

THE WANADA BULLETIN

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

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Headlines...

Washington Auto Show passes are on the way!

New tour guide, kid-friendly tours added to Auto Show

2016 sales top 2015 record, creating 7-year sales streak

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Drivers paid highest New Year's gas prices in 3 years

Staying Ahead...

Washington Auto Show passes are on the way!



Consumers throng 2016 Auto Show in Washington

Complimentary admission and VIP passes to The Washington Auto Show are being sent via U.S. mail to all WANADA members this week. Please email Kathy Teich, kt@wanada.org, if you have not received your mailing by Friday, Jan. 13. Note that Comp passes are designed for admission during Consumer Days of the Auto Show, Jan. 27- Feb. 5, 2017. Members who will be attending Industry/Media

Days preceding Public Days, Jan. 24, 25, and 26 -to include the Sneak Peek Preview- need to register with Joe Koch, (202) 237-7200, jk@wanada.org.

The *VIP Pass* admits the person to whom it has been issued and up to three additional guests to the Auto Show. Groups of more than four should be cleared in advance with Kathy Teich at WANADA (kt@wanada.org/202-237-7200) or with Bob Yoffe onsite during the Auto Show (202-249-4060). VIP Passes are good at all times at any entrance of the Walter E. Washington Convention Center.

Complimentary passes are single issue and are intended for participating dealer staff, good customers and business associates. They are good at any time and will admit one person per pass. Additional tickets may be purchased for \$8 each from Kathy Teich (kt@wanada.org/202-237-7200).

Sales representatives from WANADA dealerships in Maryland and Virginia must register with the District of Columbia to receive a waiver from DC automotive sales licensing law requirements if they intend to work as badged exhibitors at The 2017 Washington Auto Show,

January 24-February 5, 2017. This is a legal requirement of the District of Columbia. [Click here](#) for the registration form. Email the completed form to Katy Orme at ko@wanada.org or FAX it to the WANADA office, (202) 237-9090, by January 16.

Credentials for dealership sales personnel working the OEM exhibits at the Show will be available onsite. Exhibitor badges may be picked up in the main lobby. For questions about retrieving these credentials, call the Auto Show office at the Convention Center starting Jan. 22 at 202-249-4060.

New tour guide, kid-friendly tours added to Auto Show

In addition to the previously announced tour guides at the Washington Auto Show – John H. Davis, Les Jackson, Alvin Jones and William West Hopper – automotive expert Mike Collins will lead special kid-friendly tours for the first time this year.

Collins is president of SCCA Pro Racing, the professional racing division of the Sports Car Club of America. A veteran of the United States Marine Corps, Collins has more than 20 years experience in the motorsports and event industries. He is the founder and managing partner of Meathead Racing, one of the largest amateur motorsports teams in the United States. He also launched NexxtShow, a new exhibition company, in 2011 and served as its senior vice president. Collins also boasts many years of hands-on experience on The Washington Auto Show management team.

He will lead kid-friendly tours on Saturday, Jan. 28, at 11 a.m; Monday, Jan. 30, at 6 p.m., and Tuesday, Jan. 31, at 6 p.m. See www.washingtonautoshow.com for details about other tour guides and their tours.

2016 sales top 2015 record, creating a 7-year sales streak

The U.S. auto industry did what seemed impossible to many, as 2016 sales beat the 2015 record to reach 17.55 million new vehicles sold. Sales were helped by easy credit and a steadily improving economy. But the record came in part thanks to hefty incentives – 25 percent higher in fourth-quarter 2016 than a year earlier, according to the *New York Times*. Observers agree that sales are unlikely to keep rising this year, with pent-up demand finally sated.

Automakers continued to express optimism. “Key economic indicators, especially

consumer confidence, continue to reflect optimism about the U.S. economy and strong consumer demand continues to drive a very healthy U.S. auto industry,” said Mustafa Mohatarem, General Motors’ chief economist. “We believe the U.S. auto industry remains well-positioned for sales to continue at or near record levels in 2017.”

Mohatarem’s positive attitude is understandable. GM’s December sales jumped 10 percent from a year earlier. The company’s retail sales edged up 2 percent for the year, and it gained half a



The Toyota Camry was the best-selling car and fourth best-selling vehicle in the U.S. in 2016.

point of market share. Ford's sales inched up 0.3 percent in December, but Fiat Chrysler plunged 10 percent. Toyota reported 2 percent higher sales for the month, and Nissan sales jumped nearly 10 percent.

Passenger car sales kept falling in 2016, at a greater rate than utility and light truck sales were rising. Because of the shift to more expensive utilities and light trucks, the estimated average transaction price reached a record high of \$35,309 in December, according to Kelley Blue Book.

But "incentives have grown similarly to counterbalance the increased prices," said Kelley Blue Book analyst Tim Fleming. "Should the sales mix of cars to SUVs reach a stable point in the near future, actual transaction price growth could match or fall just short of inflation."

The top 10 best-selling vehicles nationwide in 2016: Ford F-series at No. 1 (once again), followed by the Chevrolet Silverado, Ram pickup, Toyota Camry, Honda Civic, Toyota Corolla, Honda CR-V, Toyota RAV4, Honda Accord and Nissan Rogue. Note that the top three are all from Detroit manufacturers and are all trucks.

Trump pressures Ford, GM not to make cars in Mexico



After months of Trump's derision, Ford will move production of the Focus from a now-canceled plant in Mexico to Flat Rock, Mich.

On the campaign trail, Trump attacked Ford continuously for its plan to build a plant in Mexico to produce the Focus. Last fall, he said he would add a 35 percent tariff to cars made in Mexico and sold in the United States. This week, Ford canceled the plant and said it would invest \$700 million in its plant in Flat Rock, Mich., to build a future autonomous hybrid and an electric SUV. The move will create 700 new U.S. jobs.

Ford will move production of the Focus to its existing plant in Hermasillo, Mexico. Like the Republicans in Congress who decided not to gut the Office of Congressional Ethics after all, Ford

did not want to credit Trump for the reversal.

Ford CEO Mark Fields said that with U.S. buyer demand for small cars like the Focus plummeting, it doesn't make sense to build a new plant to make more of the model. But Fields did say he was encouraged by anticipated pro-growth policies from the president-elect and what he expected would be a more business-friendly atmosphere, with tax cuts likely.

General Motors was the target of a Trump tweet that threatened a "big border tax" on the automaker for building the Chevrolet Cruze at a Mexican plant. But GM stood firm, pointing out that the Cruze sedans sold in the United States are made in Lordstown, OH, and the hatchbacks made in Mexico are for global markets only. In the United States, sales of the compact Cruze are suffering the same fate as the Focus. Nobody wants small cars when gas is so cheap.

Still, as *Detroit News* columnist Daniel Howes points out, Trump's Build in America campaign is not so easily applied to the auto industry. It just doesn't make economic sense for U.S. automakers to build compact cars in the United States, with its high labor costs, when few small

cars are sold here. Trump threatens to skew the market by slapping a 35 percent tariff on cars imported to the U.S. But it's not clear that a Republican Congress would go along with what some members would surely see as an anti-business, anti-free trade move.

Trump, the new Congress, and the auto industry: What's next?

Republicans have been dreaming for years of what a Republican Congress could achieve with a Republican president, and now their chance has come. We offer here the next in our series of articles discussing – as many as anyone can in this uncertain year – the likely priorities of the new Congress and president and how they could affect the auto industry.

Affordable Care Act: In the first few days of the 115th Congress, Republicans were eager to repeal at least parts of the Affordable Care Act. The catch: They have not offered a replacement and have not said when they will, indicating only that it could be weeks or months.

Congress could well vote to repeal the individual mandate that requires all Americans to have health insurance or pay a penalty. It's not a broadly popular provision, but as the system stands now, the individual mandate is necessary for the financing to work. Insurance companies will be more likely to drop out of the market if only the very sick buy insurance. But there are still many unknowns.



Which will be the 115th Congress's first priorities affecting the auto industry?

Consumer Financial Protection Board: NADA has worked for some time to curtail the regulatory overreach of the CFPB. Some members of Congress would like to weaken or replace the chairman or even eliminate the board completely. An influential member interested in eliminating the CFPB is Senate Banking Committee Chairman Richard Shelby (R-AL). Watering down the role of the CFPB and other regulatory agencies could be an important part of Trump's deregulation agenda.

Estate tax: As every WANADA member knows, NADA has been working for years to end the estate tax, a.k.a. the "death tax." Now a new Congress and president-elect share that goal. On the campaign trail, Trump talked frequently about the need to lower business taxes. But he also wants to lower the deficit and has provided no details on his tax reform agenda.

Infrastructure: Infrastructure is notable for being an area of potential bipartisan cooperation – until the details come out. As with tax reform, everyone agrees on the need for improved infrastructure. But paying for it directly with government funds would take a massive amount of money. Trump's alternative: Offer tax credits to private investors who invest in infrastructure, at a cost of \$1 trillion. Even a brief outline of the idea has brought controversy, and top Trump advisor Reince Priebus has said infrastructure won't be an immediate priority.

The Obama administration has been busy with new regulations and executive actions in its final weeks, and Trump has said he intends to overturn many of them. A big one for the auto industry is the final version of the CAFE rules approved by the Environmental Protection Agency in December. Rules created by a federal agency may not be easily overturned, though Congress

could potentially pass a law that addresses the issue. But Congress and the new administration will have to choose their battles, with so many possible areas for action and only so much time.

Congress may be dominated by one party, but party consensus seems elusive. Once Trump takes office, Congress's time will initially be taken up by consideration of a new Supreme Court nominee and top Cabinet appointments. Neither Republicans nor Democrats in Congress nor Trump have shown much interest in bipartisan cooperation, and that too will contribute to gridlock.

Drivers paid highest New Year's gas prices in 3 years

The New Year began with increased gas prices, reaching a national average of \$2.34 per gallon, according to the American Automobile Association. The increase is largely caused by market reactions to last fall's OPEC deal, when OPEC members agreed to limit oil production.

The DC region has the distinction of being the fifth most expensive market in the nation, at \$2.59. The most expensive are Hawaii (\$3.01) and California (\$2.76). The least expensive state is South Carolina, at \$2.10.

Moving into 2017, retail prices will continue to hinge on the ability of cartel countries to successfully make production cuts. Average retail gas prices are likely to increase leading up to the summer driving season as seasonal refinery maintenance gets under way this spring.

Current auto sales – more than half of which are utilities and light trucks – depend heavily on cheap gas. But we are still a long way from summer 2008, when gas topped \$4.00 a gallon.

Staying Ahead...

Sometimes things fall apart so that better things can fall together.

--Marilyn Monroe

WASHINGTON AREA NEW AUTOMOBILE DEALERS ASSOCIATION