

THE WANADA BULLETIN

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

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Headlines...

WANADA's Centennial Gala marks the dealer organization's 100th anniversary:

Mayflower Hotel in DC, Apr. 1

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Maryland paid sick leave bill passes full House, Senate committee

As car loan amount reaches record high, loans are longer

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WANADA's Centennial Gala marks the dealer organization's 100th anniversary at Mayflower Hotel in DC, Apr. 1



Comedian Frank Caliendo

The more things change the more they stay the same. The historic Mayflower Hotel in downtown Washington was as grand a venue when WANADA first started using it for dealer member events in the 1920s and through out the 20th Century as it is today, which makes it the ideal venue for WANADA's upcoming Centennial Gala, Saturday night, April 1, 2017. This elegant *black tie* evening, commencing with a reception and dinner, complemented with rich entertainment, will celebrate Washington area auto dealers and their legacy to the industry and the community they've served for a 100 years. The evening, indeed, promises to be memorable for all WANADA dealers and Kindred-line members, who have all been invited under separate cover. A commemoration of WANADA's last 100 years, the evening will also include a comedy show by popular funny man Frank Caliendo, who in turn, will be joined by *Satisfaction The International Rolling Stones Show* for the dinner dance segment.

Comedian/actor/impressionist Caliendo is known for his dead-on impressions of famous actors Al Pacino and Robert DeNiro; politicians George W. Bush and Bill Clinton; broadcasters John Madden and Charles Barkley, and talk show hosts Dr. Phil, Jay Leno and David Letterman. Caliendo's high energy act is a blend of observations, impressions, characters and anecdotal stories that build to a frenetic pace, Caliendo is sure to leave people laughing.

"Satisfaction/The International Rolling Stones Show" is the global touring tribute to the greatest rock and roll band of all time. The Billboard and Pollstar highly rated show is entering its 15th

year in production, with over 2,500 performances to its credit. The likes of Mick Jagger, Keith Richards and cast will bring a colorful performance to more than 50 years of classic hits.

WANADA thanks the sponsors of the Centennial Gala for their generous support, the marquee sponsor being BG Products, and supporting sponsorships from Architects Group Practice; Councilor, Buchanan & Mitchell; M&T Bank; Payroll Network; Penney Design Group, RBC Wealth Management; SunTrust; and WellNet.

Individual tickets for the Gala are \$400, and a table of ten is \$3,500. To register, click [here](#). Please contact Kathy Teich at kt@wanada.org for registration or detailed information. For sponsorship information, contact Bob Storin at rs@wanada.org. Kathy and Bob can also be reached at the WANADA office, 202-237-7200.

February sales fall 1.1%; car sales down, incentives up

New-vehicle sales in the U.S. slipped 1.1 percent in February as passenger car sales fell sharply and SUV and light truck sales continued to climb.

Midsize cars fell by double digits, often despite robust incentives, AutoTrader analyst Michelle Krebs told the *Detroit Free Press*. New-vehicle inventory spiked 9 percent from February 2016, and days-to-turn was the highest since July 2009, said Jessica Caldwell of Edmunds.com.



Sales of trucks and SUVs, including the hot-selling Chevrolet Silverado, kept climbing in February.

Automakers will need to start limiting production, or pump up incentives even more to keep sales from dropping, analysts said. But crossover and small SUV sales could still keep growing, Caldwell said, according to the *Detroit News*.

Mark LaNeve, Ford's vice president of U.S. marketing, sales and service, called the shift from passenger cars to SUVs and light trucks an industry-wide structural change in consumer buying patterns. The move to larger vehicles started in 2010, a few months after the end of the Great Recession, LaNeve said.

The increase in used-car inventory could also threaten new-vehicle sales, ADESA chief economist Tom Kontos told *Automotive News*. With used-vehicle prices depressed because of strong supply, new-vehicle buyers will have less equity in their trade-in. And they may be less enticed to buy a new vehicle if nearly new used ones are available for a good price.

The good news: New-vehicle transaction prices rose more than 2 percent as consumers bought more SUVs and CUVs, according to Kelley Blue Book. The average transaction price in February was \$34,352, up from \$33,595 in February 2016, but down from January 2017. The greatest year-over-year gains were reported by Ford, with average transaction prices up 6 percent for Fusion, and up nearly 6 percent for the F-series truck, still the best-selling vehicle in the nation.

“Once again, prices are up due to the mix of sales skewing more toward SUVs and away from cars, as keeping the sales mix of SUVs-to-cars steady from last February would have resulted in flat transaction prices,” said KBB analyst Tim Fleming.

Global auto sales to rise 1.5% this year; uncertainty in U.S.



The new administration complicates the near-term picture on U.S. auto sales, analysts said.
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Total 2017 global light vehicle sales will reach 93.5 million units, up 1.5 percent from 2016, predicts IHS Markit. But industry risk in mature markets, such as the United States, is at the highest level it has been since the Lehman Brothers collapse and global industry downturn from 2008 through 2010.

“Political uncertainty could cause a significant rift in light vehicle sales both in the U.S. and Europe, as both regions are undergoing fluctuations in policy, leadership and other dynamics,” said Henner Lehne, senior director, global vehicle group for IHS Markit.

U.S. auto sales have lost some momentum already this year, and the change of administration complicates the near-term picture, said IHS Markit. The policies and changes proposed by the Trump administration on trade and environmental regulations create uncertainty, countered by a slightly improved economic forecast for 2018-2021. It is hard (and unlikely) to sustain and continue to grow at the same rates the U.S. market has seen over the past eight years, and a leveling off is under way. In 2017, IHS Markit forecasts U.S. light vehicle sales of 17.4 million, down 1 percent from 2016.

Maryland paid sick leave bill passes full House, Senate committee

The Maryland House of Delegates and the state Senate Finance Committee have passed similar versions of a paid sick leave bill. The Senate bill requires businesses with 15 or more employees to offer six days of paid sick leave to full-time staff. The House bill provides for seven paid sick days. To reach Gov. Larry Hogan, the bills must be reconciled and sent to his desk by April 10.

Gov. Hogan has introduced a more business-friendly sick leave bill, requiring that businesses with 50 or more employees offer paid leave, with smaller businesses eligible for a tax credit. The legislation is stalled in committee, but the governor’s spokeswoman said he favors his own bill and will keep pushing it.

Lobbyists pushed for several amendments that would make the bill more business-friendly, but they mostly failed. One amendment that passed the Senate would exempt seasonal employees who work up to 106 days (rather than the originally proposed 90 days). That would apply to those who work from Memorial Day to Labor Day. Employees who work less than 12 hours a week would be exempt under the Senate bill. The House bill exempts those working less than 8 hours per week. Part-time workers would receive paid leave based on the number of hours they worked.

Business groups said that the bill would be a burden on small businesses, which might not be able to afford to offer paid sick leave and might even have to lay off some workers. Paid sick leave would make Maryland a less business-friendly state, they said.

House Minority Leader Nicholas Kipke (R-Anne Arundel) said the bill would be “the nail in the coffin” for some small businesses.

As car loan amount reaches record high, loans are longer

As the sales articles at the beginning of this issue of the *Bulletin* note, transaction prices on new vehicles are still increasing. The increasing numbers of consumers who want to buy more expensive SUVs and light trucks are paying more and stretching the loan out over more months. The latest evidence of that trend comes from Experian’s *State of the Automotive Finance Market*.

The average loan amount for a new vehicle reached a record high of \$30,621 in fourth quarter 2016, according to Experian. The amount for a used-vehicle loan also reached a record of \$19,329.

To pay those big loans, more consumers were opting for terms of 73 to 84 months. The number of new vehicle buyers with those longer loans rose from 29 percent of the market in fourth quarter 2015 to 32 percent in fourth quarter 2016. The number of used vehicle buyers with the longer loans increased from 16 percent to 18 percent.

There is now a record \$11,000 gap between the average loan amount on a new and used vehicle, said Melinda Zabritski, Experian’s senior director of automotive finance. “This upward trend is causing many consumers to find alternative methods, like extending loan terms, getting a short-term lease or opting for a used vehicle to get what they want while staying within their monthly budget.”

For consumers who still want to drive something new, leasing a new vehicle costs an average of \$92 less per month compared with financing – \$414 versus \$506. The number of consumers leasing a new vehicle hit nearly 29 percent in the last quarter. The average monthly payment for a used vehicle loan was quite a bit lower, at \$364.

EPA, DOT to roll back emissions standards, as industry urged

The Environmental Protection Agency (EPA) and U.S. Department of Transportation (DOT) are expected to jointly announce a rollback of the more stringent emissions standards approved by the Obama administration in January. Several news sources – *Automotive News*, the *New York Times* and *Bloomberg* – said the announcement is expected as early as this week.

The Obama standards require an average fuel economy rating of 54.5 mpg by 2025. The current figure is around 36 mpg. The two major automaker associations – the Alliance of Automobile Manufacturers and the Association of Global Automakers – had sent the Trump administration a



To buy the car they want, consumers are taking out bigger loans and stretching them over more months.

letter requesting an easing of the emissions rules. The automakers said it would cost them \$200 billion to comply with the rules.

NADA has also worked closely with the Trump administration on this issue. The industry has said that the shifting consumer preferences for more polluting SUVs and light trucks make it harder for automakers to meet the emissions requirements.

The regulatory change does not require Congressional action. There had been some question about whether the Obama administration regulation could be easily reversed, but the Trump administration apparently found a loophole because U.S. DOT was not part of the EPA action in January, although the initial regulation was announced by both agencies jointly.

EPA will also start the process of revoking a waiver for California, which now is allowed to enforce stricter rules than other states. That action could be important locally, as Maryland is one of states that follow California emissions standards. The regulations are *locked in* through MY 2021, but changes by the Trump administration would affect the fleet from 2021 through 2025.

Study shows small increases in fuel economy since 1991

Consumers' preference for buying as much car as they can afford is not a new trend. A new study from the University of Michigan offers hard data to document how little fleet fuel economy has improved in the past 26 years.

The study's authors used information about distances driven and fuel consumed to calculate the actual, on-road fuel economy for the entire fleet. For that reason, the figures are much lower than EPA's fuel economy figures. But the trend is clear.

Fuel economy decreased from 14 mpg in 1923 to 11.9 mpg in 1973. Starting in 1974, fuel economy increased rapidly to 16.9 mpg in 1991. But the figure has moved very little since then, with 2015 seeing fuel economy of 17.9 mpg.

Staying Ahead...

Democracy and socialism have nothing in common but one word, equality. But notice the difference: While democracy seeks equality in liberty, socialism seeks equality in restraint and servitude.

--Alexis de Tocqueville

Author, *Democracy in America*, 1831