THE WANADA BULLETIN

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

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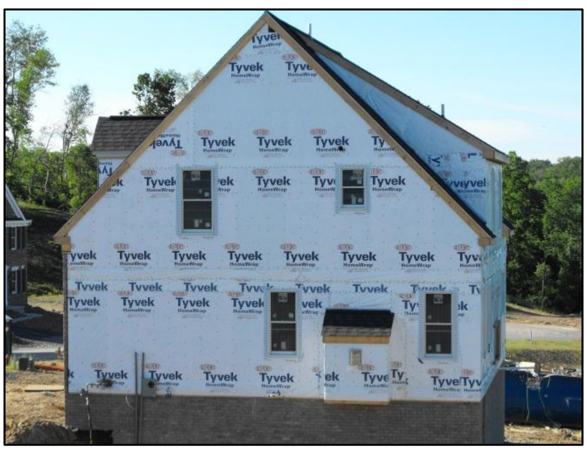
Housing starts at four-year high; could improve overall economy

Potential good news for the speedup of a slow economic recovery: Housing starts last month reached their highest level in four years, and builder confidence in the market for new, single family homes was slightly higher for the sixth month running.



While housing starts reached a four-year high in September, the builder confidence index continued to rise in October.

New housing starts improve truck sales, and sales of full-size trucks are already up. And housing starts, being labor-intensive, are often a leading indicator of the rest of the economy. Housing starts jumped 15 percent from August, the Commerce Department said. Every region except the Northeast saw an increase.

Housing permits, which are less volatile than starts, rose 11.6 percent, with gains in all four regions. Population growth and low interest rates are contributing to the growth.

Multifamily starts soared 56 percent last year and are expected to rise by 26 percent this year, driven by pent-up demand, says the National Association of Home Builders.

Housing construction and sales activity has been below 3 percent of gross domestic product every quarter since the fourth quarter of 2008. The nearly four-year period marks the first time housing has been under 3 percent, even for one quarter, since figures were kept starting in 1947.

The October measure of builder confidence showed a one-point gain, bringing the National Association of Home Builders/Wells Fargo Housing Market Index to its strongest level since June 2006. "Many builders are reporting increases in the number of serious buyers visiting their sales offices, and the overall confidence measure is much higher than it was at this time last year," says NAHB chairman Barry Rutenberg, a home builder from Gainesville, Fla. But, he adds, tight credit is still holding back builders and buyers.

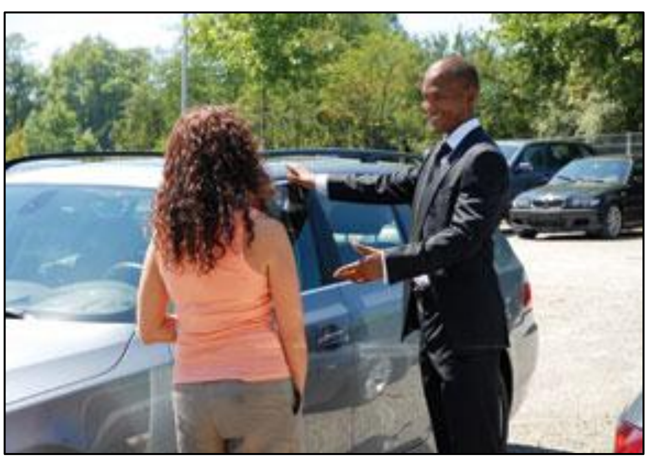
Small-business owners nationwide cautious about the economy

Only one-third of small-business owners think the national economy will improve this year, just more than half of the 61 percent who said so in The Hartford's spring survey. But their own businesses are doing well, with 68 percent of owners saying they are moderately to extremely successful.

The second annual study found that small-business owners see slow economic growth (67 percent), taxes (59 percent) and uncertainty about federal regulations (56 percent) as major risks. They have dealt with the slow economy by cutting costs, strengthening existing client relationships, prospecting for new clients and refining their business strategy. Cost-cutting measures include taking less money out of the business, investing less in expansion, reducing owner/partner compensation and hiring fewer employees.

Three in four small-business owners expect their taxes to go up, and two-thirds don't intend to hire next year. "The deterioration in the percentage of small business owners who are optimistic as compared to six months ago is remarkable," The Hartford's CEO, Liam Hartford, told *USA Today*.

Dealer-financed sales back to pre-recession level, says Edmunds



There's still a good deal of pent-up demand from consumers who couldn't get financing during the recession.

Dealer-financed sales are back to pre-recession levels after hitting bottom in 2009, says Edmunds.com in a recent report by AutoRemarketing.com. Dealer-financed sales of new vehicles fell 22 percent from 2007 to 2009.

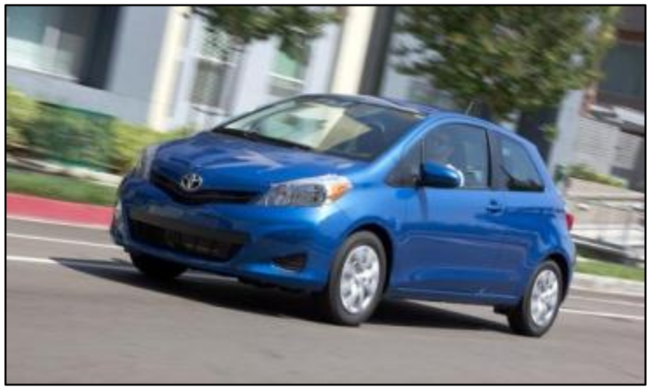
One big reason is the increase in subprime, which accounted for one-fourth of all new auto loans in second-quarter 2012.

Edmunds chief economist Lacey Plache sees further improvement ahead. "Pent-up demand from consumers unable to obtain financing during the recession has not been fully released and will continue to contribute to auto sales growth as these consumers get access to credit," she says.

Financing from non-dealer sources is forecast to stay 40 percent below pre-recession levels this year. With housing still weak, consumers are not using home equity loans to buy new cars, and that situation is unlikely to change anytime soon, says Plache.

U.S. fleet fuel economy up 4.5% from year ago

The average fuel economy of light vehicles sold in the U.S. rose 4.5 percent during the 2012 model year that ended September 30, according to *WardsAuto* Fuel Economy Index. Improved Environmental Protection Agency ratings for many 2012 vehicles and a move toward smaller, more fuel-efficient vehicles were the main drivers for the increase.



Small cars like the Toyota Yaris, with an mpg of 33, helped raise the overall fleet's fuel economy in 2012.

Small cars made up 19 percent of the sales, and crossover utilities, the most popular segment, were 23.7 percent. Vehicles rated more than 20 mpg were 70 percent of sales, and those with more than 30 mpg were 10 percent.

The 2012 Fuel Economy Index overall was 14 percent above the base score set in fourth-quarter 2007.

Toyota Motor Sales ranks First in buyer loyalty

Toyota Motor Sales won the top spot for buyer loyalty among auto buyers in second-quarter 2012, according to the Experian Automotive Loyalty and Market Trend analysis. Toyota jumped past GM and Ford, from 41.6 percent a year ago to 47.3 percent.

"To restore normal operations and regain customer trust in such a short time following the earthquake and tsunami is a truly remarkable comeback," says Experian's director of consulting and analytics Jeffrey Anderson.

To measure brand loyalty, Experian looks at whether a consumer buys a new vehicle of the same corporate brand as the previous purchase. This includes all brands under the corporate umbrella.

Rounding out the top five are GM, Ford Motor Co., Hyundai Motor Corp. and Honda Motor Co.

The Chevrolet Sonic was the top model in brand loyalty, meaning that 60 percent of Sonic owners bought another Chevy.

Ford won the top spot for individual brand loyalty and had six of the 10 top models for owner loyalty: Fusion, Flex, Edge, Five Hundred, Escape and Fiesta.

Auto Trades students donate retrofitted car to rehab hospital

Students in the Montgomery County Students Automotive Trades Foundation, Inc. (ATF) have already shown their skill in auto repair, body work and sales in the program's licensed used-car dealership. Now they have modified and donated a 2001 Saturn to the Adventist Rehabilitation Hospital of Maryland. The car is to be used as a training tool for patients who have had an injury, illness or age-related change and need adaptive driving devices and techniques.

At the recent donation of a retrofitted car (from left): Christopher Barclay, Montgomery County Board of Education vice president; Steve Boden, ATF EVP; Harold Redden, ATF president; Aaron Clemons, tech student; Logan Brooks, tech student; Bill Belew, ATF Board member, and Brent Reitz, hospital vice president with *faux* car key. Belew, formerly with WANADA's Auto Dealer Education Institute, recently was a patient at Adventist Rehab.

The ATF is a nonprofit group that WANADA helped found in 1978. Harold Redden of Fitzgerald Auto Mall is the current president and WANADA CEO Gerard Murphy is secretary. The program has 400 students from four high schools: Damascus, Seneca Valley, Gaithersburg and Thomas Edison Career Center.

Save the date: WANADA Annual Meeting December 5

Featuring economic forecaster Knight Kiplinger

Knight Kiplinger, who dazzled dealers at the WANADA meeting in 2006 with his economic analysis and forecast, will again headline the annual meeting and luncheon, to be held on December 5 at the Mayflower Hotel.

Kiplinger, editor in chief of *The Kiplinger Letter*, *Kiplinger's Personal Finance* magazine and Kiplinger.com, is one of America's most respected economic journalists and business forecasters. The *Letter*, a weekly publication started in 1923, is the most widely read and longest-published business forecasting publication in the world. *Kiplinger's Personal Finance*, the first magazine in the field of personal money management, was founded in 1947 and has a monthly circulation of more than 600,000. The website offers advice on money management for consumers and business forecasting for managers.

Information about registration will appear in a later *Bulletin*.

Service advisors overtime exemption extended through March

In case you missed it, Congressional legislation signed last month extends the overtime exemption for service advisors through March, 2013.

The U.S. Department of Labor has said since the 1970s that service advisors are exempt from federal time-and-a-half pay requirements. Last year, DOL tried to reverse that policy. Congress intervened and temporarily stopped enforcement of the measure, but the Congressional ban would have expired at the end of September without recent legislation.

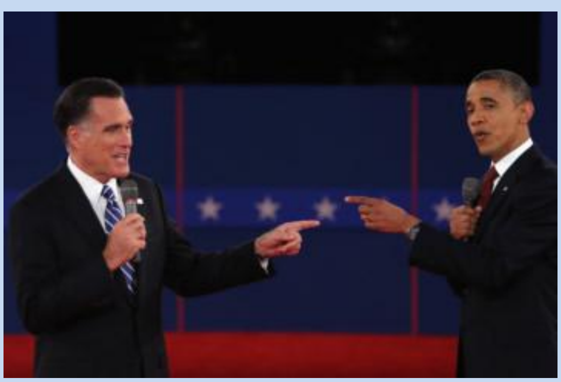
Even with the restrictions in place, several dealers have been subjected to wage and hour audits by overly aggressive (but uninformed) federal inspectors.

Md. MVA clarifies limits on dealer processing fees

The Maryland Motor Vehicle Administration recently sent an alert in response to questions about the amount of processing fees for paperwork a dealer can charge. The fee limit increased on July 1, 2011, to $200 and will increase again on July 1, 2014, to $300.

Maryland dealers should also be aware that the optional processing fee to consumers is taxable and must be included in the 6 percent excise tax calculation.

Any questions can be sent to mvabusinesslicensing@mva.maryland.gov.



AP Photo

Thought for the Week...

Obama: When Gov. Romney said we should let Detroit go bankrupt, I said, "We're going to bet on American workers and the American auto industry," and it's come surging back.
Romney: That's right, Mr. President. My plan was to have the company go through bankruptcy like 7-Eleven did and Macy's and Continental Airlines, and come out stronger….You took General Motors bankrupt. You took Chrysler bankrupt. So when you say that I wanted to take the auto industry bankrupt, you actually did.

--Presidential debate in Hempstead, N.Y., October 16, 2012