

# THE WANADA BULLETIN

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

WANADA Bulletin # 43-13

November 8, 2013

## Headlines...

WANADA Annual Lunch with Charles Krauthammer, Nov. 25, Ritz-Tyson's

Buyers come roaring back after government shutdown

Big increase in Internet shopping by used-car shoppers

Senators from both parties want answers on CFPB's probe into auto lending

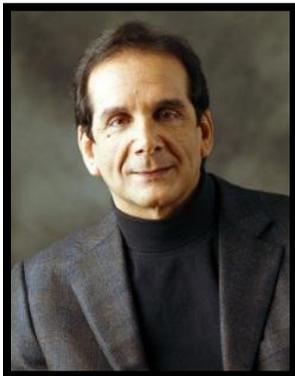
Hyundai, VW to gain share, auto executives predict

Car loan terms now go as long as 84 months

Motorists and industry challenge EPA's new ethanol fuel standard

Thought for the Week...

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



The schedule is set 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 renowned political commentator and syndicated columnist Charles Krauthammer who will share his insight on where the president and Congress are taking America in our world, and how that will impact important sectors like the automobile industry.

Krauthammer is a Pulitzer Prize winner and a contributor to The Weekly Standard, The New Republic and Fox News. His analysis and commentary is always fresh and provocative and his remarks to WANADA luncheon attendees promise to be 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 a unique networking opportunity for dealers and their 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](mailto:kh@wanada.org)



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## Buyers come roaring back after government shutdown



Sales of the Chevrolet Silverado rose 11 percent from a year ago.

Judging by October sales, earlier fears that the recent government shutdown would slice auto sales by as much as 10 percent appear unfounded. Indeed, sales were up 10 percent from last October and up 8 percent for the year. The seasonally adjusted annual rate (SAAR) is 15.2 million, which is lower than many had earlier forecasted, but well above the 14.3 million new vehicle sales projected a year ago.

What about the Washington area, closely affected as it was by the shutdown? Initial signs look good. Bill Fay, group vice president and general

manager of Toyota division, said sales gained momentum as the month progressed, *especially* in the Washington area, reports the *Detroit News*. Nationwide, Toyota's sales were up 8.8 percent from a year ago.

"The growth in the auto industry continues to play a leading role in the economic recovery," said Fay.

Kevin Farrish, president of Farrish of Fairfax, told *Automotive News*, "Since things got back to business as usual, we saw a spike in sales. Whatever we lost, I think we made it up."

The Detroit Three each saw big gains – 16 percent for General Motors, 14 percent for Ford and 11 percent for Chrysler. Nissan North American and Hyundai Motor America both set October records. Honda sales were up 7 percent and Nissan sales jumped 14 percent, pushed by strong sales of its SUVs and crossovers. Most brands saw sales rise from a year ago, with the exception of Volkswagen, Kia, Volvo and Mini.

Average transaction prices rose to near-record levels, said Jesse Toprak, senior analyst for TrueCar. "Consumers are back buying cars not just because they need them, but also because they want them," he told the *Detroit News*.

The combination of pent-up demand, low interest rates and available consumer credit pushed up overall demand, and lower gas prices pushed many buyers into SUVs and pickups. That preference helped the Detroit Three, which are again focused on SUVs. Sales of GM's full-size SUVs jumped 44 percent from a year ago. Ford saw its best retail sales for the month since 2004, and the F-Series was again the bestselling vehicle in the nation.

The 10 best selling vehicles in October, after the F-Series were: Chevrolet Silverado, Ram Pickup, Toyota Camry, Honda Civic, Honda Accord, Toyota Corolla/Matrix, Honda CR-V, Ford Escape and Nissan Altima. Note that the top three are trucks.



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## Big increase in Internet shopping by used-car shoppers

Internet sources, from mobile to tablet to desktop, saw a massive increase in research by used-car shoppers in October, according to CNW Research. More than 3.2 million consumers used the Internet to shop for their next used car or truck, up 129 percent from the year-ago figure of 1.4 million.

Total used sales from all sources (franchised dealers, independent dealers and private parties) climbed 3.63 percent, ahead of projections. Franchised dealers made headway in both sales (up 2.7 percent) and transaction price (up 8 percent). Most of the gain was in certified pre-owned units.

Volume of shoppers was down with the ratio of shoppers to buyers dropping 10.9 percent, to 2.6. The number of used-car shoppers at franchised dealerships dropped nearly 13.7 percent.

As new trucks gained sales share nationally, so did used. In fact, the share of used trucks sold climbed 9.3 percent, while cars fell 1.5 percent.

Shoppers are going farther to find the used car they want, with nearly a quarter saying they bought a vehicle outside their local marketing area. In many cases, they found better financing, with a 12.7 percent increase in the number of buyers who financed their used vehicle.



October saw a big increase in Internet shopping for used vehicles.



Sens. Rob Portman (R-Ohio) and Jeanne Shaheen (D-N.H.) were the lead signers in Senate's letter to the CFPB.

## Senators from both parties want answers on CFPB's probe into auto lending

A bipartisan group of 22 U.S. Senators sent a letter to the Consumer Financial Protection Bureau (CFPB) last week *demanding* answers about the agency's investigation of auto lending. A few days later, CFPB Director Richard Cordray wrote a response outlining the methods the bureau has used to determine possible bias by lenders. Significantly, he acknowledged that the CFPB has not studied the possibility that the guidance it issued in March could limit credit availability.

The senators' letter said the March guidance was "widely interpreted as pressuring lenders to eliminate or severely limit an auto dealer's discretion to negotiate competitive financing for their customers, and instead encourage lenders to compensate auto dealers through 'a different mechanism... such as a flat fee per transaction.'"

The CFPB said it issued the guidance because it was concerned that allowing negotiation over rates creates a risk of "pricing disparities on the basis of race, national origin, and potentially other prohibited bases."

The senators' letter asked the agency to provide details about the statistical methodology it used to determine possible bias. It also asked why there has been no chance for public comment and

whether the bureau has done an analysis of how the adoption of flat fees would affect the cost of credit for consumers.

“The CFPB’s actions threaten to eliminate 17,000 price discounters from the auto finance marketplace without justification or transparency,” said NADA Chairman David Westcott of U.S. dealers NADA represents in this matter with CFPB.

The lead senators signing the letter were Rob Portman (R-Ohio) and Jeanne Shaheen (D-N.H.). “I’m concerned that the recent policy guidance from CFPB could restrict legitimate credit options and increase costs for many Americans looking to finance their cars,” said Senator Shaheen.

## Hyundai, VW to gain share, auto executives predict

As auto sales slow in future years and competition heats up, incentives will become more aggressive and Hyundai and Volkswagen will continue to gain share. Those are the predictions of auto executives surveyed by Booz & Co. for its third annual U.S. Automotive Industry Survey and Confidence Index.

For now, confidence in the industry is high, thanks to surging sales and record profitability. But survey respondents expect overall vehicle sales growth of just 1.4 percent from 2013 to 2017, well below the 10 percent pace of 2010 to 2013. The forecast of 16.3 million vehicle sales in 2017 is lower than most industry forecasts.

Other findings:

- More aggressive use of incentives is likely during the next six months.
- Industry efforts to drive greater adoption of alternative powertrains continue to face strong headwinds. Respondents expect only 20 percent of cars to be powered by electricity, natural gas and other alternative power sources by 2020, down from last year’s prediction of 24 percent. And those numbers depend on continued government support.
- Hyundai, VW, BMW and Ford will continue to gain share. GM will see small market losses, and Subaru and Nissan will see larger losses.
- Some 70 percent of OEM executives are confident about their offerings in in-vehicle entertainment, telematics and the “connected car.” But more than half admit they don’t have integrated solutions.

## Car loan terms now go as long as 84 months

Remember when 60 months was considered a long loan term? Those days are long gone, as the largest category of loan term by far is now 61 to 72 months. That group accounts for nearly 42 percent of new-car loans, according to Experian Automotive.

But that category has dropped slightly, as 25 percent more buyers are taking out loans of 73 to 84 months than was the case one year ago. That group now makes up 19.5 percent of new-car loans.

Loan terms of 25 to 36 months, which would bring consumers back to the market with positive equity in a reasonable period, fell nearly 25 percent in the past year.

But as dealers are well aware, buyers with minimal funds on a down payment and a trade-in so old it’s worth little or nothing are likely to find long loan terms their only option.

## Motorists and industry challenge EPA's new ethanol fuel standard

The White House is now reviewing EPA's draft regulation for the 2014 renewable fuel standard, which must be released by the end of the month. The EPA and the White House have heard intense lobbying from all sides on how much ethanol should be required to be blended into gasoline. A leaked draft indicates that the EPA will likely roll back the ethanol requirement.

The American Automobile Association (AAA) is among those asking the administration to lower the ethanol requirement.

"It is just not possible to blend the amount of ethanol required by current law given recent declines in fuel consumption, and it is time for public policy to acknowledge this reality," said Bob Darbelnet, president and CEO of AAA. The auto club warns that continuing the current requirement could raise gas prices and potentially damage cars, since most cars can only use E10 gasoline, with 10 percent ethanol.

An AAA survey last year found that only 12 million of the 240 million light-duty vehicles on the road were approved by manufacturers to use E15. What's more, 13 manufacturers have said the use of E15 *may void warranty coverage*. AAA's engineering experts believe that sustained use of E15 could result in accelerated engine wear and failure, fuel-system damage and false "check engine" lights in some cars.

Late last week, 169 members of Congress sent a letter to EPA Administrator Gina McCarthy urging her to lower the ethanol requirement.

"While well-intentioned, the federal ethanol mandate is inflicting significant economic harm on families by driving up food prices, on dairy farmers by driving up feed prices, and on homeowners and outdoorsmen by ruining small engines," said Rep. Peter Welch (D-Vt.).



AAA warns that a higher requirement for ethanol blend in gas could raise prices at the pump.  
Photo by Evan Hamilton.

### Thought for the Week...

I hope I live long enough to see my surviving comrades march side by side with Union veterans along Pennsylvania Avenue, and then I will die contented.

-- James Longstreet  
Celebrated Confederate general  
Reflecting on the Civil War