THE WANADA BULLETIN

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

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Headlines…

Are Express lane lube techs exempt from overtime laws?

To be safe, you should not consider lube techs who primarily do tasks such as tire rotation to be exempt from overtime.

The short answer is no, says NADA chief regulatory counsel Doug Greenhaus. That's because the law requires that technicians who are exempt from overtime must be primarily engaged as technicians. To be conservative, he says, lube techs who spend most of their time doing work such as lubrication and tire rotation should not be considered exempt from overtime.

But, Greenhaus says, many dealerships compensate lube techs, detailers and painters in a way that triggers the "commission employee" exemption. That requires that commission pay make up the majority of compensation and that total compensation be at least 1.5 times the applicable minimum wage/hour rate.

For a copy of NADA's *Dealer Guide to the Fair Labor Standards and Equal Pay Act*, call 703-821-7042.

Used-car depreciation to speed up as interest rates rise

Annual losses caused by used-vehicle depreciation plummeted after the recession. Even as they have started to rise in the past three years, depreciation losses have remained "incredibly low," says an NADA white paper on vehicle equity.

But NADA expects used vehicles to depreciate more quickly, for three reasons: An expanded pool of used vehicles, an anticipated gradual increase in interest rates, and stepped-up new-vehicle production leading to discounting.

Faster depreciation, in turn, will delay equity gains. Increasingly longer loan terms will only make matters worse. And the longer it takes a car owner to reach positive equity, the longer that owner is out of the market. Even if the car owner rolls part of the loan into a new one, that would just delay the problem further. The risk of default rises as depreciation speeds up and positive equity is delayed.

NADA's solution: Rely on a third party such as the NADA Used Car Guide to provide depreciation forecasts so the dealer can manage loans better. The Used Car Guide will eventually take on the J.D. Power name, now that J.D. Power has acquired the Guide (see below, next article).

J.D. Power buys NADA Used Car Guide

J.D. Power will acquire NADA's Used Car Guide business under an agreement announced by the two organizations. The deal is expected to close early in the third quarter of this year and is subject to review under a federal law.

Established by NADA in 1933, NADA Used Car Guide is widely recognized in the industry as the *gold* standard for accurate and comprehensive used-vehicle valuation information. The company will remain based in McLean, Va., where it serves more than 100,000 subscribing clients.

NADA members will still receive the Used Car Guide as a benefit of membership.

The agreement brings together the Power Information Network (PIN), which combines advanced analytics of new- and used-vehicle retail sales and pricing data, with the extensive knowledge, expertise and market presence of the NADA Used Car Guide. Under the terms of the deal, NADA members will continue to receive a subscription to the Guide as a membership benefit.

"NADA and J.D. Power will continue to build upon our longstanding alliance by sharing data and insights, and bringing together retailers and leaders from the automakers, suppliers and the media at co-hosted conferences and events, offering thought leadership and solutions directly benefiting the retailer network and overall automotive industry," said Peter Welch, president of NADA.

News flash: Millennials *are* getting car loans

Auto loans in the first quarter saw the largest growth since the recession, driven by millennials – putting another nail in the coffin of the myth that young people aren't buying cars. Drivers under age 30 saw the largest increase, with 8.5 percent growth from a year ago. Figures are from TransUnion.

In first quarter 2015, auto loan delinquency rates (60 days or more delinquent) remained steady at 0.99 percent, unchanged from a year ago. The delinquency rate dropped 14.6 percent from fourth quarter 2014.

"Loans and balances continue to grow, while delinquencies continue to remain in check," said Jason Laky, automotive business leader for TransUnion.

Deadline for Dealership Workforce Study extended to June 30

In response to many requests, NADA is extending the participation deadline for the 2015 Dealership Workforce study to June 30.

Dealers are encouraged to make sure their stores or groups are represented in the only comprehensive and authoritative study of the retail automotive and truck workforce. All participants will receive comparative statistics for *their own dealerships*. Go to www.nadaworkforcestudy.com now to enroll, complete the survey and upload compensation data.

Direct questions to WorkforceStudy@nada.org, or call (800)557-6232.

Price competition among dealers benefits car buyers

Competition among dealers lowers car prices for consumers, a recent study finds.

By Bill Fox

What's in 2.2 percent? As a percentage of total sales, it's a number that represents the average pretax net profit at U.S. franchised new-car dealerships, according to *NADA Data 2014*.

And what may be even more startling is that the 2.2 percent profit, which accounts for sales in the new- and used-vehicle, service and parts departments, is more than one percentage point less than what many other retailers earn.

This figure has remained the same for the third straight year. And this dynamic is attributed to fierce competition at dealerships that benefits car buyers. In fact, a recent study from the Washington, D.C.-based Phoenix Center proves that price competition among auto dealers lowers car prices for consumers, often by $500 or more per car.

Employment at new-car dealerships is also at a near all-time high. Last year, more than 1 million people worked at dealerships across the country, more than any other auto-related industry. Dealers, on average, employed 64 people per dealership in 2014.

Additionally, dealers pay one of the highest wages for any retail trade. Nationwide, the annual payroll last year was more than $58 billion—with dealership employees, on average, earning more than $55,000 a year.

Combined recall and warranty work performed at new-car dealerships increased by 21.6 percent to 8.5 billion last year – all at no cost to our customers.

Taking all of this into account indicates that the retail-automobile industry is a pillar of the nation's economy, and the dealer-franchise network remains the best, most competitive and most cost-efficient way to distribute and sell new cars.

Fox is 2015 NADA chairman and a multi-franchise dealer in upstate New York.

Congress asks automakers about cybersecurity

Leaders of the House Energy and Commerce Committee have written to automakers and the National Highway Traffic and Safety Administration asking about the industry's plan for dealing with cybersecurity threats.

"While threats to vehicle technology currently appear isolated and disparate, as the technology becomes more prevalent, so too will the risks associated with it," the letter said. "Threats and vulnerabilities in vehicle systems may be inevitable, but we cannot allow this to undermine the potential benefits of these technologies."

The letter asked for a response to 14 questions by June 11. Among the questions to OEMs: Do you have a dedicated office responsible for evaluating potential cyber-vulnerabilities in your products? What policies/procedures do you use to evaluate cyber-vulnerabilities during the design and testing of vehicle technology? How do you work with suppliers on cyberthreats?

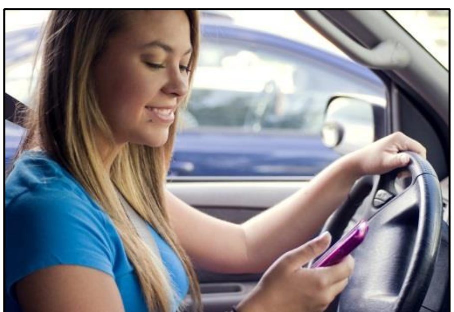
The letter was sent to General Motors, Ford, Fiat, Chrysler, Honda, Toyota, Nissan, Hyundai, Kia, Subaru, Mercedes-Benz, Audi, Volkswagen, Porsche, Mitsubishi, Mazda, Volvo and Tesla.

Traffic deaths increase unexpectedly

Traffic deaths in the U.S. have increased every month for the past six months compared with the same months in 2014, says the National Safety Council. The group expects the increases to continue this summer in the period between Memorial Day and Labor Day, known as "the 100 deadly days," in traffic safety circles.

The Council believes the spike in fatal car crashes – an 11 percent increase in the past three months and an 8 percent increase in the past six – is caused in part by an improving economy. Lower gas prices and lower unemployment often lead to an increase in traffic because more people can afford to drive more, and many travel long distances and take vacations. Certain crash factors, such as speeding and alcohol, are also more common during the summer.

Teen drivers put everyone at risk


Teen crash rates are higher than any other age group.

Nearly two-thirds of people injured or killed in a crash involving a teen driver are people other than the teen behind the wheel, according to a new report by the American Automobile Association Foundation for Traffic Safety. In 2013 alone, 371,645 people were injured and 2,927 were killed in crashes that involved a teen driver.

"Teen crash rates are higher than any other age group, and this data confirm that the impact of their crashes extends well beyond the teen who is behind the wheel," said Peter Kissinger, president and CEO of the AAA Foundation for Traffic Safety.

The study, which analyzed data of police-reported crashes of drivers ages 15 to 19 from 1994 to 2013, also found these factors:

- Nearly 50 percent of those injured were in another vehicle; 17 percent were in the teen driver's car, and 2 percent were pedestrians or bicyclists.
- Nearly 30 percent of those killed were in another car, 20 percent were the teen's passenger and 10 percent were pedestrians or bicyclists.

70% of drivers use smartphones while driving

Seven in ten people now admit to using their smartphone while driving. Texting and emailing are the most prevalent. But other smartphone activity behind the wheel is now common. Nearly one-third of drivers surf the Net or use Facebook while driving. Next most popular are snapping a selfie or photo or using Twitter or Instagram.

Other findings from the research by AT&T: Thirty percent of people who post to Twitter while driving do it “all the time.” And 22 percent of those who access social networks while driving say they do it because they’re addicted.

Thought for the Week…

I’ve been lucky. And my wish for all of you is not only tomorrow, but 20 and 40 and 50 years from now, you’ve found that sweet spot, that thing that allows you to get up in the morning, put both feet on the floor, go out and pursue what you love, and think it still matters.

--Vice President Joe Biden at Yale University Class Day, May 17, 2015.
WANADA extends condolences to the Vice President and his family on the loss of, Beau, 46, who died May 30 from brain cancer.

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