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

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Headlines…

SBA Revises Auto Dealer Size Standard

In a major victory for dealers, the Small Business Administration (SBA) has revised the size standard for NAICS 441110: New Car Dealers. Responding to a multi-year effort by NADA, the new 200-employee standard replaces one based on annual gross receipts of $29 million. Dealerships that fall below the size standard are eligible to apply for SBA loan guarantee programs, including 7(a) working capital loans, 504 real estate loans, or the new floor plan pilot program SBA intends to issue before year end.

Note that the recently enacted Small Business Jobs Act set a new maximum alternative size standard of $15 million net worth and $5 million in net income (as measured over two years). A new-car dealer may qualify as a “small business” under either the 200 employee standard or this net worth/net income alternative.

WANADA members with the governor

WANADA dealer members Paul Sheehy, Sheehy Auto Stores (left) and Bill Cash of Fitzgerald Auto Malls (right) with Maryland Governor Martin O’Malley (center) at a meet-and-greet on Tuesday, October 5, in Annapolis. O’Malley is standing for election to a second term as governor.

DOT launches new vehicle safety ratings system

NADA provides dealers' perspective

The U.S. Department of Transportation (DOT) outlined the government's new 5-Star Safety Rating System this week that will make it more difficult for new cars and trucks to earn top scores.

Only two of the first 34 vehicles tested under the new program - the 2011 BMW 5 Series and a version of the 2011 Hyundai Sonata - received the top grade of five stars. The Toyota Camry, the best-selling passenger car in the United States, received three stars.

The system to rate vehicles on front-end and side-impact crashes and rollovers, was started in 1979. Typically, more than 90 percent of the vehicles tested under the system earned four or five stars. In 1979, less than 30 percent received four or five stars.

Transportation Secretary Ray LaHood said the new rating system will encourage automakers to install crash avoidance technologies and will help car shoppers "navigate a crowded marketplace with trustworthy and objective safety analysis."

The Alliance of Automobile Manufacturers said the changes will mean the ratings found on new car labels will probably go down, even in cases where there have been no significant changes to the vehicle.

Mike Stanton, president of the Association of International Automobile Manufacturers, which represents Toyota, Honda, Nissan and others, said car makers had been concerned about confusion over the new grading system. But he expected consumers to embrace the changes.

"Everybody knows that vehicles are very, very safe today so it's a degree of how safe and what are the new technologies," Stanton said. "Hopefully this will take hold as people pay attention," he said.

The National Automobile Dealers Association (NADA) said, "it supports the federal government's efforts to enhance safety information to allow for more informed purchasing decisions by vehicle shoppers," but noted that consumers should remember the following:

1. New Car Assessment Program (NCAP) scores for model year (MY) 2011 may be lower than for previous models of the same vehicles, but that does not mean they are less safe.

2. NCAP scores for MY 2011 and later vehicles should not be compared to those for previous model years.

3. Overall Ratings Scores reflect a weighted average of the three crash test results. All new vehicles are subject to rigorous Federal Motor Vehicle Safety Standards.

4. The NCAP label will not be updated until MY 2012. The best source of NCAP information is **www.safercar.gov**.

5. Only 50 or so models are NCAP tested in a given model year. Test results are made public as they become available.

Urban officials will decide future of auto industry?

City officials struggling with traffic congestion and air pollution will likely have more influence on the shape of the auto industry in coming years than any other interest group.

It is estimated that by 2015, more than half of the world's population will live in cities, with 40% residing in urban areas of more than 1 million people. Conceiving a car adapted to this environment will require a radically different approach that takes into account these urban conditions, say auto industry experts who study vehicle growth potential.

In Europe, where a majority of the population already lives in metropolitan areas, some 60 cities have launched a variety of measures affecting automobile use.

London limits traffic using a sophisticated system of charging fees to motorists, while Stockholm and Milan are among cities that have followed the example. In Bordeaux, France, low-emissions vehicles can park for free. Amsterdam has banned diesel trucks, while Paris has reduced traffic lanes and eliminated all free parking. Next year Paris launches the Autolib car-sharing project involving some 3,000 electric vehicles.

In Europe, city officials have the power to ban internal-combustion cars and make other rules limiting vehicle use, and it is anticipated that most will develop toll systems that will limit traffic and manage parking places," says Anne Houtman, a representative of the European Commission in France.

"One percent of the gross national product in Europe is lost because of traffic jams," she said during a recent roundtable discussion on how communities can reduce their carbon footprint.

In the U.S. some tentative steps have been taken to limit vehicle traffic in urban areas, primarily along the lines of either banning parking in areas or dramatically increasing the cost. New York City has sought to limit auto access to the city. Traffic experts predict, however, that it is only a matter of time before the major U.S. cities adopt controls similar to those being put in place in Europe and elsewhere around the world. There are only so many ways to reduce pollution and traffic congestion in cities, and reducing vehicle size and limiting their number is highest on the list, they note.

Saving GM, Chrysler and jobs to cost U.S. $17 billion

The Treasury Department on Tuesday said that saving General Motors, Chrysler and auto finance companies is going to cost the U.S. treasury about $17 billion, less than half of what it originally projected. The White House noted that the effort also saved millions of auto industry and related jobs. The final tally of government losses won't be known for years, however, until the government sells its entire stakes in General Motors Co., Chrysler Group LLC and Ally Financial Inc.

The federal government invested nearly $86 billion into the auto industry over the past three years, including a $5 billion fund to guarantee payments to auto suppliers that has since been repaid in full. That investment consisted of $50 billion to GM for which it took a 61 percent stake in the company and a $12 billion loan to Chrysler for a 10 percent stake.

The auto estimate was revised downward — largely because of an improved forecast for the government's $17.2 billion bailout of Ally Financial Inc., previously known as GMAC. Ally reported a $565 million net profit in the second quarter and expects to be solidly profitable the rest of the year.

"We believe Ally is on the right trajectory and we are confident in our ability to repay the U.S. Treasury's investment," Ally spokeswoman Gina Proia said.

EPA and NHTSA test the water for a 62 mpg standard

EPA and NHTSA this week issued a notice of intent for rulemaking on fuel economy standards for vehicles built between 2017 and 2025 and suggested in a report in the notice that 62 miles per gallon was within reach for the industry.

The report examined a three to six percent increase in fuel economy standards each year between 2017 and 2025, which comes out to 47 to 62 miles per gallon. The report also included a range of costs and savings that would come with the higher fuel standards. Auto manufacturers could expect costs between $800 and $3,500 and savings between $5,000 to over $7,000 due to lower fuel costs, the report said, but also cautioned costs could be higher with the final rules.

"The more detailed analysis for the upcoming proposal will likely show that the industry average cost will be higher than this initial assessment, while individual manufacturer costs may be higher or lower," EPA noted in its analysis.

The final rule is nearly two years away, and many factors -- principally how fast the auto industry can develop electric vehicles and other advanced technology and, indeed, whether such an ambitious standard can be met.

Democratic governors and environmental groups are urging the administration to make sure the 62 miles per gallon target is achieved. But the Alliance for Automobile Manufacturers, the main trade group representing the industry, cautioned that the standards included are preliminary, not a specific number and not necessarily predictive of the final standard.

Today cars are required to get 27.5 miles per gallon, and fuel economy standards announced last year by the administration increases that average to 35.5 mpg by 2016.

The fuel economy standards eventually adopted will largely hinge on how fast electric vehicles and other advanced technology is deployed, the assessment states. Out of the 245 million registered vehicles in the United States, just 1.6 million of those are hybrid vehicles and 33,000 are full electric, according to the R.L. Polk research database.

AIADA asks dealers to nominate candidates for Mungenast Award

Each year at its Annual Meeting and Luncheon, AIADA presents the David F. Mungenast Lifetime Achievement Award, which recognizes an individual for displaying an outstanding work ethic and success in the international auto industry, as well as an unparalleled commitment to family and community.

The award is named for the late Dave Mungenast, a past leader of the association who began his work in the industry with a single Honda motorcycle dealership in south St. Louis in 1965 and built it into a multi-franchise organization that sells and services Acura, Honda, Hyundai, Lexus, Scion, and Toyota brands. Despite his success, he never forgot his community and always made a point of giving back. To this day, a portion of the Dave Mungenast Automotive Family profits is dedicated to the Dave and Barbara Mungenast Foundation, which supports numerous charities and foundations, including the Make-A-Wish Foundation, the Boys Club of St. Louis, and the St. Louis Food Bank.

Dealers who wish to nominate someone for the Mungenast Award should go to this link: (http://www.aiada.org/images/stories/awards/Mungenast_Nomination_Request_Form.pdf) for the nomination form and additional details.

AIADA's 41st Annual Meeting will be held February 7, 2011 in San Francisco, California.

Future car instrument panel and feedback systems will reflect driving mode chosen

There are a number of vehicles on the road today in which drivers can select the type of performance they want, from sporty and economy, to low speed power. Nothing on the dashboard reflects the mode chosen, however, nor are the normal feedback systems of pedal pressure and suspension feel varied. Vehicle electronic suppliers are changing all that.

Continental Automotive is introducing electronic technology that consists of a trio of color-coded buttons on the dashboard that allow for instant adjustments even while driving.

Blue is the comfort mode, which includes a sparse instrument panel, using words -- not symbols, or abbreviations -- to explain what's happening with the vehicle, such as, comfortable cruising, easy shifting and softer pressure on the pedal.

The amount of gas remaining in the tank is presented not in the traditional E-F arc, but as the remaining number of miles you can get out of your current tank.

Red, or sporty, mode features a Formula One-style speedometer, maximized engine power, very-late shifting gears, harder wheel steering and a g-force indicator.

And *green* represents the eco-mode, promoting fuel-efficient driving by, among other features, using 180 out of 300 horsepower, earlier shifting and dropping the chassis several millimeters.

The trademark is a clover that grows more green -- indicating so-called eco-points -- as one drives in a more fuel-efficient fashion and making the gas pedal tougher to depress if one isn't driving “green enough.”

"It's up to the customer and what he likes," said Stephen Wetzel, senior manager of Continental’s interior electronics solutions, adding that in the future, drivers will be able to customize their own modes.

New car buyers are older

Confirming what franchise dealers already know, JD Power and Associates this week released its latest survey of new vehicle buyers and found that fully sixty two percent of all new cars and trucks sold this year were bought by people fifty years old or older.

Just nine years ago, that percentage was just thirty nine. On the other side of the spectrum, those 35 and younger accounted for just 12.7 percent of all new vehicles purchased, down from 24.4 percent in 2001. The survey also found that 5- and-over buyers bought 73 percent of all hybrid vehicles.

JD Power says there are two major reasons the 50-and-up club accounts for such a high total of vehicle sales. The first is that baby boomers, the largest demographic in America, are growing old. Secondly, and more important, people over 50 have the "ability to spend on higher-ticket items during harsh economic times.”

Next week:
Auto Show update on WAS delegation visit to the Paris Auto Show

Staying ahead…

A man never tells you anything until you contradict him.

--George Bernard Shaw