

THE WANADA BULLETIN

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

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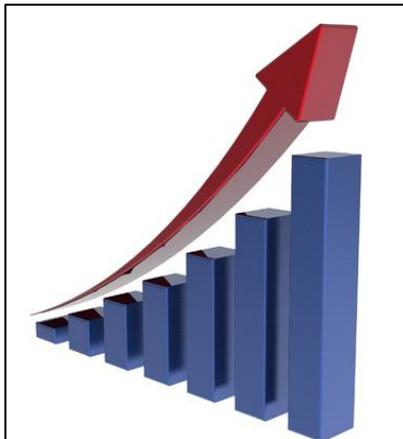
Correction! Tesla not now ready to open in Virginia

Staying Ahead...

Report on WANADA Annual Lunch with Geo. Will, next issue!

WANADA Area Report:

Washington area sales up 9 percent in 3rd quarter



Third quarter Washington area sales rose more rapidly than U.S. sales in the same period.

Washington area sales rose more than 9 percent in the third quarter, but just 2 percent year to date, according to WANADA's Area Report based on R.L. Polk new-vehicle registration data. U.S. sales rose more slowly than Washington area sales in the third quarter, at 7.8 percent, but at a more rapid pace than local sales year to date, at 5.4 percent. U.S. figures are from NADA/Ward's.

Area sales for the third quarter in the 12 locality interstate market totaled 84,226, with the most sales in September (28,199), followed closely by August (28,059) and trailed by July (27,678). Year-to-date sales reached 236,110 with the prospect of exceeding 300,000 for the year.

Imports (non-Detroit 3 vehicles) had a stronger showing in the Washington area than nationally, making up 77.5 percent of the regional car market in the third quarter, and 59.5 percent of the truck market. Both figures were higher a year ago, when imports were 79.7 percent of third quarter car sales and 62.8 percent of third quarter truck sales. In U.S. sales, import share (55.5 percent) was higher than for the Detroit 3 (44.5 percent) in the third quarter, but with less of a gap than regionally.

Washington area car sales rose 2.7 percent in the third quarter and *dropped* 5 percent year to date through September. Truck sales jumped 17 percent in the third quarter and rose 10 percent year to date. Area drivers continue to prefer cars to trucks, but only slightly, with cars representing 50.8 percent of the total market compared with 49.2 percent for trucks. The gap was much more

pronounced a year ago, with cars 54.5 percent of the market and trucks 45.5 percent. Nationally, trucks had a bigger share of the market, at 52.4 percent. Although the figures are third quarter for the Washington area and year to date for U.S. sales, the trend still holds.

For the complete report on third quarter Washington area sales, click [here](#) and log in with your email and password.

Beware: Odometers can now be rolled back remotely

A warning to dealers: Odometer rollback has gone high-tech. It is much easier to do now than when the problem surfaced years ago. All that's needed is a criminal mind and an investment of less than \$1,000. But it can cost dealers thousands of dollars per vehicle and embroil them and their employees in costly civil suits and felony criminal indictments – not to mention the havoc that rollback can wreak on a dealer's reputation.

In late 2013 CarFax estimated that more than one million vehicles on U.S. roads had rolled odometers. Estimates of the resulting loss range from \$4,000 to \$8,000 per vehicle.

A criminal can buy a device over the Internet to hack into a car's computer system, attach the device to the OBD port and program in the new mileage. Odometer fraud, of course, violates federal and state criminal statutes.

To avoid being a victim of odometer fraud, consider the following:

- Adopt procedures to detect it. These can include checking service records and CarFax, Experian or other reports for mileage discrepancies.
- Use enhanced inspection procedures, such as inspecting for wear and tear that does not match the mileage in areas such as tires, seats, floors and gear shifts.
- Be wary if a customer has no previous sales or service relationship with you, but tries to terminate a lease at your dealership.
- Focus on whether the mileage on a vehicle makes sense for its previous use. For example, it is unlikely that a rental vehicle or taxi that has been in operation for three years would have only 15,000 miles on the odometer.
- Develop detection reports to help spot internal and external fraud. For example, if most salespeople put customers in leases of 12,500 or 15,000 miles per year but one salesperson puts almost all customers in 10,000-mile leases, that may be a warning sign that the salesperson is part of an effort to roll back odometers before lease termination. It may be an especially big warning sign if a lower percentage of the 10,000-mile lease customers than the 12,500-or-higher-mileage customers incur excess mileage charges at lease termination.
- Report any instances of suspected odometer fraud to appropriate authorities, such as the National Highway Traffic Safety Administration (202-366-4761) or the NHTSA Toll-Free Hotline at 888-327-4236, TTY 800-424-9153.



Thanks to Alan J. Skobin, vice president and general counsel of the Galpin Auto Group, for this information. Skobin served for nine years as a Los Angeles police commissioner and has more than 40 years of sworn law enforcement experience.

Cash reporting notices due to IRS by January 31, 2015

WANADA reminds dealers that they must contact any customer for whom they were required to file a Form 8300 (cash reporting) in fiscal year 2014. Each of these buyers should receive notice by January 31, 2015, that the dealership has filed Form 8300 with the IRS. Dealers should keep a copy of the correspondence in their files.

Here is a sample customer notice, courtesy of MADA:

Dear Customer:

We are required by the Internal Revenue Service (IRS) to report transactions involving more than \$10,000 in cash and "cash equivalents," under the provisions of 25 U.S.C. 60501. We have filed a Form 8300 with the IRS on (month, day, 2014), indicating that you provided us with (dollar amount) in connection with the purchase of your (year, make, model). We wanted you to know that we have complied with this federal reporting requirement. Again, we thank you for your patronage.

Dealers should be sure to use the most recent [Form 8300](#) (revised August, 2014). For further information, visit the [IRS website](#).

Delinquencies rise for 30, 60-day loans, says Experian



Super-prime loans are more than one-fifth of the market.

Thirty-day auto loan delinquencies grew 3.7 percent and 60-day delinquencies jumped 8.6 percent from a year ago, Experian Automotive found.

“While we have observed a rise in delinquencies over the past few quarters, it was to be expected due to the growth in subprime loans,” said Melinda Zabritski, Experian’s senior director of automotive credit. “As long as consumers continue to do a good job making their auto loans payments on time and lenders keep a close eye of how rates fluctuate year over year, the industry should remain relatively stable.”

Counted among the states, consumers in DC had the second highest delinquency rate for 30-day loans and the highest for 60-day loans.

Experian’s study also found that super-prime loans accounted for 20.6 percent of total loans in the third quarter, up from 20.26 percent a year ago. At the opposite end, deep subprime grew from 3.57 percent to 3.84 percent.

Consumer confidence down in November after October rebound

The Conference Board Consumer Confidence Index fell in November, mainly because consumers felt more pessimistic about the short-term outlook.

“Consumers were less positive about current business conditions and the present state of the job market,” said Lynn Franco, director of economic indicators at the Conference Board. “Their optimism in the short-term outlook in both areas has waned.” But, Franco noted, consumers’ income expectations were virtually unchanged, and low gas prices should help boost holiday sales.

University of Michigan predicts 17 million auto sales in 2016



The next two years should see very high auto sales again, forecasters say.

An optimistic auto sales and economic forecast comes from the University of Michigan, though a bit more cautious than [NADA's forecast](#).

University of Michigan economists predict 16.6 million light vehicle sales in 2015 (versus NADA's 16.9 million) and 17 million in 2016.

“In August, the light vehicle sales pace was the best since January 2006,” said economist Matthew Hall. “The truck sales share has averaged more than 53 percent so far this year, reflecting the strength of small CUV sales and an influx of new truck and SUV

models from domestic manufacturers.” Trucks have a smaller share in the Washington area (see article on page 1, above), but crossovers are still strong here.

The University of Michigan economists also see “meaningful” economic growth next year, with GDP jumping from 2.2 percent this year to 3.1 percent in 2015 and 3.3 percent in 2016. They predict that 5.3 million jobs will be created in the next two years. Construction of new homes will continue to rise, too, which should boost truck sales.

Expert on drowsy driving nominated to head NHTSA

Mark Rosekind, a member of the National Transportation Safety Board, has been nominated to head the National Highway Safety Administration. NHTSA has been without a permanent administrator since David Strickland resigned in January.

Rosekind is “one of the world’s foremost human fatigue experts,” according to his biography from NTSB. He headed a forum in October on the dangers of drowsy driving, reported on in a previous [WANADA Bulletin](#).

“The administration has fallen short on its responsibility to the American people by leaving NHTSA without a Senate-confirmed leader for nearly a year,” said John Thune (R-SD), the likely chairman of the Commerce, Science and Transportation Committee in the next Congress. “There is much to be done at NHTSA, and I look forward to sitting down with Dr. Rosekind to hear more about his plans to address the rising number of motor vehicle safety recalls.”

Sen. Richard Blumenthal (D-Conn.), current chairman of the Subcommittee on Surface Transportation, said NHTSA will “face serious challenges” and urged his fellow senators to approve the nomination quickly.

BMW i3 is Green Car of the Year

BMW’s i3, an all electric car built with a lightweight carbon fiber passenger cell and aluminum drive module, has been named 2015 Green Car of the Year by the *Green Car Journal*. The award was announced at the LA Auto Show. The i3 is the first all-electric vehicle to win the Green Car of the Year.

The *Green Car Journal* will sponsor [expanded Green Car Awards](#) at the 2015 Washington Auto Show, including the Luxury Green Car of the Year, the Green Car Technology Award and the Green Car SUV.

Correction! Tesla not now ready to open in Virginia

The article we published in the last WANADA Bulletin (46-14, Nov. 30) reported Tesla, the electric sports car manufacturer with a dealerless retail model, as ready to open a retail outlet in Tysons Corner, Virginia. This is not correct. Tesla must first apply for and be granted a license to retail cars in the Commonwealth from the Motor Vehicle Dealer Board. The likelihood is that Tesla will comply with all the Commonwealth's requirements, including those of MVDB, per Tesla's agreement with Virginia officials to be allowed to open one (1) OEM- direct, dealerless outlet in Northern Virginia.

We're grateful to Bruce Gould, director of MVDB, for the clarification on our report

-- The editor

Staying Ahead...

The road to war is well paved. The road to peace remains a wilderness.

--Paul Harris

Founder of Rotary International in 1912