

THE WANADA BULLETIN

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

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November 15, 2013

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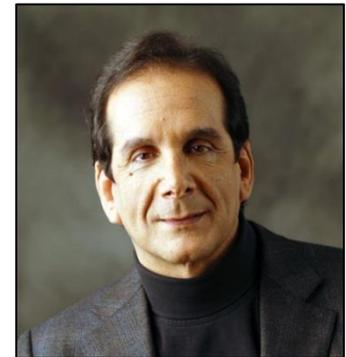
Countdown to the

WANADA Annual Meeting and Luncheon, Nov. 25

Procrastinators, take note: WANADA's Annual Meeting and Luncheon is set for Monday, November 25, which is just around the corner, so the time to register is *now*. This year's lunch, at the Ritz-Carlton Tysons, presents the incomparable political commentator Charles Krauthammer, who is likely to clarify the current confusion in Washington and provide a road map to a better future.

Pulitzer Prize winner Krauthammer has been involved in American politics for more than three decades. He developed the Reagan Doctrine and outlined the principles of post-9/11 American foreign policy in his much-debated 2004 lecture, "Democratic Realism." *The Daily Telegraph* calls him "unquestionably the pre-eminent conservative columnist in a country where columnists still carry enormous heft." *New York Times* columnist David Brooks says that today "he's the most important conservative columnist."

WANADA will also present a report on the automobile business in the Washington region and the membership will elect the association's 2014 Board of Directors. The event will start with a networking reception at 11:30 a.m., continue with lunch and a business segment from 12 noon to 1:00 p.m., and culminate with Krauthammer's remarks from 1:00 to 1:30 p.m.



Charles Krauthammer



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Individual tickets are \$135/pp, with a table of 10 discounted to \$1,200. For information and registration, click [here](#). To register online, click [here](#). Contact Kristina Henry for meeting assistance at (202) 237-7200 or kh@wanada.org.

Vehicles in operation highest since 2008

The total number of vehicles on the road reached its highest level since 2008 in second-quarter 2013, says Experian Automotive. The average age of vehicles on the road was 10.9 years, almost a year older than four years earlier. That figure explains the pent-up demand that has helped drive sales this year.



Trucks like this 2008 Chevrolet Silverado are the most common type of vehicles on the road.

Full-size pickups were the top segment at 14.9 percent, followed by midrange cars (11.9 percent) and small economy cars (9 percent). General Motors had the highest share of vehicles in operation at 26.6 percent, followed by Ford (18.9 percent), Toyota (12.6 percent) and Chrysler (12.5 percent).

Nationwide, imports had a 51.8 percent share of total new registrations in the first half of 2013, down from 52.7 percent a year ago.

Import registrations are generally higher in the Washington area. In the second quarter, slightly more than half of vehicles in operation in the U.S. were between model years 2000 and 2008.

Most Americans have never driven a diesel

Seven in 10 Americans have never driven a diesel, according to a recent survey by Harris Interactive. An even higher percentage of millennials, 75 percent, have no diesel experience. But Americans overall are aware that diesels produce more power and are more fuel-efficient than a car with a comparable size gas engine.

Many analysts believe millennials will eventually adopt diesels. Their lack of experience could be a benefit because they don't remember the dirty, smoky diesels of the past. Though diesels are more efficient than gas engines, they have a higher carbon content. So diesels on average cut carbon emissions by 7 to 20 percent.

SBA report says business deductions are crucial to economy

A new report by the Small Business Administration Office of Advocacy finds that eliminating the business deductions in the tax codes – often called “loopholes” – would not bring in as much revenue as often stated, and could cause unintended economic disruption.

The deduction, known as tax expenditures, “do not involve direct federal outlays,” the report says. Rather, they take the form of special credits, exemptions, deductions, exclusions and preferential rates.



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The largest tax expenditures used by all businesses account for an estimated \$161 billion. Small businesses use about \$25 billion of that. Some provisions in this category are retirement plans, depreciation of equipment and LIFO. LIFO, an important tax provision for dealers, makes up only 2 percent of the largest tax expenditures.

Although recent discussions of tax reform have focused on repealing most tax expenditures, the report says, most of them “remain part of the tax code for specific reasons and with particular objectives (e.g., increased investment), and removing these provisions could cause unintended economic disruption.”

In addition, the SBA report says that removing the tax expenditures would not increase revenue as much as is often stated.

Millennials bought more cars in 2012 than 2013. Here's why

After years of stagnating auto sales to buyers aged 18 to 34, sales picked up for millennials in 2012. But they slowed again in 2013, erasing the gains of the previous year. Edmunds.com's chief economist Lacy Plache explains why.



Millennials can't buy more cars until their job prospects improve. Photo by StillBandits.

First, the job market declined for younger consumers this year but picked up for older buyers. Young people had a hard time finding jobs during the Great Recession, from 2007 to 2011. As their job prospects improved in 2012, they bought more cars. But their employment and their car buying have slowed this year.

Second, related both to millennials' employment and car buying habits, household formation for young people surged in 2012 but slowed in 2013. With so many young consumers still living with their parents or with roommates, they had less need for new wheels.

Third, for the rest of the population, the wealth effect from an improved stock market and rising home prices helped spur car sales. But younger consumers who are not yet in lucrative jobs or homes of their own can't share in the wealth effect.

Plache's analysis is another reminder that millennials are not out of the auto market forever – just until they get a good job and the things that go with it.

Virginia Supreme Court approves tolls on private roads

The Virginia Supreme Court has ruled that public-private partnerships may include tolls. The tolling advocate in whose favor the Court ruled couldn't be happier.

A group of state residents had challenged the tolls levied on two public-private tunnel projects in Norfolk, saying that as a tax, tolling is the prerogative of state governments only. The high court disagreed.

“Tolls are not a tax; they are a user fee,” said Patrick Jones, executive director of the International Bridge, Tunnel and Turnpike Association. “With an ever-increasing burden on

states and municipalities to pay for highway and infrastructure development, tolling is an incredibly valuable tool that must remain in the toolbox for government officials.”

Automakers, states meet with EPA to discuss ZEV requirements

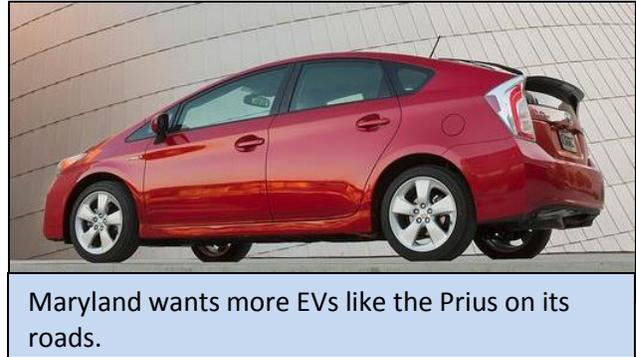
The eight states that recently passed requirements for zero-emission vehicles (ZEVs) met last week with automaker associations, the Environmental Protection Agency and the California Air Resources Board to discuss the new requirements.

A week earlier, governors from eight states including Maryland signed a joint agreement to get 3.3 million ZEVs on the road by 2025.

California had previously announced a similar proposal. The eight-state agreement pledged to create incentives for EVs where appropriate. They agreed to harmonize building codes to make it easier to build new electric vehicle charging stations and to consider creating favorable electricity rates for home charging systems. The states said they will create an action plan in the next six months.

Gloria Bergquist, a spokeswoman for the Alliance of Automobile Manufacturers, told the *Detroit News* that states can help propel EV sales.

“Automakers have a big stake in selling our electric vehicles in large numbers, and state incentives and investments in infrastructure can be the difference between a vehicle sitting on a dealer lot or being purchased,” Bergquist said, according to the *News*.



Maryland wants more EVs like the Prius on its roads.

GSA explores car-sharing for federal fleet

With sequestration in effect and further budget cuts likely, the federal government is looking for ways to cut costs. The General Services Administration has come up with one that could affect dealers who sell to federal fleets. The agency has launched a car-sharing pilot program in four cities: Washington, Boston, New York and Chicago.

The GSA said it is looking for ideas that will incorporate car-sharing throughout the government and reduce the 600,000-vehicle federal fleet over time. The aim of the pilot is to test how the government can integrate low-cost alternative transportation services.

The GSA said it “anticipates that the demand for car-sharing in the federal government will increase due to budget constraints and the need to find efficiencies and savings in government operations.”

Instead of raising gas tax, a tax on vehicle miles traveled?

With the overall decrease in driving and the increase in fuel efficiency, the gas tax paid into the Highway Trust Fund just doesn't meet our infrastructure needs anymore. Some officials are looking for alternatives.

One possibility is a tax on vehicle miles traveled (VMT), a mileage-based user fee that could reduce congestion and carbon emissions. The Senate proposed it, but the House wouldn't move it, perhaps because of the feared reaction from rural constituents.

A black box in your car would record the miles driven and convey the information to a taxing authority. Several states are looking at the idea, with Oregon the farthest along, carrying out a pilot with 5,000 drivers. The I-95 Coalition, made up of 17 state transportation departments including Maryland and Virginia is studying the concept.

The possibility of a VMT tax has created some unusual bedfellows. The tea party and the American Civil Liberties Union hate the idea. Libertarians and environmentalists applaud it. But there's one point everyone can agree on: We need a way to pay for our infrastructure, and Congress isn't interested in raising the gas tax for the first time in 20 years.

A VMT tax "really is a must for our nation," said Hasan Ikhata, executive director of the Southern California Association of Governments, according to the *Los Angeles Times*. "It's not a matter of something we might choose to do." SCAG plans to monitor the miles traveled by every motorist in the state by 2025.

And in the auto industry, it's often been true that as California goes, so goes the nation.

On this day, 250 years ago...

...Work commenced on the historically renowned Mason-Dixon Line establishing, at first, the border between Maryland and Pennsylvania and later Delaware and what was to become West Virginia. Charles Mason and Jeremiah Dixon began their land survey along the Maryland/Pennsylvania border Nov. 15, 1763, which they completed 4 years later in 1767. After American independence from Great Britain, the Mason-Dixon Line became the boundary between the North and South, which leading up to the Civil War was regarded as the line between Southern slave states and Northern free states.