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**NADA staying with 17.1 million sales forecast for 2017, “very strong year”**



Unlike the rest of the population, new-car shoppers have seen their wages rise.

Even after weak March sales (see following article), NADA is sticking with its sales forecast of 17.1 million vehicles for 2017, Chief Economist Steven Szakaly said during a recent conference call with reporters. Although that’s down from last year’s record 17.55 million sales, Szakaly said, “17 million is still very good.”

Employment growth has been strong, said Szakaly, with 200,000 jobs created in both January and February – although not in March, when the 98,000 new jobs were just above half of

what economists expected. Overall, Szakaly said 2017 would be “a very strong year.” One downside, he added, is that wages have not been rising and have not kept pace with the rise in prices.

But among new-vehicle shoppers, wages have risen more than 3 percent. New-vehicle shoppers are in higher income groups, with incomes averaging above \$80,000 a year. “That has helped drive transaction prices up,” Szakaly said. “They were an average \$34,000 in the first quarter, up from \$33,000 in the first quarter of last year.”

“Dealers are only selling new cars to 5 percent of the U.S. population,” said Szakaly. “Some were hit by the last financial crisis and are still digging out, but as a group, most were not.”

On the new-vehicle front, “I don’t see sales collapsing any time in the next two or three years,” said Szakaly. “They will plateau around 17 million.” Unknown factors, including Federal

Reserve policy, could change the sales forecast, but the small rate increase expected in the near future should not affect overall sales.

Dealers are a resilient lot and have responded well to the pressure on new-car profits, Szakaly said. “The service side has seen tremendous growth. The number of service visits has doubled since 2010.” And that’s not all warranty work for recalls. In 2016, warranty repair orders were up 6 million, but paid service RO’s were up 7 million.

The used-car business is strong, though sedans are under pressure, as they are on the new-car side. Used-car pricing is likely to drop, with more off-lease vehicles coming to dealer lots. “These are manageable issues,” said Szakaly. “They’re more of an issue for captive finance companies.”

### March sales fall 1.7%; seven-year sales streak appears over

The unprecedented seven-year sales streak the auto industry sustained from the end of the recession until the end of last year may finally be over. Sales fell 1.7 percent in March, despite analysts’ forecasts of a 2.2 percent increase. The seasonally adjusted annual sales rate has dipped to 16.6 million, the lowest since February 2015. But analysts still forecast 17 million or more for 2017 sales (see previous article), which industry observers agree is robust.

The economy is strong, said Kurt McNeil, U.S. vice president of sales operations. “More people are working, consumer confidence is at a 16-year high, fuel prices are low.”



GM was the only Detroit automaker to increase sales in March, by 1.6 percent. Its sales were driven by truck-based SUVs such as the Chevrolet Tahoe, up 19 percent.

Because consumers continue to leave cars for SUVs and light trucks, transaction prices are higher, with the average now \$34,342, up 1.7 percent from a year earlier, said Kelley Blue Book.

Vehicle inventories at dealerships, especially cars, were the highest they have been since 2004, according to Edmunds.com. Manufacturers are offering heavier incentives on cars just to move them off the lot. The average per-vehicle incentive of \$3,768 looked ready to set a record, said J.D. Power and LMC Automotive.

Only 39 percent of U.S. new-vehicle sales in March were cars. Washington area consumers have traditionally favored cars, but the most recent Area Annual Sales Report showed that cars were just 42.8 percent of 2016 sales.

### Register for WANADA’s F&I Legal Certification Workshop – April 19

WANADA will offer an F&I workshop on April 19 that will cover important legal and regulatory matters. The daylong workshop, once again presented by WANADA Kindred line member JM&A Group, will cost \$199 per person and will take place at WANADA headquarters at 5301 Wisconsin Avenue, NW, Suite 210, Washington, DC.

The workshop will cover these *hot button* topics: Tax Reform Act and FinCen Form 8300; Truth in Lending Act – Regulation Z; consumer leasing concept – Regulation M; rate speed; Equal Credit Opportunity Act and FACT Act; Gramm-Leach Bliley Act; Magnuson-Moss Warranty Act; USA Patriot Act and OFAC, and unfair and deceptive trade practices.

The workshop will educate F&I professionals in the legal and regulatory points they need to know and act upon to avoid the pitfalls set for dealers by regulators and plaintiffs' lawyers who focus on the automobile business. Additionally, participants will walk away with a framework of best practices for reviewing paperwork, general compliance and the keys to good selling. Participants will take a multiple choice exam at the end and receive compliance certification upon passing the test.

Click [here](#) to register and pay by credit card or check (invoice). If you have additional questions, please contact Kathy Teich at [kt@wanada.org](mailto:kt@wanada.org) or 202-237-7200.

## NADA Data, from gross profit to new-vehicle days' supply



Gross profit from the service and parts department is much more than from either new or used sales.

Across the United States, total sales per dealership are now \$59,590,891. That's just one of the useful facts found in *NADA Data*, which offers a financial portrait of U.S. new-vehicle dealerships today. The figures are based on 2016 data. A few highlights:

- Total new-car dealerships: 16,708
  - Average selling price of new vehicles sold: \$34,449
  - Average selling price of used vehicles sold: \$19,866
  - Increase in number of new vehicles sold from 2015 to 2016: 0.5 percent
  - New-vehicle days' supply: 74 domestic, 54 import
- Average age of light vehicles on the road: 11.6 years
  - Average employees per dealership: 69
  - Average annual payroll per dealership: \$3.9 million
  - Aftermarket income as percentage of new- and used-vehicle department gross profit: 45.9%
  - New-vehicle department gross profit: \$1,884,299.
  - Used-vehicle department gross profit: \$1,686,043.
  - Service/parts department gross profit: \$3,198,463.

## Will Border Adjustment Tax follow path of health care reform?

The way forward for the Border Adjustment Tax (BAT) is unclear. AIADA organized a Dealer Fly-in to Washington last month to show the extent of opposition to the proposed tax. NADA and WANADA also oppose the BAT, which would eliminate taxes on exports and impose a 20 percent tax on imported goods and domestic sales. A study by the Center for Automotive Research found that a 20 percent tax could add \$2,000 on average to the price of new vehicles.

House Speaker Paul Ryan supports the tax and says it is needed to help American companies compete abroad and to raise revenue to lower the corporate tax rate. President Trump has not taken a public stand on the tax.

The BAT bill is in the House Ways and Means Committee. But Chairman Kevin Brady (R-TX) told a group of reporters recently that the tax will likely see “significant modifications,” such as a phase-in period, according to the *Detroit News*. If the BAT is part of a contentious tax reform plan – which would need bipartisan support to pass – it may be doomed.

General Motors is working on a backup plan that would let the company move production, technology and capital if the BAT becomes law, reported TheDetroitBureau.com. The company currently plans to export the 2018 Buick Regal from Germany.

## **Ford ranks first in developing automated driving systems, report says**

Ford outranks 17 rivals in developing automated driving technology, according to a new report from Navigant Research. The automaker recently said it is on track to develop a autonomous vehicle for sale to consumers by about 2025.

Advances in sensing technology are pushing the market forward, helped by dramatic cost reductions, vehicle electrification and widespread connectivity, Navigant said. In the next stage of development, ensuring that the automation technologies can operate in a broad range of conditions and bringing access to the masses will be critical. Vehicle manufacturers will have a significant advantage, said Navigant.

The top companies after Ford are General Motors, the Renault-Nissan Alliance and Daimler. Researchers also looked at Waymo (formerly part of Google) and Tesla, among others. Navigant rated them on 10 criteria: vision; market strategy; partners; production strategy; technology; sales, marketing and distribution; product capability; product quality and reliability; product portfolio, and staying power.

## **Many think autonomous vehicles will eliminate distracted driving**

A recent survey of nearly 3,000 U.S. drivers finds that nearly six in 10 believe that self-driving cars will eliminate the problem of distracted driving. Two-thirds of men and 52 percent of women believe that.

The people at Erie Insurance, which commissioned the poll, are concerned. “Current technology is going a long way to keep us safer on the road, but the last thing we want is for people to become overconfident as this technology continues to evolve,” said Cody Cook, vice president and product manager of Erie’s auto department.

People are already making plans for what they will do when a human driver is no longer needed. About half of drivers say one of the biggest advantages of self-driving cars would be the ability to go longer distances without worrying about being drowsy while driving.

Other activities they plan to do while operating a self-driving car include texting, sending emails, reading, playing video games and meditating.

The survey also asked drivers to suggest *alternative names* to “self-driving” or “autonomous” cars to communicate that the driver would still need to pay attention and be ready to take control. Some suggestions: Boy are you lazy; potential disaster car; bad science car; take your chances car; and accidents waiting to happen car.

**Staying Ahead...**

We can't help everyone, but everyone can help someone.

--Ronald Reagan

