

# THE WANADA BULLETIN

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

*WANADA Celebrating 100 Years of Service (1917-2017)*

**WANADA Bulletin # 22 - 17**

**June 8, 2017**

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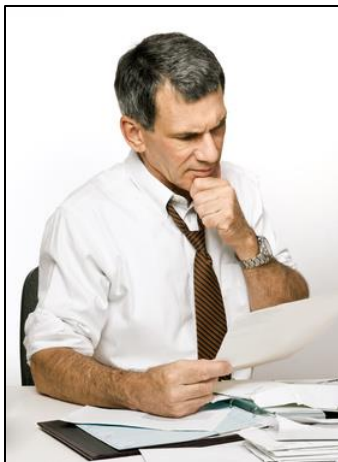
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## WANADA Automotive Law Briefing – June 15



Get help with all the paperwork surrounding the laws and regulations that dealers have to comply with.

WANADA will hold an Automotive Law Briefing next week from 9:30 to 11:30 a.m. on Thursday, June 15, at the Westin Tysons Corner on current topics of vital interest to dealers. The topics to be covered are:

- FTC Used Car Rule
- Federal advertising
- Impact of Trump administration on dealer business
- MD MVA rules on disclosure of damaged new vehicles
- Spot delivery
- CFPB (Consumer Financial Protection Board)
- MD New Sales Performance Bill
- New VA legislation on taxation of shop supplies
- Warranty repairs.

Presenters are Mike Charapp, Esq., Charapp & Weiss LLP; Mike Johansen, Esq., Rifkin Weiner Livingston LLP, and David Regan, executive vice president, Legislative Affairs, NADA.

The cost is \$50/person. Click [here](#) to register. Contact Kathy Teich with questions: [kt@wanada.org](mailto:kt@wanada.org) or 202-237-7200.

## Brown's Automotive supports Project Hero To help vets and first responders



Helping veterans ( l. to r.) Danny Legge, president, Brown's Automotive; Rep. Barbara Comstock, and Joe Koch, vice president, WANADA.

Brown's Manassas Subaru hosted a Memorial Day lunch for Project Hero, a group that helps veterans and first responders affected by post-traumatic stress disorder and traumatic brain injury achieve rehabilitation. The lunch was also attended by Rep. Barbara Comstock (R-VA) and Joe Koch of WANADA.

The event was done in conjunction with Project Hero's 10<sup>th</sup> annual Memorial Challenge Ride. The group of 125 bicyclists started in Washington with a ceremony with Vice President Pence at his D.C. residence on Embassy Row. Over the next six days, they cycled more than 500 miles, ending in Virginia Beach, stopping at supporters such as Brown's Subaru along the way. One of Project Hero's largest individual donors, Rob Paddor, owner of Evanston Subaru in Skokie, IL, connected the group with Subaru

dealers around the country. The Memorial Challenge is one of seven long-distance rides Project Hero organizes each year.

Project Hero started nine years ago when a recreational therapist at the Veterans Administration contacted John Wordin, a professional cyclist and founder of the Fitness Challenge Foundation. The VA therapist believed that cycling could be a useful alternative therapy for veterans dealing with PTSD and TBI. Since then, Project Hero has built more than 200 adaptive bikes for veterans and logged more than 30,000 miles in 30 states and six countries to provide support for America's healing heroes. An impressive 63 percent of participants in the long-distance bike rides have reduced or eliminated prescription drug use, said spokeswoman Jaimie Lynch.

## WANADA's flu shot program is back – Register by August 31

Registration is now open for WANADA's seasonal flu shot program for dealership employees. With the flu annually infecting over 40 million people, resulting in workplace disruptions four to five work days per employee, this is a popular WANADA employee benefit.

WANADA's flu shot program will be available on-site at WANADA dealerships and administered by Norvar Health Services. The on-site service will be available for adults aged 18 and older.

Norvar is again offering both the trivalent (3-strain) and quadrivalent (4-strain) vaccines. For years, experts had to choose just one B virus for the



On-site visits for flu shots at dealerships begin October 2, but registration must be completed by August 31.

trivalent vaccine, even though there are two very different types of B viruses that circulate during most seasons. The quadrivalent flu vaccine is designed to protect against *four* different flu viruses: two A viruses and two B viruses. Adding another B virus to the vaccine aims to give broader protection against circulating flu viruses.

The fee will be \$24 per shot for the trivalent vaccine and \$31 for the quadrivalent, with a minimum of 20 participants required at each location. Locations with fewer than 20 participants will be billed as if 20 doses of the *trivalent* vaccine were administered.

Adults 65 and older have a choice of getting the high-dose trivalent flu shot, which offers better protection against the flu compared with the regular trivalent shot. The fee for the high-dose shot will be \$48. Human immune defenses become weaker with age, which places older people at greater risk of severe illness from influenza. Also, aging decreases the body's ability to have a good immune response after getting influenza vaccine.

To have your dealership participate, please register online at [www.norvarhealthservices.com](http://www.norvarhealthservices.com), under "Scheduling." Do not fax in your registration. Alternatively, you may call Norvar at 202-744-1360. We encourage dealerships to register early to guarantee their preferred date. Any request received after Aug. 31, the registration deadline, may be subject to vaccine availability.

Norvar Health Services will begin conducting on-site visits starting October 2. All scheduling will be done by Norvar upon submission of registration. Norvar will contact the dealer's designated representative with the scheduled date/time and forward all appropriate forms. Norvar will invoice the dealership directly for all flu shots administered via the program, subject to the 20 doses minimum.

If you have questions, please contact Connie Ryan at WANADA at (202) 237-7200.

## How could exit from Paris climate accord affect auto industry?



Unlike Tesla's Elon Musk, GM CEO Mary Barra plans to stay on the president's advisory council after Trump's decision to withdraw from the Paris climate accord.

Reaction to President Trump's announcement that he would withdraw the U.S. from the Paris climate accord was swift in the auto industry, as it was in other sectors.

Tesla CEO Elon Musk had said before the announcement was made that he would withdraw from the two presidential advisory councils he was on if Trump decided to exit the agreement, and Musk quickly did so. General Motors said CEO Mary Barra would remain on the president's Strategy and Policy Forum "because it provides a seat at an important table to contribute to a constructive dialogue about key policy issues."

Both GM and Ford issued statements reaffirming their commitment to the environment. GM said, "Our position on climate change has not changed." Ford said, "We believe climate change is real, and remain deeply committed to

reducing greenhouse gas emissions in our vehicles and our facilities." That is the reason, Ford said, that it is adding 13 new electrified vehicles to its lineup.

Longtime *Detroit Free Press* automotive columnist Mark Phelan pointed out that U.S. automakers will need to make low-emissions vehicles for international markets, and it wouldn't make sense for them to make different models for the U.S.

The main way the U.S. was going to meet the emissions targets it created for itself for the Paris accord was through the Clean Power Plan designed under the Obama administration. That plan, which Trump canceled in an executive order, focused more on power plants.

But a large part of U.S. greenhouse gases is also created by the transportation sector. Trump has already reopened the midterm review of the fuel economy standards set under President Obama. NADA and automakers strongly opposed the Obama standards when they were approved in January just before Trump took office. The auto industry says those standards, set in 2012, do not take into account the shift in consumer buying patterns toward SUVs and CUVs.

## May sales down 0.5 percent in fourth straight month of decline



Compact SUVs such as the Ford Escape are the most popular segment nationally.

U.S. auto sales dropped 0.5 percent in May in the industry's fourth straight month of falling sales. And that was with strong incentives and strong truck demand. Some of the decrease can be explained by a conscious effort to pull back on fleet sales, especially for General Motors. Ford Motor Co.'s 2.3 percent uptick in sales, partly due to fleet sales, enabled it to surpass GM in sales numbers for the first time since March 2016.

The seasonally adjusted annual sales rate (SAAR) was 16.7 million, down from 17.2 million a year ago. That decline is also related to the falloff in fleet sales. But economic fundamentals are strong.

“The U.S. economy is operating at near full employment levels, wages are rising, interest rates and fuel prices remain low and consumer confidence remains high,” said GM Chief Economist Mustafa Mohatarem.

Nationwide, light truck demand (including SUVs and crossovers) remains strong, making up 61.6 percent of vehicle sales in May. In the Washington region, light truck share is rising, but was still lower than U.S. share, at 56.7 percent in the first quarter (click [here](#) for the WANADA Area Report for first quarter numbers).

Nationally, compact SUVs are the most popular segment, and grew two percent from a year ago, said Kelly Blue Book analyst Tim Fleming. “There are signs, however, of discounts in SUV segments that are growing quickly, including subcompact and luxury SUVs, which are likely helping to fuel those segments’ double-digit sales growth this year.”

Inventory levels remain high, with vehicles sitting on dealer lots more than 70 days on average, according to J.D. Power. Automotive Lease Guide analyst Eric Lyman told the *Detroit News* that dealers would likely continue to offer incentives to keep cars moving.

Transaction prices continue to grow, with an average of \$33,261 in May according to Kelly Blue Book. The 2.6 percent increase from May 2016 can be explained partly by the rising share of trucks.



## Crossover sales may peak soon, says Merrill Lynch analyst

Crossovers, which have been the hottest part of the vehicle market for some time, may be about to start slowing down, said Bank of America/ Merrill Lynch analyst John Murphy in his annual *Car Wars* report.

Crossovers now make up 35 percent of the market, but could top out at 40 percent, he told the Automotive Press Association in Detroit, reported TheDetroitBureau.com. The number of crossover models, now 78, is expected to reach 110 in the next two years. “An abundance of new production in a declining market may result in overcrowding,” said the report. Already, the average transaction price for crossovers is growing more slowly than it was, Murphy said.

But SUVs and light trucks overall will continue to have strong sales, and that will give an advantage to Detroit-based automakers. Because General Motors and Toyota have the largest number of new or redesigned models planned in the next three years, they are the most likely to gain market share.

Murphy predicts new-vehicle sales will reach 18 million next year but could fall to 13 or 14 million early in the next decade.

## More extended loans approved for both new and used vehicles

Lenders, especially credit unions, are approving more loans of 73 to 84 months, some of them for used cars more than five years old. The trend, which has increased considerably in the past eight years, was tracked by Experian and reported by *Automotive News*.

In the first quarter of 2009, just 11.7 percent of new-vehicle loans stretched six to seven years. By January and February 2017, that percentage had jumped to 33.8 percent. Longer loan terms are being approved for used cars, too. They are mostly newer models, but not exclusively, as 10 percent of MY 2010 used vehicles are financed for 73 to 84 months, said Experian’s Karl Kruppa.

## Glut of off-lease cars about to flood market that wants SUVs, trucks

A few years ago, some automakers, especially luxury ones, ramped up their leasing activity and offered some very attractive deals to move cars. Now a lot of three-year-old cars are about to hit the market as they come off lease.

The problem is that they are exactly the wrong supply for consumers clamoring for SUVs and light trucks. Bank of America/ Merrill Lynch analyst John Murphy highlighted the problem when he presented his annual *Car Wars* report to the Detroit automotive press recently.



In 2014, leasing made up more than three-fourths of Infiniti Q50 sales. When those nearly new cars come off lease this year, they will be a tough competitor for the 2018 model (above).

The situation has a few likely outcomes. Manufacturers will cut back on leasing programs, as they have already started to do. (Leasing is currently around 30 percent of the market, higher

than it has been in many years, though it started to decline in April.) Because used-car supply will not match demand, used-car prices are expected to fall. With nearly new used-car prices falling, new-car transaction prices will likely take a hit, too.

Those trends apply to passenger cars only, where consumer interest is waning (see May sales article on page 3), not to other types of consumer vehicles.

## **Two-thirds of recalled Takata airbags still not repaired**

Two-thirds of the defective Takata airbags were still not repaired as of mid-May, said Sen. Bill Nelson (D-FL), the top Democrat on the Senate Commerce Committee. Numbers provided to Nelson by the independent monitor appointed to oversee Takata's handling of the recall show that about 30.4 million of the 46.2 million recalled airbag inflators have yet to be repaired.

"We've got to pick up the pace on boosting production of replacement inflators and assisting consumers who need to get their vehicles fixed," Nelson said.

The numbers come two weeks after Toyota, BMW, Subaru and Mazda agreed to provide \$533 million to owners of vehicles equipped with the defective airbags. A portion of that money will reportedly be used to encourage owners to bring their recalled vehicles in for repair.

***Yesterday's WANADA Open and Awards Banquet was a grand success! Look for a full report , with great photos, in next week's bulletin...***

### **Staying Ahead...**

Success is not final, failure is not fatal: it is the courage to continue that counts.

--Winston Churchill

