

THE WANADA BULLETIN

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

WANADA Bulletin # 19-16

May 24, 2016

Headlines...

DC area sales up 3.6% in first quarter; light truck share rises to 55%

Space still left at WANADA Open June 8 – Register now!

New overtime rule doubles minimum salary exemption

Used-car prices fall as auctions stuffed with late-model supply

Automakers partner with tech companies on driverless cars

Will driverless cars mean more traffic?

GM brings car-sharing service to DC

Israeli company working on EV battery with 5-minute charge

Second-highest-ever Memorial Day weekend travel expected

Thought for the Week...

DC area sales up 3.6% in first quarter; light truck share rises to 55%



SUVs, such as the Honda CR-V, helped increase light truck share of Washington area

Washington area sales rose again in the first quarter of the year, up 3.6 percent. Nationwide, first quarter sales were up just 2.1 percent. WANADA Area Report figures are from Polk new-vehicle registration data are available at the end of this article. U.S. figures are from NADA.

Unusually for our region, light truck share of sales continued to rise, to 54.8 percent. Passenger trucks made up just 50.7 percent of Washington area sales in the first quarter of 2015, which meant area truck sales spiked 12 percent from first-quarter 2015 to first-quarter 2016. Trucks include crossovers, which make up a large part of DC area light truck sales.

Area buyers, like buyers elsewhere, are snapping up CUVs and SUVs as gas prices remain low.

Nationally, truck sales rose a more modest 8.3 percent through March as trucks made up 58.2 percent of first-quarter truck sales. National truck sale share remains higher than regional share, but the gap is narrowing.

Washington area sales for the 12 locality region in the Maryland suburbs and Northern Virginia totaled 72,274 for the first quarter, which, of course, included a couple of heavy snowstorms that affected sales. Following the weather pattern, sales were highest in March (28,127), followed by January (21,760) and February (21,370).

The non-Detroit Three share of Washington area new-vehicle sales dropped slightly to 69.5 percent in the first quarter from 69.8 percent in first-quarter 2015. Though not a major shift, that slight decline could reflect the increase in light truck sales – traditionally a strength of the Detroit Three. Indeed, imports made up nearly 80 percent of car sales, up a couple of percentage points

from first-quarter 2015, and 70 percent of truck sales, down two percentage points from a year earlier. Nationally, non-Detroit Three sales made up just 21 percent of the total.

For the complete WANADA Area Report on first quarter Washington market new vehicle sales, WANADA members can click [here](#) and log in with an email and password.

Space still left at WANADA Open June 8 – Register now!



There's not much time left to register for the WANADA Open June 8.

What better way to celebrate the beginning of June than by playing in the WANADA Open at the well-appointed Lansdowne Resort in Leesburg, Va.? The date is Wednesday, June 8, and spots are still available. But you need to act fast because foursome positions are limited.

For the first time this year, WANADA dealers may choose to play in an exclusive dealer versus dealer event in a play-your-own-ball format. Signing up for the general, *captain's choice* tournament, or the dealer versus dealer will provide an excellent opportunity for friendly competition, business networking and a round of golf in a spectacular setting.

As always, non-golfers are invited to join in the cocktail reception and dinner. The WANADA Open commences at midmorning and ends after the Awards Dinner, scheduled to finish by 7 p.m.

Sponsorships are still available; click [here](#) to view the opportunities or contact Bob Storin, 202-237-7200 ext. 18, or rs@wanada.org, for more sponsorship opportunities.

All WANADA dealer members can register by clicking [here](#). Direct questions about the Open to Kathy Teich, 202-237-7200 ext. 27, or kt@wanada.org.

New overtime rule doubles minimum salary exemption

The Department of Labor's new overtime rule, effective December 1, 2016, doubles the minimum salary requirement for white collar employees to be exempt from overtime. For executive, administrative and professional employees, the salary floor will rise from \$23,680 per year (\$455 per week) to \$47,476 per year (\$913 per week). The minimum for highly compensated employees to be exempt will rise from \$100,000 to \$134,000. (Those positions must also meet a "minimal duties" test, which has not changed.)

The salary minimums will be updated *automatically* every three years starting January 1, 2020. Employees who do not meet the exemptions must be paid time and a half for any hours over 40 hours a week.

Employers may count bonuses and incentives (including commissions) for up to 10 percent of the salary minimum as long as the payments are made at least quarterly. An employer may also make a "catch-up" payment at the end of each quarter.

Examples of dealership white collar employees, said NADA, are general, department and assistant managers; shop foremen; office managers and other office staff; human resources professionals; controllers; accountants; attorneys, and computer specialists.

Some dealerships' employees are specifically exempt from overtime under the "commissioned employee" exemption "salesmen, partsmen and mechanics," reports NADA.

The DOL under the Obama Administration has systematically tried to reverse the well-established exemption for salesmen, partsmen and mechanics, meeting with no success, thanks to substantial dealer push-back nationwide.

NADA suggests these ways among the options to comply with the new rule:

- Increase employee compensation to the new minimums by December 1.
- Pay overtime as required for employees who do not meet the minimum salary for exemption. Dealers may decide to divide one job between two or more workers.
- Increase an employee's commission compensation to satisfy the "commissioned employee" overtime exemption.

The DOL received more than 270,000 public comments on the proposed rule after putting forward a higher salary exemption of \$50,400. Some employers said the rule would force them to cut workers' hours or hire fewer full-time employees.

NADA said in a statement that it is "evaluating participation in potential litigation and Congressional oversight." For more information, email NADA Regulatory Affairs at regulatoryaffairs@nada.org or call 703-821-7040.

Used-car prices fall as auctions stuffed with late model supply



Prices of used subcompacts, such as the Ford Fiesta, fared badly in April.

NADA Used Car Guide's seasonally adjusted used vehicle price index fell for the fifth straight month in April to its lowest level in more than five years. Not surprisingly in light of the new-car market, the main problem was passenger cars.

Subcompact cars fell the most, by 4.3 percent, nearly double the 2.3 percent loss averaged by the next two segments, compact and midsize cars. Luxury large car prices fell by 2.1 percent. Among new cars, luxury large car prices have plunged by 21 percent year to date.

Prices for used compact utilities fell by 1.2 percent in April, mainly because of a robust supply of late models. Compared with fourth-quarter 2015, subcompact car prices are 3.3 percent lower and compact car prices are down 2.6 percent.

NADA Used Car Guide expects used-car prices to fall by 2.5 percent to 3 percent in June and July, and sticks with its earlier forecast that used prices will be down 5 percent to 6 percent for the year. That would be one of the sharpest drops in a non-recession year in the past 20 years.

Automakers partner with tech companies on driverless cars

After dismissing the idea in the past, the Detroit Three have been forging partnerships with Silicon Valley companies to speed the race toward driverless cars. Just in the past month, General Motors, Ford and FCA have all signed deals with high tech companies.

GM is partnering with ride-sharing company Lyft to develop a test fleet of self-driving Chevrolet Bolt EVs in California in the next two years. Ford has commissioned Pivotal to develop software for alternative mobility services. And FCA plans to build 100 Chrysler Pacifica hybrid minivans for Google's Self-Driving Car Project.

Apple has announced it is investing \$1 billion in Chinese ride-sharing company Didi, a move that has made some wonder whether Apple plans to develop an electric car.

Two assumptions underlie the partnerships, writes Brent Snavelly in the *Detroit Free Press*: Tech companies don't want to build cars, and both industries need each other to develop self-driving cars.

Will driverless cars mean more traffic?

Some industry experts predict that the widespread use of driverless cars could bring much more traffic, at least in the short term when autonomous vehicles share the road with conventional cars.

Gary Silberg, automotive leader for KPMG, has written that driverless cars will bring a dramatic increase in the number of miles traveled, as these cars drive children to school and soccer practice, while others are dispatched to pick up pre-ordered groceries. And, of course, the disabled will suddenly be using cars!

As more autonomous vehicles take over the roads, highways and distances between cars can be narrower, and accidents will be fewer – all of which will lessen traffic congestion. But in the meantime, as driverless and conventional cars share the road – probably for decades – the number of vehicle miles traveled will soar, Silberg predicts, and driving yourself anywhere could take even longer. After conducting focus groups in Atlanta, Denver and Chicago, KPMG predicts that the youngest and oldest drivers, age 16 to 24 and over 65, will see big increases in miles driven. Drivers in their productive middle years could eventually follow suit.



Self-driving cars, like Google's RX450h, could create more traffic before they alleviate it.

GM brings car-sharing service to DC

General Motors will bring its Maven car-sharing service to Washington in June. Maven+ will be launched at the Hepburn, a luxury apartment complex on the grounds of the Washington Hilton, where users can access the company's app to bring a vehicle to their location.

Maven City will be available throughout the city around the same time. Similar to ZipCar, users can download the app to their phone and reserve a car by the hour or day.

Maven has been operating for some time in New York and Ann Arbor, Mich., and more recently in Chicago. It will also expand to Boston this summer.

Israeli company working on EV battery with 5-minute charge

Israeli start-up StoreDot says it is developing an electric vehicle battery that would take only five minutes to charge and provide 300 miles of driving. Doing so would overcome a major obstacle to more widespread use of EV technology.

StoreDot says it is developing a new type of battery "consisting of proprietary organic compounds." The EV will have a pack made up of hundreds of EV FlashBattery cells containing materials that are less flammable and more stable at high temperatures than traditional lithium-ion batteries.

The company, which is backed by investors that include Samsung, hopes to have prototype batteries ready later this year.

Second-highest-ever Memorial Day weekend travel expected



U.S. drivers are ready to hit the road over the holiday weekend. Photo by Stig Nygaard.

Nearly 34 Americans are expected to drive on a Memorial Day trip this weekend, an increase of 2.1 percent over last year because of lower gas prices, says the American Automobile Association.

“The great American road trip is officially back thanks to low gas prices, and millions of people from coast to coast are ready to kick off summer with a Memorial Day getaway,” said Marshall Doney, AAA president and CEO.

More than 38 million Americans will travel overall this weekend, making it the second-highest Memorial Day travel on record and the most since 2005. About 700,000 more people will travel compared with 2015.

AAA estimates that Americans saved more than \$15 billion on gas so far this year compared with a year ago, and gas prices are at the lowest levels in 11 years. According to a recent AAA survey, 55 percent of Americans say they are more likely to take a road trip this year because of lower gas prices.

Thought for the Week...

It is foolish and wrong to mourn the men who died on the battle field. Rather, we should thank God that such men lived.

--Gen. George S. Patton

