THE WANADA BULLETIN

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

WANADA Bulletin # 17-14 **May 9, 2014**

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Evening to mark WANADA CEO transition and spotlight DC area auto business

Thursday, May 29, *New* Marriott Marquis/Convention Center

WANADA's members along with other industry and community leaders, have been invited to celebrate 70 years of the automobile business in Washington when the association will mark the occasion of Gerard Murphy stepping out as WANADA's president and CEO on May 29, 2014 at the newly opened Marriott Marquis Hotel adjacent to the Washington Convention Center in downtown DC. *Seventy years* comes from the legacy Gerry Murphy has carried forward at WANADA in successively following his father, Mike, and grandfather, Richard, as CEO of WANADA.

Besides the program commemorating the Washington area auto business, a dance band will perform for those so inclined.

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The current Murphy, whose tenure as chief executive officer at WANADA goes back to 1983, officially "passes the keys to the office" on July 1st to John O'Donnell who has been the organization's executive vice president since 2006.

The special WANADA member reception and dinner will be the first event of its kind to occur in the new Marriott Marquis that opened last week as one of Washington's largest, most prestigious hotels and one that has been on the drawing board to service the Walter E. Washington Convention Center since it opened ten years ago. The W.E.WCC, of course, is the world class venue of The Washington Auto Show, which WANADA has effectively transitioned into the industry-wide event it has become as The Public Policy Show on the global auto show circuit.

For registration information, click here. For sponsorship opportunities and detailed event information, contact Kristina Henry at (202) 237-7200 or kh@wanada.org.

April auto sales outpace economy (16.1 million SAAR)

April auto sales brought the spring thaw everyone had been hoping for with an 8% increase. The strong showing is attributable to pent-up demand from buyers who were snowbound in January and February, but also especially strong retail sales.

Sales leader: Ford F-150

"Sales momentum from March rolled into April, pushing the industry to its best back-to-back monthly sales pace since fall of 2007," Toyota division group vice president Bill Fay said in a statement.

The seasonally adjusted annual sales rate (SAAR) for April was 16.1 million, up from 15.2 million a year ago. The SAAR has been 16 million or higher in four of the last nine months.

Several automakers saw double digit gains: Chrysler (14%), Kia (13%), Nissan (18%), Subaru (22%) and Toyota (12%). Luxury makes did well, too, with Audi and Jaguar/ Land Rover both up 19%; Lexus jumping 28%; and Mercedes-Benz up 11%. Even General Motors, with all its recall troubles, saw a 7% sales hike.

"Retail demand was steady in April, with truck sales and transaction prices especially strong," Kurt McNeil, GM's U.S. vice president of sales operations, said in a statement.

Ford was one of the few major automakers that lost sales, dropping 1%.

Transaction prices rose more than 1% from a year ago, up $389 to $32,141, according to Kelley Blue Book. "Continuing their slow and steady increase, transaction prices are on the rise, but in conjunction with incentive spending, which forces them to offset one another," said Karl Brauer, senior analyst for Kelley Blue Book.

Across all vehicles, Ford F-Series was again the top selling vehicle last month, followed by the Chevrolet Silverado, Toyota Camry, Ram Pickup and Honda Accord.

Franchised dealers' used sales up 4.7% from April 2013

Franchised dealers' used-vehicle sales rose 4.7% in April, more than for independent dealers (3.95%) and private party sales (2.2%), according to CNW Marketing.

Used sales driven by the Internet continue to climb as the role of newspapers continues to decline. In April, the number of used-vehicle shoppers who went to a dealership because of something they read on the Internet jumped 116%, while the number of people driven there by print newspapers dropped 16%.

One reason franchised dealers are doing well in the used market: One-to-five-year-old vehicles continue to sell well – up 9 percent from a year ago and 28 percent from March.

More consumers are going to a franchised dealership to shop for a used vehicle than in March (up 46.5%), but fewer than a year ago (down 4.5%).

Responding to media on Tesla, NADA sets the record straight

Tesla's battle to build more direct sales stores like this one in California is far from over.

The question of manufacturers selling directly to consumers is settled for now in Virginia and Maryland, but three Federal Trade Commission staffers brought it up again nationwide with their blog defending Tesla. Dealers could still get calls from news reporters who don't understand the dealer franchise system. Here's how NADA responded to media inquiries about the FTC blog:

"For consumers buying a new car today, the fierce competition between local dealers in a given market drives down prices both in and across brands. On the other hand, if a factory owned all of its stores it could set prices and buyers would lose virtually all bargaining power. And, of course, buying a car isn't like buying a pair of shoes online. Cars require licensing to operate; financing and insurance to take home; and they contain hazardous materials, so states are fully within their rights to protect consumers by standardizing the way cars are sold."

WANADA dealer briefing on avoiding F&I discrimination

In response to the Consumer Financial Protection Bureau's ongoing pubic statement about the potential of racial discrimination by dealers arranging car loans, WANADA has set up a management briefing for dealer member representatives on avoiding such situations while complying with the consumer protection laws applicable to F&I.

The panel is Tuesday, May 20, from 9:00 am to 11:00 am at the Ritz-Carlton Tysons Corner. The speakers are NADA regulatory attorney Paul Metrey, dealer lawyer Mike Charapp and Chris Stinebert of the American Financial Services Association.

Because of the importance of the issue, WANADA member representatives are invited to attend the briefing at *no charge*. The cost for others is $150 per person. To download the registration and information sheet, click here or contact Kristina Henry at (202) 237-7200; kh@wanada.org.

Automakers on track to meet emissions standards

The Environmental Protection Agency reports that automakers were on target to meet greenhouse gas emissions standards in MY 2012, the first year of a 14-year program. In fact, consumers bought cleaner vehicles than the standards required.

Consumers bought cleaner vehicles than required by the 2012 standards.

The industry reduced tailpipe carbon dioxide emissions in MY 2012 and also used the optional flexibilities built into the standards. The *flexibilities* allow emissions credits for improvements in air conditioning systems, and transfer of emissions credits from year to year and among manufacturers.

Fuel economy improved by 1.2 mpg from 2011 to 2012, says the EPA. A more dramatic demonstration of improvement, however, came in 2013 where there were twice as many SUVs that achieved at least 25 mpg and 7 times as many cars with 40 mpg as there were five years ago.

And in 2014, more than half of new models get more than 23 mpg, says the Consumer Federation of America. Just five years ago, only 19 percent achieved that standard. CFA chose 23 mpg as a benchmark because it is the EPA fuel economy label equivalent to the 30.6 mpg overall corporate average fuel economy requirement for 2014.

White House sends transportation funding bill to Congress

Even though Republicans have said the $302 billion transportation bill President Obama sent to Congress is *dead-on-arrival,* at least there is a bill. Serious discussion of transportation funding can now begin – especially with the Highway Trust Fund projected to run out of money as early as August of this year with the current transportation bill due to expire in September.

“Failing to act before the Highway Trust Fund runs out is unacceptable – and unaffordable,” Transportation Secretary Anthony Foxx said in a statement.

The problem for Republicans is that the White House bill relies on money from corporate tax reform. The bill would authorize $75.5 billion in annual spending over four years, $20 billion more than the current levels. It would also lift the longstanding ban on states levying tolls on interstate highways.

Even Sen. Jay Rockefeller (D-W.Va.), chairman of the Senate Transportation Committee and a supporter of Obama’s infrastructure funding efforts, admitted it would be hard to get the bill passed, reports *The Hill*. Rep. Dave Camp (R-Mich.), chairman of the House Ways and Means Committee, has also introduced a transportation bill, but Republicans have shown no support for that, either.

The U.S. Chamber of Commerce and the American Automobile Association, among others, have pushed for an increase in the gas tax. The tax, which has traditionally funded the Highway Trust Fund, has not been raised in 20 years. But neither side of the aisle has shown any support for doing so now. It all adds up to the current stalemate with a transportation funding crisis.

Google's self-driving cars tackle city streets

City streets are generally harder to drive on than highways, and Google wants to make sure its autonomous vehicles are up to the task. The tech giant has shifted the focus of its autonomous vehicle program to city streets.

"We've improved our software so it can detect hundreds of distinct objects simultaneously – pedestrians, buses, a stop sign held up by a crossing guard, or a cyclist making gestures that indicate a possible turn," the company wrote in a blog post. "A self-driving vehicle can pay attention to all of these things in a way that a human physically can't – and it never gets tired or distracted."

David Alexander, a senior analyst with Navigant Research who studies autonomous vehicles, told the Associated Press that self-driving cars won't be commercially available until 2025. IHS Automotive says there will be 54 million autonomous vehicles globally by 2035, and that nearly all vehicles will be autonomous sometime after 2050, reports the *Detroit News*.

One in 4 Americans willing to let insurers monitor their driving

More than one in four Americans are willing to let insurance companies monitor their driving through an app on their smartphone in return for lower insurance rates, according to a survey by the Deloitte Center for Financial Services. They didn't expect a specific minimum discount in return.

About the same number of respondents said they would consider allowing such monitoring if they were given a sufficient discount. A little less than half of those surveyed said they would not want their driving monitored under any circumstances. Among those who were open to monitoring, most expected a discount of 6% to 10%. Not surprisingly, the smartphone generation (those aged 21 to 29) was more willing to consider monitoring.

Although most monitoring now occurs through a special device that is part of the vehicle, future monitoring is more likely to be done through a smartphone app, Deloitte said. It is less expensive for insurers and also lets consumers get faster feedback.

A smartphone app could monitor driving for insurance.

Parents admit to using cell phones while driving their kids

Parents are as likely to use their cell phones while driving their children as is the rest of the population, according to a new study by the University of Michigan. The report is based on a survey of parents who arrived with their children at two emergency rooms.

About two-thirds of respondents said they have talked on cell phones and about 15% said they have texted while driving their child. Drivers admitted to other distractions, such as feeding their child, more frequently than talking on the phone.

"Efforts to improve child passenger safety have often focused on increased and proper use of restraining seats," said Dr. Michelle Macy, lead author of the study. "But this study shows that reducing distractions and discouraging unsafe behaviors could prevent crashes."

Staying Ahead…

Buying a car isn't like buying a pair of shoes online. Cars require licensing to operate, insurance and financing to take home and contain hazardous materials, so states are fully within their rights to protect consumers by standardizing the way cars are sold.

--NADA statement in response to FTC staffers' defense of Tesla's car retail model

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