THE WANADA® BULLETIN

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

WANADA Celebrating 100 Years of Service (1917-2017)

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Plan to attend WANADA Open at Lansdowne Resort, Wednesday, June 7

The WANADA Open is an excellent way to start the summer.

WANADA dealers and Kindred-line members are cordially invited to the 2017 WANADA Open, on Wednesday, June 7, at The Golf Club at Lansdowne Resort. The number of golfers is limited to 128, so register your foursomes today by clicking here.

This event is a great opportunity to network with good business friends and associates. Those who prefer not to golf are invited to join the cocktail reception and dinner at Lansdowne which is always a great event in and of itself.

Here is the schedule:

9:00 a.m.	Registration, sponsored by Penney Design Group
	Continental Breakfast, sponsored by M&T Bank
	Practice Green, sponsored by Capital Automotive
	Driving Range
10:00 a.m.	Golf Clinic, sponsored by Architects Group Practice
11:00 a.m.	Tournament Shotgun start
4:00 p.m.	Cocktail reception, sponsored by SunDun Office Refreshments and ACV Auctions
5:00 p.m.	Reception and awards dinner, sponsored by Manheim Pennsylvania Auto Auctions

For sponsorship opportunities, Kindred-line members may contact Bob Storin at rs@wanada.org or (202) 237-7200.

Reminder: NADA Director nomination ballots due by June 2

All WANADA dealer members who are also members of NADA should have received a nomination ballot for NADA Director in the mail. The nomination process, which occurs every three years, is for the NADA Director seat in the "NADA State" of Metropolitan Washington, DC. There are 63 seats on the NADA Board, with some U.S. states having more than one and any number of major metropolitan areas, like Metropolitan Washington, included. The ballots were mailed from NADA headquarters in McLean, VA, in March. The ballots must be returned to NADA by June 2, 2017, in the postage-paid, pre-addressed envelope sent with the ballot. All ballots must be signed to be counted. The results will be tabulated by outside CPAs retained by NADA.

To be eligible to participate in the nomination process, the member must:

- Be in good standing;
- Have an equity interest in the dealership entity he or she represents;
- Be the manufacturer/distributor-recognized dealer/general manger/executive manager of the dealership;
- Be actively engaged in the management of the dealership;
- Have his/her principal place of business in the Metropolitan Washington area.

To qualify as a nominee, a member additionally must receive at least 10 percent of the total votes cast. If there is more than one nominee, follow up ballots will be mailed to NADA members for an election by June 30, with a return date of July 21.

Geoff Pohanka is currently NADA Director for Metropolitian Washington and has told WANADA's Board of Directors that he is seeking another term on the NADA Board.

The regular term of each Director is three years starting at the NADA Convention following his/her election. That means the Director from Metropolitan Washington will be seated at the Board meeting held in conjunction with the NADA Convention in March, 2018.

Future dealerships: fewer, more connected, more focused on service

In the future, an increasing proportion of dealership profit will come from the service department.

In ten years, the U.S. will have fewer dealerships with fewer owners. The dealerships will offer extensive automation to finish the buying process the customers started at home on their phone or other mobile device. And a greater proportion of dealership profits will come from the service department. Those are the conclusions of a recent study of the next 10 years in the auto industry, commissioned by NADA and reported in *WardsAuto*.

The study's author, automotive researcher Glenn Mercer, predicts in 10 years that the dealership count will decrease to 16,500 from today's 18,000. Those dealerships will be owned by 6,500 dealers, down from 8,000 today. Most of the stores will remain in private hands.

Industry observers have talked for many years about the connected store of the future. Customers will continue to favor the convenience of doing online research at home, finishing the transaction at a connected dealership, concludes the *WardsAuto* piece, which is based on interviews with dealers and IT providers. Wes Lutz, NADA's 2018 chairman-designate, said his in-store customers are focused on their cell phones, not on dealership screens.

The reliance on service profits will continue a current trend. NADA chief economist Steven Szakaly told *WardsAuto* that autonomous and mobility-on-demand cars (such as those for Uber and Lyft) will be driven many more miles than personally owned cars and will need a lot of maintenance. Satellite service operations will become more widespread. Service profits will become even more important as vehicle sales margins are squeezed.

By 2030, most cars will be autonomous EVs owned by fleets, report says

A Silicon Valley think tank has come up with a doomsday scenario for the auto industry in a new report on the future of transportation.

Autonomous *and* EV? The Chevrolet Spark is one of those.

"By 2030, within 10 years of regulatory approval of autonomous vehicles, 95 percent of U.S. passenger miles traveled will be served by on-demand autonomous electric vehicles owned by fleets, not individuals," says the report by RethinkX. The forecast assumes that fully autonomous vehicles will be ready for use and approved by the government by the early 2020s. If not, the scenario will be delayed.

Transportation will become a service, as fewer cars travel many more miles. Autonomous EVs will be much more cost-efficient than today's vehicles. These future cars will last 500,000 miles, or potentially 1 million miles by 2030, and have much lower maintenance, energy, finance and insurance costs.

"Conversely, individual vehicle ownership, especially of internal combustion engine vehicles, will enter a vicious cycle of increasing costs, decreasing convenience and diminishing quality of service," the report says. But overall, the average American family will save more than $5,600 a year in transportation costs.

To accommodate the changes, 70 percent fewer passenger cars will be manufactured each year. The report's authors – high-level thinkers, not policy makers or on-the-ground business people – added this: "Conventional energy and transportation industries will suffer substantial job loss. Policies will be needed to mitigate these adverse effects."

The RethinkX report is very different from analyses by Moody's and IHS Automotive, which say the transition to autonomous vehicles will likely take decades.

Disagreement remains on when EVs will start to have a cost advantage. Automotive supplier Continental AG's CFO Wolfgang Schaefer told Bloomberg recently that it won't be until 2025, because of the cost of batteries, limited driving range and extended charging times.

Another potential obstacle to more widespread use of autonomous vehicles: Some passengers in them have experienced motion sickness. Jim Hotary, director of xWorks Innovation Center at Faurecia North America, raised that issue at the Wards Auto Interior Conference, reported TheDetroitBureau.com. He said some people drive themselves specifically to avoid the motion sickness they might have as a passenger.

Millennials aspire to luxury car brands, Harris Poll finds

Millennials aspire to luxury cars.

Millennials may not be as indifferent to American car culture as is often suggested. Their aspirations for luxury are driving the U.S. automotive brand landscape, according to new research from the Harris Poll. Respondents to the survey were asked to rate a total of 40 randomly selected brands.

In this year's study, Mercedes-Benz reclaimed the Luxury Automotive Brand of the Year honor from Lexus. Toyota maintained the Nonluxury Auto Brand of the Year for the third straight year. Mercedes' and Toyota's equity scores rank in the top 25 percent of all brands measured, across industries.

"While maybe not a full-blown romance, the flirtation with cars as part of our culture is alive and well with younger generations," said Joan Sinopoli, vice president of brand solutions at the Harris Poll. "Millennials aspire to luxury, and this is nowhere more evident than in the automotive industry, where they are behind Mercedes-Benz's equity strength."

Seven of the top 10 millennial car brands are luxury brands, versus five each for Generation X (born between millennials and baby boomers) and baby boomers. Across all age groups, the top luxury car brands are Mercedes, BMW and Genesis. The top nonluxury brands are Toyota, Honda and Chevrolet.

GOP leaders oppose Trump's openness to gas tax increase

Republican members of Congress threw cold water on President Trump's willingness to consider an increase in the gas tax, according to *The Hill*. As reported in last week's WANADA Bulletin, Trump said he was open to the gas tax hike to help pay for infrastructure repair.

It would be a simple way to pay for an ambitious infrastructure program. The federal gas tax, currently 18.4 cents per gallon, has not been raised in more than 20 years. A higher gas tax could also shore up the Highway Trust Fund, which the Congressional Budget Office estimates will run out of money in the next decade. But some Republicans are wary of *any* increase in taxes.

Republicans also object that the gas tax is regressive and is not sustainable over the long term because of the increasing fuel efficiency of cars.

Trump said in an interview with *The Economist* that he may "align" his tax and infrastructure plans because Democrats would be enticed by infrastructure funding. So far he has given only a very broad outline of his tax plan.

Trump did reveal more of his preferences in *The Economist* interview, saying that tax cuts – which he believes will pay for themselves through economic growth – are more important than reducing the deficit. He dismissed the idea of a border adjustment tax, favored by House Speaker Paul Ryan as a way to pay for corporate tax cuts, but strongly opposed by the auto industry, among others.

Average fuel economy edges up slightly in April

The average fuel economy (window sticker value) of new vehicles sold in the U.S. in April increased slightly to 25.3 mpg, up 0.1 mpg from March. Figures are from the University of Michigan Sustainable Worldwide Transportation Center.

The April figure is up 5.2 mpg since October 2007 (the first month the Center monitored the figures), but down 0.2 mpg from the peak of 25.5 mpg in August 2014.

The University of Michigan Eco-Driving Index (EDI) – which estimates the average monthly emissions of greenhouse gases generated by an individual U.S. driver – was 0.85 in February 2017, up 0.01 from January 2017 (the lower the value the better). This value indicates that the average new-vehicle driver produced 15 percent lower emissions in February 2017 than in October 2007, but 7 percent higher emissions than the record low in November 2013. The EDI takes into account both fuel economy and distance driven.

More workers moving from part-time to full-time as jobs open up

The number of part-time workers who would prefer full-time employment fell last month to its lowest point in nine years, according to the U.S. Labor Department. The turnaround of the involuntary part-time trend, which was persistent through the Great Recession, has a couple of implications for auto dealers.

One, more money is circulating through the economy and the newly full-time workers are often more willing to spend. A retail worker who moved from part-time to full-time told *USA Today* the upgrade enabled her to buy a car.

Second, employers of all types may need to be prepared to offer more full-time jobs – with benefits – to attract qualified workers. As unemployment continues to drop, workers have more choices and many employers are having a hard time finding the type of employee they need.

Staying Ahead…

If you think about what you ought to do for other people, your character will take care of itself.

--Woodrow Wilson