

THE WANADA BULLETIN

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

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Headlines...

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Vehicle sales here rise 7.8% in second quarter -- Area Report



Auto sales continue to rise in the Washington area.

Washington area auto sales rose an impressive 7.8 percent in the second quarter and an astounding 13 percent for the month of June from a year ago. Nationally, the comparable figures were 8.5 percent and 9 percent, respectively. For the first half of the year, sales were up 6.9 percent, in the Washington area and 7.5 percent nationally. Because the vehicle sales market here in the 12 locality region did not fare as badly from the recession as the rest of the country, auto sales did not have as far to climb in the recovery.

Regional figures are from WANADA's Area Report, based on R.L. Polk data.

Sales months were comparable here in Q2, in terms of unit sales, with May the strongest, at 29,757, up 4 percent from a year earlier; June was next, at 28,022, followed by April (27,243).

Non-Detroit 3 new vehicle sales make up the greatest share of the market here, at 68.8 percent (down slightly from last year's figure of 70 percent), compared with 54 percent nationally. An impressive 76.8 percent of new sedans sold in the Washington area are imports.



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The gap between trucks' share of the market here (45.7 percent) and nationally (50 percent) is greater than in the first quarter.

The *complete* WANADA Area Report can be found on the WANADA website; click [here](#) (member log-in is required), or call Katy Orme at (202) 237-7200 for a faxed copy.

Dealers must notify employees of health care exchanges, Oct. 1

Effective October 1, 2013, all employers must notify their employees of the existence of health care exchanges in the state or jurisdiction where they live. The websites for the three area jurisdictions are: <http://marylandhbe.com/> for Maryland, <http://hbx.dc.gov/> for DC and <https://www.healthcare.gov/families/> for Virginia. Unlike Maryland and DC, both of which are handling their healthcare exchanges themselves, Virginia has decided to let the federal government manage its exchange, so its site is the one used by all states that have opted out of running their own exchange.

Here's a useful information resource for both employers and employees: <http://www.irs.gov/uac/Affordable-Care-Act-Tax-Provisions-Home>.

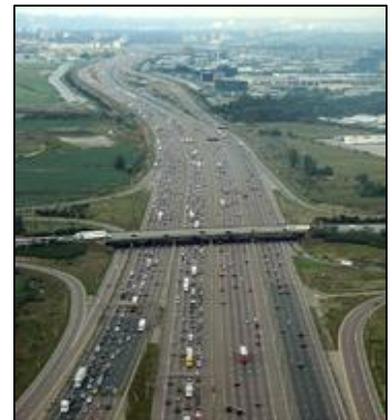
For questions and up-to-the-minute information on the roll out of the Affordable Care Act, contact John O'Donnell or Joe Koch at the WANADA office, (202) 237-7200.

Va. transportation spending up 54% in next 6 years

Virginia Governor Bob McDonnell recently discussed the state's budget surplus and the transportation bill passed last session of the General Assembly, in a presentation to a joint meeting of the Senate Finance, House Appropriations and House Finance Committee.

General fund revenues rose 5.3 percent in the past fiscal year, more than forecast. Virginia has created 172,600 net new jobs since February 2010, and the seasonally adjusted unemployment rate has dropped from 7.5 percent in February 2010 to 5.5 percent today.

As a result of the transportation bill, the Commonwealth Transportation Board's FY 2014-2019 Six-Year Improvement Program has grown statewide by \$3 billion to \$14.4 billion this year. Once the additional \$1.9 billion for Northern Virginia and \$1.3 billion for Hampton Roads are included, the total investment in transportation in the next six years will jump by 54 percent to \$17.6 billion. A recent study of the legislation by Chmura Economics found the bill will sustain 13,058 jobs annually and have a \$9.5 billion economic impact.



The transportation bill has added \$3 billion to this year's transportation improvement program.



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NHTSA to launch new study of ignition interlock systems

Back in 1974, the U.S. government required new vehicles to have ignition interlock systems, which required car occupants to fasten their seat belts before the car would start. Many people fastened the belt behind them and sat on it so they wouldn't be inconvenienced. There was such a groundswell of protest that Congress overrode the federal mandate for the interlock systems.

Now they're back. The National Highway Traffic Safety Administration last week rejected a petition by BMW to use the interlock systems instead of meeting some crash-test requirements, according to the *Detroit News*. BMW said it could then remove knee bolsters, making the cars much lighter weight and more fuel efficient.

NHTSA's objection: What if some occupants found a way around the system? It plans to research whether automakers could voluntarily use an interlock system that couldn't be defeated. Under current law, automakers may voluntarily use the systems, but only if the cars meet crash test requirements for unbelted occupants.

Last year, seat belt use was 82 percent, near its all-time high.

In dealerships: millennials want information, but no pressure

The auto industry has been asking for some time, what do millennials want when (or if) they buy a new car? A new study from AutoTrader.com provides some answers, including several on these young consumers' view of the dealership experience.

The survey concludes that millennials are highly aspirational and image-conscious and more open to import brands. And they do have an interest in vehicles and driving. But many millennials aren't in the market yet because they're "too busy with other things," are "afraid of driving," find it "too expensive" and "want more time to train."

They want to drive, says Isabelle Helms, AutoTrader.com's senior director of research. "They just aren't making it as much of a priority" as baby boomers did at that age.

When they do shop for a car, millennials rely more on word of mouth than other generations do. Contrary to what you might expect, most of that is face to face rather than through blogs, online forums or email. They're most likely to be first introduced to their car of choice through a family member or friend, as opposed to baby boomers who more often are introduced to their car on the dealership lot.

Millennials enjoy browsing the dealership lot more than older generations and depend more on the salesperson for information.



Millennials are interested in driving, but it's not as high a priority as it was for young baby boomers.

“Millennials view the dealership as a key piece of their research process,” says Helms. “They’re looking for experts to help answer their questions and to touch and test the car before making a purchase. [But] they will value the salespeople who provide the information they seek in a no-pressure way.”

More than 70 percent of younger millennials (ages 16 to 24) said infotainment features are “must-haves.” Style and features drive vehicle satisfaction for younger millennials, but older ones (ages 25 to 32) are more focused on safety and performance.

In F&I, 60 percent of those surveyed said they would rather shop for a loan online, compared with 35 percent of buyers older than 35. And 60 percent said dealerships had tried to sell them a service they didn’t want, versus 45 percent for older buyers.

Satisfaction with vehicle quality drops slightly, survey shows

A new customer satisfaction survey finds consumers slightly less satisfied with the quality of their vehicles than a year ago. The survey authors warn that the current boom in sales is driven more by pent-up demand, inexpensive financing and heavy dealer incentives than by the high quality of new models.

The American Customer Satisfaction Index, based on a survey of more than 4,000 new-vehicle buyers, found that satisfaction with vehicles is down 1.2 percent from a year ago, perhaps because of earlier improvements in satisfaction. Still, the survey’s authors warn that the drop should be seen as a warning to automakers. Once pent-up demand is met, sales growth will go to companies that retain their customers or win over those of other manufacturers.



Cars such as this C350 made Mercedes #1 in customer satisfaction.

The top three nameplates in customer satisfaction were Mercedes, Lexus and Subaru. Although the overall drop affected most automakers, the Detroit 3 lost ground to the imports. Detroit automakers “may be stretched too thin, ramping up production to meet rising demand,” the survey report says. “This becomes problematic once demand slackens, making further sales growth more challenging unless customer satisfaction improves.”

Auto loan debt rises, delinquencies flat

Average auto loan balances continued to increase in the second quarter, jumping 4 percent from a year ago to \$13,435, according to TransUnion. But the delinquency rate for loans more than 60 days past due remained flat.

“Consumers clearly are more confident in managing additional debt,” said Peter Turek, TransUnion’s vice-president of automotive.

Even subprime delinquency rates changed little, though borrower debt rose more than 7 percent in the past year. That's encouraging because if a borrower is delinquent, it's often in the first year of the loan, Turek said.

Washington among most tech-savvy cities in US

This won't come as a surprise to anyone who has answered customers' questions about iPhone connections or GPS: Commercial real estate firm Jones Lang Salle has rated Washington, DC seventh on its list of top high-tech markets. The index rates cities on four primary factors: high-tech employment, share of U.S. venture capital funding, intellectual capital and innovation.

"We expect the continued expansion of tech incubator spaces, new startup companies and growth of existing high-tech businesses across [the Washington region] to boost tenant demand in the future, as the market evolves and works to break its dependence on federal spending," Scott Homa, Vice President of Research at Jones Lang LaSalle, told the *Washington Business Journal*.

Use of cruise control can lengthen reaction time

A new study shows some potential hazards of cruise control if it is not used with proper caution. The study from the University of Strasbourg, Alsace, France, found that reaction time, especially in emergencies, is substantially reduced with the use of cruise control. For example, when traffic slows or the driver approaches an accident, reaction time is lengthened by a full second, causing a driver going 70 mph to travel another 100 feet before braking.

Drivers using cruise control also remain in the passing lane for longer and move back into the slow lane less often. Safe distances from the passed car are reduced by an average 5 percent before the driver moves back to the slow lane and by 10 percent when moving back. And the drivers are less vigilant: They correct the direction of travel less often when using cruise control, so the car doesn't drive as straight. The longer the trip, the more that is the case.

Because drivers pay less attention when using cruise control, episodes of drowsiness are much more frequent. The test showed a more pronounced reduction in attention after 30 minutes of driving – especially in young drivers, who are more sensitive to fatigue.

Staying ahead...

A budget tells you what you can't afford, but it doesn't keep you from buying it.

--William Feather

American publisher and author

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