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Washington area sales jumped nearly 20% in 3rd quarter and track U.S. for 1st nine months

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Thought for the Week...

Car owners would try to cut monthly payments after fiscal cliff

Agreement on a Congressional budget deal appears unlikely at this writing, and nobody knows quite what the fiscal cliff will mean for the nation, car sales or the local economy. A survey by Swapalease.com gives a hint of how car owners would react if we go over the cliff.



What would Congress's inaction on the budget mean for dealers and their customers?

If taxes rise significantly, more than 55 percent of drivers said they would aim to cut their monthly car payment by \$100 a month; 21 percent said by \$200 a month. More than one-fourth of the 2,500 surveyed said they would get rid of their vehicle and not replace it. More than 58 percent said a navigation system would be a low priority next time they go car shopping. And 40 percent said they would be more likely to buy a hybrid to save money.

People make many claims in online surveys. But Washington area retailers don't just have to worry about the fiscal cliff; they have to think about sequestration. If you were a

federal employee with a possible furlough in your future, you might be loath to spend money on car-related purchases.

Most of the time, it's good to sell cars in an affluent area like Washington. But with the fiscal cliff, dealers and many of their customers could be paying the Alternative Minimum Tax for the first time. Cliff or not, everyone can expect serious Congressional discussion of tax reform in 2013.

Washington area sales jumped nearly 20% in 3rd quarter and track U.S. for 1st nine months

Washington area new auto sales rose nearly 20 percent in the third quarter from a year ago and a robust 13.3 percent for the first nine months of 2012, according to WANADA's Area Report based on R.L. Polk new-vehicle registration data. The year-to-date increase is about the same as for national sales for the same period, which were up 14.5 percent.



Area auto sales were robust in the third quarter, WANADA's Area Report shows.

Sales for the 12 major localities that make up the metro region here were 77,670 for the third quarter and 222,160 year to date through September. A strong fourth quarter would put the total for the year above 300,000, which is anticipated based on reports of a strong 4th quarter finish across the U.S. New vehicle sales in the region were fairly evenly distributed across July, August and September.

2012 imports (non-Detroit 3 vehicles) continued to dominate the new vehicle market here over the first three quarters. Import vehicles, cars and light trucks, made up 70 percent of Washington area sales, which is substantially more than the 55 percent that were import sales nationwide. Light truck sales here were 45.8 percent of the market by September 30 YTD 2012, which is less, but not dramatically, than nationally where light trucks are 49 percent of the market during this timeframe.

For the complete WANADA Area Report, September 30 YTD 2012, [click here](#) to log in the Member's Section of the WANADA website. You will find the report under General Information and then Marketing and Sales Data.

Lisa Jackson's "tumultuous" legacy as she leaves EPA

Outgoing EPA Administrator Lisa Jackson's legacy in bringing about the doubling of fuel economy standards to 54.5 mpg by 2025 will cause reverberations throughout the auto industry for years to come. The headlines as she announced her departure at the end of President Obama's first term tell the story of her tenure: "Business breathes easier" (*Forbes*), "four fiery years" and "repeated battles with industry groups" (*USA Today*), "tumultuous term" (Fox News).

Three names are mentioned in media reports as potential replacements for Jackson: Deputy EPA Administrator Bob Perciasepe, who was Maryland's Environment Secretary from 1990 to 1993; Kathleen McGinty, former head of Pennsylvania's Department of Environmental Protection and Environmental Advisor to Al Gore when he was senator; and Gina McCarthy, head of the EPA's Office of Air and Radiation.

A look back at 2012 and some predictions for 2013

Here are the top auto industry trends for 2012 and top predictions for 2013, as seen by Edmunds.com.

1. **Car sales offer certainty in an uncertain economy.** That has been more the case nationally than regionally as the Washington area did not suffer as badly from the Great Recession as much of the rest of the country.
2. **Subprime sales return.** Banks stopped offering subprime auto loans as the recession started in 2008. Then credit gradually started to loosen, and by the third quarter of 2012 credit scores returned to pre-recession levels. Subprime loans now make up about one-fourth of all new car transactions nationally, according to Edmunds.
3. **Small and midsize segments dominate the new-car market.** Whether because of higher gas prices earlier in the year or more quality offerings in those segments, small and midsize cars saw the biggest year-over-year growth nationally.

The other two national trends – victims of Hurricane Sandy replacing their cars, with Honda and Toyota rebounding from the effects of the 2011 tsunami – had less effect on the Washington area.

Edmunds makes these predictions for the U.S. market in 2013:

1. **Lease terminations flood the market.** Edmunds projects up to 500,000 more car buyers coming off lease in 2013 than in 2012. That number is in addition to the already substantial pent-up demand.
2. **Used-car prices soften.** With off-lease vehicles and trade-ins flooding the market, prices are bound to drop. Edmunds sees an average drop of \$200 to \$300 per used vehicle in 2013.
3. **Housing resurgence creates “wealth effect.”** “Rising home prices make consumers feel wealthier, which translates into greater consumer confidence to make large purchases such as a new car,” says Edmunds.com’s chief economist Lacey Plache.
4. **It’s the year of the truck.** Although Washington area consumers don’t buy trucks in as large numbers as the rest of the country, new home and office construction will still require trucks. (Has anybody noticed that the entire Washington area seems to be under construction?) GM’s forthcoming line of 2014 Chevy and GMC pickups will add to the truck fever.
5. **The sales rate will slow.** Sales grew about 14 percent this year. Edmunds projects 4 percent growth next year, for total sales of 15 million, a number approaching the pre-recession levels of 2007.

2013 Washington Auto Show Sneak Peak Reception set for Jan. 31

The annual Sneak Peek Reception, the industry/lawmaker networking event held before The Washington Auto Show, is set this year for January 31 from 5 pm to 8 pm. The reception offers members of Congress, White House and regulator operatives a first view of the new models and technological innovations on display at the WAS. It also provides the opportunity for WANADA dealers and OEM executives to strategically interact with high level government officials and select new vehicle consumers.



The reception will mark the finale of the 2013 WAS Public Policy Days, which culminates numerous press conferences, industry announcements and high level government official presentations relative to the key issues affecting the industry, its employees and customers, including energy conservation, the environment and consumer safety technologies. The 2013 Washington Auto Show opens to the public this year Friday, February 1 running through Sunday, February 10.

“Each year, The Washington Auto Show Sneak Peek Reception provides the unique opportunity to meet and collaborate with the lawmakers who are shaping our industry, technology and future direction,” said show chairman Robert Fogarty, president of Sport Chevrolet/Honda. “With the beginning of a new administration in 2013, it is especially important for us to connect our industry with the new faces on Capitol Hill and in the Washington federal establishment.”

The event is made possible through the support of the Association of Global Automakers and Hargrove (Gold Sponsors) and NADA and the Alliance of Automobile Manufacturers (Silver Sponsors). Global Automakers represents international motor vehicle manufacturers, original equipment suppliers and other automotive-related trade associations. Hargrove, the Washington Auto Show’s longtime general services contractor, produces some of the most complex trade shows, events and exhibits on the world stage, including the past five global summits hosted by the U.S. and the past 17 presidential inaugurations. NADA represents nearly 16,000 new-car and –truck dealers. The Auto Alliance represents 12 vehicle manufacturers including BMW Group, Chrysler Group LLC, Ford Motor Company, General Motors Company, Jaguar, Land Rover, Mazda, Mercedes-Benz USA, Mitsubishi Motors, Porsche, Toyota and Volkswagen Group of America.

Comcast Spotlight will host a *special* WANADA member “reception within a reception” where dealers and their guests can network, enjoy cocktails and check coats. The evening is finished off with WANADA members and OEM executives invited to a special Lifetime Achievement Award Dinner hosted by Automotive News published Keith Crain where Edsel Ford will be honored.

The timing for the WAS Sneak Peek on Thursday, January 31 is 5:00-8:00 pm, with the Comcast/ WANADA reception from 5:00-6:30 pm and the Automotive News dinner commencing at 7:00 pm. Specific details and registration materials will be mailed shortly after the turn of the year.

Tax changes for 2013 (what's known so far)

Payroll officers cannot plan for adjustments to withholding for 2013 with any accuracy until we know the results of the budget talks in Congress. Here's what we know now.

The **Social Security** Old Age Survivor's and Disability Insurance (OASDI) taxable wage base for 2013 increases to \$113,700 from \$110,100.

On January 1, employees' **Social Security** contributions will rise to 6.2 percent from 4.2 percent. This change is caused by the expiration of the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010.

Individuals whose annual wages and compensation is more than \$200,000 will be subject to an additional 0.9 percent **Medicare** tax.

Retirement and pension plans: The 2013 limit on the exclusion for elective deferrals in Section 401(k)-type plans, Sec. 403(b) plans and most Sec. 457 plans will be \$17,500, up from \$17,000 in 2012. The "catch-up" contribution limit for those 50 and older remains unchanged at \$5,500.

The **standard mileage rate** will rise to 56.5 cents per mile for business miles driven and 24 cents per mile for medical or moving purposes and remain at 14 cents per mile for service of charitable organizations.

Necrology, 2012

It is fitting and appropriate as the year draws to a close to pause and fondly remember those members of the WANADA dealer community who passed away in 2012:

Norman Bernstein, formerly of Peacock Buick

Ray MacAnanny, Sr., Safford Automotive

Thought for the Week

May all your troubles last as long as your New Year's resolutions.

--Joey Adams

American comedian, 1911 - 1999