

# THE WANADA BULLETIN

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

*WANADA Celebrating 100 Years of Service (1917-2017)*

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## Washington area sales fell 7% in fourth quarter, 9.6% in 2017

Unlike the usual pattern of Washington area sales rates topping U.S. new-vehicle sales, last year saw lower sales for our region in the fourth quarter (down 7 percent) and lower still for the full year (down 9.6 percent). Nationally, sales saw a more modest drop of 1.8 percent.

Washington area figures are from WANADA's Area Report based on R.L. Polk new-vehicle registration data, available by clicking on the link at the end of this article. U.S. sales are from *Automotive News*.



Import crossovers such as the Toyota Highlander hit the sweet spot for Washington area buyers.

A variety of factors could have played into the area sales downturn. Although unemployment is very low in Maryland and Virginia, it is rising in DC (6.6 percent as of October 2017). A greater portion of the local economy now comes from part-time contract work, which is irregular and lacks benefits, according to a report from George Mason University. And many federal workers lost their jobs last year, or were worried they might.

All three months of the fourth quarter saw a drop in sales. October saw the biggest downturn at -11 percent, followed by December (-7 percent) and November (-3.5 percent). The year overall logged a very respectable 305,523 total new vehicle sales for the 12 locality regions of DC, suburban Maryland and Northern Virginia. December, as usual because of manufacturer incentives, was the biggest month, at 28,242, followed by November (25,224) and October (22,961).

Sales of new import vehicles in the Washington area made up 72.8 percent of total sales, up quite a bit from last year's import share of 67.7 percent. Imports (non-Detroit 3) made up an impressive 82 percent of all area new car sales, up from 79 percent in 2016. Imports accounted for 65.6 percent of light truck sales (including SUVs) in our region. Washington area buyers have long been partial to import vehicles, but the trend appears to be accelerating.

The proportion of light trucks and SUVs (including crossovers) in total vehicle sales was just a tiny bit above last year, at 57.3 percent. That's still about 12 percent more than two years ago, so area buyers are following the national trend to buy more passenger trucks. Even so, national light truck sales are much higher, at 66 percent of total new-vehicle sales.

The tax cuts from last year's tax bill might put more people in a mood to buy new vehicles this year. But the area's middle class is being squeezed, leaving the very rich and the very poor – and the very poor don't buy new vehicles.

For the complete WANADA Area Report on fourth quarter and total 2017 Washington area new vehicle sales, WANADA members can click [here](#) and log in with their user name and password.

## MD MVA guidelines for dealer advertising, good for all

The Maryland Motor Vehicle Administration has partnered with MADA and WANADA and advocates for consumer rights to create an easy-to-follow checklist of guidelines for dealer advertising. The guidelines represent the most common advertising questions and provide clarification for each topic. They are not exhaustive, with other federal, state and local laws governing advertisements. Although the guidelines were published for Maryland dealers, they are based on federal guidelines that apply to all dealers in the U.S.

Dealers should make sure any advertising by their dealership conforms to these guidelines, as they will be a reference for auditing and complaint investigations.

The guidelines include links to the NADA's [A Dealer Guide to Federal Advertising Requirements](#) and the Federal Trade Commission's [publication](#) on effective disclosures online. These publications are extremely useful in offering visual examples of proper and improper advertising. MDOT MVA's one-page checklist of guidelines for dealer advertising can be accessed [here](#). Again, these are based on federal guidelines and apply to dealers in every state.

Echoing MVA's approach WANADA recommends that dealer members use all of these resources to avoid potential violations of the law. Maryland dealers with any questions or concerns may contact the MVA's Business Licensing and Consumer Services at (410) 787-2950 or [mvablcsd@mva.maryland.gov](mailto:mvablcsd@mva.maryland.gov).

## Free enrollment for NADA Dealership Workforce Study

Registration for NADA's Dealership Workforce Study is free to dealers, and it is open now. The study measures the strengths of the business and helps dealerships make informed decisions on employee pay plans, benefits, schedules and more.

Participating dealerships will receive two free reports: *Automotive Retail: National and Regional Trends in Compensation, Benefits & Retention* and *Compensation, Benefits and Retention: How Your Dealership Compares*.

The deadline to participate is April 30. To enroll, visit [www.nadaworkforcestudy.com](http://www.nadaworkforcestudy.com). For questions, call (800) 557-6232, or email [WorkforceStudy@nada.org](mailto:WorkforceStudy@nada.org).

## Automotive News searching for best dealerships to work for



If you have created a great team of auto retail professionals, *Automotive News* wants to recognize your dealership(s).

NADA provides the analysis, and *Automotive News* gives out the awards. The publication is encouraging dealerships that have built successful teams worthy of recognition to register to participate in its Best Dealerships to Work For program.

In addition to the opportunity to be named among the best of 2018, all dealerships that enter will receive a free employer benchmark summary, which shows how they compare with others in the program. To be considered, dealers must register by April 6, 2018 at [www.autonews.com/bestdealerships](http://www.autonews.com/bestdealerships).

Once registered, dealerships will be contacted by Best Companies Group, the organization that manages the Best Dealerships program. Someone there will walk dealers that sign up through a two-part dealership assessment.

Part one is a questionnaire about dealership policies, practices and demographics. Part two is a survey of all employees in the dealership, in which they respond to a variety of statements on a five point agreement scale, and answer two open-ended and seven demographic questions. The collected information will be used to produce a detailed set of data enabling the analysts to determine the strengths and opportunities of each dealership.

## Can dealers stop worrying about enforcement on dealer reserve?

When Richard Cordray was director of the Consumer Financial Protection Bureau during the Obama administration, banks that worked with dealers were worried about too much discretion in setting dealer reserve, leading to the potential appearance of discrimination. Enforcement actions by the CFPB led some lenders to require dealers to use a flat fee system instead.

But two banks, BB&T and BMO Harris Bank, recently announced that they would drop their flat fee program and let dealers go back to setting their own rates, albeit within limits, reported *Automotive News*.

The CFPB isn't the same since Cordray resigned and President Trump appointed Office of Management and funding for the agency in his 2018 budget request. The Trump budget proposal slashes the current funding by \$150 million, about one-fourth of the agency's original budget.

As for the independent setup, a federal appeals court ruled recently that the president may not terminate the CFPB director at will, overturning an earlier court ruling. That won't be an issue in this administration, as anyone Trump nominates as agency director – and the Republican Senate approves – is likely to follow in Mulvaney's footsteps. Republican senators have long expressed unhappiness over what they see as the CFPB's regulatory overreach.

## Big changes coming to auto industry, but not for decades

Some vehicle technologies – automated driver assist systems, connected and automated vehicle technologies, and advanced powertrains – have the potential to transform not only the vehicle, but the entire automobile industry. But change will be gradual, with just 3.8 percent of new vehicles sold in 2030 autonomous-capable, ramping up to 55 percent in 2040, says a new report by the Center for Automotive Research (CAR).

“The period where conventional personal vehicles and automated, connected, electric and shared vehicles will coexist on U.S. roadways will last decades,” the report says.

Automakers are investing heavily in vehicle electrification and autonomy, but consumer acceptance is lagging, especially in the U.S., the report says. There’s also a disconnect between what consumers say they want and what they buy. Although 18 percent of Americans surveyed said they prefer hybrid electric vehicles (HEVs) and battery electric vehicles (BEVs), the current market share of those vehicles is just 3.3 percent.

For most U.S. consumers, electrification and fuel efficiency are not high priorities. As the market has shifted from passenger cars to SUVs to CUVs, “the U.S. consumer has shown a penchant for increased performance,” CAR says, especially as defined by horsepower.

As for the effect of ridesharing services such as Uber and Lyft, the report says they could dampen car sales because more people will decide not to own a car, mostly in denser urban areas. But higher vehicle turnover and the shorter life expectancy of vehicles used by mobility services will offset some of the sales losses. CAR does expect less private ownership of vehicles.

## Auto lending stabilizing as Generation X comes into its own

The auto lending market is stabilizing, and *Generation X* buyers – those born between 1965 and 1979 – is one of the biggest vehicle-buying groups in the country. Those are the conclusions of TransUnion’s fourth quarter auto loan report.

“Auto lending is stabilizing after years of rapid growth,” said Brian Landau, senior vice president and automotive business leader at TransUnion. “Originations continue to fall at a faster rate than previous years, balance growth is slowing and delinquencies are steady.”



Young car buyers are still catching up with the rest of consumers, but they’re buying.

Of the five generations TransUnion studied, Generation X – once derided as slackers – has the highest average loan balance per consumer, at \$20,868. Next are the baby boomers, who still have money but are starting to retire, with an average loan balance of \$18,532. The youngest and oldest buyers have lower incomes and smaller loans, and millennials are now buying cars – remember all the hand wringing on that subject? – and have an average balance of \$17,619.

## Subaru Outback, Cadillac XT5 score best in rear crash prevention

The Insurance Institute for Highway Safety (IIHS) has launched a rear crash prevention ratings program to help consumers identify models with the technology that can prevent or mitigate low-speed backing crashes. The information from the study can be used as a tool to help dealers sell the safety benefits of certain optional equipment.

The Subaru Outback and Cadillac XT5 earn a superior rating when equipped with optional rear autobrake, parking sensors and rear cross-traffic alert. The Jeep Cherokee, BMW 5 series, Infiniti QX60 and Toyota Prius earn an advanced rating with this optional gear.

Note that the ratings evaluate the rear crash prevention systems' ability to prevent damage in low-speed crashes, not their ability to mitigate injuries in crashes.

The combination of a rearview camera, rear parking sensors and rear autobrake is reducing backing crashes reported to police by 78 percent, a new IIHS study of General Motors vehicles found.

## Position wanted: Dealer general manager

A seasoned dealer executive in the Washington area, with more than 25 years experience managing dealer fixed and variable operations and revenue initiatives, is looking for a position as a dealership general manager. For more information, call Kathy Teich in the WANADA office at (202) 237-7200.

### Staying Ahead...

Everyone thinks of changing the world, but no one thinks of changing himself.

--Leo Tolstoy

