

THE WANADA BULLETIN

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

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Cars 'increasingly vulnerable' to hacking, FBI, NHTSA warn

The FBI and National Highway Traffic Safety Administration (NHTSA) have issued a bulletin warning consumers that motor vehicles are "increasingly vulnerable" to cyberhacking and urging them to contact their dealer if there's any question of hacking.

"The FBI and NHTSA are warning the general public and manufacturers – of vehicles, vehicle components and aftermarket devices – to maintain awareness of potential issues and cybersecurity threats related to connected vehicle technologies in modern vehicles," the bulletin said.

"An important step is being able to diagnose whether any anomalous vehicle behavior might be attributable to a vehicle hacking attempt," the announcement continued. "Contact your vehicle manufacturer or authorized dealer and provide them with a description of the problem so that they can work with you to resolve any potential cyber-security concerns."

Fiat Chrysler had to recall 1.4 million vehicles last year after hackers reported in *Wired* magazine that they were able to remotely hack a Jeep Cherokee and drive it into a ditch. The issue will escalate as cars are increasingly dependent on electronics for features, such as parking assist in the race toward autonomous vehicles.

The government bulletin referred to a report issued last year by security firm IOActive. The report said, "as new technology is added to vehicles, new attacks become possible."



The 2014 Jeep Cherokee was remotely hacked and driven into a ditch last year.

A particular point of vulnerability is vehicle software updates sent to consumers. “If a manufacturer issues a notification that a software update is available, it is important that the consumer take appropriate steps to verify the authenticity of the notification and take action to ensure that the vehicle system is up to date,” the bulletin said.

Dealers should ensure that customers – especially those buying vehicles with more advanced connected features – are well informed.

More SUVs, CUVs, luxury vehicles at NY Auto Show

The Great Recession and high gas prices seemed like a distant memory at the opening of the 2016 New York Auto Show, as automakers competed to see who could show the biggest SUVs, the most expensive crossovers and the most luxurious features for all vehicles. Joining the well-attended media days this past week in New York were WANADA representatives on behalf of the Washington Auto Show. Attending major auto shows like New York affords the opportunity for WANADA reps to interact with OEM exhibitor operatives and industry executives, which is time well spent, since Washington, like New York is an OICA recognized auto show on the global industry circuit.



The refreshed 2017 Buick Encore subcompact SUV was one of the many utilities debuting at the New York Auto Show. ©General Motors.

“The industry as a whole has never been as healthy as it is now,” Nissan CEO Carlos Ghosn proclaimed at the New York Auto Show Media Breakfast.

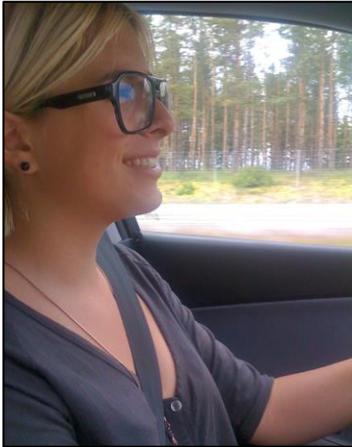
Consumers seem happy to assume that gas prices will remain low forever, and they are snapping up utilities of all sizes. “At the end of the day, the customer comes first and the customers want the SUVs,” said U.S. Vice President of Buick Duncan Aldred, the *Detroit News* reported. Even in the Washington area, where car sales have long predominated, the most recent [WANADA Area Report](#) showed light trucks topping car sales. The American Automobile Association said recently that gas prices climbed for two straight weeks to reach their highest national average since January, \$1.98 per gallon, but the rise was mostly caused by seasonal increases in fuel demand and reduced production as refineries do maintenance.

Consumer interest in eco-friendly cars seems closely tied to the price of gas. Even the manufacturers of hybrids and electric cars are de-emphasizing the fuel savings from their vehicles and instead talking up the styling, acceleration, handling, reliability and large number of features at a good price, reports the Associated Press.

A midterm review of federal fuel economy standards is scheduled to begin this summer under the terms of the EPA regulation that established them. Automakers are widely expected to ask for more flexibility in meeting the standards, which are based on sales, not the fuel economy of vehicles manufactured.

As this year’s Washington Auto Show demonstrated, automakers are investing in and making many alternative-fuel and high-mileage models. But consumers aren’t buying them in sufficient numbers to meet the EPA requirements. Judging from the reaction of government officials at the SAE Government/Industry Conference during The Washington Auto Show, flexibility on deadlines to meet the standards may be elusive.

Five warning signs for auto industry



Many millennials are not interested in cars when they're younger, but that changes when they have kids and move out of the city center.

And yet, the Automotive Forum hosted by NADA, J.D. Power and the New York Auto Show presented some warning signs for the industry, according to Nathan Bomey of *USA Today*. Most have been reported in the past few months in the *WANADA Bulletin*.

- **Negative equity.** The number of auto buyers “upside down” in their vehicle financing is set to hit a 10-year high this year, according to J.D. Power, as nearly one-third of buyers will owe more on their car than it is worth.
- **Increase in subprime.** The percentage of subprime buyers will reach 17.5 percent this year, says J.D. Power, a nine-year high.
- **Longer loans.** For some buyers, the only way to afford a new car at the increasingly high price is to stretch the loan out over more months. Six-year loans now account for more than one-third of sales. Such terms will either keep consumers out of the market longer or increase their negative equity, making it harder for some to ever dig out.

• **Millennials less interested in cars.** Recent research of this well-studied topic, reported on in the *Bulletin*, has shown that this statement is not as straightforward as once thought. As millennials grow older, have children and move out of cities where owning a car is unnecessary, they are more interested in buying their own cars. And their younger counterparts, Gen Z, are even more interested in car ownership, as the [Bulletin](#) reported last week.

- **Increase in fleet sales.** These are less profitable for both manufacturers and dealers, even as they pump up sales figures. Some manufacturers such as GM have made a deliberate effort to scale back on fleets.

Much less expensive to own an auto in Virginia, than Maryland, DC

As area business owners are well aware, Maryland and DC have much higher taxes and other fees than Virginia. That disparity is reflected in the cost of owning a car in each jurisdiction. In a ranking of those costs in the 50 states plus DC, Virginia is the 6th least expensive, compared with 46th for Maryland and 49th for DC.

The study, by GoBankingRates.com, looked at car sales tax and title fees (one-time purchase costs) and registration fees, car insurance, fuel and maintenance costs (annual ownership and usage costs). Researchers looked at the three-year cost to own a car bought for the average transaction price of \$33,543 (Kelley Blue Book’s figure).

In Virginia, one-time purchase costs are \$1,352 and annual ownership and usage costs are \$2,750. The Commonwealth has less expensive auto insurance and lower gas prices, but also has the fifth highest annual repair costs in the country, at \$421. Three-year cost to own in the Old Dominion is \$9,603.

At the other end of the scale is Maryland, where one-time purchase costs are \$2,151 and annual ownership costs \$3,592. Maryland has the highest title fee of any state, at \$138. Higher insurance costs, gas prices and car repair costs bring the three-year cost to own in the Free State to \$12,926.

Then there's DC. One-time purchase costs are \$2,039, and annual ownership costs are \$3,841, thanks to higher registration fees, costly insurance, and high gas prices and repair costs. Three-year cost to own a car in the District is \$13,561, topped only by California and Michigan.

DC, Montgomery County propose \$15 minimum wage



The DC City Council will discuss Mayor Bowser's proposal when it returns from its break in early April. [Creative Commons](#)

A few days after DC Mayor Muriel Bowser said she would propose raising the city's minimum wage to \$15, Montgomery County followed suit with its own bill for a \$15 minimum.

Montgomery County Councilman Mark Elrich (D) told WAMU that he had a bill drafted to raise the minimum to \$15 by 2020, but it was not planned in coordination with DC, as the most recent hike was. The reason to coordinate the raise was that, otherwise, some businesses could decide to move to another jurisdiction to avoid the higher costs. Dealerships, of course, don't have that option.

Bowser said she plans to send her proposal to the DC City Council when it returns from its recess in April. The District's minimum wage is now \$10.50 and will rise to \$11.50 in July. Montgomery and Prince George's County will increase their minimum to \$11.50 by 2017. Virginia uses the federal wage of \$7.25.

The DC City Council has shown an interest in a higher minimum wage in the past. Supporters tried to put a \$15 minimum on a ballot initiative, but the effort is currently tied up in court. Businesses are opposed to the \$15 wage, saying it would raise the ever-increasing cost of doing business in the city and could drive business out of the city.

Bowser said in her *State of the District Address* that she would work with both business and workers' groups to explore the proposal.

"As we raise the wage, I will also assemble a task force of leaders – from workers, to organized labor and the business community – to spend six months looking at how we work together to create a worker- and business-friendly environment in which we maintain our regional competitiveness," she said.

NHTSA proposes rules to prevent electric shock in EVs

National Highway Traffic Safety Administration has proposed rules to prevent electric shock for drivers, passengers or anyone coming in contact with electric vehicles, such as rescue workers.

The rules are designed "to protect against direct and indirect contact of high-voltage sources during everyday operation of electric-powered vehicles," NHTSA said in the *Federal Register* notice. The proposal also includes an optional method for preventing post-crash injuries.

U.S. DOT will take comments on the proposed rules until early May.

U.S. drivers drove 3.1 trillion miles in 2015

Millennials may or may not be buying a lot of cars (see “Five Warning Signs for Auto Industry,” pp. 2-3), but Americans are breaking records for the number of miles they drive. Last year, they drove more than 3.1 *trillion* miles, beating a previous record just above 3 trillion set in 2007.

Figures are from the Department of Transportation, which adds that 3.1 trillion miles is about the same distance as 337 round trips from Earth to Pluto. December also set a record for seasonally adjusted vehicle miles traveled.

All five regions of the U.S. increased their miles traveled last year. But DC showed the largest single-month *decrease* in December, at 4.6 percent.

Pothole damage costs U.S. drivers \$3 billion a year

With any luck, area roads have finally stopped freezing and thawing this year and creating big potholes in the process. Pothole damage has cost American drivers about \$3 billion annually for the past five years, according to the American Automobile Association.

“The problems range from tire punctures and bent wheels to more expensive suspension damage,” said John Nielsen, AAA’s managing director of automotive engineering and repair. Drivers pay an average of \$300 to fix pothole-related vehicle damage.

To make matters worse, said the AAA, about one-third of MY 2015 vehicles have no spare tires, which can be critical for drivers who drive over a pothole.

Thought for the Week...

“Je suis Bruxelles.”

(“I am Brussels”)

--Banner displayed in French solidarity with victims of the terrorist attacks in Brussels.



WASHINGTON AREA NEW AUTOMOBILE DEALERS ASSOCIATION