

# THE WANADA BULLETIN

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

WANADA Bulletin # 27-15

July 10, 2015

## Headlines...

Higher minimum wage now in effect in Md., DC; Va. Unchanged

Daniel Jobe is elected NADA director for Maryland

Light trucks, SUVs, incentives lift 6-month sales to 10-year record

U. Michigan Survey of Consumers show strong optimism

NADA responds: CFPB pressuring 3 captives to limit dealer discretion on pricing

Really?! Most millennials say it's important to own a car

Brand loyalty reaches 10-year high

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Staying Ahead...

## Higher minimum wage now in effect in Md., DC; Va. unchanged



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July 1, last week, brought a host of new laws to Maryland, Virginia and DC. Here's rundown and reiteration of some important ones that affect dealers, including minimum wage.

### In Maryland:

- The new minimum wage is \$8.25, up from \$8.00. The rate will increase to \$8.75 in July 2016, to \$9.25 in July, 2017 and \$10.10 in July 2018. Although former Gov. Martin O'Malley had pushed for increases beyond 2018, none were enacted. Exempt from minimum wage: employees younger than 16 who work less than 20 hours a week; those 62 or older who work less than 25 hours a week; salaried employees; and salespeople.
- Tolls have been *lowered* on Maryland roads and bridges. For example: The \$6.00 fee to cross the Chesapeake Bay Bridge has dropped to \$4.00. The Intercounty Connector toll schedule has also decreased.
- The gas tax will increase from 2 to 3 percent, an increase of about 2 cents per gallon.
- The "rain tax" on stormwater runoff administered by the state has been repealed, but remains pretty much in tact with the affected localities. An issue of great interest to dealers and a centerpiece of Gov. Larry Hogan's election campaign, the law required the state's 10 largest localities to charge individuals and businesses a stormwater remediation fee to pay for federally mandated cleanup of the Chesapeake Bay. Because the fee was based on the size of the owner's property, businesses with a large amount of land, like dealerships, would have owed a lot of money. Federal law still requires that money be

spent on cleanup, but Maryland counties and Baltimore City may raise the funds in any way they choose.

### In Virginia:

- Virginia employers may not require employees or job applicants to disclose their user names and passwords for social media sites. Correspondingly, workplace supervisors cannot compel workers to “friend” them on Facebook.
- Virginia’s minimum wage remains the same as the federal minimum, \$7.25/hour!
- As the WANADA Bulletin reported last month, Virginia title tax on vehicle sales goes from 4.05% to 4.10% July 1, and will rise again July 1, 2016.

### In DC:

- Minimum wage in DC rose to \$10.50 on July 1 -- not just the highest in the region, but one of the highest in the nation. The rate will increase to \$11.50 in July, 2016. Activists are pushing to raise it to \$15.00, calling for a ballot initiative (Although, there are no dealerships in DC, it remains to be seen whether the city’s higher minimum wage will make it harder for employers to compete for lower level employees.)

## Daniel Jobe is elected NADA director for Maryland



WANADA salutes its longtime dealer member, Daniel Jobe of Capital Cadillac, Greenbelt, MD on his election to the NADA Board of Directors representing all Maryland dealers in the leadership of the national dealer organization. Dealers statewide supported him in a recent election for a three year term at NADA that will commence at their Convention in March 2016. Jobe will join Geoff Pohanka, Pohanka Automotive, Capital Heights, MD, who represents Metropolitan Washington on the NADA Board, and Bruce Farrell, Berglund Chevrolet in Roanoke, VA. In total, there are 63 on NADA’s Board.

Jobe will be part of MADA’s leadership in Annapolis as NADA director for Maryland, taking over from David Williams, Jr., Anchor Buick/GMC, Elkton, MD.

Jobe and Pohanka both currently serve on WANADA’s Board of Directors as well as The Washington Auto Show committee.

WANADA wishes Daniel Jobe every success on his impending leadership position in the industry.

## Light trucks, SUVs, incentives lift 6-month sales to 10-year record

First-half 2015 new vehicle sales were the strongest in a decade as light trucks and utilities – especially crossovers – boosted sales to record levels. Some analysts, including those at NADA, predicted strong growth ahead and revised their forecasts upward. Others warned of a potential downturn as interest rates are raised in the fall, as is widely anticipated.

But June sales clearly brought good news. Sales overall were up 5 percent from last June, and the seasonally adjusted annual sales rate (SAAR) was over 17 million – a rate not seen since before the recession of 2009. Several



The Ford F-150 was the top-selling light duty vehicle in the U.S. in June.

manufacturers posted double-digit increases.

General Motors' sales fell 3 percent, but only because of a conscious decision to cut back on fleet sales. Retail sales at GM were up 7 percent from a year ago.

"People feel good about their jobs and the direction the economy as a whole is taking, so the second half of the year should be strong, and that's especially good news for Chevrolet and GMC brands that have very broad truck and crossover portfolios," said Kurt McNeil, GM's U.S. vice president of sales operations.

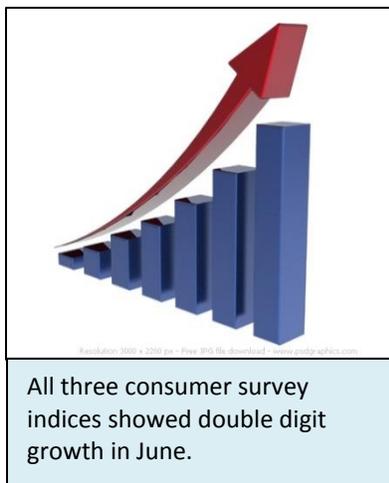
Good news for dealers too: The average transaction prices (ATP) rose 2.5 percent from a year ago, according to Kelley Blue Book. Ford did particularly well -- led by the redesigned F-150 -- with an ATP 6.6 percent higher than last year.

In reaction to strong June sales, NADA raised its 2015 sales forecast to 17.17 million, up from 16.94 million.

"Purchases and leases of new cars and light trucks will continue as a stronger overall economy continues to drive demand," said NADA Chief Economist Steven Szakaly. "While we've had a slower than normal recovery from the 2009 recession, we are seeing the sixth consecutive year of new light vehicle sales growth."

Low interest rates, continued pent-up demand and rising consumer confidence helped fuel June sales. But so did strong incentives, according to TrueCar. The average incentive per unit was \$2,846. FIAT/Chrysler, which saw sales rise 8 percent, spent \$3,384 in incentives per unit. GM spent \$3,729.

## U. Michigan Surveys of Consumers show strong optimism



The University of Michigan Surveys of Consumers showed double digit growth in June for all three indices – the Index of Consumer Sentiment, Current Economic Conditions and Index of Consumer Expectations.

"In the first half of 2015, consumers voiced the largest and most sustained increase in economic optimism since 2004," said the Surveys' chief economist Richard Curtin. A record was consistently set by households in the top, middle and bottom third of income distribution.

"Consumer spending will remain the driving force of economic growth in 2015," Curtin said, who forecasts 3 percent growth in consumer spending this year.

### NADA responds

## CFPB pressures 3 captives to limit dealer discretion on pricing

In response to news that the Consumer Financial Protection Bureau (CFPB) plans to cite the three biggest Japanese OEM captive finance companies for "unintentional" discrimination, NADA called it "a very sad day for consumers." The CFPB has proposed consent orders for American Honda Finance Corp., Toyota Motor Credit Corp. and Nissan Motor Acceptance Corp., reports *American Banker*.

Under the consent orders, the companies would pay from \$8 million to \$102 million to affected consumers to settle complaints of discrimination against minorities who allegedly received less favorable vehicle finance rate offers. The captives would not have to pay additional civil penalties, but only by agreeing to limit dealer discretion in pricing finance contracts.

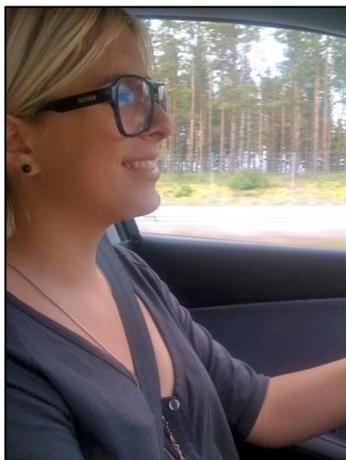
The exact amount of proposed payment is not final, according to *American Banker*. But previously discussed settlement terms were 1) Honda to limit dealer discretion to 125 basis points on contracts 60 months or less, and 100 basis points on longer contracts; and 2) Nissan and Toyota, to limit dealer discretion to 100 basis points on contracts of 60 months or less and 75 basis points on longer contracts. Three CFPB regulators from the agency's Office of Fair Lending and Equal Opportunity wrote in a memo that limiting dealer credit arranger discretion on rate offers was one of their goals, *American Banker* reported.

The dealer position through NADA came back loud and clear challenging the regulators: "By denying millions of consumers the right to negotiate a better deal for themselves when they finance the purchase of a new vehicle, these types of enforcement actions will bring economic harm to the very people that the CFPB was mandated by Congress to protect."

NADA encourages dealers to press their members of Congress to support HR 1737, a bipartisan bill that would require the CFPB to be transparent in its effort to change the mechanics of the auto finance market. Committee action on the bill is expected in the near future, NADA says.

To stress its point that there is no place for discrimination in the marketplace, dealers are urged to review and adopt its [NADA Fair Credit Compliance Policy and Program](#). NADA touts their program as "the most effective way to address fair credit risks, while preserving the robust competition that exists in today's marketplace."

## Really?! Most millennials say it's important to own a car



Millennials say it's important to own a car after all.

A new survey strikes down the myth that millennials aren't interested in owning a car! More than 90 percent of millennials surveyed by Enterprise Holdings say it is *extremely or very important* to have their own car to accomplish daily work and life tasks. In fact, millennials – born in the 1980s and 1990s – now account for 27 percent of new vehicle purchasers, according to recent data from J.D. Power and Associates. That means millennials have become the second largest group of new vehicle buyers, after baby-boomers.

Almost one-third of millennials who rented cars from Enterprise, National or Alamo bought a car in the past year, and more than half bought one in the past two years. And perhaps not surprisingly, more than one in four said a positive rental experience made them start car shopping. Nearly half said they experienced new technology for the first time in a rental car.

## Brand loyalty reaches 10-year high

Customer loyalty to automotive brands reached a 10-year high – 52.8 percent – during the first quarter of 2015, according to IHS Automotive. A number of brands also experienced 10-year highs in loyalty rates to include: Chevrolet, GMC, Infiniti, Jeep, Land Rover, Lexus, Lincoln, Mazda, Mitsubishi, Nissan, Porsche, Subaru and Volvo.

“The increased number of different models within brands makes it easier for households that may need a different type of vehicle to maintain their loyalty,” said Tom Libby, manager of Automotive Loyalty and Industry Analysis at IHS. The increased popularity of leasing also helped, as lessees are more brand loyal than retail owners. IHS estimates the current leasing penetration at 22.5 percent.

In addition, improved new vehicle quality is keeping consumers happy with their vehicle choice over time, which results in higher loyalty, Libby said.

## Virginia is rated the most patriotic state

The Commonwealth of Virginia is the nation’s most patriotic state, based on factors such as voting participation, military engagement and civic engagement, according to an analysis by WalletHub.

“Good patriots are engaged citizens who know their country’s history, follow its involvement in current events, and devote time and energy to its success,” said Linda Moland, an associate professor of philosophy at Colby College who participated in the study.

Patriotism has been waning in recent years, with just 28 percent of Americans saying the United States is “the best country in the world,” according to Pew Research. But Virginia ranks high – third in military engagement and fifth in civic engagement. Military engagement includes percentage of citizens who enlisted; and the number of active-duty military and veterans per capita. Civic engagement includes the percentage of Peace Corps volunteers and the percentage of citizens who voted in the most recent presidential election.

Maryland came in 18<sup>th</sup> overall, 29<sup>th</sup> in military engagement and 17<sup>th</sup> in civic engagement.

### Staying Ahead...

Is the glass half empty or half full? Per his quote, below, it appears that Albert Einstein subscribed to *half full*.

*There are only two ways people live their lives. One is as though nothing is a miracle. The other is as though everything is a miracle.*

