

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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2018 NADA Show Report

April 5, 2018

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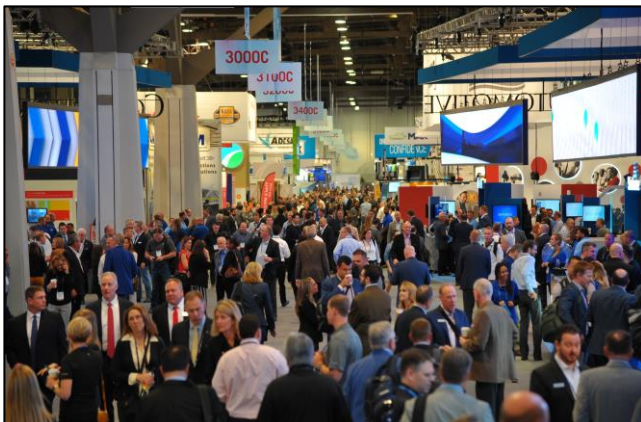
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Thought for the Week...

NADA brings advocacy for dealers to Las Vegas for 2018 NADA Show



Las Vegas was the place to be for those attending the 2018 NADA Show and Exposition

NADA was in fighting mode at this year's NADA Show (formerly the NADA Convention), and celebrating a year of dealer victories in the public policy arena. And what better place to celebrate than Las Vegas?

Much of the NADA's advocacy for dealers was focused on Washington, with the continuing effort to resist overregulation. In that realm, NADA's actions were helped by a new presidential administration with the same goal of easing the burden of regulation on business.

Outgoing NADA Chairman Mark Scarpelli highlighted NADA's successes over the past year in big areas like tax reform. For 2018, incoming Chairman Wes Lutz said "NADA will continue to fight for dealers in the nation's capital in the face of regulatory and legislative burdens."

On the convention floor, there was talk of challenges that dealers have wrestled with for years, such as OEM stair-step programs, and newer ones, such as autonomous vehicles and car-sharing services. The accident where an autonomous Uber killed a pedestrian had occurred a few days before the NADA Show. Waymo CEO John Krafcik, one of the show's keynote speakers, referenced the crash in his remarks.

The NADA Show, as always, had a very busy Exposition floor with 560 vendors, more than 100 executive workshop sessions and dozens of dealer franchise meetings. Close to 24,000 dealers and dealership managers attended the Show, including many international dealers, along with automaker executives and exhibitor staff.

Scarpelli highlights importance of vehicle affordability



Scarpelli praised dealers for engaging the CFPB to preserve their flexibility to offer consumers discounted rates on auto loans.

In his farewell remarks at NADA Show, 2017 NADA Chairman Mark Scarpelli praised fellow dealers for their successful advocacy efforts on Capitol Hill in Washington to preserve vehicle affordability.

“Vehicle affordability is the air we breathe,” Scarpelli said at NADA Show’s opening session. “Affordability is everything. Americans need cars – affordable cars – more than ever. If there’s one group that got that message loud and clear, it was the Consumer Financial Protection Bureau.”

In 2013, the CFPB issued an auto lending directive that threatened to eliminate a dealer’s flexibility to offer consumers discounted rates on auto loans.

“We knew something that everyone else failed to see: Consumers won’t be buying cars tomorrow if they can’t afford them today,” Scarpelli said.

NADA also pushed last year to stop overly broad recall legislation, said Scarpelli.

“This legislation would have created a consumer trade-in tax for every recalled car on the road – even the ones with only minor defects,” he said. “We averted legislation that could have cost consumers on average \$1,200.”

A third issue on which NADA and its dealers pushed hard was tax reform. Congressional legislation that was signed into law last December preserved 100 percent deductibility on floor plan loans, increased the estate tax exemption, and preserved the LIFO accounting method and advertising deductibility.

“The stakes for our businesses are enormous,” Scarpelli said., “When taxes increase, jobs at dealerships decrease, our capital investments decrease, and prices for consumers increase.”

As for factory relations, Scarpelli said he made it his personal mission as NADA chairman to reach automakers about “the “elephant in the room, also known as stair-step incentive programs.”

NADA CEO Welch sees dealer opportunity in autonomous cars

Speaking at the NADA Show, John Krafcik described his company, Waymo, as a self-driving technology company. “We’re specifically not a car company,” he said. Krafcik spoke at the NADA Show with AutoNation Chairman and CEO Mike Jackson and NADA President and CEO Peter Welch.

The focus was on how to create opportunities for auto dealers with autonomous vehicles in the future. Initially, said Krafcik, the cost of the technology restricts its use to ridesharing fleets like Uber and Lyft. But, he added, technology tends to run in two-year cycles.

“It won’t be too long before you see [autonomous vehicles] in showrooms,” Krafcik said. Waymo could in the future work to license the technology to automakers.



Waymo CEO Krafcik (left) and NADA CEO Welch at the NADA Show.

“I think it’s going to be a pretty interesting time for dealers,” Krafcik said.

NADA’s Welch embraced the idea. “Some of us have been in this business for a long time, and I can’t remember it being more exciting,” he said. “There are new technologies and new opportunities, and I, for one, think the dealers have an incredible opportunity going forward – more cars on the road, more maintenance intervals, and more value for consumers. That’s what we do.”

NADA predicts 16.7 million sales this year, mostly trucks, SUVs

In spite of lower new vehicle sales in the first two months of the year and snowstorms driving down sales in March, NADA chief economist Patrick Manzi is sticking with his forecast of 16.7 million this year. As anticipated, that is quite a bit below last year’s total of 17.2 million.

Although unemployment remains low at 4.1 percent, wages have remained stagnant, which makes consumers reluctant to make major purchases.

But average transaction prices are likely to rise “because of consumer preferences for light trucks and vehicles with more high-end advanced safety features,” Manzi said. Through February, light trucks (including SUVs and CUVs) accounted for nearly 68 percent of new vehicles sold nationally. Washington area buyers have traditionally preferred cars, but that trend has started to change lately as more consumers move to crossovers.

On the used-car front, the increase in off-lease volumes will spur growth in the certified pre-owned (CPO) market, Manzi said. “2018 could very well be a record year for CPO sales.”

The influx of off-lease vehicles will put pressure on new-vehicle sales because the increased supply will drive down used-vehicle prices.

“Consumers will see a widening price difference between a new vehicle and a similarly equipped used or CPO vehicle and will consider buying used,” said Manzi.

Another outside factor affecting auto sales this year besides wage growth is an anticipated rise in interest rates. Manzi said rates will likely be increased three or four times this year with the federal funds rate above 2 percent. That will add pressure to already increasing vehicle transaction prices and auto loan terms.

That’s where tax reform will come in. “Increased take-home pay from the tax reform legislation passed at the end of 2017 is likely to help offset some of the increase in monthly payments from higher rates,” Manzi said. “Buyers with good credit and high incomes are unlikely to be affected by rising interest rates.”

NADA Chairman Lutz focuses on challenges of vehicle innovation



Technology makes owning a car better than ever, said Lutz.

Personal vehicle ownership is stronger than ever, and “the automobile is the most exciting platform for innovation in the next 100 years,” Wes Lutz said at the NADA Show in his first official speech as 2018 NADA Chairman.

Lutz talked about the changes coming to the auto industry, particularly in autonomous vehicles and electric vehicles. “It’s true, that technology makes sharing a car more convenient than ever,” he said. “But what the naysayers forget is that that technology also makes owning a car better than it used to be.” And “auto dealers are going to sell the vast majority of electric cars sold.”

Lutz said he will encourage dealers to continue adapting to the retailing challenges ahead.

“At almost every turn, dealers have faced challenges – some major ones,” he said. “But our troubles didn’t define us. How we responded to them did.”

As car ownership continues to break records globally, auto dealers have a role to play in the future of the industry, investing in new franchises, new facilities and new technologies, said Lutz.

And NADA will continue with its advocacy on behalf of dealers. “NADA will continue to fight for you in our nation’s capital, in the face of regulatory and legislative burdens,” said Lutz. “We will continue to reach out to manufacturers and build strong relationships moving ahead.”

NADA donates \$50,000 to support Las Vegas Air Force bases

While in Las Vegas for the NADA Show, the national dealer association donated \$50,000 to the personnel at the Nellis Air Force Base, Creech Air Force Base and the Nevada Test and Training Range in southern Nevada. The money went to the Nellis Support Team (NST), a nonprofit organization that supports the 30,000 airmen and women and their families at those bases.

“A portion of NADA’s donation will be used to reopen the base’s Auto Skills Center, which was shuttered in 2013 from the U.S. federal budget sequestration that resulted in significant spending cuts,” said Patrick McNaught, a government affairs advocate from Las Vegas who serves as honorary civilian commander of NST.

NADA’s contribution will be used to renovate the Auto Skills Center, including remodeling the facility, buying tools, recertifying the lifts and adding eight service bays, McNaught said.

“No one is more inspiring than the men and women in the military,” said Richard Stephens, chairman of the NADA Show committee. “NADA firmly believes in community service and each year contributes to an organization located in the NADA Show’s host city.”

ADESA Auctions raises \$50,000 for Canine Companions

An ADESA Auctions at the NADA Show raised more than \$50,000 for the NADA Foundation, which supports Canine Companions for Independence.

Jay Huston of Carpinteria, CA, who served in the U.S. Army for 20 years, and his dog Hurley, attended the auction to raise awareness of Canine Companions. Huston fractured his spine in two places during an airborne operation and suffers from chronic pain. Hurley is trained to open doors, turn the lights off and on and pick up dropped items.

ADESA Auctions have raised more than \$384,000 over the past seven NADA Shows for the NADA Foundation’s *Frank E. McCarthy Memorial Fund*, in whose name the donation to Canine Companions is made. McCarthy served as NADA’s chief executive from 1968 to 2001.

NADA expands educational offerings with Professional Series

NADA expanded its professional offerings at the NADA Show with a new [NADA Professional Series](#), designed for new or high-potential department managers to stay ahead of the competition.

The series targets four dealership departments – office, parts, sales and service. The courses are focused on developing skills that managers need to run a profitable department and gain confidence in leadership roles. Courses are taught through a combination of classroom and online instruction to fit busy retail lifestyles.

The curriculum consists of Functional Core Competencies, Leadership Foundations, Human Resources Foundations and DMS Applications.

New AIADA chairman discusses fallout from trade wars

Salt Lake City dealer Brad Strong was recognized as 2018 chairman of the American International Automobile Dealers Association (AIADA) during its annual meeting at the recent NADA Show in Las Vegas. During his speech, Strong emphasized the role dealers like him play in the U.S. economy and what dealers must do to defend their businesses. Strong took over as chairman in February, but was recognized at AIADA’s Annual Meeting.

“We need to work with AIADA to hold congressional visits at our dealerships where we can share our investment numbers and our employment stats,” Strong said. “That’s the best shot we have at convincing lawmakers that trade wars aren’t abstract fights between nations and political parties.

“Washington has no sense of how price-sensitive this industry is, and just how easily their tax and tariff schemes can send annual auto sales into a tailspin, costing thousands of jobs,” Strong said.



2018 Chairman Brad Strong at the AIADA Annual Meeting.

Strong is dealer principal of Strong Volkswagen, Audi Salt Lake City, and Porsche Salt Lake City. Serving with him in leadership positions on the AIADA Board are Paul Ritchie, immediate past chairman (Hagerstown, MD); Howard Hakes, chairman-elect (City of Industry, CA); Jason Courter, vice chairman (Bellevue, WA), and Steve Gates, secretary/treasurer (Richmond, KY).

WANADA dealers in the spotlight at NADA Show

Dottie Fitzgerald is WANADA’s Time Dealer of the Year



WANADA Time Dealer of the Year, Dottie Fitzgerald, Fitzgerald Auto Malls, flanked by Rob Smith, Fitzgerald Auto Malls (left) and John O’Donnell, WANADA

Dorothy (Dottie) Fitzgerald, Fitzgerald Auto Malls, was WANADA’s nominee for the 2018 Time Dealer of the Year, being recognized as a recipient at the NADA Show in Las Vegas.

The Time Dealer of the Year Award is one of the automobile industry’s most prestigious honors, bestowed annually on the nation’s most successful dealers who also demonstrate a long-standing commitment to community service.

The award is sponsored by Time in association with Ally Financial, in cooperation with NADA. A panel of faculty members from the University of Michigan selects award recipients each year who are nominated by dealer associations across the country.

Dottie has worked with her brother, Jack, at Fitzgerald Auto Malls for many years. She has devoted much of her community efforts to providing educational opportunities to those wanting to pursue automotive careers, cofounding the Montgomery County (MD) Students Automotive Trades Foundation, a partnership between WANADA and Montgomery Country Public Schools. In addition to Fitzgerald, 46 other dealers were named Time Dealer of the Year.

WANADA offers hearty congratulations to Dottie Fitzgerald on this well-deserved recognition, often described as the highest honor a new-car dealer can earn.

Northwood Dealer Education award given to Jim Gramm

Longtime Washington area dealer Jim Gramm was one of the select group of dealers who received Northwood University's prestigious Dealer Education Award at the recent NADA Show in Las Vegas. Gramm is dealer principal of Safford Automotive, a multi-franchise group of dealerships in Northern Virginia, who was nominated for the award by WANADA.

Gramm has been an advocate of dealer education since his own graduation from the NADA Dealer Academy early in his career. He has encouraged all Safford's sales and fixed operations personnel to pursue continuing education and training, and has also promoted automotive careers at Fairfax County public schools and Northern Virginia Community College. In addition, Gramm has promoted the WANADA endorsed auto technology training program that Washington area dealers support through the Marshall Academy in Fairfax County, VA and the Edison Career Center in Montgomery County, MD.



From left, Northwood President Keith Pretty, Northwood student Charles Wheatley, and NUDAE winner Jim Gramm.

Since 1972, Northwood University has recognized individuals in automotive marketing who have made noteworthy contributions to public or private education. In addition to Gramm, six other dealers received the Northwood Dealer Education Award this year.

WANADA congratulates Jim Gramm on this well-deserved recognition!

MADA/VADA/WANADA Reception at NADA Show is well received by all

The annual MADA/VADA/WANADA reception at the NADA Show was a grand success, with scores of party goers gathered at the popular TopGolf Club in Las Vegas on the evening of Friday, March 23. Members of the Maryland Automobile Dealers Association, Virginia Automobile Dealers Association and Washington Area New Automobile Dealers Association, along with OEM notables and a wide variety of industry associates, came to network and enjoy each other's company in a convivial atmosphere.

Photographs of the Reception that appear below say it all:



John Bowis, WANADA Chairman and John O'Donnell, WANADA President, co-hosting the Reception.



Winners Circle: Dottie Fitzgerald, Time Magazine Dealer, Fitzgerald Auto Malls with Jim Gram, Northwood DEA, Safford Automotive.



From left: John O'Donnell, WANADA with Fitzgerald Auto Malls Rob Smith and Jack Fitzgerald.



Co-hosts Peter Kitzmiller, MADA (left) with Don Hall, VADA



From left Nancy Stringfellow with Daniel & Lisa Jobe, Capitol Cadillac.



From left Dennis Stough, SunTrust; Carter Meyer, Colonial Auto Center; Roger Clore, SunTrust; and Kevin Dyck, DHG Dealerships. DHG Dealerships and SunTrust were both reception sponsors.



Reception sponsor Patrick Watson, Truecar (left) with Charlie Stringfellow, Antwerpen Automotive Companies.



Party goes at the Reception enjoyed networking and playing golf at the same time.



From the left: Danny Korengold, Ourisman Automotive Group, VA; Stephan Bernstorff; Will Korengold, Ourisman Automotive VA and Bob Biagi, Ourisman Automotive, VA.



From the left: David Blum, Safford Automotive; John O'Donnell, WANADA; and Josh Heit, NADA.

MADA/VADA/WANADA Reception Sponsors

MADA, VADA and WANADA are grateful to this year’s generous sponsors of their Reception at the NADA Show: SunTrust; TrueCar; Armatus; Chesapeake Petroleum; DHG Dealerships; JM&A Group; Rifkin, Weiner, Livingston; Charapp & Weiss and Cox Automotive.



Thought for the Week...

I know, somehow, that only when it is dark enough can you see the stars

-- Martin Luther King Jr.

Assassinated in Memphis, 50 years ago this week

