

THE WANADA BULLETIN

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

WANADA Bulletin # 30-16

August 5, 2016

Headlines...

Deadline to sign up for WANADA flu shot program is Aug. 31

VA DMV to offer TSA PreCheck, discounted license renewal

MD MVA to stock reduced tag inventory

July sales up just 0.7%, but NADA still sees record sales year

So who is leasing, and why?

Discussing fuel economy mandates and affordability

\$4.5 billion eligible for loan guarantees for EV charging stations

Staying Ahead...

Deadline to sign up for WANADA flu shot program is Aug. 31

The deadline for member employers to sign up for WANADA's seasonal flu shot program is August 31. With the flu annually infecting more than 40 million people, resulting in workplace disruptions averaging four to five workdays per employee, the program is a popular WANADA employee benefit. Dealers are encouraged to register early to receive their preferred date.

The service will again be available *onsite* at WANADA dealerships and administered by

Norvar Health Services, available for adults age 18 and older. This year Norvar will offer a new needle-free technology that introduces the flu vaccine into the muscle through a device that relies on spring power rather than a needle, eliminating needle anxiety.

The fee is \$24 per shot for the trivalent vaccine (protects against three different flu viruses) and \$31 for the quadrivalent vaccine (protects against four strains), 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. The needle-free vaccines cost another \$2 each. Adults 65 and older have a choice of getting the high-dose trivalent flu shot, recommended for older adults and costing \$48.

Dealers may register online at www.norvarhealthservices.com, under "Scheduling," or call 202-744-1360. Norvar will begin conducting onsite visits starting October 1. Any questions may be directed to Connie Ryan in the WANADA Insurance Department at 202-237-7200.



Dealership employees can now opt for a needle-free flu vaccine for the first time.

VA DMV to offer TSA PreCheck, discounted license renewal



A visit to the Tysons DMV office to register for TSA PreCheck can help you avoid airport security lines.

The Virginia Department of Motor Vehicles will soon offer U.S. Transportation Security Administration PreCheck for travelers at several DMV locations, including the Tysons Corner office. This will greatly simplify the arduous TSA PreCheck applications process travelers have heretofore taken in stride in order to gain the much sought after upgraded PreCheck screening at airports. And as of July 1, Virginia residents can receive a \$1 discount to renew a driver's license or replace a title online.

Other changes announced by Virginia DMV:

- DMV will start participating in the Driver's License Data Verification Service, developed by the American Association of Motor Vehicle Administrators. The service will help businesses cut down on fraud by verifying the credentials presented by customers.
- DMV will offer Transportation Worker Identification Credentials, required for truck drivers.
- Virginia drivers with expired licenses will be able to renew them online, using a new legal presence verification option available later this summer.
- Students will be able to take learner's permit exams in their schools instead of having to go to the DMV.

Customers can now take driver's license knowledge exams in three new languages: Japanese, Dari and Mandarin Chinese.

MD MVA to stock reduced tag inventory

To prepare for the Maryland Motor Vehicle Administration's Perpetual Inventory Management System initiative, the agency has developed a plan to reduce the number of tags that businesses have on hand. By September 1, the MVA expects dealerships to have no more than a one-month supply of tags on hand.

Each Electronic Registration and Titling vendor has been instructed to reallocate tags from businesses. Any dealer who needs inventory above the one-month threshold may contact the ERT vendor to request additional tags. The ERT Vendor will handle the request either by reallocating tags or working with the MVA to provide the additional inventory.

This change should have minimal to no effect on dealers' business, as inventory requests above the threshold will be handled on an as-needed basis.

Questions may be directed to mvablcsd@mva.maryland.gov.

July sales up just 0.7%, but NADA still sees record sales year



NADA economist Steven Szakaly predicts light trucks, like this Ford F150, will make up 59 percent of new vehicle sales in 2016.

July auto sales rose just 0.7 percent, but NADA still predicts a record year of 17.7 million.

“We’ve had six straight years of steadily rising sales, which has been a fantastic period of growth, and vehicles per household have returned to the same level prior to the Great Recession,” said NADA Chief Economist Steven Szakaly. Saying that most pent-up demand has been satisfied, Szakaly forecasts much lower sales of 17.1 million in 2017 and 16.5 million in 2019.

Rising employment and leasing will continue to grow

and drive sales. Low gasoline and diesel prices will allow consumers to spend more money on new vehicles and continue the trend of buying more trucks and SUVs than cars. Szakaly said light trucks will make up 59 percent of new vehicle sales this year. Leasing now accounts for 34 percent of the market and will increase.

Interest rates are expected to rise modestly. But, Szakaly said, “consumers will not feel the pinch of rising interest rates because automakers will roll out additional financial incentives.”

The NADA economist pointed out some warning signs for future sales: loan terms that have risen to 68 months, and a continuing rise in new-vehicle transaction prices, up 3 percent this year, as wages remain stagnant. Auto sales could stall until millennials start to form new households and have children.

Several industry analysts see sales starting to fall *this* year, with year-end sales matching 2015’s record 17.47 million. Some are concerned by the increased incentives and rise in leasing, two trends that have gotten the industry in trouble before. (Remember the problem of upside down buyers?) As transaction prices increase, more shoppers may decide to buy certified, pre-owned vehicles instead of new, said Kelley Blue Book analyst Tim Fleming. The average transaction price for July was \$34,264, up 2.5 percent from July 2015.

So who is leasing, and why?

More new vehicles were leased in the first half of 2016 than any other January through June, according to the latest *Lease Market Report* from Edmunds.com. The numbers show a 13 percent increase from a year earlier.

Leasing is increasingly seen as a way to make monthly payments affordable. Though leasing has long been used for luxury vehicles, the increase in leasing is coming from nontraditional segments such as pickups and compact cars, Edmunds says.

Nontraditional consumers are also leasing more. Although millennials show a larger lease penetration than any other group, the most growth has come from buyers 75 and older. And

women are more likely to lease than men. All those groups could be swayed by the smaller cash flow needed for leasing.

Discussing fuel economy mandates and affordability

Federal regulators, automakers and NADA are discussing the stringent federal fuel economy mandates in light of the low price of gas, the popularity of light trucks and the importance of consumer choice and affordability. Speaking at an automotive research conference in Traverse City, MI, EPA officials appeared happy with the current mandates, while auto industry representatives urged more flexibility.

Chris Grundler, director of air quality for EPA, said the auto industry has already made good progress on fuel economy goals and could continue to improve in the next 10 years, according to the *Detroit Free Press*. A draft technical assessment issued by the EPA and NHTSA in mid-July said that the fleetwide average is likely to be closer to 50.8 mpg by 2025 than the federal goal of 54.5, but showed no indication of backing down from previously set goals. The assessment is part of a mid-term review agreed upon when the standards were written in 2012.

NADA is urging regulators to look at vehicle affordability and how the regulations would affect vehicle pricing.

“The drastic upswing of the miles-per-gallon compliance curve from now until 2025 is going to have a dramatic effect on vehicle prices – and not just on the most fuel-efficient vehicles in the fleet, but up and down the entire lineup,” said Wes Lutz, NADA Regulatory Affairs chairman. He estimated that the regulations could add \$5,000 to the price of each new vehicle.

The average transaction price for a new vehicle is already more than \$34,000 (see article on page 3). “Affordability is everything,” said Lutz. “We can design and build all the fuel-efficient cars and trucks we want, but real life fuel economy improvements can’t be achieved until consumers actually buy those new vehicles.”

Interested parties may submit comments on the technical report until mid-September. Regulators must decide by April 2017 whether to make changes in the standards.

\$4.5 billion eligible for loan guarantees for EV charging stations

The White House recently announced several measures designed to push development of electric vehicles, including the designation of \$4.5 billion in loan guarantees for EV charging stations.

The Energy Department clarified that certain EV charging facilities are eligible for loans under its Renewable Energy and Efficient Energy Projects program. Energy Secretary has announced details of the program in recent years at The Washington Auto Show. Loan guarantees can be an



Automakers have been preparing to meet fuel economy mandates by producing more EVs, such as the Chevrolet Bolt. ©General Motors.

important tool to commercialize these technologies, the White House said, because the projects might not otherwise be able to get full commercial funding.

Other parts of the EV effort:

- DOT is working with state and local officials to identify zero emission and alternative fuel corridors, including for EV charging across the country. The goal is to have a national network of EV fast charging stations by 2020.
- The Obama administration wants to partner with state, county and municipal governments to procure EV fleets at a discount.
- The White House said that 35 new businesses, nonprofits, universities and utilities have signed on to the Energy Department's Workplace Charging Challenge, committing themselves to provide EV charging access for their workforce. The Workplace Charging Challenge was announced at a past Washington Auto Show by Secretary Moniz. Since 2008, the number of EV charging stations nationwide has jumped from fewer than 500 to more than 16,000 today.

Battery storage capacity and range anxiety remain problems for the EV industry.

Staying Ahead...

As dealers, our top priority will always be providing our customers with the ability to purchase the fuel-efficient cars they need at a price they can afford.

--Wes Lutz, NADA Regulatory Affairs Chairman

