

THE WANADA BULLETIN

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

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California dealers object to Tesla's car buyer referral program

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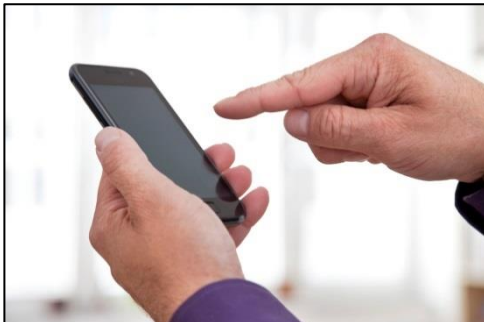
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Thought for the week...

Many consumers don't use their cars' technology, says J.D. Power



Many younger drivers prefer using their smartphone rather than their vehicle's technology features.

Automakers are spending billions of dollars to put technologies in their vehicles that are not being used by the owners, according to the J.D. Power 2015 Driver Interactive Vehicle Experience (DrIVE) Report. The report measures driver experiences with in-vehicle technology features in the first 90 days of ownership.

Owners who say their dealer did not explain a feature are more likely never to use the technology. If features are not activated when the vehicle is delivered, the owner likely will never know he/she has the technology.

The report finds that at least 20 percent of new vehicle owners have never used 16 of the 33 technology features

measured. The five features that owners most commonly report they never use: in-vehicle concierge, mobile routers, automatic parking systems, head-up display and built-in apps.

There are 14 technology features that 20 percent or more of owners do not want in their next vehicle, including Apple CarPlay and Google Android Auto, in-vehicle concierge services and in-vehicle voice texting. The percentage is higher among Gen Y owners (born in the 1980s and 1990s).

“In many cases, owners simply prefer to use their smartphone or tablet because it meets their needs; they’re familiar with the device and it’s accurate,” said Kristin Kolodge, executive director of driver interaction and human-machine interface research at J.D. Power.

The technologies owners most often want are those that enhance the driving experience and safety, which are only available as a built-in feature rather than through an external device. In-vehicle technologies that most owners want include vehicle health diagnostics, blind-spot warning, and adaptive cruise control.

California dealers object to Tesla’s car buyer referral program

The California New Car Dealers Association has complained to the state Department of Motor Vehicles about Tesla’s new referral program. The program offers a \$1,000 credit to a Tesla owner referring a friend who buys a new Tesla. The referring owner gets a \$1,000 credit toward service, gear or a future Tesla purchase, and the new buyer gets a \$1,000 discount.

The dealers association said the program is illegal under the state franchise law, which bans bird dogging (paying salespeople who don’t have a license to sell cars).

A similar program in Virginia drew complaints from the Motor Vehicle Dealer Board. In response, Tesla now gives the entire \$2,000 to the buyer.

Be prepared for “Cadillac tax” on health care plans in 2018

A future provision of the Affordable Care Act (ACA) that could affect dealers is the so-called “Cadillac tax” on expensive health insurance plans. Starting in 2018, employer-sponsored health insurance plans will be taxed if they are valued above a certain threshold.

The amount is \$10,200 for individual plans and \$27,500 for family plans and will be adjusted for inflation every year. Any value over that amount will be taxed at 40 percent.

The Kaiser Family Foundation estimates that 26 percent of employers nationwide would be subject to the tax for at least part of their health plans in 2018 assuming a five percent annual increase in premiums between now and 2018. WANADA believes the percentage of affected dealers would be somewhat lower. Dealers should ask themselves whether they have a very expensive health insurance plan that could be subject to the tax. In 2018 assuming a 5percent annual increase in premiums between now and 2018.

The tax is one of the more controversial elements of the ACA. Many believe the provision will be overturned by Congress, as there is bipartisan support for doing so. But other members of Congress would likely try to block repeal because the tax does provide revenue to pay for other aspects of the ACA that are already in place.



Starting in 2018, very expensive health insurance plans will be subject to a 40 percent tax.

Satisfaction with cars drops for third straight year; recalls cited

Consumers’ satisfaction with their vehicles dropped for the third straight year last year as recalls reached record levels, according to the latest American Customer Satisfaction Index

(ACSI). The overall satisfaction score of 79 out of 100 was the lowest score since 2004, which held the previous record for vehicle recalls.

Survey respondents saw a 40 percent increase in their vehicles' recalls in second-quarter 2014 compared with a year earlier. Higher prices also contributed to lower satisfaction. Driver satisfaction reached a record high during the 2009 Cash for Clunkers program, and for several years afterward, cars were heavily discounted.

Japanese and luxury brands held the top spots as Lexus took the lead from Mercedes. Domestic automakers reached a five-year low. Only two automakers – Acura and BMW – raised their scores from last year. Hyundai, Lexus and Mazda kept the same scores.

GAO: It's unclear if vehicle safety inspections help



The GAO study concludes that NHTSA should help states with safety inspections.

U.S. Government Accountability Office (GAO) said in a recent study that it's unclear whether state vehicle inspection programs help lower accident rates. In the Washington area, Virginia requires regular safety inspections. Only 14 other states require the inspections.

Because (1) vehicle component failure is a factor in only 2 to 7 percent of crashes, and (2) it is hard to factor in greater or lesser enforcement of state traffic safety laws, it's difficult to judge how effective the inspection programs are, the study reported.

State officials are not prepared for new NHTSA requirements. The officials told GAO "it is not clear whether or how to inspect new safety technologies, such as tire pressure monitoring systems, required by NHTSA for new vehicles."

GAO concludes that NHTSA should work more closely with the state officials on vehicle inspection programs.

Consumers more confident about economy in August

The Conference Board Consumer Confidence Survey rebounded in August from its July drop, mainly because of a more favorable appraisal of the labor market. Those saying jobs are "plentiful" increased from 19.9 percent to 21.9 percent, and those who said jobs are "hard to get" dropped from 27.4 percent to 21.9 percent.

Consumers' optimism about the short-term outlook also improved, with slightly more expecting business conditions to improve in the next six months and a greater drop in the percent expecting business conditions to worsen.

Consumers' outlook for the labor market was also more upbeat. The percent of those anticipating more jobs in the coming months increased, while those anticipating fewer jobs decreased sharply from 19 percent to 13.6 percent. But income expectations were little improved.

U.S. driving hits record high in year's first half

U.S. driving topped 1.54 trillion miles in the first half of 2015, out pacing the previous record of 1.5 trillion set in June 2007, according to estimates from the Federal Highway Administration (FHWA). The amount is more than double that driven during the same period in

1981, continuing a trend of America's driving mileage doubling nearly every generation. June also showed a record amount of miles traveled for any June.

FHWA used the figures to reinforce calls for increased investment in transportation infrastructure. The current stopgap funding expires October 31 of this year.

With 3-D printing, dealers could someday "print" their own parts

3-D printing gets a lot of publicity, but for practical purposes it's still in its infancy. Carlisle & Company, consultant to a number of OEM aftersales divisions, has said that dealers may someday print their own auto parts with an onsite 3-D printer. In a recent article in *WardsAuto*, editor Steve Finlay interviewed Carlisle principal Brian Crouse about how 3-D printers will affect the auto industry.

Up to 30 percent of auto parts could be printed at dealerships or at a centralized nearby location, Crouse said. A nearby printer shared by several dealerships could be owned either by the automaker or a 3-D printing company.

Not all parts are suitable for 3-D printing. Metal parts are prohibitively expensive to print that way. But some printers use plastic and carbon fiber, which could potentially produce parts that are just as strong at much less cost, said Crouse.

3-D printing would be especially suitable for parts that are small (less material needed) or complex (more expensive to produce by machine). Good candidates include some engine components and some interior parts, such as air vents. It will be important to ensure that 3-D-printed parts are comparable with those made by machine.

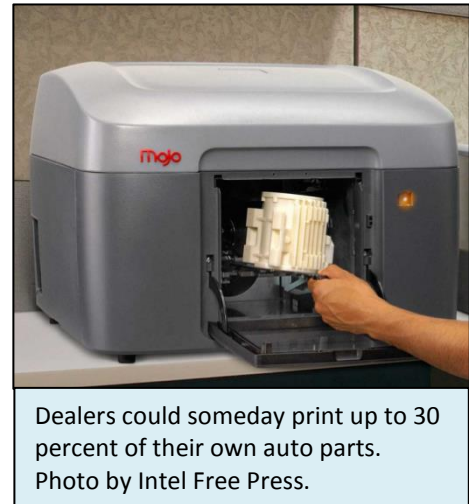
Gas mileage of cars on the road shows little progress since '90s

Despite steady advancements in fuel-saving technologies over the past 25 years, fuel economy of vehicles on the road has improved by less than a mile per gallon in that time, say researchers at the University of Michigan. That's partly because it takes many years to turn over the fleet.

The actual, on-road fuel economy for the entire fleet of vehicles (including cars, trucks, buses and motorcycles) only improved from 16.9 mpg in 1991 to 17.6 mpg in 2013.

"After the 1973 oil embargo, vehicle manufacturers achieved major improvements in the on-road fuel economy of vehicles," said Michael Sivak, a research professor at U. Michigan's Transportation Research Institute. But the pace of improvement has decreased substantially since 1991.

To increase fuel economy overall, "the focus should be on the least-efficient vehicles within each class," Sivak said. For example, an improvement from 15 mpg to 16 mpg for a vehicle driven 12,000 miles in a year saves 50 gallons of fuel over that period.



Dealers could someday print up to 30 percent of their own auto parts.
Photo by Intel Free Press.

Dealership collects shoes for orphans

A dealership in Georgia met two goals with a recent charity drive: It collected footwear for orphans around the globe, and it demonstrated the store's community spirit.

Prater Ford in Calhoun, Ga., repeated a program from last year, when it encouraged members of the community to drop off new shoes and socks in the showroom to be donated to Buckner Shoes for Orphan Souls. The donated footwear will be distributed to children in the U.S. and around the world through the charitable organization.

"It's a healthy way to stand out in the community, and everyone wants to help a child who doesn't have any shoes," Prater Ford President Jimmy Prater told Edmunds.com reporter Rene Wisely.

Thought for the Week...

Work is not man's punishment. It is his reward and his strength and his passion.

--George Sand

19th century French writer

Happy Labor Day weekend from all of us at WANADA!



WASHINGTON AREA NEW AUTOMOBILE DEALERS ASSOCIATION