

# THE WANADA BULLETIN

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

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## U.S. Sales up 2.5% in June; record 2016 expected



Strong sales of the Jeep brand, including the Patriot, helped propel Fiat Chrysler June sales.

New-vehicle sales rose 2.5 percent in June, less than expected but still enough to lead analysts to expect a record sales year of at least 17.5 million. Last year sales came in at 17.47 million. As some industry observers put it, sales appear to have reached a plateau, as had to happen at some point, but it's a good plateau. For June, the seasonally adjusted annualized selling rate (SAAR) was 16.6 million, down from 17.37 million in May, according to NADA.

"The overall market is at an incredibly healthy level," said Mark LaNeve, Ford's vice president of sales and marketing. "Anything above 17 million feels really good to us and our dealers and the entire enterprise."

SUVs, crossovers and light trucks continued to lead the charge. Fiat Chrysler saw its best June in 11 years because of strong Jeep and Ram Truck sales. Ford's sales got a big boost from the F-series, whose sales jumped 29 percent.

General Motors and Toyota posted their fourth monthly sales drops this year, down 1.6 percent and 5.6 percent respectively. GM is still dealing with the fallout from cutting its rental fleet sales, and Toyota is suffering from a poor SUV selection.

Sales overall were helped by low gas prices, available credit, consumer willingness to spend, appealing new product and rising incentives. Average incentives per vehicle hit a record for June

at \$3,278, up 3.8 percent from a year ago, said LMC/J.D. Power. Yet average transaction prices also hit a record high, at \$33,652, according to estimates from Kelley Blue Book.

A few days after June sales were posted, S&P Global Ratings lowered its 2016 sales forecast from 17.8 million to 17.5 million. The S&P analyst cited slowing retail demand, an anemic May jobs report and economic fears from Brexit.

## Federal midterm report on fuel economy out this month

Automakers are awaiting the draft federal midterm report on fuel economy targets expected to be released this month. The Alliance of Automobile Manufacturers issued a report in late June saying that the stringent standards were no longer appropriate with the price of fuel as low as it is. (Click [here](#) for yesterday's WANADA Bulletin.)

The draft report will be jointly issued by the EPA, NHTSA and CARB. In the 2015 and 2016 SAE Government/Industry Meetings at The Washington Auto Show, officials from all three agencies said they did not expect the CAFE standards to change. They and other proponents of the fuel economy targets point out that fuel prices have been volatile for many years and will not stay low forever.

CAFE backers say that automakers have successfully met the targets so far. But the requirements ramp up more quickly from 2018 to 2025, when the fleetwide target of 54.5 mpg kicks in – about 40 mpg when automaker credits and adjustments are factored in.

The Auto Alliance report cites surveys showing that fuel economy is a low priority for most car buyers. Most consumers are more interested in vehicle price and reliability. When gas is \$2 a gallon, it takes consumers up to eight years to recoup just \$1,800 extra that they spend to buy a more fuel-efficient vehicle, the report says. Most car owners don't even keep their vehicle that long.

Once the draft report is issued, automakers and other groups will have 60 days to comment. A final proposal must be adopted by April 1, 2018.

Maryland and eight other states must meet even more stringent targets -- the California ZEV (zero emission vehicle) requirement. By 2025, a full 15.4 percent of new-vehicle sales in *each* of those states must be ZEVs. Many are concerned that the requirement simply cannot be met, especially in the cooler East Coast states. And the separate California ZEV requirement for those states means there is no longer a single national standard. Automakers originally signed onto the national program to avoid the patchwork of state laws that was starting to emerge.

As if to illustrate the Alliance's report about fuel economy being a low priority for consumers, a report from the University of Michigan last week showed that the average fuel economy of new



Under the California standards that Maryland must follow, 15.4 percent of vehicles sold in the state must be ZEVs, like this Chevrolet Spark EV, by 2025. ©General Motors

vehicles sold in June had dropped 0.1 mpg from May, to 25.3 mpg. The report's authors said the decline is likely caused by the increased market share of pickups and SUVs.

## Plug-in electric vehicle sales to approach 200,000 in 2016



The 2017 Chevrolet Bolt – which drew big crowds at the 2016 Washington Auto Show – should help drive 2016 PEV sales.

©General Motors

Significant growth is expected in the North American plug-in electric vehicle (PEV) sales in the next few years, says a new report from Navigant Research. Sales this year are expected to approach 200,000, a 62 percent jump from 2015.

The forecast is based in part on sales of the Tesla Model X, which has been in the news lately for two fatal crashes that NHTSA is investigating. But senior research analyst Scott Shepard said that did not change the forecast. Other models that will drive PEV sales, according to the report: the Chevrolet Bolt, a 200-mile-range battery electric vehicle being released

this fall; the second-generation Volt; the Prius Prime plug-in hybrid electric vehicle (PHEV); and the Mitsubishi Outlander PHEV.

“The long-range battery electric vehicle (BEV) under \$40,000 is... expected to significantly increase PEV adoption past the 1 percent penetration rate it has struggled to achieve,” said Shepard.

The eight Northeastern states following California fuel standards (see previous article) will likely see PEV sales increase considerably as automakers stress BEV deployments and marketing efforts to comply with the region PEV mandate, said Navigant. “Consumers in the Northeast [which in this case includes Maryland] appear to demand significantly higher vehicle capabilities and range requirements,” the company said.

## Federal autonomous vehicle guidelines will offer guidance only

The U.S. Department of Transportation is expected to offer autonomous vehicle guidelines this summer. But they will be just that – guidelines, not formal regulations, according to reports of a briefing by Transportation Secretary Anthony Foxx. The guidelines will not go through the rulemaking process.

Automakers' main concern is avoiding a patchwork of state laws, as several states have already started to pass their own laws. For instance, autonomous vehicles are allowed to drive on public roads in DC. The federal guidelines will likely indicate which questions should be governed by uniform federal rules and which should be left to the states, according to *The Hill*.

Recent reports of two crashes by Tesla's Model X have raised concerns about the safety of the current generation of autonomous cars and put more pressure on DOT to write appropriate guidelines for the technology.

DOT has indicated it will issue a formal rule this year requiring all new models to be capable of vehicle-to-vehicle communication, a necessary step on the path to driverless cars.

## AAA recommends using automaker-backed TopTier fuel

After doing its own new testing, the American Automobile Association now recommends that drivers use gasoline that meets Top Tier standards for engine cleanliness and performance.

The independent lab found that non-Top Tier gas caused 19 times more engine deposits than Top Tier brands after just 4,000 miles of simulated driving. Such carbon deposits are known to reduce fuel economy, increase emissions and hurt vehicle performance, particularly on newer vehicles. Top Tier is an automaker-backed program.

“AAA was surprised to learn the extent to which detergent additives [in Top Tier fuel brands] impact gasoline quality,” said John Nielsen, AAA’s managing director of automotive engineering and repair.

Even though two-thirds of U.S. drivers believe there is a difference in quality of gasoline sold by different gas stations, a AAA survey shows that Americans value convenience and price over quality when choosing a gas station.

## 7.7% more traffic deaths in 2015; U.S. lags in prevention

The number of Americans who died in car crashes rose 7.7 percent last year, NHTSA reports. But that number could drop by half with an increase in seat belt use and reduction of drunk driving, says the Centers for Disease Control and Prevention (CDC).

“As the economy has improved and gas prices have fallen, more Americans are driving more miles,” said NHTSA Administrator Mark Rosekind. “But that only explains part of the increase. Ninety-four percent of crashes can be tied back to a human choice or error, so we know we need to focus our efforts on improving human behavior while promoting vehicle technology that not only protects people in crashes, but helps prevent crashes in the first place.”

The CDC study found that compared with other high-income countries, the U.S. had the second highest percentage of deaths involving alcohol (31 percent) and the third lowest front seat belt use (87 percent).

An estimated 35,200 people died in traffic accidents in 2015, an average of 90 a day. Nearly 1 in 3 deaths resulted from speeding, and about 10 percent from distracted driving.

## DC is fourth most affordable U.S. city for residents to buy a car

For once, DC gets good marks for affordability. A new study from Bankrate.com finds that Washington, DC, is the fourth most “affordable city” in which to buy a new car. It’s not that



The AAA found that Top Tier fuel improved performance and fuel economy. Photo by Mike Mozart.

cars here are more of a bargain than elsewhere. Rather, the median income of \$71,648 is the fourth highest in the nation, so residents can afford to spend more.

When calculating how much a household can afford to spend on a vehicle, Bankrate.com assumes a down payment of at least 20 percent; a maximum loan term of four years, and principal, interest and insurance not exceeding 10 percent of a household's gross income.

As dealers well know, consumers rarely follow those guidelines for a new-vehicle purchase. Dealers' and lenders' flexibility on down payments and loan terms have helped many buyers to afford a new car.

Bankrate.com used median income, average insurance costs and sales tax data to determine an affordable sale price for a new vehicle in each of the 50 largest U.S. cities. In DC, that price is \$25,236.88. But compared with the Kelley Blue Book average new car price of \$33,865 nationwide, none of the "affordable" prices for the 50 cities was affordable using the Bankrate.com finance guidelines.

### Thought for the Week...

Violence is not only impractical, but immoral.

--Martin Luther King, Jr.

