

THE WANADA BULLETIN

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

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WANADA Annual Lunch coming up, Dec. 2nd

Commentator George Will to analyze American politics, post mid-terms



Renowned syndicated columnist and political commentator George Will is poised to speak on the new politics in America when he speaks at the WANADA Annual Meeting on December 2. The *lame duck* session of Congress will have 10 days to go, and judging by past experience Congress will still have plenty on its plate. Will received an enthusiastic reception when he spoke at the WANADA Annual Meeting several years ago, and dealers will be interested to hear his views on how the new Congress will affect the politics of Washington.

Taking place at the Ritz-Carlton/Tysons Corner, the meeting will start with a networking reception at 11:30 a.m., lunch at Noon, a WANADA Business Session at 12:30 p.m. and Will's remarks at 1 p.m. The business portion of the meeting will include a state of the industry and regional automobile business report from WANADA's leaders.

Lunch tickets are available now for individual seats, or at a discounted table rate. To pay by credit card click [here](#). To pay by check, click [here](#) and download the registration form. For more information on the Annual Meeting & Luncheon, contact Kristina Henry, director of events, at (202) 237-7200 or kh@wanada.org.

Health Plan ID (HPID) requirement delayed until further notice

The requirement for health plans under the Affordable Care Act to obtain a Health Plan Identifier (HPID) has been delayed until further notice, says the U.S. Department of Health and Human Services.

The deadline had been November 5, 2014, for plans to obtain a HPID and use it in HIPAA transactions. The delay was recommended by an advisory committee to the Department of Health and Human Services. For now, plan administrators can stop their applications for HPIDs.

If you have any questions please contact Ed Mullaney or Joe Koch at 202-237-7200.

Stay tuned.

The next Congress likely to be more business-friendly

Starting in January, the new Congress will likely be more business-friendly, says NADA. NADA predicts Congress will hold hearings on the Obama administration's regulatory actions, including one on which NADA has threatened to sue the government where regulators from the Consumer Financial Protection Bureau have abusively involved themselves in dealer arranged auto loans.

In the *lame duck* session in Congress, running through December 12, the first order of business will be funding the government. It will be funded either for the entire 2015 fiscal year, until early next year (the *Washington Post* reported that strategy could be used by Republicans as a bargaining chip), or not at all, if some conservatives have their way and the government is shut down in an effort to extract concessions from the president.

The lame duck Congress can also be expected to consider tax extender legislation to reauthorize tax provisions for 2014 and 2015 that expired at the end of 2013, including Section 179 expensing and bonus depreciation, says NADA.

NADA is pressing its dealer members across the U.S. to urge their Congressional representatives – especially Democrats – to cosponsor H.R. 5403. The bill would *rescind* the CFPB's March, 2013 auto finance guidance and require the bureau to be more transparent and accountable when issuing future auto finance guidance. H.R. 5403 now has 130 bipartisan cosponsors.

NADA has a new e-advocacy tool that makes it easy for dealers to send a short message directly to their legislators. To access the tool and urge your representative to cosponsor H.R. 5403, click [here](#).

The new Congress will have a new auto dealer representative from the Washington area, Don Beyer of Beyer Automotive Group, which sells Volvo, Land Rover, Subaru and Kia. Beyer is a past chairman of AIADA, former lieutenant governor of Virginia and, mostly recently, ambassador to Switzerland. WANADA representatives on a mission for The Washington Auto Show met several times over the years with Ambassador Beyer in Switzerland while attending the Geneva Motor Show. Beyer will represent the Northern Virginia suburbs of Washington as a Democrat and most assuredly will be open to hearing the views of fellow dealers.



First order of business for lame duck Congress: funding the government.

New-car incentives rise for 21st straight month

October marks the 21st straight month that incentives were higher than a year earlier, reports NADA, using Autodata figures. Year-to-date incentive spending is up 8.4 percent from a year ago.

Some brands relied on incentives to prop up sales. Nissan spent more than \$3,000 per unit on incentives in October, up 53 percent from a year earlier. Infiniti incentives jumped 58 percent, but they didn't prevent sales from dropping. A reason for Volkswagen's sales increase was a 17 percent rise in incentives; another likely reason was a well received new product.

Incentives at General Motors varied widely. GMC incentives grew 16 percent and Buick's were up 16 percent, the highest among mainstream brands. Chevy discounts *fell* 16 percent. And Cadillac incentives soared 52 percent, to almost \$6,800, the highest dollar amount of any brand.

Ford incentive spending dropped 6 percent, and Lincoln's grew 20 percent. Toyota had a similar experience, with its brand discounts edging down 1 percent, while incentives for the luxury brand Lexus rose 11 percent.

What lower gas prices will mean for the auto industry

It seems no one expected oil and gasoline prices to fall so far. The U.S. Energy Information Administration now says prices at the pump will average \$2.84 a gallon in 2015, down from \$3.39 this year.

The light trucks and SUVs of which American drivers never seem to tire (though less so in the Washington area) will become more affordable. Other than increased sales for those vehicles, what will the drop in fuel prices mean for the industry overall?

“Much of the industry's long range production planning has been built around a base case for ever increasing and ever higher oil prices,” writes NADA chief economist Steven Szakaly in the Used Car Guide November *Guidelines*. The models hitting the market in the next five years are in large part the result of an effort to increase fuel economy.

“In a market with effectively falling gasoline prices, it is questionable whether OEMs will be able to charge for these added gains in fuel economy,” Szakaly writes. NADA will closely watch Congressional debates on CAFE standards in the next two years, with a Republican-controlled Congress and falling fuel prices.

Looking for a strong finish to the year, NADA is sticking with its 16.4 million light-vehicle sales forecast for 2014.



With gas prices falling, the industry's efforts to increase fuel economy may not interest consumers, and sales of light trucks, like the popular F-150, will continue to grow.

Auto affordability about to take a turn for the better

Americans with the U.S. median household income of \$54,457 can only afford a \$16,448 car, which is just 54.1 percent of the average vehicle transaction price. Those figures from the October Auto Buyer's Affordability Index sound shocking, but the statement comes with several strong caveats.

First, the figures are based on the traditional 20-4-10 auto financing rule: a 20 percent down payment, a maximum 4-year loan, and total monthly vehicle expense, including insurance, of 10 percent, or less, of gross income. Dealers see that rule violated every day.

Second, median income is quite a bit higher in the Washington area.

Third – and this is mixed news for dealers – transaction prices have started to weaken, according to Requisite Press, which produces the affordability index. “The current pricing trend, taken in context of historical data, could signal an end to 35 years of prices outpacing incomes,” the company writes. “New-car affordability is likely to improve in the near term if the current rate of income growth continues.” The rate of increase in transaction prices has slowed every year since 2011, and new vehicle prices will likely fall this year for the first time since 2009. Dealers want consumers to be able to afford the vehicle they buy, but on the other hand, higher transaction prices mean more profit on the low-margin part of the business, a.k.a. new-car sales.

Certified pre-owned vehicles can be a gateway to new-car sales

Three-fourths of certified pre-owned customers are satisfied with their CPO experience and 85 percent of CPO owners are likely to buy from the same dealership, according to a new study by AutoTrader.com.

“Consumers are more open than ever to certified pre-owned vehicles, and if dealers and manufacturers can turn shoppers into owners, they are well positioned to build long-lasting relationships with those consumers,” said Rick Wainschel, vice president of customer insights at AutoTrader.com.

Experience with CPO is at an all-time high, with 75 percent of new car shoppers and 45 percent of used car shoppers familiar with it. An impressive 84 percent of new car shoppers are willing to pay more for a CPO vehicle, up 22 points from a year ago. But the amount of the premium they are willing to pay is down. New car shoppers said they are willing to pay \$2,032 more, down from \$2,434 in 2013.

Although CPO buyers are willing to move up to a new car the next time they buy, dealers need to work to convert CPO customers to new-car buyers. The study found that 52 percent of first-time CPO owners are likely to buy a new vehicle from the same brands, but only 40 percent of *repeat* CPO owners would do so.

Only a third of hybrids save money in first 5 years

In an analysis of cost-of-ownership data on 30 MY 2014 hybrids, only one-third saved money in the first five years vs. their non-hybrid counterparts. The average price premium for a hybrid is \$4,325. But after five years and 75,000 miles, the premium is just \$1,339, said Vincentric, the data provider that did the study. The analysis looked at costs such as insurance, maintenance, financing and repairs.



The Lexus CT 200h saved \$7,632 over its non-hybrid counterpart the IS 250 sedan.

The top savers were the Lexus CT 200h (\$7,632 saved versus the IS 250 sedan); Toyota Avalon Hybrid (\$3,356 saved); Lincoln MKZ Hybrid (\$3,252 saved); and Audi Q5 Hybrid (\$2,611 saved). Six others saved from \$1,600 to \$86.

One reason the cars save less than might be expected is the dropping price of gas. Another is the increased fuel efficiency of conventional cars.

If owners keep their hybrids *longer* than five years, the savings begin to pan out. And many

consumers are keeping their cars longer. The age of the average car on the road is still 11 years.

Americans have mixed feelings about benefits of driverless cars

Just over half of Americans have positive views of driverless cars. This compares with 87 percent of Chinese and 84 percent of Indians. University of Michigan researchers also interviewed people in Australia, Japan and Great Britain. The U.S. had the highest percentage of negative views (16 percent) among the six countries.

The study found that 70 percent of Americans believe self-driving vehicles would reduce the number and severity of crashes, and 50 percent thought they would ease congestion and shorten travel times. Although 60 percent of Americans said they had concerns about riding in a completely autonomous vehicle, 66 percent said they are at least slightly interested in owning one.

Staying Ahead...

Each party steals so many articles of faith from the other, and the candidates spend so much time making each other's speeches, that by the time election day is past there is nothing much to do save turn the sitting rascals out and let a new gang in.

--H.L.Mencken
1880 - 1956
American Writer



WASHINGTON AREA NEW AUTOMOBILE DEALERS ASSOCIATION