

THE WANADA BULLETIN

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

WANADA Bulletin # 11 -17

March 28, 2017

Headlines...

WANADA 100th anniversary gala, Saturday, April 1, Mayflower Hotel

Two sets of fuel economy standards may be likely

What would Trump budget mean for Washington area economy?

Porsche dealers rank highest in response to customer internet inquiries

Three-fourths of Americans afraid to ride in self-driving car

Washington is only sixth most congested urban area in U.S.

One possible small step: 1 cent hike in federal gas tax

Staying Ahead...

WANADA 100th anniversary gala, Saturday, April 1, Mayflower Hotel



Frank Caliendo (above),
Satisfaction band (below)

A spectacular 100th anniversary gala is planned for this Saturday at the historic Mayflower Hotel in downtown Washington, DC. The *elegant black-tie event* is an occasion not to be missed, with a cocktail reception, dinner and a commemoration of the past 100 years of the retail automotive industry in the Washington area, and top-flight entertainment.

Here is the evening's schedule:

6:00 – 7:30 pm	Cocktail reception
7:30 – 9:00 pm	Dinner and commemoration of the past century
9:00 – 9:30 pm	Comedian Frank Caliendo
9:30 – 10:30 pm	Satisfaction/The International Rolling Stones Show



Comedian/actor/impressionist Frank Caliendo is known for his dead-on impressions of actors Al Pacino, Robin Williams 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. His high-energy act is a blend of observations, impressions, characters and anecdotes that builds to a frenetic, hilarious pace.

Satisfaction/The International Rolling Stones Show is the global touring tribute to the world's greatest rock and roll band. The client list of this Billboard and

Pollstar highly rated show includes the nation's top casinos, performing arts centers, music halls and corporate clients. The likes of Rolling Stones legends Mick Jagger and Keith Richards bring a colorful performance to more than 50 years of classic hits.

Registration will be closing on Wednesday, but a few gala tickets are still available for those who act quickly. Individual tickets for the Gala are \$400, and a table of ten is \$3,500. To register, click [here](#). Please email Kathy Teich at kt@wanada.org for registration and detailed information, or call her at the WANADA office, 202-237-7200

WANADA thanks the sponsors of the Centennial Gala for their generous support. The Marquee Sponsor is BG Products, with supporting sponsors Architects Group Practice; Councilor, Buchanan & Mitchell; M&T Bank; Payroll Network; Penney Design Group; RBC Wealth Management; SunTrust; and WellNet.

Two sets of fuel economy standards may be likely

California and the states that follow its fuel economy rules – including Maryland and DC– decided to stick with the more stringent standards initiated in 2012 and approved by the Environmental Protection Agency in the waning days of the Obama administration. The California Air Resources Board voted to do so late last week, and the other states that agreed to follow California's rules must do so in this case.

Meanwhile, Trump has said his administration will review those standards, and it is widely expected that EPA Administrator Scott Pruitt will at least push back the deadline for meeting them. Under the current rule, the automotive fleet must average 54.5 mpg by 2025.

The result will be a return to two sets of standards, one for California and the states that follow it, and another for the rest of the country. That's the situation automakers have been anxious to avoid and one reason they approved the current standards when they were set in 2012. Media reports have said that Trump could try to overturn the waiver that allows California to set its own standards. If he did, the golden state would surely sue.

Some automakers have said they will continue with plans to make their vehicles more fuel-efficient. That's in large part because the rest of the world is moving toward stricter emissions mandates, not weaker ones, and the automakers are global companies.

A recent report from the International Council on Clean Transportation, an independent research group, found that the costs of complying with the current vehicle emissions standards have been "consistently overstated." Technology costs continue to fall on measures ranging from lightweighting conventionally powered vehicles by using aluminum to building alternative powertrains such as electric. As a result, compliance costs are 34 percent to 40 percent lower than the Obama administration estimated in January -- \$551 instead of \$875 for the period from 2015 to 2021, the report said.



California's embrace of the Obama-era standard that Trump has indicated he will likely weaken could dash the idea of a single national standard. Photo by Anthony Iswasty.

But none of these calculations changes the facts at the retail level: American consumers are buying more SUVs and light trucks. For that reason alone, dealers and automakers alike would prefer the flexibility of pushing back deadlines for emissions targets.

What would Trump budget mean for Washington area economy?



The Washington area has tried to become less of a “company town”, but it has not fully succeeded.

The Washington area has been trying, with some success, to diversify its economy in the past few years. But it’s still a company town. So Trump’s effort to “drain the swamp” could definitely affect the local economy.

Thirty-five percent of regional gross domestic product comes directly from federal spending, according to the Stephen S. Fuller Institute at George Mason University. That’s down from 39.8 percent in 2010, and it is forecast to drop to 27 percent in the next four years. Many federal jobs are at risk, but the expected boost in defense spending will likely mean more

hiring by contractors – though probably not enough to offset the drop in federal employment.

Stephen Fuller said that 15,000 to 24,600 federal workers would lose their jobs in the first year of Trump’s budget. Between that and the projected drop in federal spending for local jurisdictions, the Washington area could see a loss in federal revenue of \$2.6 billion to \$3.9 billion a year, he said.

Workers who have lost their jobs, or fear that they could, are of course less likely to be in the new-car market. But for now, multifranchise dealer Jack Fitzgerald, Fitzgerald Auto Malls, told the *Washington Post* he has not seen any effect on sales.

Porsche dealers rank highest in response to customer internet inquiries

Porsche dealerships ranked highest in the 2017 Pied Piper PSI Internet Lead Effectiveness Benchmarking Study, which measured how auto dealerships responded to customer inquiries received through a dealership website. Study rankings by brand are determined by a process that ties mystery shopping and scoring to dealership sales success.

Industry average performance has been flat over the past five years and dropped slightly from 2016 to 2017. The overall industry decline was driven by fewer responses in 2017, with one customer in eight failing to receive a response of any type – even an automated response – within 24 hours. Three out of ten customers failed to receive a personal response within 24 hours.

Other industry average measurements improved this year. For example, dealerships tried to phone customers 69 percent of the time on average, compared with just 50 percent of the time five years ago. Dealerships provided additional information about the vehicle of interest 50 percent of the time, up from 27 percent five years ago.

Part of the reason for low lead responses is software failures, which accounted for one in four lead response failures. “A typical dealership has three or four different pieces of third-party software that must work together seamlessly for lead response to work, and it has been our

experience that when software failures occur they often remain invisible to the manufacturer and dealer,” said Fran O’Hagan, president and CEO of Pied Piper Management Co.

After Porsche, the rest of the top five brands were BMW, Mercedes-Benz, Mini and Infiniti.

Three-fourths of Americans afraid to ride in self-driving car

Three out of four U.S. drivers report feeling “afraid” to ride in a self-driving car, according to a recent survey from American Automobile Association (AAA). Despite this fear, AAA also found that drivers who own vehicles equipped with semi-autonomous features are, on average, 75 percent more likely to trust the technology than those who do not own it, suggesting that gradual experience with these advanced features can ease consumer fears.

“American drivers may be hesitant to give up full control,” said John Nielsen, AAA’s managing director of Automotive Engineering and Repair. “What Americans may not realize is that the building blocks toward self-driving cars are already in today’s vehicles and the technology is constantly improving and trusted by those who have experienced it.”



Many drivers don’t realize that features, such as adaptive cruise control in the Ford Explorer Limited, are steps to a self-driving car.

The AAA survey found that consumer demand for semi-autonomous vehicle technology is high. The reasons offer some useful information for dealership salespeople. Nearly two-thirds of those surveyed report wanting at least one of the following technologies on their next vehicle: Automatic emergency braking, adaptive cruise control, self-parking technology or lane-keeping assist. Among those who want those features, their primary motivation is safety (most wanted by *baby-boomers*), followed by convenience (most wanted by *millennials*), reducing stress (most wanted by women) and wanting the latest technology (*millennials*).

Among those who do not want the semi-autonomous features, the most cited reasons are: Trusting their driving skills more than the technology; feeling the technology is too new and unproven; not wanting to pay extra for it; not knowing enough about the technology, and finding it annoying.

Washington is only sixth most congested urban area in U.S.

Stop being so proud of a ranking no one really wants, DC. Unlike some earlier studies that put Washington first or second, a recent study found that the nation’s capital is only sixth in the ranking of the most congested urban areas in the country. First is – you guessed it – Los Angeles, followed by New York, San Francisco, Atlanta and Miami, and then DC. Dallas, Boston, Chicago and Seattle round out the top 10. The information is from the INRIX Global Traffic Scorecard.

Washington area drivers spent 61 hours in traffic last year during rush hour and a total of 11.3 percent of their drive time in congestion, at a cost per driver of \$1,694, and a cost to the city of \$3 billion.

“The demand for driving is expected to continue to rise, while the supply of roadway will remain flat,” said Bob Pishue, senior economist at INRIX. “Using big data and roadways offers a more

immediate impact on traffic flows and mobility while transportation officials explore capital investments.”

One possible small step: 1 cent hike in federal gas tax

Everyone agrees that U.S. infrastructure is in terrible shape. As the *WANADA Bulletin* [reported recently](#), the American Society of Civil Engineers gave Washington area roads a D+. The trouble is, no one can agree on how to pay for needed improvements.

The idea of increasing the gas tax has been raised many times, but it has not received a serious hearing in many years. The federal gas tax has been 18.4 cents a gallon for 24 years. But many Republicans have signed a pledge not to raise any tax and don't want to go back on their word, and many Democrats are reluctant to broach the issue.

Now Rep. Peter DeFazio, (D-OR) has introduced a bill that would raise the gas tax by about a penny per gallon, up to 1.5 cents. The exact amount would be determined by the National Highway Construction Cost Index and the Corporate Average Fuel Economy (CAFE) standard.

The U.S. Treasury Department would sell \$17 billion in 30-year bonds every year against future revenue from the gas tax. The money would then be put in the Highway Trust Fund to be spent on roads, bridges, transit, and safety programs. The measure would generate about \$500 billion over 30 years.

DeFazio has discussed the proposal with an assistant to the president on infrastructure, who did not rule the idea out. DeFazio understands that White House support would be necessary for the measure to go anywhere in Congress.

Staying Ahead...

Nothing gives one person so much advantage over another as to remain always cool and unruffled under all circumstances.

--Thomas Jefferson

