

THE WANADA BULLETIN

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

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Headlines...

U.S. dealers set for record sales per store; Md., Va. gain stores
Karl Rove, Howard Dean to face off at 2016 NADA Convention
Auto loan, lease balances top \$1 trillion – Equifax
2015 vehicles recalls approaching 2014 record
U.S. retail used car prices up 7.6% in 2nd quarter
Mass. bill would create first state system to cap drug prices
Survey shows most drivers don't understand safety technology
U.S. on track for deadliest year on the road since 2007
CBM's Pete Reilly honored by fellow CPAs
Labor Day, Sept. 7: Holiday business hour signs mailed
Staying Ahead...

U.S. dealers set for record sales per store; Md., Va. gain stores

The average number of new vehicle sales per dealership is set to achieve an all-time high this year of 945 units, based on projected vehicle sales of 17.1 million, says Urban Science. That would mark the fourth straight year the U.S. auto retail network set a new throughput record.

Urban Science's latest Franchise Activity Report shows a 0.3 percent increase in the number of U.S. dealerships from the end of 2014, with a total of 18,011 as of July 1. The number of franchises also rose by 0.3 percent, to 31,714.

Most local markets haven't seen any change in the number of dealerships, but Maryland and Virginia each gained five stores. Texas, California and Florida gained seven to ten stores each.

Karl Rove, Howard Dean to face off at 2016 NADA Convention



Karl Rove

Howard Dean

Popular political pundits, Karl Rove and Howard Dean, should offer a lively political debate as they face off with their polar opposite opinions at the NADA Convention next Spring. With America heading into the stretch for the 2016 election, at that time, Rove and Dean will speak in a panel setting with incoming NADA Chairman Jeff Carlson, moderated by Mike Allen, *Politico's* chief White House correspondent. Rove is former deputy chief of staff to

President George W. Bush, and Dean is former governor of Vermont and former chairman of the Democratic National Committee.

NADA's Convention has moved from its longtime late January/early February timeframe to March 31 through April 3. Industry leaders and WANADA members who were conflicted this year with the NADA Convention occurring at the same time as The Washington Auto Show won't have that problem in 2016 with the Auto Show remaining in its late January dates.

Other general session presenters at the NADA Convention in Las Vegas, next Spring will be standup comic Jeff Foxworthy (Friday, April 1) and Denver Broncos quarterback Peyton Manning (Sunday, April 3)

Auto loan, lease balances top \$1 trillion – Equifax

As of June 2015, the total outstanding balances on auto loans and leases is \$1.02 trillion, an increase of 10.5 percent from a year ago, Equifax reports. The number of outstanding accounts is up 8 percent from a year ago to 73.7 million.

“Strong sales numbers in both the new-car and used-car markets, coupled with the availability of quality financing for consumers are a few of the main reasons the industry has reached the \$1 trillion mark,” said Dennis Carlson, deputy chief economist at Equifax.

While auto loan balances through June are growing at similar rates for banks and finance companies (10.1 percent and 10.2 percent respectively), finance company lease portfolios are more than *seven times* the size of bank lease portfolios.

More than 9 million auto loans, totaling \$182.9 billion, have been originated through April 2015 – a 5.8 percent increase in accounts and an 8 percent rise in balances from a year ago. These are the highest levels for this time period since Equifax began tracking this data.

2015 vehicle recalls approaching record from 2014

The number of cars recalled in 2015 will likely come close to 2014's record 63.95 million, according to an analysis by the *Detroit News*. Automakers took notice when new NHTSA Administrator Mark Rosekind said at the beginning of the year that automakers might recall more vehicles in 2015 than last year.

Automakers and other vehicle manufacturers have recalled more than 32.4 million vehicles through early August, the *News* reported.

There are a couple of reasons for this year's high numbers: the increasing amount of electronics in cars that make them more vulnerable to hacking and Takata's decision to recall 32 million vehicle airbags for possible failure.



The 2015 Chrysler 200 is one of the most recent models recalled this year.

U.S. retail used car prices up 7.6% in 2nd quarter

The average used car sold at retail is getting younger and pricier, according to Edmunds.com's latest *Used Vehicle Market Report*. Used car inventories are shifting toward newer, off-lease vehicles and certified pre-owned (CPO) vehicles. Average used-vehicle prices hit a record high of \$18,800 in the second quarter, 7.6 percent higher than a year ago.

Although used cars retailed are generally newer in recent years, the large number of lease returns means the retail price is not as high as it might otherwise be.

Franchised dealers sell about 42% of the total 41million used vehicles sold annually in the U.S. or 17.4 million. Of that number, however, 7.5 million are wholesaled, leaving 9.9 million retailed by franchised dealers, which is 58% of total new vehicles new vehicle dealers retail per annum.

The report also found:

- Pickups are seeing the most price growth in the used market, while passenger car prices are dropping
- The average amount financed on a used car is \$20,732, up 3 percent from last year and
- Loan terms on used cars are growing to offset higher average prices. For the first time since before the recession, average APRs on used car loans are creeping higher.



Pickups, such as this 2014 Toyota Tacoma, have seen the most growth in used car prices recently.

Mass. bill would create first state system to cap drug prices

State legislation introduced in the Commonwealth of Massachusetts would be the first in the nation to cap prescription drug prices. A coalition of health insurers – including the America's Health Insurance Plans coalition – and consumers pushed for the bill. Pharmaceutical companies would be required to detail what they spent on research, production and marketing, and a state agency would be able to cap drug prices.

Similar bills requiring drug companies to reveal their R&D costs have been introduced in California, New York, North Carolina, Oregon, Pennsylvania and Texas.

Readers may recall that several years ago, proposed Medicare reforms in Congress would have allowed Medicare to negotiate prescription drug prices with pharmaceutical companies, but the measure was withdrawn from the final bill. Prescription drugs are the fastest-growing expense in health care.

Survey shows most drivers don't understand safety technology

A recent survey by the University of Iowa shows that many drivers don't understand car safety technology, even common features such as antilock braking and tire pressure monitoring systems. When they have a question about car features they don't understand, consumers are more likely to go online or to their favorite technician. The results point to educational and marketing opportunities with vehicle owners for dealers on safety features.

The survey asked drivers about nine vehicle safety features: ABS, cruise control, traction control, tire pressure monitoring systems, backup camera and backup sensor warning system, adaptive cruise control, blind spot warning system, forward control warning system and lane departure warning. Although most participants had at least heard of all of them--except adaptive cruise control--they were uncertain about all of them, especially tire pressure monitor, adaptive cruise control and lane departure warning.

Asked where they would go to try to understand the problem if a vehicle was reacting in a way they didn't understand, more than half would go first to the Internet, followed by their favorite technician, then the dealership of purchase, and substantially behind that, another dealership. Drivers older than 45 are more likely to visit or contact their dealership or their favorite technician or to check the owner's manual; younger drivers go first to online videos.

As for which safety feature they were most likely to buy if they were buying a new car, the top choice was the backup camera, followed by blind spot warning and drowsiness/attention alert.

U.S. on track for deadliest year on the road since 2007

Traffic deaths are 14 percent higher through the first six months of 2015 than the same period in 2014, and serious injuries are 30 percent higher, according to estimates from the National Safety Council. From January to June, nearly 19,000 people died in traffic crashes across the U.S., and more than 2.21 million were seriously injured. That means the U.S. is on course for its deadliest driving year since 2007.

Costs are also up. The six-month estimated bill for traffic deaths, injuries and property damage is \$152 billion – 24 percent higher than 2014.

The grim statistics are worth keeping in mind when selling safety to customers buying new cars.

CBM's Pete Reilly honored by fellow CPAs



CBM colleagues with Pete Reilly (2nd from the left) at the GWSCPA's awards event were Dan Weaver, CPA, vice president (left most); Patricia Drolet, CPA, PFS; and Matt Johnson, CPA

Peter B. Reilly, CPA, CVA, president and managing partner of WANADA Kindred-line member firm Councilor, Buchanan & Mitchell has received the 2015 Outstanding Member in Public Accounting Award from his professional association, Greater Washington Society of Certified Public Accountants. GWSCPA bestows this recognition on those who make "substantial contributions to the success and growth of their firm and the accounting profession at-large."

"CBM is approaching its 95th anniversary in 2016," Reilly said. "and I'm committed to honoring the generations before us who built the firm based on a the basis of providing superior client service while embracing change in the professional and business world."

Labor Day holiday hours signs mailed to WANADA dealers

With Labor Day 2016 a week from this Monday, September 7, WANADA has mailed all member dealerships optional poster signs on which to indicate business hours in the various departments on the holiday itself. Each member dealership received two (2) poster signs for customer information in different retail areas, such as on showroom doors or in service customer waiting areas.

Any member in need of additional Labor Day business hours posters can contact Kathy Teich in the WANADA office at (202) 237-7200 or kt@wanada.org.

Staying Ahead...

Life can only be understood backwards; but it must be lived forwards.

--Soren Kierkegaard, 19th Century philosopher

