THE WANADA BULLETIN
NEWS AND INFORMATION FOR AND ABOUT FRANCHISED NEW CAR DEALERS IN THE WASHINGTON AREA
E if you WANADA Bulletin # 10-23 August 16, 2023

Updates from NADA Chairman Geoff Pohanka

WANADA is very fortunate to have Geoff Pohanka, one of our distinguished members and former chairmen, serving as the current chairman of the National Automobile Dealers Association (NADA). Below is a detailed missive from Mr. Pohanka outlining NADA's current priorities, including updates and links with more information.

FTC Vehicle Shopping Rule

The big picture: The FTC's proposed Vehicle Shopping Rule would drastically alter the entire process by which franchised dealers advertise and communicate with their customers and sell and finance new and used vehicles and voluntary protection products.

Changes that franchised dealers would have to make under the proposed rule would inject massive amounts of time, cost, inefficiency and complexity into the vehicle sales process at a time when the entire auto industry is united behind an effort to simplify and streamline vehicle sales, shorten transaction times, and improve the customer experience.

What's new: In July, the House Appropriations Committee passed language as part of a broader spending bill to stop the Federal Trade Commission (FTC) from finalizing, implementing or enforcing the Vehicle Shopping Rule. NADA strongly supports this provision, which was included in the House Financial Services and General Government Appropriations bill.

This is a major step by Congress to use its "power of the purse" to protect consumers from this deeply flawed proposed rule.

What's next: The House will likely consider the full appropriations bill, including the Vehicle Shopping Rule provision, at some point after the August recess. Preserving this language through the appropriations process is a top NADA priority.

Why it matters: An independent analysis by Center for Automotive Research (CAR) found that the FTC's rule would cost consumers $38 billion over 10 years. This study highlights the FTC's rush to judgment, failure to conduct any regulatory due diligence, and problematic testimony by the head of the agency, Lina Kahn, about the economic impact of the proposed rule.

The bottom line: Because of these fatal flaws, the FTC absolutely needs to go back to the drawing board before forcing implementation of a series of unstudied and untested mandates that will have significant negative impacts on customers.

Go deeper:

- Issue brief
- NADA comments to the FTC
- Summary of FTC comments
- NADA letter to FTC Chair Khan
- CAR study

EPA Emissions Rulemakings

The big picture: America's franchised new-car and -truck dealers are doing their part to be ready for the increasing electrification of the fleet. This includes investing more than $5 billion in training and equipment necessary to facilitate a first-tier education, sales and service experience for EV customers across the entire market.

Yes, but… Any significant EV penetration into the mass market will require a broad, unified strategy that considers the vital importance of factors such as affordability, consumer incentives, charging infrastructure, utility capacity, resources for battery manufacturing, and model availability.

Why it matters: The EPA's proposal is flawed because it disregards these critical demand-side marketplace factors. It is also premised on overly aggressive assumptions regarding future EV market penetration, and is intended to promote EVs to the exclusion of ICE, hybrid and other alternative-fuel vehicles.

The bottom line: NADA has long supported continuous vehicle emissions improvements that are technologically achievable, maintain vehicle affordability, and maximize turnover of the retail and commercial vehicle fleets.

That's why EPA's final rule should set technology-neutral emissions standards that maximize fleet turnover as opposed to inhibiting it. Fleet turnover is vital to maximizing emissions reductions because targeted reductions will not be achieved until new vehicles subject to more stringent emissions standards are actually purchased or leased by American buyers.

Go deeper:

- NADA comments to the EPA

- NADA testimony before EPA

Sale and Service of EVs

The big picture: Franchised dealers are ready for EVs and are essential to widespread consumer EV adoption. This includes investing more than $5 billion in training and equipment necessary to facilitate a first-tier education, sales and service experience for EV customers across the entire market.

What's next: As the EV market enters the mainstream, EV customers will come to resemble the average car buyer more and more – and those mainstream customers are demanding that dealers play a central role in their transition to electric. This is why the investments and commitments that dealers are making to prepare for EVs are so vital.

Why it matters: Policymakers, opinion leaders, media outlets, many environmental groups, and other influencers continue to have difficulty accepting the reality that the franchised dealer network is a clear competitive advantage to selling both ICE vehicles and EVs.

Go deeper:

- Issue brief
- *Auto News* advertorial, "The Big Lie About EV Sales"
- *Auto News* advertorial, "Dealers are Essential to Broader EV Adoption"
- Escalent study highlighting consumer preference for traditional dealer shopping experience

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LIFO Relief

The big picture: NADA is still working to see that Congress passes retroactive LIFO relief legislation. The "Supply Chain Disruptions Relief Act," which provides identical relief to last year's bill, has 106 cosponsors in the House and 62 cosponsors in the Senate. This significant level of support shows that this legislation is not just overwhelmingly bipartisan, but also filibuster-proof.

What's next: While challenges remain with passing this legislation, Congressional leaders have been supportive in securing additional cosponsors, especially in the House, which will help gain favorable consideration.

Why it matters: Many dealers – particularly smaller dealers – are still having difficulty replenishing vehicle inventories. And all dealers should remind Members of Congress that this is technical and noncontroversial legislation that would merely provide relief to these dealers whose inventories disappeared due to an unprecedented interruption of global supply chains.

Go deeper:

- Issue brief
- *Auto News* editorial

Catalytic Converter Theft

The big picture: Catalytic converter theft has skyrocketed over the past few years, costing millions of dollars to businesses and individual vehicle owners alike. In addition, replacing a catalytic converter is costly and often difficult due to the part's demand and supply chain shortages.

Catalytic converters are not currently one of the 18 vehicle parts required to be marked with a VIN or number traceable to a VIN. Law enforcement has said including such tracing in the legislation is critical to help deter the theft and trafficking of stolen catalytic converters since it would make it easier to prosecute criminals.

Why it matters: There are currently over 100 state bills addressing catalytic converter thefts, but since this crime frequently involves trafficking stolen parts across state lines, a federal standard is needed to help law enforcement.

What's next: The "Preventing Auto Recycling Theft (PART) Act (H.R. 621/S. 154) provides a national framework to help law enforcement combat catalytic converter theft by marking catalytic converters and creating a more transparent market that deters its theft.

NADA and 20 other organizations sent a letter to the leadership of the House and Senate Commerce Committees in support of the PART Act in May. Members should cosponsor H.R. 621/S. 154 to help curb the growing national problem of catalytic converter theft.

Go deeper:

- Issue brief
- NADA-led industry letter to House and Senate Commerce Committees

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OEM Engagement

The big picture: NADA is focused like a laser on the obvious shift in the way many OEMs are speaking publicly about the retail process, as well as many of the changes being implemented between OEMs and their dealers.

NADA also knows that, despite the fact that they have not been operationalized on a widespread basis, these ongoing references to direct sales, direct and exclusive sale of post-purchase vehicle services, the monopolization of the customer experience, or dealers as agents, etc., cannot realistically be seen by dealers, NADA or state associations as anything other than threats that go to the very core of the franchise system.

What's next: NADA uses the regular Dealer Attitude Survey meetings, as well as constant engagement at the highest levels, to discuss these issues head on with OEM leaders.

Why it matters: OEMs we engage with appreciate that we are increasingly leaning into the dealer-OEM relationship. And dealers appreciate the clarity that most OEMs have provided by publicly committing to their dealers and recognizing the competitive advantage dealers provide.

Go deeper:
- NADA Guiding Principles
- *Auto News* article
- Editorial by Mike Stanton in *Auto News*
- *Auto News* video feature

WANADA Tag & Title Partner Expands Offerings

Last year WANADA formed a partnership with Maria's Tag & Title to offer our members a great solution for your titling needs. Whether you are short on title agents or need assistance with out-of-state transactions, Maria's is here to help. They have long been processing title transactions for DC, Maryland, Virginia, Pennsylvania, Delaware, West Virginia, North Carolina and have recently added New York and New Jersey capabilities as well. Dealers can outsource as much or as little as they like. After enrolling, WANADA members will pay $75/transaction, which is a significant savings from other third-party vendors.

In Delaware, new legislation has been introduced, SB 162, which would allow authorized third parties to process DE tags & Title directly. Since the DE general assembly is a two-year session, it is scheduled to go to committee in January. If your dealership does any volume with Delaware customers, this is would be an important step to assist dealers in what has been extended delays for 3 + years with Delaware title and registration. See the bill in its entirety here.

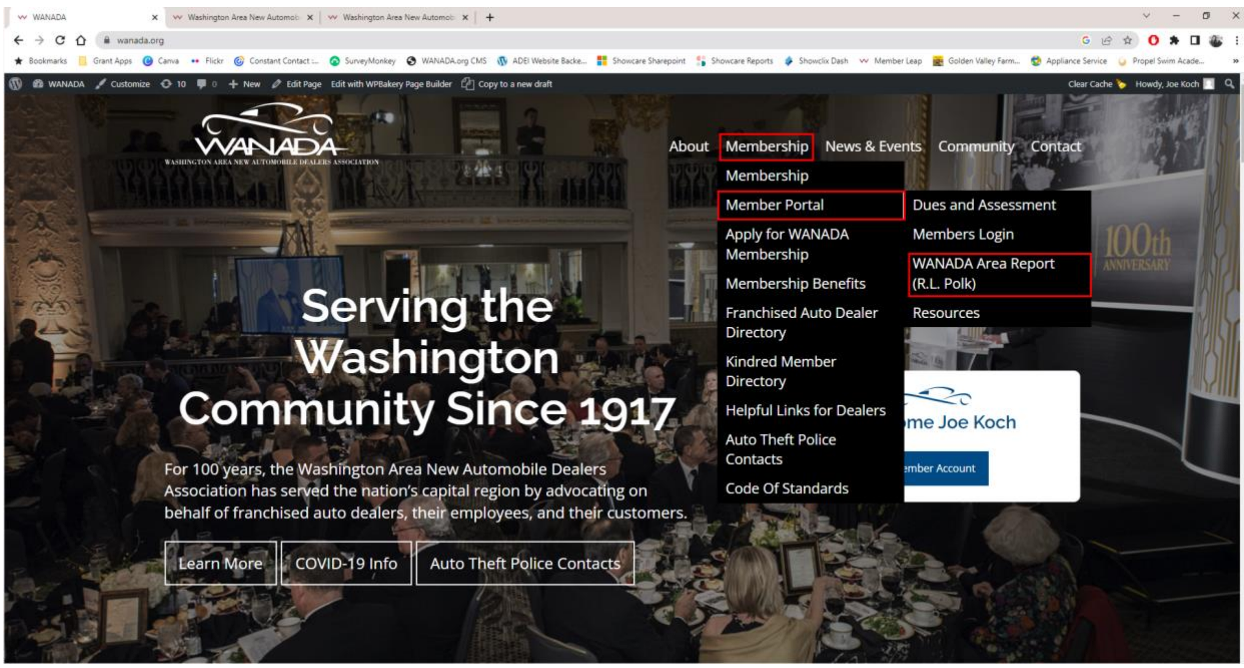
Finally, Maria's has a new account representative that will be assisting in streamlining their title and registration issues. His name is Alex Alviarez and he can be reached at 617-701-7905 or alex@mariastagntitle.com.

To enroll your dealership, email mariastagntitle@gmail.com and copy Joe Koch (jk@wanada.org) to enroll. You can also peruse their document library at https://www.mariastagntitle.com/wanada/. Contact Joe Koch at 202-821-5824 or jk@wanada.org if you have any additional questions.

Access Area Sales Data Via WANADA Website

One benefit of being a WANADA member is access to monthly and quarterly sales information. WANADA purchases this information from R.L. Polk for use by its members. If you or your team are not accessing this data, here is a reminder of how to access it:

1. Visit www.wanada.org.
2. Hover your cursor over the "Membership" tab, then "Member Portal," then "WANADA Area Report."
3. If you are not already logged in, you will be prompted to enter your login credentials.
4. You'll be taken to the backend, members portion of the website, which is powered by Member Leap, where you can access the Polk reports.



If you have forgotten your login credentials or would like to reset your password, send an email to Kathy Teich at kt@wanada.org and she can provide that to you.

From Wards: Used Car Leasing Gaining Traction

Wards Auto recently ran an interesting article on the growing trend of used car leasing. Seeing it as a potential benefit to WANADA's members, we have reprinted in full below. Credit to author Steve Finlay and the Wards Auto team.

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Today's high vehicle prices are juicing up an idea that hadn't previously garnered much serious attention: used-car leasing.

For years, used-car leasing seemed like a concept of the future – and always would be.

It had some auto industry advocates, such as Dave Ruggles, a former dealership general manager. But he scratched his head, wondering why others didn't feel the way he did about the subject.

Skeptics thought used-car leasing was theoretically interesting enough but, in reality, carried too many risks. They contended it was hard enough to predict the residual value of a new vehicle two or three years out, let one do such forecasting for a four- or five-year-old vehicle.

But today's sophisticated predictive analytics – and a topsy-turvy market where demand outpaces supply, propelling high car prices – is giving legs to the prospects of leasing pre-owned vehicles.

"There's a huge opportunity coming for lending institutions to get in the used leasing business," says Rusty West, CEO of the automotive data services firm MarketScan.

He sees such leasing as helping to ease the consumer pain and the auto-lending risk of car buyers taking out big loans at high-interest rates for prolonged terms.

The auto industry is in 'the weirdest position'

"The industry is in the weirdest position I've ever seen, and I have been in it since 1988," West tells Wards.

A chronic parts shortage forced automakers to cut production. That put fewer vehicles on dealer lots. That seller's market led to consumers paying premium prices, often thousands of dollars over MSRP, a practice unheard of a few years ago.

It also led many consumers to head to the used-car lot, where they suffered a slightly milder sticker shock.

And the higher vehicle prices have led to sky-high auto loans.

"If we continue to shove customers into 84-month and 96-month auto contracts, then we are going to create a difficult environment," West says. "We must get back to what's good for the whole automotive ecosystem. Focus on getting back to a healthy transaction."

That's arguably happening incrementally as dealer inventories build back up. But the average new vehicle price this year has increased to $46,229, according to J.D. Power. In 2021 it was $40,400.

West describes himself as "super passionate" about leasing overall. It allows consumers to buy new vehicles more often at more affordable monthly payments. Dealers like it because it returns customers to their stores when their two- or three-year leases expire.

Leasing in the early 2000s made up nearly 40% of auto deliveries. It's dropped to under 20% now, according to Cox Automotive, an automotive-services company.

That drop is primarily because automakers' captive lending companies stopped offering subvented deals to move the metal. The metal – what there was of it during the recent chronic inventory dearth – was moving well enough without help from sweetheart lease deals, customer incentives or rebates.

A strong comeback for leasing?

"I think leasing is going to make a strong comeback," says West, whose father was a leasing pioneer of the late 1950s. He spearheaded a program that became Ford Red Carpet Leasing.

Rusty West lauds leasing for helping consumers avoid getting bogged down by long-term, high-interest loans with monthly payments pushing $1,000 on purchased high-priced vehicles.

"We've got people whose car payments are higher than their mortgage payments," West says. "That may look good on a balance sheet, but there is a price to pay."

By whom?

"Everyone," he replies.

That includes lenders who increase the risk of borrowers potentially defaulting if loan amounts and interest rates are too high and terms too long.

Over-extension on used-vehicle loans is the current No.1 concern for credit unions in the 2023 auto-finance landscape, according to Credit Union Leasing of America (CULA).

The results of its online survey of credit union professionals indicate that they continue to offer car buyers a significant percentage of longer-term loans with low down payments on high-mileage older vehicles.

Over-extension loan practices "no surprise"

The majority are extending loan-to-value by more than 125% to cover the cost of the vehicle as well as extras, such as finance and insurance products and services.

"It was no surprise to us that over-extension on used-vehicle loans is generating significant worry for credit unions, as is overall used-vehicle affordability," says Mark Chandler, CULA's vice president-business development.

He's concerned that credit unions "will continue to incur unnecessary risk if they don't find an alternative to the long-term used auto loan, which they continue to offer in significant numbers – and on vehicles that present potential risk."

He reports that some of the surveyed credit unions give eyebrow-raising 84-month loans on six- and seven-year-old vehicles.

Used-vehicle leasing is Chandler's proposed solution to reducing lending risks.

"It checks all the boxes," he tells Wards. "For lenders, it's low-risk, good-yield and short-term. For consumers, it really comes down to affordability."

His firm, part of Westlake Financial Services, does residual-value predictions and manages risk for credit unions that offer used-car leasing. (Cars eight years old and older aren't eligible.)

CULA originated 64,000 leases through its credit union partners last year. The company calls leasing a powerful short-term, low-risk, strong-yield option.

"Used-car leasing remains in the minority, but it is gaining traction," Chandler says. "We think we figured it out. Now it's a question of getting the word out."

2023 WANADA Open Rescheduled Due to Inclement Weather

Threats of lightning in the vicinity of the Trump National Golf Club in Sterling, VA caused the 2023 WANADA Open to be rescheduled. The tournament is now slated for Monday, September 25, 2023. All registrations and sponsorships will be honored for the new date. Mark your calendars today and stay tuned for additional relevant details. Questions or concerns can be directed to Kathy Teich at kt@wanada.org or by calling 202-800-4190.

The Trump National Golf Club in Sterling, VA

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