

THE WANADA BULLETIN

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

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Thought for the Week...

NADA chairman defends franchise system at Automotive Forum



NADA Chairman Forrest McConnell explains how the franchise system helps consumers.

In the wake of national publicity over Tesla's efforts to go around state franchise laws, NADA Chairman Forrest McConnell explained last week why the dealer franchise system is vital to the auto industry. He spoke at the 2014 Automotive Forum, presented by NADA and J.D. Power during the media days for the New York Auto Show.

Dealers helped pave the way for startup brands such as Honda and Toyota, McConnell said. Manning the pivotal retail position, dealers are as invaluable as they are indispensable to automobile business stakeholders, especially consumers. The

franchise system keeps competition up and costs down for car buyers, said McConnell, a Honda/Acura dealer in Montgomery, Ala.

Addressing an issue frequently raised by Tesla proponents in the media, McConnell asserted that, "cutting out dealers would not lower car prices, because a factory-owned retail network would have to put in the same investment in physical assets and the same operating expenses that dealers now shoulder."



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Manufacturers retailing their own vehicles would have no competition. “Customers would be stuck paying the full sticker price – because there would be no ‘same brand dealership’ to shop and compare prices,” said McConnell.

Dealers also play an important role in safety recalls, as thousands of GM vehicle owners are finding out. “GM dealers are getting ready to support their customers from New York City to Yuma, Arizona, at no cost to those customers,” McConnell said.

Meanwhile, Tesla failed in its effort to sell directly to consumers in Arizona when legislation to allow Tesla to open direct sales outlets didn’t clear the state legislature. Tesla vowed to return to fight the battle again next year in Arizona, as they announced plans to build a gigafactory expected to hire 6,500 people there.

Other states pondering the Tesla question besides Arizona include Texas, but Tesla has said state franchise laws will not affect the automaker’s decision on where to build the factory.

Barra says GM dealers have been ‘phenomenal’ during recall

General Motors CEO Mary Barra told NADA-TV during the recent NADA/J.D. Power Automotive Forum in New York that GM dealers have been “phenomenal” in their handling of the recall of 2.6 million small cars.

“They’ve gone above and beyond to make sure they answer (customer) questions,” Barra said. “I can’t ask for more support and just great service than the dealers have been providing.”

Dealers are well positioned to sell and deal with the recall, she said. “They understand the community, they have relationships with customers there and have relationships with people in the community at large, she said.

“They know our product. They’re really dedicated to understanding the technology of our product.”

Barra’s final message to dealers: “I want to say thank you for a great partnership.”

She told the *Detroit Free Press* that GM is proceeding with the recall repairs as quickly as possible. “Parts are arriving at dealerships, where trained technicians are working and we’re repairing cars.”

GM won a victory when a federal judge in Texas ruled that the automaker should not be forced to park its recalled cars, despite calls by some members of Congress to do so.

Meanwhile, Morgan Stanley analyst Adam Jonas lowered his earnings estimate on GM stock from \$49 to \$33. Some analysts project the recall will cost GM \$2.5 billion to \$3.5 billion. Looking at the broader picture, Jonas said the coming period of technological change for the auto industry, with an expected increase in electronic and autonomous vehicles, will disadvantage traditional companies such as GM. Startups like Tesla, he said, may be better able to attract innovative engineers who can deal with the changes.



GM CEO Mary Barra praises dealers at the NADA/J.D. Power Automotive Forum.

NADA Convention to go Thursday to Sunday in 2015

Switching up its longstanding Friday through Monday format, the NADA Convention in 2015 is set to go Thursday through Sunday, effectively moving the scheduled events up by one day. The first General Session, for example, that has always occurred Saturday afternoon will now roll out Friday afternoon. Those disappointed by the new day sequence may find solace in the return of the national dealers convention to the ever popular venue of San Francisco.

The Thursday to Sunday dates are early once again for NADA's Convention, being January 22-25, 2015.

Among others challenged by NADA's 2015 Convention timetable will be WANADA, which will need to figure out the industry/media preview days for the 2015 Washington Auto Show, which ordinarily would occur on Wednesday and Thursday, Jan. 21-22, preparatory to the show's opening to the public for ten days on Friday, Jan. 25.

In 2016, NADA's Convention makes a big change of schedule moving to Thursday, March 31-Sunday, April 3, in Las Vegas, only to move back to late January in 2017, Thursday, Jan. 26 thru Sunday, Jan. 29 in New Orleans.

Survey: Connected cars are safer, but raise privacy concerns

Most Americans believe connected vehicle technology will make driving safer, but most are also concerned about security and privacy, according to a new survey by the University of Michigan.

The study, which surveyed nearly 1,600 online respondents, found most are concerned about system and vehicle security breaches from hackers and about data privacy in tracking speed and location. They are also worried about system failure and performance, especially during bad weather, and that drivers will rely too much on the technology or will be distracted by it.

On the upside, a majority believe connected vehicles will reduce the number and severity of crashes, improve emergency response times and result in better fuel economy. Other benefits the respondents expect from connected cars: less traffic congestion, shorter travel times and lower emissions. But only 27 percent of Americans surveyed had ever heard of connected vehicle technology.

Driving likely peaked in 2004, says U-Michigan study

Per person, per driver and per household, Americans now have fewer light-duty vehicles, drive each of them less, and consume less fuel than in the past, according to a recent study from the University of Michigan. And the study's author believes the trends are here to stay.

Rates of fuel consumptions have fallen 13 to 18 percent from their peak around 2004, the study found. Although economic factors have likely contributed to declining rates since the recession, other societal changes have influenced the need for personal transportation: increases in telecommuting, in the use of public transportation and in urbanization. Another factor is the change in drivers' ages.

Highway Trust Fund projected to go bankrupt at end of August

The Department of Transportation says that based on current spending and revenue, the Highway Trust Fund will likely run out of money in late August, before the end of the fiscal year. The updated estimate came out last week.

The Highway Account began the fiscal year with \$1.6 billion, and \$9.7 billion was transferred from the General Fund. The Highway Trust Fund had \$8.4 billion as of March 28, but the money scheduled to be spent on transportation projects for the rest of the year exceeds that amount.

Senate Budget Committee Chairwoman Patty Murray (D-Wash.) said the report “should be a wake-up call to Congress. The Highway Trust Fund is heading toward an avoidable crisis as early as July, and if we don’t act, could lead to a construction shutdown on our nation’s roads and bridges.”

In July, the fund’s level is projected to go below \$4 billion, and state and local officials would have to start canceling infrastructure projects, according to transportation experts.

The problem is that the gas tax, which normally funds highway and road construction, brings in only about \$34 billion a year. Another \$100 billion would have to be authorized to pay for the six-year transportation bill that experts believe is needed, according to the Congressional Budget Office. President Obama and House Ways and Means Committee Chairman Dave Camp (R-Mich.) have offered different budget proposals that would deal with the funding deficit.



Transportation advocates have warned that highway construction projects could be stopped in their tracks if the Highway Trust Fund does not get an infusion of cash.

Texting while driving: Push for UN ban; Honda safety campaign

U.S. Ambassador to the United Nations Samantha Power is pushing for a UN resolution backing a ban on texting while driving. And as part of Distracted Driving Awareness Month, Honda has launched a campaign reminding millennials of the dangers of texting while driving.

It is illegal in 43 states and DC to text while driving. Power said in her speech, “Too many drivers simply don’t understand the danger of taking their eyes, even briefly, from the road.” She cited research showing that “cell phone users are over five times more likely to get in an accident than undistracted drivers, and that texting while driving can delay a driver’s reactions as much as a 0.08 blood-alcohol level, the same as a drunk driver.” More U.S. teenagers have been killed while texting than because they were drinking, said Power.

Although young people are not the only ones attached to their cell phones, they may be especially vulnerable. To reach that group, Honda has launched a social media program using emoticons to highlight the dangers of texting while driving. Messages on Honda’s social platform provide information about distracted driving and tips on ways to stay focused while driving.

Ford Mustang displayed 1000 feet above Manhattan



2015 Ford Mustang at the top of the Empire State Building

Not since King Kong's ascent of the Empire State Building in the classic movie has New York's famous icon had the attention it got from last week's Mustang display on its roof. The 50th anniversary of the pony car is big news for Ford. So why not make a splash by hauling the 2015 Mustang high above most of the Manhattan skyline, on top of the Empire State Building? It took six weeks of preparation to get the convertible to the 86th floor observation deck. "Frankly, if you

don't like this car, you don't like cars," said Ford Executive Chairman Bill Ford, Jr. Or in this case, maybe you don't like heights.

Correction! WANADA erred in reporting NADA's dealer balloting process for director positions

Last week's WANADA Bulletin incorrectly described the procedure NADA utilizes in balloting its dealer members when director positions come up on its board of directors. ("Ballots coming to WANADA dealers from NADA, etc." April 18, 2014)

Specifically, the Bulletin's reference in the third article's last paragraph was inaccurate, namely, "Note finally, that NADA balloting for expiring director seats is important because even with uncontested positions on its board all candidates must garner the votes of at least 10% of the NADA dealers in the director district."

In fact, NADA's notice to WANADA said this: "To qualify as a nominee, a member must receive at least 10% of the total voters cast in the nomination process." The rest of the information in the Bulletin article was correct.

WANADA regrets any confusion the aforementioned Bulletin report may have caused and refers members to the letter NADA said it was sending last week to dealers in its Metro Washington district.

Thought for the Week...

If manufacturers sold directly to customers, there would be zero competition in pricing vehicles, parts and service.

--NADA Chairman Forrest McConnell,
Speaking at the 2014 NADA/J.D. Power Automotive Forum in New York