

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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February sales down 2.3 percent, but SAAR still strong

February is usually one of the weaker months of the year for auto sales, and in that respect, last month was not atypical. Sales fell by 2.3 percent as manufacturers decided to pull back on incentives and interest rates started their inevitable upward climb.

Last year's average incentive spend of \$3,400 simply wasn't sustainable, said Jessica Caldwell, Edmunds executive director of industry analysis. At some point, manufacturers realized they are borrowing from the future.



Crossovers, such as the Toyota Highlander, continue to drive national and regional sales.

The seasonally adjusted annual sales rate (SAAR) was 17.2 million, down from January, but still the sixth straight month above an historically strong 17 million.

The same trends of the past few years continued – strong crossover sales and continually weakening passenger car sales. At General Motors, car sales were down 16 percent, as were pickups – usually a source of solid profit.

“This year is going to be a bitter but necessary pill for the auto industry to swallow,” said Caldwell. “Automakers are slowing production of passenger cars to react to declining demand, and are also trying to find the right balance between keeping sales strong and becoming too dependent on costly incentives.” But the industry is still fairly healthy overall, she said.

The prevalence of crossovers meant the average transaction price remained strong last month, rising 2.1 percent to \$35,444, according to Kelley Blue Book.

“Even with new-vehicle demand expected to continue to slow in 2018, average transaction prices have been unaffected, though incentives have risen similarly to offset part of the extra cost,” said Tim Fleming, analyst for Kelley Blue Book. “The numbers indicate that new-car buyers are still willing to pay top dollar for the latest models with the most current features and technology.”

AIADA, Global Automakers oppose Trump’s proposed tariffs



It's not just international-nameplate vehicles that would be affected by the tariffs. The Ford F-150, with its high aluminum content, would be negatively impacted, too.

An international-nameplate dealer group and import automaker trade group have spoken out against President Trump’s proposed 25 percent tariff on imported steel and 10 percent tariff on aluminum imports. Neither NADA nor individual automakers have issued a reaction to the tariff proposal.

Steel and aluminum are both crucial to the production of cars and trucks sold in America today and would raise the sale prices of those vehicles substantially, the American International Automobile Dealers Association (AIADA) said in a statement. In addition to paying more for

their vehicles, American consumers and workers can also expect to bear the brunt of the retaliatory tariffs other countries will almost certainly place on goods manufactured and exported from the United States.

“These proposed tariffs on steel and aluminum imports couldn’t come at a worse time,” said AIADA President Cody Lusk. “Auto sales have flattened in recent months, and manufacturers are not prepared to absorb a sharp increase in the cost to build cars and trucks in America,” Lusk said. “The burden of these tariffs, as always, will be passed on to the American consumer. Car shoppers looking for a deal will instead find that they are paying a new tax to transport themselves and their families.”

Steel and aluminum tariffs could directly counteract any benefits American manufacturers have seen from tax and regulatory reform, AIADA said. An analysis of tariffs on steel imposed in 2002 found that the Bush steel tariffs cost 200,000 jobs.

The Association of Global Automakers, the trade group that represents international-nameplate auto manufacturers, also strongly opposes the tariffs. “The renegotiations of the North American Free Trade Agreement (NAFTA) and the Korea-US Free Trade Agreement (KORUS) pose major risks to the U.S. auto industry,” the group’s statement said. The “uncertainty and risk” of the proposed tariffs only compound the problem.

“These tariffs will, without question, inflict damage on the U.S. auto industry,” said the Global Automakers. “It should surprise no one that car makers consume huge amounts of steel and aluminum. It also shouldn’t surprise anyone who can remember 2002 just how bad this idea really is.”

How to check a customer's military status



Dealers should use the Military Lending Act website to check whether a potential customer is, or is related, to an active duty military member.
Photo by Lance Cpl. Ryan R. Busse.

Dealers should direct their F&I staff to use the [Military Lending Act website](#) to verify whether a potential customer is active duty military or related to an active duty military person. A finance professional can punch in the customer information, and the site will return an answer within 15 seconds.

The MLA provides safeguards to military members in matters including vehicle loans, and dealers must take care they are in compliance.

Quiet car rule finalized; compliance date extended to 2020

Manufacturers of quiet cars – electric vehicles and hybrids – will be required to create an engine-like sound for them to warn pedestrians, bicyclists and the blind. The rule was first proposed in Congress in 2010, delayed and frozen under the Trump administration, and now has a new deadline of September 2020. Automakers must have the sound in half the covered vehicles by September 2019.

The rule will apply only to speeds up to 18.6 mph. At higher speeds, wind resistance and tire noise make enough noise that a separate sound is not needed, regulators said. The National Highway Traffic Safety Administration (NHTSA) considered and rejected a petition from Nissan to cap the requirement at 12.4 mph.

NHTSA will consider a request by automakers to offer a variety of sounds for car owners to choose from.

NHTSA estimates the rule will cost automakers \$40 million a year to comply with it because they will need to install a waterproof external speaker. The sounds will be added to about 530,000 MY 2020 vehicles and will prevent 2,400 injuries yearly, the agency estimates.

Infrastructure bill may not pass until lame duck session, if then

With the U.S. Senate under pressure to address immigration and pass an FY 2018 budget, infrastructure has again been put on the back burner.

Sen. John Cornyn (R-TX), the second highest Republican in the Senate, told reporters the Senate may not pass an infrastructure bill this year. The next day, House Transportation and Infrastructure Committee Chairman Bill Shuster (R-PA) said infrastructure might be addressed in a lame duck session after the midterm elections. He was speaking to a meeting of the American Association of State Highway and Transportation Officials (AASHTO).

Shuster emphasized the need to shore up the Highway Trust Fund, which for many years has fallen short of budget needs for the nation's highways. One reason is that the fuel tax has not been raised since 1993.

Shuster made the case for a hike in the fuel tax, but some Republicans refuse to consider the idea. Others say privately they would consider it if President Trump pushed for it so as to give them political cover. Although Trump endorsed a 25-cent-a-gallon increase in a meeting with lawmakers, according to Democratic Senator Tom Carper, he has said very little publicly.

A large increase in the fuel tax could change new-vehicle sales, which are increasingly moving toward crossovers. Their fuel economy is generally better than SUVs, but not as good as passenger cars. But it's widely understood that the nation's highways and other infrastructure are in terrible shape, consistently earning a grade of D from the American Society of Civil Engineers

President Trump's infrastructure proposal, which has been released with little detail, would use \$200 billion of federal money over 10 years to leverage another \$800 billion in private investment. Many doubt whether a largely privately funded plan could adequately address the nation's infrastructure problems – and that's assuming that Congress would approve the \$200 billion, which is a big “if.”



U.S. highways are badly in need of funds for renovation and construction.

The Trump administration has expressed interest in an alternative funding idea, a tax on vehicle miles traveled, like the tax in Oregon. Shuster was skeptical about that idea when he spoke at the AASHTO meeting.

AAA forecasts spring spike in gas prices

Even with no gas tax increase, the American Automobile Association forecasts the national gas price average could be as much as \$2.70 a gallon this spring. Americans have not paid that much for gas since summer 2015, when prices hit \$2.81. Already, they are paying a quarter more than at the same time last year.

“There is tremendous volatility in the oil and gasoline market,” said AAA spokeswoman Jeanette Casselano. “This spring, consumers may have to make decisions on where they can cut costs to cover gas prices that are potentially 40 cents more per gallon than last spring.”

A new AAA survey found that the vast majority of consumers would change their driving habits or lifestyle to offset higher gas prices. One in four consumers say they would start making changes at \$2.75, while 40 percent say \$3.00 is their tipping point. Nearly three-quarters of respondents say they would drive less, and nearly half say they would drive more fuel-efficient vehicles.

“Motorists will start to see gas prices make their spring spike in early April,” said Casselano. “That is when refinery maintenance is expected to be wrapped up and the switchover to more expensive summer-blend gasoline kicks in, along with warmer weather and typical demand increases.”

“Consumers can expect prices to increase throughout April, May and into the start of summer.”

Arizona, California approve testing of AVs with no driver

In what some see as a major step in the evolution of autonomous vehicles, Arizona and then California approved testing AVs on public roads with no driver behind the wheel. In Arizona, the approval was specifically for Waymo, Google's AV spinoff. In California, automakers could apply for permits starting March 2, and those approved will be able to test AVs starting April 2.

A remote operator will still be required to monitor the vehicle at all times, ready to take over if necessary. The remote operator must be able to contact police and any passengers in case of an accident. Automakers will have to provide the local DMV with a plan for contacting local law enforcement.

But some consumer groups, such as Consumer Watchdog, say the safeguards are inadequate. "It will be just like playing a video game, except lives will be at stake," said John M. Simpson, the group's privacy and technology project director.

Staying Ahead...

The difficulty lies not so much in developing new ideas as in escaping from old ones.

--John Maynard Keynes

