

THE WANADA BULLETIN

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

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Ohio dealers fight Tesla; bill allowing direct sales moves in Ariz.



Tesla seeks to set up more direct-sales stores like this one in California.

As predicted, Tesla Motors CEO Elon Musk has far from given up his fight for direct sales in various states. The battle has recently moved to legislatures in Ohio and Arizona. In the meantime, Tesla is dangling the promise of a \$5 billion battery production plant, that could employ up to 6,500 people, to be located in a Sunbelt state. Arizona, Nevada, New Mexico and Texas are competing to host the factory. Texas has banned Tesla's direct sales model, Arizona is considering allowing it. As for the other two, who knows?

In Ohio, the Bureau of Motor Vehicles has issued a license to Tesla allowing it to open direct-sales stores in Cincinnati and Columbus. Joe Cannon, a lobbyist for the Ohio Automobile Dealers Association, told legislators the decision means the state's franchise rules "have been thrown upside down," reports the Associated Press.

OADA is now pushing for a bill that would prevent Tesla from expanding direct sales beyond the two stores it already has in the state. Cannon told lawmakers, "The distinctly different roles of dealers and manufacturers act as a system of checks and balances to ensure that warranty and other service issues are administered fairly," according to AP.



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WANADA's NADA representative, Tammara Darvish of Darcars, Silver Spring, Md., offered the dealer's view in an interview with Reuters: "How can we as auto dealers compete with manufacturers in the same market when we are completely dependent upon them for our inventories?"

In Fort Scott, Kans., dealer David Shepherd of Shepherd Team Auto Plaza told Reuters, "There are rules in place, and they're working." His message: If it ain't broke, why fix it?

In Arizona, a state Senate committee passed a bill that would allow Tesla to sell directly to consumers in the state. There, not just dealers but also the Alliance of Automobile Manufacturers oppose the bill.

Mike Gardner, a lobbyist for the Alliance, told the Arizona Senate committee, "What we're opposed to is allowing one of our competitors to go around the dealer network and sell directly to consumers," reports *USA Today*. "We think we should all be treated the same."

Tesla's Musk has said he does not want to upend the franchise system. But he doesn't think dealers can do a good job selling electric cars when most of their profit comes from selling and servicing conventionally powered vehicles. He sees EV sales as a conflict of interest for them.

In a recent blog post on the company website, Musk acknowledges dealers' investment in their businesses. "Franchisees...invested a lot of their money and time in building up the dealerships. That's a fair deal, and it should not be broken," he writes.

J.D. Power survey takers can now post online dealer reviews

Through a new partnership with DealerRater, some customers of J.D. Power will be asked if they want to write a review of the dealership where they did business. The review would then be posted on DealerRater, a public dealership review site, and shared with dealers and automakers as part of J.D. Power's report on the overall customer experience. Consumers can rate dealers on customer service, quality of work, friendliness, price and overall experience.

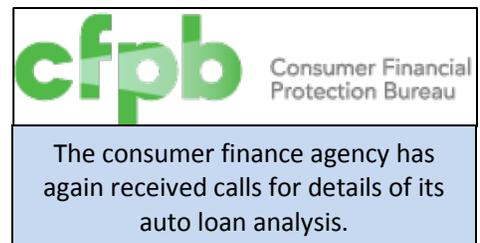
"Where J.D. Power provides detailed operational information to manufacturers and dealers, DealerRater represents the magnified voice of customers across the Web in this age of social media," says Mike Battaglia, J.D. Power's senior director of automotive retail.

Through the integration of information from the two companies, "dealers will have the opportunity to respond immediately to customers' reviews to resolve customer issues, while gaining a better understanding of their online reputation," says J.D. Power.

NADA, House committee ask CFPB for details of loan analysis

NADA and a Congressional House committee are *demanding* details from the Consumer Finance Protection Bureau to back up its statement that dealers sometimes discriminate against minorities, even if unintentionally, in the rates they offer for auto loans

The CFPB issued guidance a year ago for auto lenders, whom CFPB regulates, and signaled it wanted to end dealer discretion in setting dealer reserve. But the agency has never revealed the details of its analysis that found discrimination in auto loan rates, despite requests from NADA and members of Congressional committees in both houses.

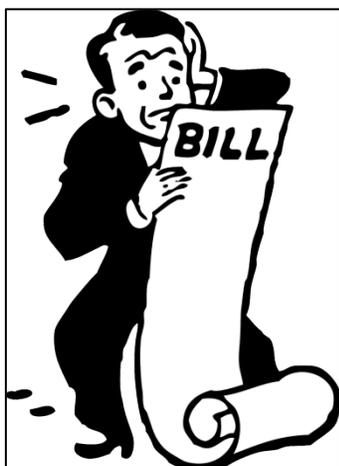


NADA's latest call for information came during a conference in Washington last week organized by the U.S. Chamber of Commerce, reports *Automotive News*. At the meeting, CFPB deputy director Steve Antonakes said the agency has five regulatory tools: rulemaking; consumer complaints; supervision and examination; enforcement; and consumer education. But Andy Koblenz, general counsel for NADA, countered that CFPB relies too heavily on enforcement.

A few days before the Chamber conference, the House Financial Services Committee sent a letter to CFPB director Richard Cordray demanding details of the agency's analysis of auto loans and how it came up with the finding of discrimination. Although the committee gave the agency a March 13 deadline, it had still not received a reply a week later, according to *Automotive News*.

Correspondingly, the CFPB appointed attorney Jeffrey Langer as its liaison with the auto finance industry. Langer was most recently senior counsel at Macy's, Inc., a job that included compliance for credit card programs. At the CFPB, Langer will also be in charge of student loans and other consumer lending.

Consumers pay auto loans before mortgage, credit cards



Consumers' priority on paying auto loans speaks to the need for personal mobility.

If they have to choose, consumers are putting a priority on paying their auto loans, then their credit cards and then their mortgages, according to a new study by TransUnion.

"One of the biggest impacts of the Great Recession to the credit system was its influence on consumer payment patterns," said Ezra Becker, coauthor of the study and vice president of research and consulting for TransUnion.

Consumers have been paying auto loans first – by a wide margin – since at least 2003. For their next payment priority, since last September, consumers are again paying their credit cards ahead of their mortgages. The change is a good sign for the housing market and the overall economy. It means consumers are no longer as concerned they will need their credit cards for day-to-day expenses.

"When the market dynamic is what people expect - i.e., home values are increasing and unemployment is under control - then the payment hierarchy is stable," and people feel less need to "reassess which loan relationships are more important to them," Becker said.

Trucks again outpace cars in U.S. sales – good sign for economy

Light trucks currently account for 51.2 percent of the economy, and have reached more than half of U.S. sales since September, according to Edmunds.com. When trucks outsell cars, it's a good sign for the economy because truck sales are often tied to construction and an improved housing market.

In the Washington area, cars consistently outsell trucks, but that's the nature of the market here. (See WANADA Area Report on the latest regional sales figures [here](#).) As is well reported, the Washington area generally fared better in the last recession than the rest of the country.

In U.S. sales for the rest of 2014 and in 2015, pickups are expected to continue selling well, according to TD Economics' special report on U.S. auto sales. "An improved new housing

construction climate – as evidenced by the level of housing starts – will help support vehicle demand in this category,” the report says.

EV range is cut by 57% in extreme hot, cold, says AAA

The driving range of electric vehicles is *cut* by an average of 57 percent in extreme heat or cold, the American Automobile Association found in a recent test.

The AAA conducted a simulation to measure the driving range of three fully electric vehicles in cold, moderate and hot weather. Vehicles were tested for city driving to mimic stop-and-go traffic and to better compare results with EPA ratings on the window sticker.

At 75° F, the average EV battery range was 105 miles, but that dropped to 43 miles at 20° F. Warm temperatures were less stressful on battery range, but still delivered a lower average of 69 miles at 95° F.

Mazda, Lexus win 5-year cost-to-own awards from KBB.com

Mazda was found to have the lowest projected ownership costs of any brand over five years, in Kelley Blue Book’s cost-to-own awards. Among luxury brands, Lexus was the winner. KBB looks at depreciation and fuel costs, but also F&I fees; maintenance and repair; and state fees for new models. Both brands have strong residuals across their lineups, and are among the lowest in fuel and insurance costs.

“Sometimes an even more expensive car can actually save you money during the first five years of ownership,” said Dan Ingle, vice president of vehicle valuations for Kelley Blue Book.

KBB also gave the award to individual models in vehicle categories, to wit: for Subcompacts - Chevrolet Spark; Compacts -Toyota Corolla; Midsize - Honda Accord; Hybrid/alternative energy cars - Toyota Prius c; Compact SUV/crossovers - Jeep Patriot; Midsize SUV/crossovers - Mitsubishi Outlander; Full-size SUV/crossover - Ford Explorer.



Vehicles such as the CX-5 helped Mazda win the 5 year cost-to-own award.

Volvo testing sensors for distracted, or sleepy drivers

Consistent with its reputation for being a safety leader, Volvo is experimenting with technology that can recognize whether a driver is tired or inattentive by detecting closed eyes or what the driver is looking at.

By placing a sensor on the dashboard to monitor aspects, such as where the driver is looking, how open the driver’s eyes are, and the driver’s head position and angle, it is possible to develop precise safety systems that detect the driver’s state and can adjust the car accordingly, Volvo says. The technology will also ensure that the vehicle does not stray out of the lane or get too close to the car in front when the driver is not paying attention, or wake up a driver who is falling asleep.

The driver would not be able to detect the sensors, which are already installed in test vehicles. The sensors will likely play an important role in self-driving cars in the future, says Volvo.

A reassuring point for privacy advocates: The car neither saves any pictures nor does any driver surveillance.

Top activity while driving? It's not texting, or talking on phone



Nearly half of drivers under 35 admit to texting while driving.

The top activity while driving is much more low tech than texting or talking on one's iPhone, or even listening to the radio. *It's singing out loud!* More than half of motorists admit to singing while driving in a recent survey from DMEautomotive, released in conjunction with National Collision Awareness month.

The runners up present a more serious problem for distracted driving: Half say they talk on the phone or eat; 20 percent send a text; and 5 percent read, work on their laptop, floss or shave. Younger drivers are much more likely to be multitasking while driving, and they are

significantly more likely to do every distracted driving behavior measured by the aforementioned study, including shaving, putting on makeup and changing clothes.

Staying Ahead...

There are no secrets to success. It is the result of preparation, hard work, and learning from failure.

--Gen. Colin Powell

WASHINGTON AREA NEW AUTOMOBILE DEALERS ASSOCIATION