

THE WANADA BULLETIN

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

WANADA Bulletin # 35-14

September 10, 2014

Headlines...

August sales beat expectations, break records: 17.5 m. SAAR

What determines the effect of a recall on a brand? NADA reveals

Subprime financing levels off, new-car leases up

Gas prices likely to drop this fall, says AAA

Federal stimulus boosted road spending considerably

Two lawmakers exchange cars to prepare for transportation bill

Washington ranks high for people working past 65

No surprise: Washington is nation's most affluent metro area

Volvo aims for crash-free fleet by 2020

Another marketing tool: Ideal Vehicle Awards

Thought for the Week...

August sales beat expectations, break records: 17.5 m. SAAR

Despite analysts' expectations that August sales would drop slightly and automakers forecasting an overall 3 percent rise, sales for the month were up 5.5 percent from a year ago. The seasonally adjusted annual sales rate was an impressive 17.5 million.

Many factors contributed to the strongest sales in eight years: increasing consumer confidence, the prevalence of 0 percent financing with long loan terms, continuing pent-up demand, attractive lease deals. It helped that Labor Day weekend fell in August giving the month five weekends.

"Car-buying fundamentals, like employment and energy prices, are in good shape with consumer confidence reaching a post-recession high while business investment is increasing," Kurt McNeil, GM's U.S. vice president of sales operations, said in a statement.

Some analysts are worried that August may have pulled sales from September. Still, LMC Automotive's Jeff Schuster told Bloomberg he expects strong sales for the rest of the year.



The MY 2015 BMW X5 was the fastest-selling vehicle in August, with just five days on the lot.

METALPRO
DEALERSHIP RECYCLING SPECIALIST
metalprorecycling.com

How green is your dealership?
Go green, recycle with Metalpro
Storage & Recycling programs for metals,
tires, oil filters, and collision center plastic



Advertisement

Incentives were up \$300 per unit, according to Kelley Blue Book, but the average transaction price of \$32,495 rose \$851 from a year ago.

Helped in part by low gas prices, light trucks, crossovers and SUVs sold well – one reason that Chrysler’s sales rose 20 percent as the automaker saw its strongest sales in 12 years. As *Automotive News*’ Jesse Snyder put it, the lesson was, “Get trucky, get lucky.” Sales of passenger cars lagged.

Fifteen of the top 19 fastest-selling cars in August were SUVs, wagons or minivans versus 15 of the top 22 in July, said Cars.com. The list is based on “the average number of days it takes to sell models from the day they arrive on the lot until the final paperwork is signed by a buyer,” the company says. The top five fastest-selling MY 2015 vehicles: BMW X5, Toyota Tacoma crew cab (both 5 days), BMW M4, Toyota Corolla and Toyota Highlander (all 6 days). The list includes only vehicles that pass a set threshold of sales so as to eliminate limited editions and ultra-high performance cars.

What determines the effect of a recall on a brand? NADA reveals

A new white paper from NADA explores why some auto recalls have a lasting effect, even though most are routine and consumers drive away from the dealership happy. In most cases, consumers are happy that proactive steps were taken and the problem was resolved “in a transparent and timely fashion.”

Recalls that hurt the brand “commonly involve a large number of vehicles, numerous reports of severe injury or death and extensive media coverage,” the report says. If the automaker has a reputation for quality – such as Toyota at its 2009-2010 acceleration recalls – that could cause the brand image to suffer more. Model age is another factor: If the recall is for older models, the brand is usually not hurt because “older models are less associated with a brand’s current product image.”



NADA’s report suggests that the recent recall of cars like this 2005 Chevrolet Malibu had little effect on brand image because it’s an older model.

Although the Toyota recall and GM’s recent recall are similar, Toyota sales suffered much more. The results show that “the same factors cause recall-related brand damage, but individual circumstances determine the severity of the damage,” according to NADA.

Subprime financing levels off, new-car leases up

The percentage of new vehicle loans to subprime and deep subprime borrowers – those with a credit score below 620 – began to level off in the second quarter, according to Experian Automotive. The figure dropped from 22 percent in second quarter 2013 to 15 percent in Q2 2014. Although that’s above the 10 percent low at the peak of the recession in 2009, the figure is still well below the prerecession high of 20 percent in 2007.

“Although we’ve seen relative stability in the automotive industry the past several years, lenders are still showing cautionary signs when lending to the subprime market and keeping their risk at manageable levels,” said Melinda Zabritski, senior director of automotive finance for Experian.

The average loan amount extended to subprime and deep subprime customers also fell in the second quarter. For new-vehicle buyers, the amount dropped from \$27,563 in 2013 to \$27,347 for subprime, and from \$25,486 to \$24,836 for deep subprime.

The Experian report on automotive finance also found that leasing hit a record 25.6 percent in Q2 2014, up from 23.4 percent last year. The interest rate for a new vehicle rose slightly, from 4.46 percent last year to 4.59 percent in 2014. And the average credit score is up slightly, at 711 for a new vehicle loan and 717 for a new vehicle lease. All figures are for the second quarter.

Gas prices likely to drop this fall, says AAA



Gas stations will no longer be required to use more expensive summer-blend gasoline after September 15.

The reduced driving that usually comes with fall and the switch to less expensive winter-blend gasoline should bring gas prices nationally down 10 to 20 cents per gallon by the end of October, says the American Automobile Association.

“If we can get through September without any major refinery or overseas problems, we should see more gas stations drop below \$3.00 per gallon this fall,” said AAA spokesman Avery Ash.

The price of regular gas in September has declined four of the past five years for an average of 8 cents per gallon. Last year, national average gas prices fell by 19 cents per gallon in September.

The national average price of gas this summer was \$3.58 per gallon, the fourth most expensive on record and a fraction of a cent less than a year ago. Currently, Virginia is tied with Mississippi for the second cheapest gas in the country, at \$3.18. The cheapest is South Carolina (\$3.17) and the most expensive, Hawaii (\$4.28).

Federal stimulus boosted road spending considerably

Federal grants from the 2009 stimulus package boosted highway spending substantially, but the increase was offset by pressures to cut state spending in response to plummeting tax revenues. That’s the conclusion of a recent report by the Federal Reserve Bank of San Francisco. The net result: Highway spending by state and local governments was flat from 2008 to 2011.

It’s widely acknowledged that U.S. highways are in need of repair and upgrade. The American Society of Civil Engineers gave the nation’s roads a rating of “D” last year. The American Recovery and Reinvestment Act gave states \$27 billion specifically for roads. That was in addition to money from the Highway Trust Fund.

The report found that states increased their highway spending more than dollar-for-dollar in response to the stimulus money. Without the stimulus, the writers estimate that “national spending on highways would have declined about 20 percent between 2008 and 2011, on par with the decline in state tax revenues.”

Two lawmakers exchange cars to prepare for transportation bill

Consider it a small step toward bipartisanship: Two members of Congress are renting a car model owned by the other to experience different automotive needs. They said it would help them be aware of varying transportation needs around the country as Congress prepares to continue its debate of the transportation bill in the next few months.

Rep. Rodney Davis (R-Ill.) drives a Ford F-150 Crew Cab and Rep. Janice Hahn (D-Calif.) drives a Nissan Leaf. “Communities across our country are impacted differently by problems such as traffic and deteriorating road conditions, but the growing strain on our nation’s infrastructure system is felt everywhere, and demands action,” Rep. Hahn wrote in an email to reporters, according to *The Hill*. “While Congresswoman Hahn may be shocked at the gas prices, Congressman Davis will likely have difficulty finding charging stations.” Each will drive the rented vehicle in his or her district.

Washington ranks high for people working past age 65

In a recent survey of “the best places to retire” in the nation’s 150 largest cities, Washington ranked near the bottom, but was fourth for the highest percentage of people still working after 65. The survey by WalletHub looked at 25 metrics, including cost of living, job prospects for older workers, availability of recreational activities, quality of life and health care.

Washington ranked 128th overall, mostly because of the high cost of living. It came in at 138 for affordability. It was far down the list for quality of life. But the city is No. 3 for number of recreation and senior centers per capita. That’s just as well, because Washingtonians, at all ages, are known for playing as hard as they work.



Washington ranks fifth highest in number of workers past age 65.

No surprise: Washington is nation’s most affluent metro area

Here’s confirmation of what many may have already known: Washington is the nation’s most affluent metro area. The study, done by the Business Journals and based on Census Bureau figures, looked at 12 factors, including income, cost of homes, proportion of high-end jobs and residents with advanced college degrees.

In addition to the stable federal government job base, the Washington area has many high-paying private jobs in accounting, architecture, engineering, legal services, health care and technology.

Washington ranked:

- Third highest in median household income (\$89,826) and per capita income (\$43,411).
- Fourth highest in percentage of households with incomes of \$150,000 or more (25 percent) and of workers in management, business, science and the arts (51 percent).
- Fifth highest in percentage of residents with advanced degrees (23 percent).

On a related note, credit card debt in the Washington-Baltimore area grew 3.9 percent in the second quarter from a year ago, according to Equifax. The credit rating agency noted that such growth is usually taken as a sign of increasing consumer confidence.

Volvo aims for crash-free fleet by 2020

With the construction of AstaZero, a proving ground in Sweden focusing on traffic safety, Volvo says it is a step closer to realizing its vision that by 2020 no one will be killed or seriously injured in one of its new cars.

Active safety systems will be the main focus at AstaZero. Unlike most proving grounds, says Volvo, the design is flexible and permits the construction of customized environments. Test conditions will simulate those found on city roads, multilane highways and crossroads. In studies involving complex traffic situations and high speeds, robots will operate the test vehicles.

The tests will focus on autonomous driving technology. Volvo is also developing advanced systems to help prevent driver distraction and fatigue.

Another marketing tool: Ideal Vehicle Awards

Owner surveys that rank vehicles can serve as another marketing tool for dealers. AutoPacific's recently released 2014 Ideal Vehicle Awards pick the Chevrolet Corvette as the overall winner, Porsche as the most ideal premium brand and GMC as the most ideal popular brand.

The awards are based on responses from more than 92,000 new vehicle owners. Surveyed after 90 days of ownership, they were asked what changes they would make to their car or truck in 15 categories, including interior storage, ease of technology use, power and acceleration and seat comfort. The awards recognize vehicles where owners want the least amount of change.

The survey found that more than 25 percent of consumers still want more interior storage, better visibility and easier entry and exit. Seventeen percent said they want easier-to-use technology – up 4 percentage points from 2013 – and the only attribute with a significant increase in desired change.

For results in individual categories of vehicles, click [here](#).

Thought for the Week...

September 11, 2001, revealed heroism in ordinary people who might have gone through their lives never called upon to demonstrate the extent of their courage.

--Geraldine Brooks

Pulitzer Prize-winning novelist

