

# THE WANADA BULLETIN

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

WANADA Celebrating 100 Years of Service (1917-2017)

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## **Breaking News!**

### **U.S. Senate passes resolution killing CFPB arbitration rule in 51-50 vote**

The Senate passed a resolution this week invalidating the problematic arbitration rule by the Consumer Financial Protection Bureau that banned class action waivers by financial institutions in predispute arbitration agreements with consumers. Although the CFPB is specifically prohibited from regulating dealers, it does regulate financial entities that provide sales and lease services to dealers, and ultimately to consumers. So indirect liability was a big potential problem for dealers under the CFPB rule. The rule had a compliance deadline of March 19, 2018.

The vote was as close as they come: 51-50, with Vice President Pence casting the tie-breaking vote. Next week's *Bulletin* will have a fuller discussion of the vote and its consequences.

### **Dealers made less profit per unit in first-half 2017, says NADA**



Dealership profits are down slightly, especially on vehicle sales. Photo by Brian Teutsch, [Creative Commons](#).

In the first half of 2017, dealers made slightly less profit per vehicle, including new and used, according to a midyear report from NADA. Still, the service department is thriving and dealership employment is at a record high.

“Profits are down slightly, as is gross,” said NADA Chief Economist Steven Szakaly, “particularly the front end.”

Dealership net profit before tax edged down to 2.5 percent this year from 2.6 percent in 2016. The average retail new-vehicle selling price rose a bit to

\$34,335. Retail net profit per new vehicle retailed continued its downward slide, to -\$396. Even used-vehicle sales, normally a stalwart of the sales department, were less profitable this year, with retail net profit per used vehicle retailed at \$116, down from \$228 last year.

There's brighter news in the service department. Partly because of the downward trend in sales, service, parts and body shop sales made up more than 12 percent of total dealership sales, up slightly from last year. Warranty work was up to 18.8 percent of total service, parts and body shop sales – not surprising with all the recalls.

Total dealership sales are high. In the first half of the year, total dealership sales in Maryland were nearly \$9.6 billion, for an average of nearly \$32 million per dealership. In Virginia, total dealership sales were nearly \$11.5 billion, with an average of \$25.1 million per dealership. Nationwide, dealership employment keeps climbing. Franchised new-car dealerships directly employed 1.1 million workers through the second quarter of 2017, the report said.

“We expect to see employment at new-car dealerships reach an all-time high at the end of 2017,” said NADA Senior Economist Patrick Manzi. “In addition to direct employment, more than another million other jobs in local communities are dependent on dealerships.”

And dealership jobs pay well. In Maryland, the average annual salary of dealership employees is \$58,604. In Virginia, it is \$57,876.

## **WANADA receives regional alcohol program award for sponsorship**

WANADA received a WRAPPY award from the Washington Regional Alcohol Program (WRAP) for the association's continuing support of sober driving. The event took place at the group's annual meeting at Clyde's of Gallery Place.

WANADA CEO John O'Donnell and past CEO Gerard Murphy were on hand to receive the award. WRAP is a nonprofit public-private partnership working to prevent drunk driving and underage drinking in the Washington metropolitan region. O'Donnell is on WRAP's Board and Murphy is a cofounder and past chairman. WANADA has been a consistent, longtime supporter of WRAP and contributed to its founding, development and leadership. Other sponsors of the group include counties, cities and other members of the business community such as the alcohol industry.



WANADA's John O'Donnell (left) and Gerry Murphy receive the WRAPPY award from Liz Tobin, WRAP Chairman.

WANADA is still active in WRAP and its SoberRide program, which offers discounted rides on major holidays to prevent drunk driving. The next SoberRide program, cosponsored by Lyft, will be this weekend for Halloween, from 10 p.m. Saturday, October 28, to 4 a.m. Sunday, October 29. Lyft users over 21 can receive up to \$15 off their ride in the Washington coverage area. For more information, visit <http://www.wrap.org/soberride/>.

## Industry groups band together to fight proposed NAFTA changes



The Ford Fusion, built in Mexico with 48.5 percent of its parts from the U.S., would face a tariff under revised NAFTA rules proposed by the Trump administration.

A diverse coalition of auto industry groups has formed to fight threatened changes by the Trump administration to the North American Free Trade Agreement (NAFTA). U.S. negotiators have said they want to raise the North American content requirement for cars from 62.5 percent to 85 percent, with 50 percent of the total from the United States.

President Trump said in interviews with *Forbes* and the Fox Business Network earlier this month that he will withdraw from the agreement if it is not fair to the United States. “We can’t allow the world to look at us as a whipping post,” Trump told Fox. He promised many times on the

campaign trail that if elected, he would withdraw the U.S. from NAFTA.

The auto industry, alarmed, formed a coalition earlier this week to publicize its opposition to the U.S. position. Members are the American Automotive Policy Council (AAPC), which lobbies for the Detroit Three automakers; the Alliance of Automobile Manufacturers; the Association of Global Automakers, AIADA and the Motor Equipment Manufacturers Association (MEMA).

“There’s no question that NAFTA has helped advance the global competitiveness of the U.S. auto industry sector,” said Missouri Governor Matt Blunt, president of the AAPC.

Added Jennifer Thomas, vice president of federal affairs at the Auto Alliance, “Pulling out of NAFTA would lead to a decrease in vehicle production, a decline in jobs and an increase in what our customers spend when buying a new vehicle.” She said many automakers would move production outside North America and pay the import tariff rather than adhere to stricter domestic content requirements.

Among the vehicles from U.S.-based automakers that would be hit with a tariff when imported to the U.S. from Canada or Mexico are the Cadillac XTS, Ford Fusion, Chrysler Pacifica and GMC Terrain.

Both Canada and Mexico have expressed displeasure with the United States’ hardened negotiating stance. Talks resume in Mexico November 17.

## Trump punts next health care move to federal agencies

After Congress failed to repeal and replace Obamacare, President Trump signed an executive order designed to create some of the changes he wants without the need for Congressional approval. The order has three parts, all relying on federal agencies to make changes. Any changes from the agencies – which require soliciting public comment and submitting a report to the president – could take some time and will likely not occur until 2018 or even 2019.

The order asks:

- The Secretary of Labor to allow employers to consider expanding access to association health plans that permit employers to form groups across state lines;
- The Treasury, Labor, and Health and Human Services departments to consider allowing low-cost, short-term, limited duration insurance;
- Treasury, Labor, and HHS to consider expanding employers' ability to offer Health Reimbursement Arrangements (HRAs) to their employees and to allow HRAs to be used in conjunction with nongroup coverage.

Dealers with questions may contact Ed Mullaney of WANADA at [em@wanada.org](mailto:em@wanada.org).

## NADA starts new multi-franchise 20 Group

Dealer principals and C-level managers (CEO, CFO, COO, etc.) at multi-franchise dealerships with three to 15 stores are invited to participate in the new multi-franchise NADA 20 Group in Dallas Dec. 18-19.

An analysis of NADA's industry-leading financial composites will engage members in peer-to-peer discussions on emerging trends and opportunities. Together, the group of non-competing peers will identify best practices and new ideas to improve business performance and profitability. The meetings are designed to maximize ROI by focusing on specific areas within the dealership.

Charter members will play a key role in building the composition and culture of the new NADA 20 Group.

For details on how to sign up, click [here](#) to complete and submit the form, or call 800-557-6232. For more information, visit [nada.org/20group](http://nada.org/20group).

## Fuel economy varies by season, study finds

Light truck sales (relative to car sales) are highest in the fall and early winter, and that's when fuel economy of all light-duty vehicles sold is lowest. Those are the conclusions of a recent study from the University of Michigan. When more light trucks are sold, overall fuel economy goes down.

That is what auto industry representatives have been telling the Environmental Protection Agency since it reopened the midterm assessment of the fuel economy rules drawn up in 2012: With the shift in consumer purchase patterns toward SUVs and light trucks, it will be harder to meet the more stringent fuel economy standards.

The Michigan researchers found the reverse is true, too: Overall fuel economy is highest during spring and summer, when more passenger cars are sold.



The Ford F-150 is useful in the winter, but it does bring down the fleet fuel economy.

## October additions to IIHS Top Safety Picks

The Insurance Institute for Highway Safety has added several new vehicles to its Top Safety Picks. It's one more selling point for dealers with those brands.

They are:

- Audi: 2017-18 A4 Allroad.  
A5 Coupe  
A5 Sportback
- Ford F-150, with optional superior-rated front crash protection.
- Jeep 2017 Compass, with optional front crash protection.
- Lexus 2017 IS, with improved protection in small overlap front crashes and rear crashes.
- Subaru 2018 Crosstrek, 2018 WRX
- Volvo 2018 XC60, with advanced package with specific headlights.

### Kindred Korner

## Would-be tire thief caught by Eyewitness Surveillance



The video and a remote surveillance professional caught this tire thief.

Thanks to a quick-thinking dispatcher and the technology from WANADA Kindred-line member Eyewitness Surveillance, a would-be tire thief was caught red-handed last week at a car dealership in the central United States.

A remote surveillance professional assigned by Eyewitness Surveillance to keep watch on this dealership noticed an individual trespassing on the lot well after closing time. The surveillance professional immediately called the local police dispatch and remained on the line with the officers as they traveled to the scene.

Meanwhile, the tire thief, who had taken tools from an unlocked SUV on the lot, continued removing tires, unaware that his crimes were being monitored and recorded the entire time. When he returned to the lot to steal more tires, he was promptly arrested by the police, who had been directed to his exact location by the remote surveillance professional.

Eyewitness Surveillance is based in Hanover, Md., but provides security services across the country for car dealerships, scrap metal lots and other businesses that have to keep a great deal of valuable inventory outdoors after they close for business each day. Their camera, monitored by remote surveillance professionals, protect more than 300 clients and \$15 billion worth of physical inventory from theft or other damage. To learn how Eyewitness Surveillance can solve your dealership's loss prevention needs, contact Jeff Purtell, senior vice president of sales, at 443-879-9106, or via email at [jpurtell@eyewitnessmail.com](mailto:jpurtell@eyewitnessmail.com).

### Staying Ahead...

Being busy does not always mean real work. The object of all work is production or accomplishment and to either of these ends there must be forethought, system, planning, intelligence, and honest purpose, as well as perspiration. Seeming to do is not doing.

--Thomas A. Edison