in the Washington area. Those trends speeded up in the fourth quarter, when car sales fell 7.9 percent and light truck sales spiked 13.8 percent.

The increase in truck sales meant that in 2016, trucks made up 57.2 percent of all new-vehicle sales in the Washington area, up several points from a year earlier. The region can still claim to be import-heavy, but the local preference for cars as opposed to trucks is fading. The continuing low price of gas and the carlike drive and maneuverability of crossovers make it easier for an increasing number of consumers to choose them for everyday driving.

For the complete WANADA Area Report on fourth quarter and total 2016 Washington area new vehicle sales, WANADA members can click [here](#) and log in with their user name and password.

## WANADA's 100<sup>th</sup> Anniversary Gala is April 1 – Tickets available



WANADA dealers and Kindred-line members are invited to the not-to-be-missed Washington Area New Automobile Dealers Association's 100<sup>th</sup> centennial celebration on Saturday, April 1, 2017. The *black tie* event will take place at the historic Mayflower Hotel, 1127 Connecticut Ave., NW, Washington, DC 20036. Here is the schedule for the evening:

- 6:00 to 7:00   Cocktail Reception
- 7:30 to 9:00   Dinner and commemoration of the past century
- 9:00 to 9:30   Comedian Frank Caliendo
- 9:30 to 10:30  “Satisfaction” – The International Rolling Stones Show

Individual tickets are \$400, and a table of ten is \$3,500. Please contact Kathy Teich at [kt@wanada.org](mailto:kt@wanada.org) for registration or detailed information. For sponsorship information, contact Bob Storin at [rs@wanada.org](mailto:rs@wanada.org). Kathy and Bob can also be reached at the WANADA office, 202-237-7200.

## 2017 NADA Dealership Workforce Study open for participation

The NADA Dealership Workforce Study provides one-of-a-kind analysis of dealership pay plans and benefits packages, retention and turnover, employee benefits, work schedules and demographics. It is based on payroll data and questionnaire responses submitted by NADA and ATD members. The study is open for participation now through April 28, 2017, at [www.nadaworkforcestudy.com](http://www.nadaworkforcestudy.com).

In return for participating in the study, dealerships will receive two free reports: (1) *Automotive Retail: National and Regional Trends in Compensation, Benefits and Retention*, and (2) a custom report, which includes comparisons of the dealership(s) to peers nationally, regionally, by state and brand. All data must be submitted by April 28. To participate in the study, go to [www.nadaworkforcestudy.com](http://www.nadaworkforcestudy.com) to begin. For questions, email [WorkforceStudy@nada.org](mailto:WorkforceStudy@nada.org).

## U.S. dealership sales per store remain fairly stable



As data experts analyze the figures, dealership salespeople just keep on selling.

You can look at Urban Science's latest report on dealership sales per store (throughput) as "a glass half-full or half-empty," or simply as a sign of stability.

As of January 1, there were 18,170 dealerships (rooftops), a 0.5 percent increase from 2015. The number of franchises was also stable, increasing slightly from 31,776 a year ago to 32,011 in 2017.

The sales throughput for 2016 was 965 per dealership. As Urban Science said, the number narrowly missed setting another record level, by

one unit. Or you could go with the *Automotive News* headline, "US throughput falls in 2016." Both statements are true.

Bottom line: The dealership network has been stable for the past six years, said Mitchell Phillips, Urban Science's global director of data. In fact, "96 percent of local markets had virtually *no* net changes." There were a few exceptions, but none were in the Washington area.

## Dealers, automakers working on weakening emissions rules

At the NADA Convention, 2017 Chairman Mark Scarpelli said it was important to adjust the deadlines for the fuel economy rules approved in December by outgoing EPA officials.

NADA and the automakers have protested the idea of keeping the original rules in place ever since the draft midterm report was released early last summer. They argue that the rules – which require automakers to raise the average fuel efficiency of their U.S. fleets to 54.5 mpg by 2025 – fail to take into account U.S. buyers' renewed enthusiasm for utilities and light trucks.

Scarpelli said that complying with the emissions rules could add \$1,500 to \$3,000 to the price of the vehicle, according to Reuters.

Ford Motor CEO Mark Fields, who also spoke at the NADA Convention, said he and other automaker CEOs told Trump that the emissions rules, if their deadlines are unchanged, could put

up to 1 million jobs at risk, Reuters reported. U.S. jobs appear to be a big concern for Trump. And newly installed EPA Administrator Scott Pruitt has expressed his eagerness to cut back on federal regulations. Perhaps this all bodes well for the industry!

## House committee chairman ready to strip power from CFPB

One of NADA's biggest goals – major changes in the Consumer Financial Protection Bureau (CFPB) – may be closer to being met, at least in the House of Representatives, according to the *Washington Post*.

The *Post* obtained a memo written by Rep. Jeb Hensarling (R-TX), chairman of the House Financial Services Committee, that describes his plan to strip the CFPB of much of its power.

Under Hensarling's plan, the CFPB would lose its customer complaint database and some of its enforcement power. The agency would still be run by a single director, but that person could be fired at will by the president.

House Republicans have long wanted to gut the CFPB. But the plan could face stiffer opposition in the Senate, where Senators like Elizabeth Warren (D-MA) who helped create the agency would be a problem. Troubling, too, are banking officials who have said they have already spent large sums adapting to the current structure and would prefer not to see major changes, the *Post* reported.

### Staying Ahead...

Only the wisest and stupidest of men never change.

--Confucius

