

THE WANADA BULLETIN

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

WANADA Bulletin # 40-13

October 18, 2013

Headlines...

Government shutdown and the auto industry

Plan *now* to attend WANADA's Annual Luncheon with Charles Krauthammer, Nov. 25

Foreclosures jump in Washington area; sequester a likely factor

Push to raise gas tax sidetracked by shutdown

Edmunds.com sees 16.4 million sales in 2014

Maryland is 10th worst in state business tax index

CAFE levels exceed expectations

Google files patent to allow hand gestures to control car

Automakers move up in top 100 most valuable global brands

Automakers rank high on list of "most innovative" companies

Al Capone's car gets FDR to Capitol Hill for "Day of Infamy" speech

A prayer answered this week...

Government shutdown and the auto industry



Congressional approval hits a new low:
Even hemorrhoids rate higher.

It has been hard to gauge the effect of the government shutdown and civil servant furloughs on the auto industry. Part of the difficulty is that the information engines which measure the economy are in government agencies that were shutdown rendering the information unavailable.

The industry could adjust to a couple of weeks *without* recall notices from the National Highway Traffic Safety Administration or Monroney stickers for new cars that are based on information from EPA mileage tests that are on hold. But because of the prolonged period without the mileage tests, things like new-model launches were subject to set back since a new car can't be sold without a Monroney sticker.

More broadly, the effect of the shutdown could "derail the momentum the industry has built over the past couple of years," LMC Automotive's vice president of vehicle forecasting Jeff Schuster told the *Detroit News*. GM's vice president of U.S. sales Kurt McNeil told the paper that the two week shutdown could hurt consumer sentiment.



Managing Your Auto Dealership is YOUR Business.

Making it a Financial Success is OURS.

CLICK HERE
to learn about
our services

Councilor, Buchanan & Mitchell
CPAs & Business Advisors



Advertisement

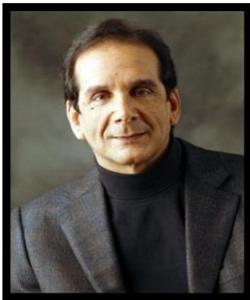
Edmunds.com Chief Economist Lacey Plache is more optimistic. “We’ll probably see some hit to sales this month, but we’ll probably see a strong finish to the year,” she told the *Detroit News*.

All of that analysis is for nationwide auto sales. The effect of the shutdown on Washington area auto sales and service could be a cause for additional concern. But because civil servants will be paid retroactively, Plache’s positive national outlook may apply here, too, since furloughed employees may simply put off planned auto purchases as opposed to foregoing them all together.

The side effect of furloughed *government contract employees* is less clear. It doesn’t look as if these people will be paid for missed time, and some may be laid off permanently. Indeed, there are a great many contract employees in the Washington area. More than one-third of jobs in Fairfax County, for instance, are held by people working directly for the government or for government contractors.

An unsurprising effect of the Congressional gridlock that brought on the shutdown: Americans now give Congress an 8 percent approval rating in a survey by the Public Policy Polling Institute. Even worse, they rate members of Congress, all of them, lower than hemorrhoids. Only New York’s mayoral candidate Anthony Weiner and riskè celebrity Miley Cyrus get lower ratings.

Plan *now* to attend WANADA’s Annual Luncheon with Charles Krauthammer, Nov. 25



The schedule is set, and the ticket office is open, for association members, guests and friends to register for the 2013 Annual WANADA Membership Meeting and Luncheon on Monday, November 25 at the Ritz-Carlton, Tysons Corner.

The keynote speaker is the incomparable political commentator and syndicated columnist Charles Krauthammer who will share his inside-the-Beltway perspective on where the president and Congress are taking America in our world, and how that will impact important sectors, like the automobile industry.

Krauthammer, the winner of the Pulitzer Prize and a contributor to *The Weekly Standard*, *The New Republic* and *Fox News*, is always insightful and provocative in his analysis and commentary whose remarks to WANADA luncheon attendees promise to be both thought provoking and memorable.

As with any WANADA Annual Meeting and Luncheon, association leadership will present a state of the automobile business report, and the membership will elect the 2014 Board of Directors. Preparatory to the program will be an invaluable networking opportunity for automobile business colleagues.

A detail sheet and registration paper can be downloaded, completed and faxed to (202) 237-9090 by [clicking here](#), or registration can occur on-line by [clicking here](#).

Contact Kristina Henry in the WANADA office with questions about the Annual Meeting and Luncheon at (202) 237-7200 or kh@wanada.org.



Is your scrap metal being stolen or sold for cash?

Upgrade to Metalpro's scrap metal recycling service

You will get:

- Locking storage containers
- Professional collection service
- Payment by check



Foreclosures jump in Washington area; sequester a likely factor

Foreclosures of residential real estate have fallen 27 percent across the nation in the past year, but surged in the Washington suburbs from August to September, reports RealtyTrac. In Fairfax County, Virginia, initial foreclosure filings jumped by 144 percent. They more than doubled in the other Northern Virginia counties of Prince William, Loudoun and Fauquier.

Because of the timing, the figures do not reflect the furloughs of government workers from the shutdown. But the budget cuts from sequestration could well be a factor. “There is no question that the sequester has had an impact on the economy in Washington,” said Brian O’Reilly, president of Washington-based business advisory group, Collingwood Group.

Among states, Maryland had the second highest increase in foreclosures at 230 percent, behind Maine’s 263 percent.

Push to raise gas tax sidetracked by shutdown

A plan to mark the 20th anniversary on October 1 of the last hike in the gas tax with a push for another increase was effectively derailed by the federal shutdown starting that day. The rate 20 years ago, back in 1993, was raised 4.3 cents per gallon to 18.4 cents.

But that only raises about \$35 billion a year – not enough to keep up with needed road improvements and new roads, says the American Road and Transportation Builders Association. Congress spends about \$54 billion a year on transportation projects and pays for them from other parts of the budget.

Before the shutdown, lawmakers had planned hearings on possible revenue sources for transportation funding. But the hearings were canceled when the government shut down.

The furlough of Department of Transportation workers doesn’t help. “The shutdown of the federal government will have long-lasting negative effects on America’s already outdated infrastructure,” American Society of Civil Engineers President Gregory DeLoreto said, according to *The Hill*.

Edmunds.com sees 16.4 million sales in 2014

Amidst the doom and gloom trumpeted far and wide in the media comes this good word from Edmunds: It expects 16.4 million new-vehicle sales in 2014! That would be the highest level since 2006, albeit the smallest increase since 2009.

Edmunds bases its forecast on continued pent-up demand. “The average age of all light vehicles on the road climbed to 11.4 years in 2013, and an aging fleet will continue to force buyers back into the market next year,” says Edmunds.com Chief Economist Lacey Plache. The tight supply and high prices of used cars make a new car more attractive for many of these buyers.

The groups hit hardest by the recession – young people, lower income households and small businesses – have yet to share in the economic recovery, Plache says. They are buying more cars than during the height of the recession, but their participation in the recovery still lags.

Maryland is 10th worst in state business tax index

Maryland ranks 10th from the bottom among all 50 states in the Tax Foundation's 2014 *State Business Tax Climate Index*. (DC is not ranked.)

The bottom five states are New York and New Jersey, tied for last place; then California, Minnesota, Rhode Island and Vermont. The bottom ten states all have "complex, non-neutral taxes with comparatively high rates," says the Tax Foundation.

The top three states – Wyoming, South Dakota and Nevada – have no corporate or individual income tax. On the other hand, attracting employees to South Dakota might be challenging.

CAFE levels exceed expectations

If recent trends continue, automakers should be able to meet fuel economy standards in the next 12 years, say University of Michigan economists.

A year after the federal government announced the tougher corporate average fuel economy standards for model years 2017 through 2025, CAFE performance has exceeded anticipated levels for 2012 and 2013, by 0.2 mpg and 0.1 mpg, respectively.

Fuel economy has increased annually from model years 2008 through 2013, the researchers say. Overall, CAFE levels improved by 4.3 mpg in those six years, from 25.5 mpg to 29.8 mpg.

The standard for MY 2017 to 2025 is based on decreases of about 5 percent a year in carbon dioxide output per mile.



Cars such as the Toyota Prius have helped automakers meet CAFE requirements.

Google files patent to allow hand gestures to control car

Driverless cars are still many years off. But Google is working on a system that would let a driver use hand gestures -- polite ones -- to control some functions in the car.

For instance, waving a hand in front of a window could raise or lower it. The driver could adjust the radio station or volume, and the air conditioning, with a turn of the hand. Individual gestures – two pointing fingers, a closed fist, a thumbs up – would control different functions. The principle is similar to the way video games, such as Xbox Kinect, work.

The system uses a depth camera mounted on the roof and a laser scanner to read the gestures.

The technology could be a step on the way to driverless cars, Geekwire notes. It "could be a way for Google to build relationships with automakers and drivers before trying to replace the driver entirely," says writer Blair Hanley Frank.

Automakers move up in top 100 most valuable global brands

Fourteen of the companies on the 100 Best Global Brands in 2013 are auto companies, according to the list's creator, Interbrand, part of advertiser Omnicom Group. Chevrolet is on the 14-year-old list for the first time, in 89th place, and several automakers saw a big jump in their brand values.

Interbrand praises Chevrolet's "single vision and communications platform, *Find New Roads*," which the brand company says is helping drive sales in China, India and Thailand. "If Chevrolet continues to successfully tailor its vehicles to meet local and global requirements, the brand will succeed in creating customers for life," says Interbrand.

The other automakers on the list are Toyota (#10), Mercedes-Benz, (#11), BMW, (#12), Honda (#20), Volkswagen (#34), Ford (#42), Hyundai (#43), Audi (#51), Porsche (#64), Nissan (#65) and Kia (#83). Porsche increased its brand value by 26 percent, and Nissan by 25 percent from last year.

The criteria for the list are the company's financial performance, the role the brand plays in influencing consumer choice, and the brand's ability to command a premium price.

Apple, Google and Coca-Cola are the top three companies on the list. Apple bested Coke after 13 years in the top spot.



Automakers rank high on list of "most innovative" companies

A different group of 14 automakers were on the 2013 list of 50 "most innovative" companies, compiled by Boston Consulting Group (BCG). The list is based on rankings by more than 1,500 international executives.

Why did automakers do so well this year, reaching three of the top ten spots? BCG attributes their improvement to the push for advanced electronics, high-tech safety features, better fuel economy and lower emissions.

In keeping with those goals, Tesla came onto the list for the first time, at #41. In the top 10 were Toyota (#5), Ford (#8) and BMW (#9). Other automakers in the top 20 were General Motors (13th), Volkswagen (14th), Hyundai (17th), Honda (18th), Audi (19th) and Daimler (20th). Rounding out the pack: Kia (36th), Nissan (38th), Fiat (43rd) and Renault (48th). Not surprisingly, there is a good deal of overlap with the list of most valuable companies.

Among the factors that BCG says leads to innovation are commitment by senior management and a strong customer focus.

Al Capone's car gets FDR to Capitol Hill for "Day of Infamy" speech

With all the chaos after Pearl Harbor was bombed on Dec. 7, 1941, few people were thinking about what kind of car President Franklin Roosevelt should ride in the next day to make his "Day of Infamy" speech. But the Secret Service was. How could they transport him safely from the White House to Capitol Hill? After all, who knew, with World War II then looming, if another attack on America was in the offing, this time on Washington and maybe the president? But Federal law banned the purchase of any car costing more than \$750.



Al Capone's car

A Secret Service agent remembered that the U.S. Treasury had seized Al Capone's bulletproof getaway car when the gangster went to prison in 1931. Mechanics worked through the night cleaning it up and making sure everything was working properly for the president.

The result was unprecedented and spectacular as it was remarkably ironic. Capone's 1928 Cadillac 341A Town Sedan was painted black and green to match the Chicago police fleet with which the gangster regularly interacted. It had a siren, flashing

lights and police scanner. The car also featured 3,000 pounds of armor and inch-thick bulletproof windows. The president's safety was pretty much assured (at least from would-be assassins).

The car sold at auction in 2012 for \$341,000.

A prayer answered this week... (October 17, 2013)

Have mercy upon us, O God, and save us from the madness. We acknowledge... our smugness, our selfishness, and our pride. Create in us clean hearts and renew a right spirit ... Deliver us from the hypocrisy of attempting to sound reasonable, while being unreasonable. Remove the burdens of those who are the collateral damage of this government shutdown, transforming negatives into positives as you work for the good of those who love you. Amen.

-- Rear Admiral Barry C. Black (ret.)
Chaplain to the U.S. Senate

WASHINGTON AREA NEW AUTOMOBILE DEALERS ASSOCIATION