

THE WANADA BULLETIN

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

WANADA Bulletin # 45-16

Happy Thanksgiving!

November 21, 2016

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Green Car finalists announced in LA for Washington Auto Show



Washington Auto Show producer John O'Donnell presenting 2017 finalists for Green Cars of the Year in LA

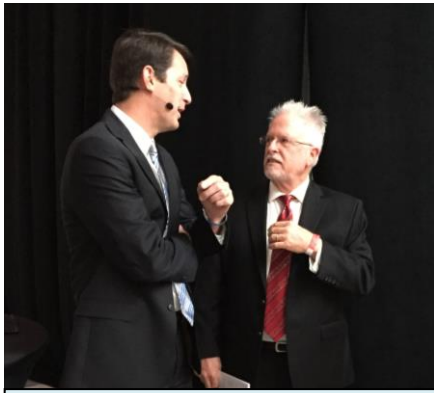
Green Car Journal has announced finalists for the magazine's prestigious 2017 Connected Green Car of the Year, Luxury Green Car of the Year and Green SUV of the Year awards. The awards will be revealed during Industry/Media days at the Washington Auto Show, January 26, 2017. Finalists were announced last week in conjunction with the LA Auto Show's AutoMobility LA, with finalist vehicles on display.

Finalists for the 2017 Connected Green Car of the Year are the Audi a3 e-tron, Honda Civic, Mercedes-Benz C350e, Tesla Model X and Toyota Prius Prime. Each of these

finalist vehicles offer advanced connectivity and driver assistance systems combined with impressive levels of environmental performance. Four are plug-vehicles and one is powered by efficient gasoline internal combustion.

In contention for 2017 Luxury Green Car of the Year are the Acura NSX, BMW 740e xDrive iPerformance, Jaguar XE 20d, Mercedes-Benz S550e, and Range Rover Td6. This diverse group of premium green finalists includes plug-in, hybrid and advanced diesel engines.

Nominees for 2017 Green SUV of the Year are the BMW X5 xDrive40e iPerformance, Honda CR-V, Mazda CX-9, Mercedes-Benz GLE550e and Nissan Rogue Hybrid. Also a diverse group, these SUV and crossover models achieve their efficiencies with plug-in, hybrid and internal combustion power.



John O'Donnell, Washington Auto Show (left) with Green Car Journal publisher Ron Cogan at Green Car finalists announcement at LA Auto Show.

“These exceptional models illustrate that ‘green’ cars come in all classes and configurations,” said Ron Cogan, editor and publisher of *Green Car Journal* and GreenCarJournal.com. “Automakers continue to expand their efforts in designing and manufacturing more efficient and environmentally positive vehicles across the automotive spectrum. This is an important evolution from the early years of green cars when models were primarily gasoline-electric hybrid and typically small sedans or hatchbacks.”

Presented annually at the Washington Auto Show, these Green Car Awards honor the “best of the best” in the important premium, connected and SUV/crossover categories. Of



The Honda Civic is a nominee for Connected Green Car of the Year.

particular importance is that these finalists achieve their environmental leadership in their own way. Hybrid power continues to be an important strategy in achieving greater environmental sustainability, along with plug-in hybrid, battery electric and advanced gasoline and diesel propulsion.

Washington area sales down in 3rd quarter, but up YTD



These days, Washington area drivers are more likely to buy a crossover such as the Toyota RAV4 than a traditional car.

For the first time in a long time, Washington area sales fell in the third quarter, by 5.4 percent. But sales were still up 3.3 percent year to date through September. As has been said about national sales, they could not keep climbing forever. The 255,284 total through September remains impressive. WANADA’s Area Report for the third quarter is based on R.L. Polk new-vehicle registration data for the 12 major localities that make up the metro Washington market.

September was right about the time when national sales stopped growing. They followed

a somewhat similar pattern to regional sales, with sales down 0.7 percent for the month but up 0.3 percent year-to-date through September. U.S. sales are from *Automotive News*.

Area sales for the third quarter totaled 85,619 in metro Washington, with the most sales in August (28,785), followed by July (28,556), then September (27,984). The year-to-date total of 255,284 again positioned the metro area to surpass 300,000 new vehicle sales for the year.

Truck sales in the region fell by 1.2 percent in the third quarter, but car sales fell much more, by 10.3 percent. The Washington area has traditionally been a bastion of car sales as the rest of the nation has gravitated more toward light trucks. But in recent months, area drivers could not resist the lure of cheap gas, and light trucks and utility vehicles made up 56.2 percent of area

sales through September. Nationally, sales of light trucks, SUVs and crossovers drove the market in the third quarter, as they do today.

Imports (non-Detroit Three) continue to make up a majority of regional sales, at 67 percent year to date, down from 69 percent in 2015 but still a higher proportion than nationally.

For the complete copy of the WANADA Area Report on third quarter Washington area new vehicle sales, click [here](#) and log in with your user name and password. If you don't know your password to login in the Members section of the WANADA website, please click here <http://wanada.org/members/forgot.html> to request a new one. If you need help, please email info@wanada.org.

NADA forecasts 17.1 million sales in 2017 and 17.4 m. in 2016



After six years of steadily increasing sales, NADA is forecasting a sales drop from 17.4 million this year to 17.1 million in 2017 – what chief economist Steven Szakaly called “a stable market, not a growing market.”

“The industry has achieved record sales, and pent-up demand is effectively spent,” Szakaly said. NADA, like other organizations, has adjusted its 2016 forecast from the spring, when it predicted sales of 17.7 million.

Still, Szakaly said the overall economic outlook for 2017 remains strong, with projected GDP growth at 2.6 percent, 150,000 to 180,000 new jobs per month, and the price for regular grade gasoline at less than \$2 per gallon. In large part because of the low gas price, light truck sales will continue to grow and are expected to account for 60 percent of 2017 sales in the U.S.

With more labor force participation, people with new jobs are likely to want to buy a new or used car, Szakaly said. Most new-car buyers make about \$80,000 – more than the average American worker – and their wages have kept up with new car prices.

Many observers are expecting interest rates to rise in the next few months. But “even if they rise, they will rise from a historically low level, 4.8 percent,” Szakaly said. So the impact on new-car payments would be relatively small.

Szakaly sees some positive signs in the new administration’s expected actions: a change in tax policy, a boost in infrastructure spending, and a pullback in the regulatory burden. It currently looks as if those changes would be implemented before less favorable changes in immigration or free trade, he said.

Leasing is rising steadily and is now one-third of the automotive market, close to a record, Szakaly said. We will likely see a slight increase in leasing in the first half of 2017, with an accompanying residual risk.

On the used car side, the recovery of new car sales in the past few years has brought a larger pool of used cars back to the market three to five years later, said Jonathan Banks, vice president of vehicle analysis for J.D. Power. But the returning vehicle mix is not in line with what consumers want. Sixty percent of the returning vehicles are cars, and 60 percent of new-vehicle sales are trucks. An oversupply of used cars could continue to drive down prices.

Incentives could also become a problem, said Szakaly. They have been stable, but at a very high level, averaging \$3,900 per unit, about 10.8 percent of MSRP. They have not been that high

since 2008, during the recession. The incentives also push down used-car prices because consumers naturally expect a difference in monthly payment between new and used cars.

One result of the low used-car prices is an increase in negative equity, Szakaly said. Nearly one-third of buyers, 31 percent, are upside down in their vehicle, leaving them no equity for a down payment on a new purchase.

New overtime rule in effect December 1 (Unless court postpones it...)

The new overtime rule from the U.S. Department of Labor is scheduled to take effect December 1, 2016. The *WANADA Bulletin* has previously covered the rule's provisions, particularly in the [special issue](#) on the WANADA Dealer Law Briefing earlier this year.

A federal court in Texas however, may postpone the December 1 effective date if it opts to review DOL's action on changing overtime rules. The court in Texas is expected to rule this week, which WANADA will promptly report in conjunction with NADA.

The new rule dramatically increases the salary level that must be met for white collar dealership employees to be exempt from overtime pay. The rule does not change the duties test for white collar employees. The revision raises the threshold for white collar employees – executive, administrative, professional and computer – from \$23,660 to \$47,476 per year. General office workers, managers, assistant managers, shop foremen, computer specialists, warranty clerks and others in administrative or managerial positions may be affected.

Dealers should re-evaluate their white collar employees and make sure they are still exempt from overtime. If they are eligible for overtime under the new rule, a dealer has several alternatives:

- Change the job to one paid on commission, not salary.
- Split the job between two people.
- Raise the employee's salary so he or she is exempt from overtime.
- Pay overtime under the law. Make sure the employee clocks his or her hours accurately.

FTC amends Used Car Rule, issues revised Buyer's Guide

NADA has issued the following notice, edited slightly:

The Federal Trade Commission (FTC) has announced final amendments updating the Used Car Rule. The update revises the Buyer's Guide that must be displayed on a used vehicle before it is displayed for sale or a customer is allowed to inspect it for the purpose of buying it. The amended rule is effective January 27. But the final rule permits dealers to use their existing stock of Buyer's Guides for up to one year after that date.

The revised Buyer's Guide contains several changes, many of them sought by NADA to help dealers. For example, it includes a new method for disclosing "certified" and other warranties. It also allows dealers to disclose (if they choose) that the manufacturer's warranty has not expired on certain components of a vehicle.

NADA will issue more detailed guidance for dealers on the Buyer's Guide, and the *WANADA Bulletin* will pass it along. In the meantime, dealers should review the revised Buyer's Guide carefully and work with their vendors and advisors to ensure that they are prepared to use the revised form as required by the final rule and their own state law. Dealers should train staff on the revised forms and review the dealership's used-car warranty offerings to ensure the form is accurately completed.

DC's proposed rule on personalized tags for organizations

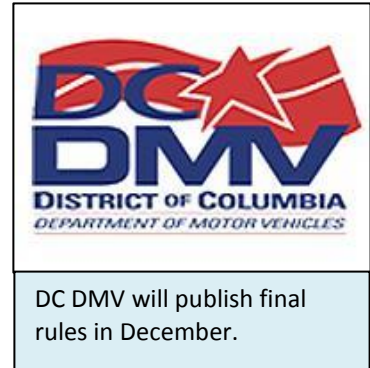
The DC Department of Motor Vehicles has issued proposed rules on organizational car tags. Here is the main part of the proposal. "The Director" refers to the Director of the Department of Motor Vehicles.

"The Director shall reject any proposed organizational tag or rescind the issuance of any organizational tag that conveys a message, or displays an image, that is confusing or offensive to the general public.

The Director shall reject or rescind the issuance of any organizational tag with a design or combination of letter or numbers that:

- (a) Is vulgar, derogatory, profane, scatological or obscene, with any connotation, in any language;
- (b) Connote, in any language, breast, genitalia, pubic area, or buttocks or relate to sexual or eliminatory functions;
- (c) Connote, in any language, (i) any illicit drug, narcotic, intoxicant, or related paraphernalia; (ii) the sale, user, or purveyor of such a substance; or (iii) the physiological state produced by such a substance;
- (d) Refer, in any language, to a race, religion, color, deity, ethnic heritage, gender, sexual orientation, disability status, or political affiliation;
- (e) Suggest, in any language, a government or governmental agency;
- (f) Suggest, in any language, a privilege not given by law in this state; or
- (g) Form, in an language, a slang term, abbreviation, phonetic spelling or mirror image of a word described in this subsection."

Anyone who wants to comment on the proposed rules should file comments, in writing to David Glasser, General Counsel, DC Department of Motor Vehicles, 95 M St., SW, Suite 300, Washington, DC 20024, by email at dmvpubliccomments@dc.gov, or online at www.dcregs.dc.gov. Comments must be received no later than 30 days after the publication of the notice in the *DC Register*.



Thought for Week...

As we express our gratitude, we must never forget that the highest appreciation is not to utter words, but to live by them.

—John F. Kennedy

Nov. 4, 1963, looking ahead to Thanksgiving,
18 days before he was assassinated in Dallas on Nov. 22.
Thanksgiving that year was Nov. 28.