

Los Angeles Dealer

OFFICIAL PUBLICATION OF THE GREATER LOS ANGELES NEW CAR DEALERS ASSOCIATION



A Tribute to Cheri Fleming

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THE SAD, LAZY
MYTH OF THE
"MIDDLEMAN"

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THE BIG LIE

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CALIFORNIA CLEAN
VEHICLE REBATE PROJECT

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Los Angeles Dealer

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Originally founded in 1907, the Greater Los Angeles New Car Dealers Association provides valuable educational and philanthropic benefits to the Los Angeles Community.

The Association believes that involvement with local charitable organizations makes a positive difference for everyone involved.



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We hope all our dealer members and industry partners share our optimism that we are all headed in a good direction. The roll-out of vaccinations has been great news for the retail automotive industry. The challenges that a global pandemic created in 2020 are slowly being replaced with glimpses of returning to business as usual.

Thirteen GLANCD A dealer members participated in a virtual lobbying event with State Assembly Members and Senators. This event is hosted annually by CNCDA and supported by GLANCD A and other California metro associations. The virtual format allowed participants to do as many as eight meetings that day, which is three more than the "in-person walking the halls of the capital" format usually allows. Senate Bill 361, sponsored by CNCDA, was the most discussed issue. If this bill passes, the use of E-contracting for vehicle sales and lease agreements will be allowed. This will align the federal and state laws that regulate these contracts. There is good reason to believe this is the year that this bill will be passed. Thank you to all the dealers who lent their voices to this effort.

We are excited to announce the start of a new member benefit that will begin on May 1. GLANCD A has partnered with the law firm Fisher Phillips, and all dealer members that are paid current for 2021 will have access to a legal hotline where issues that can be quickly resolved (15-20 minutes) can be discussed. If you are not sure if your membership is paid current, there is a list you can check at glandca.org. There is also a link there to quickly and easily pay by credit card the \$100 dues (per rooftop) and not miss out on any GLANCD A member benefits.

The annual member luncheon is scheduled for November 5, and more information will soon be made available. GLANCD A membership includes two complimentary seats at this luncheon and we are looking forward to a great "in-person" event! Plans are also underway for GLANCD A to host a career fair at the LA Auto Show on Friday, November 19, for student auto technicians. This event had over 400 attendees in 2019, and more than 30 dealer members had representatives in attendance.

We hope you will continue to support the work of the association, and consider attending these upcoming live events. It will be a great chance to celebrate the world opening back up. The future success of our industry depends heavily on our continued advocacy work.

We look forward to seeing you soon! 📍

David Ellis

GLANCD A PRESIDENT



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Executive Director's Letter



We are proud to honor Cheri's legacy as a business leader and community advocate and we congratulate the entire team at Valencia Acura on their hard-work and passion for taking care of their customers.

Valencia Acura – Santa Clarita's Friendship Dealership – is proud to be a Ruby Sponsor for the Soroptimist International of Greater Santa Clarita Valley's 2021 Little Black Dress Fashion Show and dedicates this sponsorship in loving memory of co-owner Cheri Fleming, who cherished her community and friendships. As a former President of Soroptimist International of the Americas, Cheri dedicated her life to being a positive influence for improving the lives of women and girls locally and around the world, so they can live their dreams as she did hers.

Cheri, and her husband, Don, created a culture at Valencia Acura 24 years ago that customers are not just customers — they are friends. Acura is a luxury car brand, and the Fleming family works to make the dream of owning one a reality. Valencia Acura thanks its loyal customers for helping the dealership earn impressive accolades, including the prestigious Acura Precision Team Dealer of Distinction for 15 years and Council of Excellence for 16 years. They have also been voted Santa Clarita's Best New Car Dealership for 16 years and awarded Business of the Year by the SCV Chamber of Commerce twice!

Much like the rest of the automotive business world, J.D. Power was saddened to hear of the passing of Cheri Fleming who, with husband Don Fleming, transformed a once struggling dealership into one of the highest ranking Acura dealerships in the nation in customer satisfaction.

We are proud to honor Cheri's legacy as a business leader and community advocate and we congratulate the entire team at Valencia Acura on their hard-work and passion for taking care of their customers.

It was, and is, a great honor to announce that Valencia Acura earned the prestigious 2020 J.D. Power Dealer of Excellence for the Customer Sales Experience! This makes year two this exceptional team has been recognized as one of less than 350 dealerships nationwide for their dedication to providing outstanding customer care. 🍷

Bob Smith
Executive Director
Greater Los Angeles New
Car Dealers Association

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Senator Padilla's Efforts on Zero-Emission Standards

Earlier this spring, our State's two U.S. senators urged President Joe Biden to set a firm date to phase out gas-powered passenger vehicles as the White House grapples with how to rewrite vehicle emissions rules slashed under President Donald Trump.

In September, California Gov. Gavin Newsom, a Democrat, signed an executive order directing the state's air resources agency to require all new cars and passenger trucks sold in California to be zero-emission by 2035.

Thirteen other states and the District of Columbia account for California's vehicle emissions standards, accounting for more than 40% of the U.S. population.

In January, General Motors said it aspires to end all gasoline passenger car and truck sales by 2035. Volvo, a Zhejiang Geely Holding Group unit, said its entire car lineup would be fully electric by 2030, and Ford's European lineup will also be fully electric by 2030.

Transportation currently accounts for roughly 50% of California's greenhouse gas pollution and is the leading source of pollution nationwide. Many California communities, especially in Los Angeles and the Central Valley, are faced with some of the most toxic, dirty air pollution in the country, which is why California must be able to set vehicle emissions standards necessary to protect public health and welfare and address the threats of climate change. To reach a 100% clean energy economy by mid-century, the United States needs to

aggressively decarbonize the transportation sector to ensure that everyone has clean air to breathe, not just in California but around the country.

Here is a copy of the letter from Senators Padilla and Feinstein:

Dear President Biden:

Thank you for your early commitment to restoring clean car standards while reviewing the previous administration's illegal attempt to revoke California's authority to set greenhouse gas and zero-emission vehicle standards. We write to urge you to maintain states' authority to set vehicle emissions standards necessary to protect the health and welfare of their people, while also setting strong nationwide standards for greenhouse gas emissions, fuel economy, and zero-emission vehicles.

We look forward to the coming proposals from the Environmental Protection Agency and the National Highway Traffic Safety Administration to reconsider federal actions by the previous administration that removed the ability of states to protect public health and welfare and that reversed air pollution and fuel economy standards for passenger vehicles that would impose net costs, rather than net benefits, on the nation.

The Clean Air Act is a model of state and federal cooperation. It provides a minimum level of protection for national public health but defers to states to determine the best ways to

➤ **SENATOR PADILLA** — *continued on page 10*

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- ▶ Bellavia Blatt was incredibly helpful with the Warranty and Labor Increase process. They have assisted McKenna with 8 Warranty Labor Rate increases and 5 Warranty Parts increases. Each time they amaze me with how simple the process is and the substantial increase they are able to obtain for our Parts and Service Departments. The flat rate fee is reasonable, and the Team at Bellavia Blatt are professional and easy to work with!! Thank you from the Team at McKenna.

CINDY PIRTLE

McKenna Auto Group
Fixed Operations Director
Norwalk, South Bay, and Huntington Beach, California

- ▶ Ken did a great job. We are pleased with the results.

GEORGE HAY

Jim Burke Ford Lincoln
VP General Manager at the Automall
Bakersfield, California

- ▶ Bellavia Blatt and team did a great job assisting our dealership group in obtaining an increase in our warranty labor rate and parts mark up. They were professional and thorough in helping us navigate through the process and working with the manufacturer should any discrepancies arise! I highly recommend Bellavia Blatt for your warranty and parts analysis and submission!

ERNIE CAMPORA

Stead Automotive Group
Walnut Creek Ford
Walnut Creek, California

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DARREN ANDERSON

Lehmer's Concord Buick GMC
Concord, California

- ▶ Once again Bellavia Blatt has gone above and beyond to help us increase our Warranty gross profit. "We are so happy that we chose Bellavia Blatt to submit for our California AB179 increase. Gary did an amazing job and got us approved in less than a day with a huge increase in our rate!" Thanks again for all the help!

MATT CLANCY

Team Nissan
Parts & Service Director
Oxnard, California



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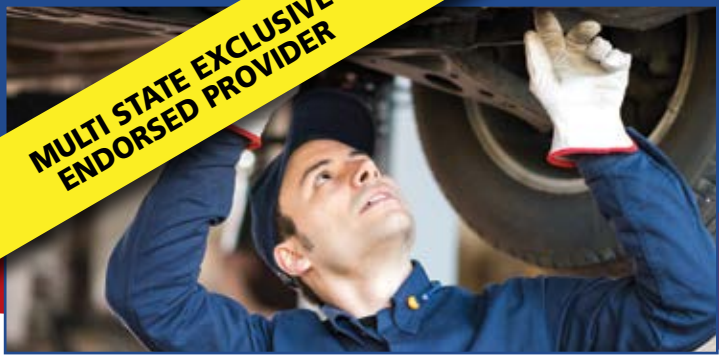


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- 1 NATIONAL EXPERTISE**
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- 2 RESULTS**
Bellavia Blatt has successfully handled several thousand retail submissions on behalf of dealers for the past fifteen years. And because of this unmatched experience, our results yield the highest possible increases on warranty parts and labor.
- 3 KNOWLEDGE**
We carefully analyze your data, retail repair orders and trends to ensure your warranty reimbursement on both parts and labor is maximized. We know everything there is to know about your state law, as well as your manufacturer's policy and procedure.
- 4 LEGAL STRATEGIES**
Our team of attorneys collaborate to identify optimum markup yields and legal strategies to ensure you receive the highest possible retail reimbursement.
- 5 EARNINGS**
Our average dealership client has realized \$15,000 to \$20,000 in additional profits per month. We will show you how to maximize your dealership's blue sky value.
- 6 REPUTATION**
Bellavia Blatt is recommended by state dealer associations, CPAs and attorneys nationwide. We are widely regarded as the industry leader when it comes to obtaining retail warranty reimbursement for parts and labor.
- 7 LAW FIRM ADVANTAGE**
We offer a low flat fee and never charge a contingency. Our fees are much lower than "consultants" who take a percentage of your increases. As a law firm, we are held to the highest standards and have more resources and options available for favorable outcomes.
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◦ **SENATOR PADILLA** — *continued from page 6*

keep the air clean. Importantly, the Act balances states' rights with the interests of a national manufacturing base by preserving the right of California, and other states that want to follow California, to set engine emission standards necessary to ensure everyone has clean air to breathe. That authority includes setting requirements for greenhouse gas emission standards and for zero-emission vehicles to address the threats of catastrophic climate change and harm to public health caused by pollution from engines and their related equipment and systems.

Importantly, California and other states need a strong federal partner. We support aggressive national standards for greenhouse gas emissions, clean transportation technology, and sensible fuel economy for passenger vehicles. We urge your administration to restore pollution standards that actually protect public health and welfare, set fuel economy standards at the maximum level feasible, and advance national standards for zero-emission vehicles and equipment to ensure the United States remains a leader in clean technology, engineering, and manufacturing. We believe the national baseline should, at an absolute minimum, be built around the technical lead set by companies that voluntarily advanced their agreements with California. We also urge you to follow California's lead and set a date by which all new cars and passenger trucks sold be zero-emission vehicles.

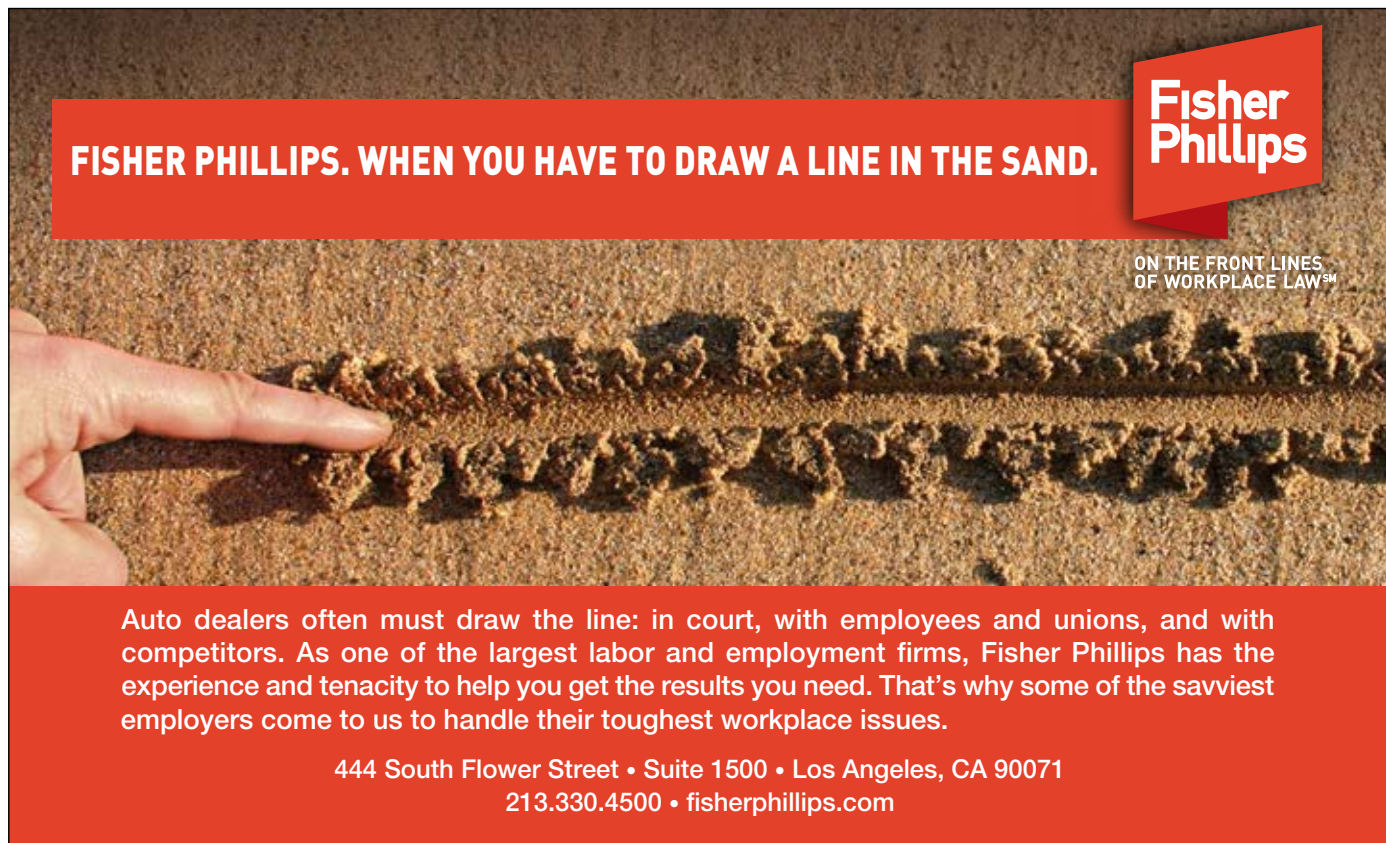
The automobile industry has shown it has the ingenuity and resources to reimagine our transportation systems in consumer-friendly ways. We urge your administration to take advantage of this effort and make real progress in coordination with states, like California, that share your goals to aggressively fight climate change by eliminating harmful pollution from the transportation sector.

We appreciate your attention to this important matter, and please let us know if we can be of assistance.

Sincerely,
Alex Padilla, United States Senator
Dianne Feinstein, United States Senator

cc: The Honorable Gina McCarthy, National Climate Advisor
The Honorable Michael Regan, Administrator,
Environmental Protection Agency
Honorable Pete Buttigieg, Secretary, Department
of Transportation

Senator Padilla is a Senate Committee member on Environment and Public Works, which has jurisdiction over the Clean Air Act and air pollution. He is also a friend of our industry. ◉



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A Tribute to Cheri Fleming

“Challenges never define you. How you react to them and deal with them often does.”

— Cheri Fleming

Cheri Fleming and her husband, Don, had the entrepreneurial spirit. Cheri grew up in Parma Heights, Ohio, and moved to Southern California’s Santa Clarita Valley after graduating from Ohio University. She decided to create a tanning salon. She met Don, a tanning salon equipment supplier who lived in Austin, Texas, at that time, during a trip to Texas to buy equipment. He helped her open her salon in upscale Woodland Hills. With advice and help from Don (whose visits from Texas became increasingly more frequent), the salon was an immediate success: nearby residents and stars soon became customers. Don moved to California in 1984 with his two children, Brian and Kymba. The two married and settled in the San Fernando Valley.

Cheri and Don owned and managed several auto dealerships in the late 1980s and early 1990s. They purchased Valencia Acura in 1997. On a national level, it ranked last in sales and customer satisfaction. They accepted and loved the challenge of turning the dealership around. As





they focused on improving the two main problem areas, the dealership became a top performer.

At Valencia Acura, Cheri and Don focused on improving customer loyalty and sales, and it became a top dealership in those areas. Their success was caused in part by Cheri's involvement in community service, philanthropy and business leadership. She knew community service was important. Cheri gained a reputation for being one of the most hard-working, courteous and effervescent women in the valley. She took an interest in many causes and mentored her executive assistant, Stephanie Gurne; Kim Kurowski, a business owner and Soroptimist president; and others. A partial list of organizations that benefitted from her interest includes the following:

- American Cancer Society
- Boys & Girls Club of SCV
- Habitat for Humanity
- SCV Chamber of Commerce
- Soroptimist
- The Henry Mayo Newhall Hospital Foundation, Child and Family Center

She held many leadership positions:

- Chair, the 2006 Arthritis Foundation Walk
- Co-chair, the 2004, 2005 and 2006 Boys & Girls Club Auction
- Director and chair elect, the American Cancer Society Unit Council; co-chair, 2004 and 2005 "Relay for Life"
- Director and chair, Child and Family Center Governing Board
- Director and chair, Henry Mayo Newhall Memorial Health Foundation
- Director, chair and vice chair, Henry Mayo Newhall Hospital
- Director, Greater Los Angeles New Car Dealer Association
- Director, The Roar Foundation Advisory Board
- Member and past president, Soroptimist International Camino Real Region
- Vice president, the Sheila R. Veloz Breast Imaging Center Advisory Board

⇒ **CHERI FLEMING** — *continued on page 14*

“Cheri Fleming was such an integral part of the community’s fabric, and her impact woven into so many lives. Her kindness, optimism, and enthusiasm inspired everyone around her. Cheri’s inspirational leadership, signature smile, and infinite passion for doing good will forever be missed.”

— Teresa Todd, Cheri’s friend and publicist

⇒ **CHERI FLEMING** — *continued from page 13*

As the list above makes obvious, Cheri and Don were longtime supporters of Henry Mayo Newhall Hospital. They served on committees and its hospital and foundation boards. Cheri believed in its mission to provide quality health care to its community. She helped raise millions of dollars so the hospital could expand specialized care and critical life-saving services, and when she needed medical care herself in 2016 as a first-time patient, that’s where she went.

Her work with the Soroptimists also deserves additional comment. Cheri wanted to help girls and women. She was a member of the Soroptimist international chapter in the Santa Clarita Valley for more than 20 years. The organization includes 19 countries and has over 30,000 members, and along with many other positions within the organization, she served as its president. She also participated in the United Nations’ Commission on the Status of Women.

Cheri combined kindness and business acumen. She defined her success personally as helping others succeed, and she empowered others by including and acknowledging their contributions. Joan Aschoff, Child & Family Center’s president and CEO, said Cheri was “an absolute pleasure to work with.” Meanwhile, Don worked with the Santa Clarita Valley Economic Development Corporation and helped make the city more business-friendly.

Their efforts at Valencia Acura and within the community brought them recognition and awards for their accomplishments.

- Don and Cheri were named the 2004 “Man of the Year” and “Woman of the Year” for Santa Clarita



Valley. This award was the second time in 40 years that a husband and wife shared the same honor for the same year.

- The American International Automobile Dealers Association and Newsweek magazine named her the “Dealer of the Year” in 2006.
- State Senator George Runner named her the 2007 “Woman of the Year.”
- The Business Journal named her the 2008 “Woman of the Year.”
- The Boy Scouts of America gave Cheri the 2011 Leader of Character award.

⇒ **CHERI FLEMING** — *continued on page 16*

“You know, what I think I admired most about her was her ethics. She approached everything with an internal code of ethics that was exemplary. She worked hard. She was dedicated, and here’s an important thing – she knew how to listen. Not many people do.

She received letters from all over the world thanking her for her efforts and her leadership. She was the president for Soroptimist International, which is a global organization that provides women and girls with access to the education and training they need to achieve economic empowerment. There are over 30,000 members in nineteen countries, and Cheri visited each chapter. She lived to do good.

I have received over three hundred cards since she passed. It’s the most amazing thing I have ever seen. It’s humbling to think that anyone could have that effect on others. And yet, she never bragged.

She took our store and created the highest CSI in the country. She had the most contagious effect for excellence – she lived it and inspired it.

One of my favorite memories of Cheri came from a very sad event in our town. A couple of years ago, we had a shooting at our high school, Saugus High. You never think it’s going to happen in your neighborhood. When Cheri heard about it, her first reaction was that she had to do something. And within just a few hours, she had organized pizza and hamburgers to be donated to the first responders and the paramedics working so diligently to provide first aid. It was a small thing, but it wasn’t. It was comfort, and these amazing people on the front lines knew that our community was thinking about them and supporting them. Cheri was all about the details.

I fell in love with Cheri the first time I saw her. It was like a silver bullet pierced my heart, and suddenly, I was hopelessly in love. She brought so much joy and inspiration to our lives. I miss her. Our family misses her. Our community misses her. She was my guiding light. She was my inspiration. She was my compass.”

— Don Fleming, Cheri’s husband, best friend, and business partner

Valencia Acura Friendship™



“Cheri and I worked together 34 of the 40 years I’ve known her. We had some amazing times that made for a wild and crazy life’s journey.”

— Brian Fleming, Cheri’s son

◦ **CHERI FLEMING** — *continued from page 14*

- The Los Angeles County Fifth Supervisorial District and Commission for Women named Cheri “Woman of the Year” in 2012.
- San Fernando Valley Business Journal named her “Volunteer of the Year” in 2017.
- College of the Canyons awarded Cheri and Don with the “Silver Spur” community service award in 2019 for their work on higher education.
- The Business Journal’s Women’s Council gave Cheri their Lifetime Achievement Award. In the Business Journal’s Valley 200 issue, the journal named her one of 20 leaders in their list of the 200 most influential people in the valley. She and the other 20 leaders were identified as icons of influence.

Cheri had health challenges during her life. At 28, she was diagnosed with rheumatoid arthritis. She suffered a stroke and had to relearn how to walk.

After suffering a brain aneurism, Cheri died Monday, Nov. 16, 2020, when she was 69. The Fleming family continues to honor her life; they created the Cheri Fleming Legacy Fund at go.soroptimist.org/in-memoriam/cheri-fleming-legacy-fund. Donations support the Soroptimists in their mission to help girls and women around the world.

Cheri once said, “I only hope that I was able to impart a fraction of the wisdom and love to others as they bestowed on me.” She was an accomplished business and civic leader. Her legacy is one of wisdom and love to others, as she hoped it would be.

◦ **CHERI FLEMING** — *continued on page 18*

“I worked with Cheri Fleming for years. She was a big supporter of our association. She and her husband, Don, turned around a Valencia automobile dealership, and she went on to become an active civic leader and philanthropist who won numerous awards and honors. She was a doer.

She served on our board for years and made such a positive impact in our industry.

One of my favorite memories of Cheri involves our automotive technician program. The program offers certificate and degree pathways that range from one semester to two years in length, allowing students to get into the workforce quickly by providing in-depth training with extensive hands-on experiences in all nine ASE certification programs and the State of California Smog Tech Training. Cheri and Don were instrumental in raising funding for the program. However, one year, her dealership sponsored a team of technicians, and she was so involved. She wanted her team to win, and she was their biggest cheerleader. It was touching to see her so engaged with the students.

If you asked for help from Cheri, you got it. She did what she said she would do and then some.

Don and Cheri were named honorees of the J.D. Power 2019 Dealer of Excellence Program, which recognizes a select number of vehicle dealerships for exceptional customer service. Cheri was also recognized by the American International Automobile Dealers Association as a Dealer of the Year.

You know there has been a lot of focus on selling to women and making our women customers feel comfortable with buying a car. Cheri was ahead of her time in regards to that. She catered to women, and they showed up and bought cars. Her management style was inclusive to all of the dealership’s customers, and their dealerships went from last in sales and CSI to one of the top-performing dealerships in the country, which was and is a big deal.

Cheri was a visionary. She made everyone comfortable.”

— Bob Smith, Executive Director, GLANCDA

“I served with Cheri Fleming on the GLANCDA board. She was our Treasurer, and in a few years, she would have been our Chairwoman. Cheri was warm, caring, and so intelligent. What stands out, though, was her smile. It instantly put people at ease. You could see the kindness radiating from that smile. I think the word that comes to mind when I think of Cheri would be “compassion.” Oh, and she was a really good car dealer. One of the best. As an industry, we will miss her.”

— David Ellis, David Ellis Glendale Dodge Jeep

On December 11, 2020, community leader Cheri Fleming was celebrated in a memorial service at Real Life Church in a private family gathering. Services were broadcast internationally, and the Cheri Fleming Legacy Fund established through Soroptimist International of the Americas in her honor. View the service here: <https://www.youtube.com/watch?v=6-7YfPUCpn0>. 📺



LSL

“We have a fantastic relationship with the LSL team. They keep our interests top of mind and maintain a positive reputation in the industry.”

-Craig Whetter, President, David Wilson Automotive Group (relationship since 1983)

Donald Slater, CPA
Automotive Services Partner
donald.slater@lslcpas.com

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The Sad, Lazy Myth of the “Middleman”

Dealerships take care of their customers for the entire lifetime of the automobile across the entire automotive ecosystem, not just the point of sale.

By Jonathan Collegio, NADA Senior Vice President of Public Affairs

Many first-year MBA students learn a marketing concept called the “Iron Law of Distribution.” The idea is that when you bring a product to market, you can change who owns the distribution channel for that product — but changing who distributes the product doesn’t change the cost structure associated with distributing the product.

That is, you can change whether a factory or an independent company owns the retail outlet — but that by itself doesn’t change or make retailing costs disappear.

This is a stumbling block for lots of factories that are looking for ways to reinvent themselves. It’s also a huge source of misunderstanding for business reporters who cover companies seeking to “sell direct.” If factories own their own stores, the narrative goes, then there will be no “middleman,” their costs and profits will go away, and the savings will get passed along to customers.

Except for the Iron Law. Changing retail ownership doesn’t create any savings in and of itself because the factory store becomes the new “middleman.” The factory will need to make its own profits retailing. And worst of all, customers are usually hurt when factories vertically integrate sales with manufacturing because it raises prices by reducing retail price competition.

The Myth of the Middleman

The fact is that when a factory decides to sell its products directly to customers, they incur costs of selling those products to customers — in the exact same way that an independent distributor would incur costs.

In the automobile business, that means factories “selling direct” would incur the costs of running a dealership. They would incur the costs of buildings, land, equipment, inventory, insurance policies, utility bills, and all the human capital needed to run the operation.

And the auto dealership business is complex. Longtime auto industry analyst Glenn Mercer calls the dealership business “the most complex retail business in America today.”

That’s because local dealerships don’t just sell new cars. They service them. They arrange financing for them. They handle registrations and titles. They take trade-ins. They advertise and collect sales data and customer lists. They often also sell used cars. This is another reality that gets completely lost in the “direct sales” debate: **Dealerships take care of their customers for the entire lifetime of the automobile across the entire automotive ecosystem, not just the point of sale.**

Manufacturers that experiment with selling directly always eventually run into that reality. They always find that auto retail is complex, that factories are not all that good at retailing, that having local dealers buy those cars off the factory line, and selling and servicing them in their local communities makes a lot more sense business model.

“But what about the profits?” one might ask. “Can’t selling direct eliminate dealership profits?”

Not really. The fact is that dealerships make very little money selling new cars. Local dealerships are only profitable when they consider the entire ecosystem of the vehicle — sales, service, financing, used vehicle sales, reconditioning contracts, fleet maintenance, and on and on and on.

Local dealerships are capital-intensive businesses — meaning it costs a lot in land, buildings and equipment to run them. American dealerships have invested more than \$200 billion in land and buildings alone. **Any factory wishing to sell directly would incur those same costs of capital — and its shareholders would certainly expect to get a return on those expenditures.** Why sink money into a retailing operation when there’s no return on it?

For consumers, it’s even worse. When factories own retail outlets, there is

no competition to keep prices down. Factories set prices and hold excess profits for themselves. When independent retailers compete, that always creates price pressure. That’s why no supermarket can sell Campbells Soup for 10% or 20% more than another supermarket — they’ll eventually go out of business. Same thing with car dealerships. When car dealers compete, prices go down. One peer-reviewed academic study has shown that when dealerships compete in proximity to each other, the average price of a vehicle goes down by about \$500.

And price competition impacts not only sales but service and repairs as well. Customers at one factory-owned dealership chain have had to wait three weeks or longer for a service appointment. Can you imagine waiting three weeks to pay to get your vehicle fixed? Nowhere in America today would a customer have to wait that long to get service on a Chevrolet, Toyota or Jeep. If one local dealership can’t get you in for a service appointment this

afternoon, the one down the street most certainly can. Consumers win when dealerships compete.

In the end, the “middleman” myth is a really lazy and simplistic way of thinking about business. If local dealerships are middlemen, then Walmart is a middleman. So is Amazon. And Walmart and Amazon aren’t expected to service or repair the products they sell as dealerships do.

Local dealerships do more than sell cars. They help their customers over the car’s lifecycle — from sales to financing, registration, service, and trade-ins. They compete for customers at every stage of the ownership cycle, providing choices and competitive pricing.

That’s why locally-owned dealerships are good for consumers and the communities where they operate. It’s been that way for a hundred years — and the iron law of distribution explains perfectly why it’ll be good for customers for the next hundred years. 📍



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ENTERPRISE VALUE-TO-SALES RATIO

The Big Lie

By Mike Stanton, president and CEO of the National Automobile Dealers Association

As someone who has dedicated his career to advocating on behalf of America's franchised auto dealers, I've embraced the reality that one of my chief roles is to serve as Myth Buster In Chief.

For years, one of the great myths that have persisted about the auto industry has been that franchised dealers don't want to sell electric vehicles. It's long past time to put this myth out to pasture. And it's time to call it out for what it is: A lie about franchised dealers, propagated by the handful of companies that want to destroy the franchise system.

Before we get into why this myth persists and why it's morphed into such a blatant lie, let's acknowledge something right at the outset. More than a decade ago, there was indeed some dealer uneasiness about battery-electric vehicles. The EVs of the early and mid-2000s were — let's face it — by and large compliance cars. They had inadequate range, took forever and were a pain to recharge, did not perform well, had terrible resale value and were extremely expensive.

But it wasn't that dealers didn't want to sell them to willing customers. Dealers didn't want to be force-fed vehicles that OEMs were manufacturing largely in response to regulatory pressures as opposed to actual market demand. Given the

imbalance in the OEM-dealer relationship, which gives dealers little capacity to avoid any such OEM force-feeding, you can hardly blame dealers for this early trepidation.

But that was a long, long time ago. The world has changed considerably, these vehicles have changed considerably, and they are hardly compliance cars any longer. The level of investment and commitment that traditional automakers have made in battery-electric technology is night-and-day different from what it was even five years ago, and it shows in the product.

Several other things have also changed. Across the country, more charging stations with faster-charging capability are popping up almost every day, and the federal government may appropriate billions of dollars to grow the nation's recharging infrastructure significantly. On top of this, we are rapidly approaching price parity. Owning an EV for the long haul is now a vastly different proposition than it used to be. These are hugely positive developments.

One other major thing that has changed dramatically over the years? Dealer attitudes toward selling and servicing EVs. Franchised dealers aren't at all EV-reluctant and haven't been for years. And they certainly aren't anti-EV. Anyone that tells you differently just isn't telling the truth.

How do we know this? Cadillac.

Last fall, after Cadillac announced plans to abandon internal combustion engines altogether and move entirely to battery-electric drivetrains, the nation's 880 Cadillac dealers faced a choice.

If they bought into Cadillac's vision for an all-electric future, they could pony up a minimum of \$200,000 of their own capital for the in-store charging infrastructure, tooling and training that Cadillac was mandating. Conversely, if they either didn't want to be part of that all-electric future or didn't want to make the required investment, they could accept a buy-out from the automaker and wind down their franchises.

What happened next wasn't surprising to anyone who understands dealers and how their thinking has evolved.

More than 80% of Cadillac dealers said they were all in — not just to sell EVs, but to sell EVs exclusively, and they backed up that commitment with significant capital investments that will take time to mature.

Most of the 20% that opted out were small stores in markets where Cadillac hasn't performed well, and most of these dealers accepted the buy-out because of economic conditions on the ground, not out of concern about the brand's future product plans. And certainly not because they were anti-electric. For example, one Cadillac dealership in northern Minnesota took the buy-out because it sells fewer than 50 new cars per year, and the required \$200,000 investment was too steep given the small size of its market.

And so, in one fell swoop, America's Cadillac dealers completely debunked the myth that franchised dealers don't want to sell and service electric vehicles. Because if this myth were even remotely true, virtually every Cadillac dealer out there would have gladly taken the buy-out and done so in a heartbeat.

What's more, the enthusiasm toward EVs among the franchised dealer body is hardly unique to Cadillac. Franchised dealers of other brands with EVs in their lineups have been making these same commitments and investments for years — and not reluctantly. They have done so because they don't want to lose sales to other brands as more and better EVs — and more EV customers — come to the market.

So why does this myth persist? I think it's simple. EVs still don't yet sell in the numbers that environmentalists want,

and many groups feel as if they need a boogeyman to blame for fledging sales. They can't blame consumers for thus far being cool to zero-emission vehicles because it's not exactly a winning public relations strategy to blame your customers for the fact that your preferred product isn't flying off the shelf. They can't blame the automakers because there would be precisely no zero-emissions vehicles available for sale, to begin with, without them. Dealers became an easy and convenient scapegoat.

And the myth lingered. However, it's taken a new and more dangerous life as a lie designed to take down the franchise system. Rivian, Lucid and Lordstown Motors seem to have hung their entire pitch for direct sales on this lie about franchised dealers and their supposed reluctance and inability to sell EVs.

We know that nothing could be further from the truth, but it isn't hard to unpack why this is their attack line.

Direct sales have never once benefited consumers with lower prices, more convenience or better service and maintenance, despite the marketing. And they never will because direct sales are ultimately only about creating a vertical channel for manufacturing, sales and service that allows a single entity to control everything, including prices and margins, to the obvious detriment of consumers.

If direct sales were adopted for EVs, then EV buyers — and only EV buyers — would be denied the service network and price competition that ICE-vehicle buyers have enjoyed for decades.

Direct sales are not needed for EVs. In fact, over time, direct sales could cripple EV adoption as more and more EV owners are forced to deal with higher prices and the headache of longer and longer wait times for even basic service.

But do you know what is needed for sustainable EV sales to consumers up and down the price point chain? A large, expansive network of retailers and service providers who are marketing experts locally and invested in the future sales and service opportunities that these products promise.

Fortunately for automakers, consumers and policymakers alike, that network already exists.

Dismantle the big lie about EV sales, and what you are left with is a clear truth: Franchised dealers aren't an obstacle to EV sales; they are essential to them. ☉



California leads the nation with the highest number of electric vehicles (EVs) on its roads, due to the State's promotion and protection of public health, welfare and the environment. The State's encouragement of EV adoption through incentive programs confirm California's commitment to improving access to clean air throughout our communities and has led to the shift away from gasoline and diesel vehicles.



Since 2009, the California Air Resources Board has implemented the Clean Vehicle Rebate Project (CVRP), a program administered by the Center for Sustainable Energy, to promote statewide adoption of clean vehicles. CVRP benefits EV shoppers with a financial incentive rebate of up to \$7,000 for the purchase or lease of a new, eligible EV dependent on applicant income eligibility.

CVRP Program Overview:

CVRP has frequent updates to funding and program changes, which helps expand accessibility of EV adoption to California residents. CVRP current eligibility requirements include:

Applicants must fulfill the following requirements for eligibility.

- Must be a California resident.
- Vehicle must be new at time of lease or purchase.
- One rebate per person. FCEV's may qualify for second rebate.
- Must apply within three months after purchase.
- Rebates have a cap of \$60,000 base MSRP (except FCEVs).
- Eligible PHEVs must have a minimum all-electric range of 35 miles in compliance with the Urban Dynamometer Driving Schedule (UDDS) test standards.
- Vehicle must be owned, operated and registered in California for a minimum of 30 months.
- Previously registered unwinds, rollbacks and demo vehicles are not eligible.

CVRP Rebate Amounts

Vehicle Type	Standard Rebate	Increased Rebate
Fuel Cell Electric Vehicle (FCEV)	\$4,500	\$7,000
Battery Electric Vehicle (BEV)	\$2,000	\$4,500
Plug-in Hybrid Electric Vehicle (PHEV)	\$1,000	\$3,500
Zero-Emission Motorcycle	\$750	\$750

Statewide Dealership Influence of EV Adoption:

There are 1,277 new car dealerships eligible for CVRP in the state of California, which has amounted to over 371,500 rebates administered and over \$851 million in incentives received.

Consumers are ineligible for a rebate if their gross annual income exceeds the following thresholds.

- \$150,000 for single filers
- \$204,000 for head-of-household filers
- \$300,000 for joint filers

The caps do not apply to FCEV's.

Vehicle Type	Total Vehicle Rebates	Funding
PHEV	132,315	\$213,670,246
BEV	231,105	\$600,102,483
FCEV	7,014	\$35,973,168
ZEM	1,073	\$1,939,350
TOTAL	371,507	\$851,685,247

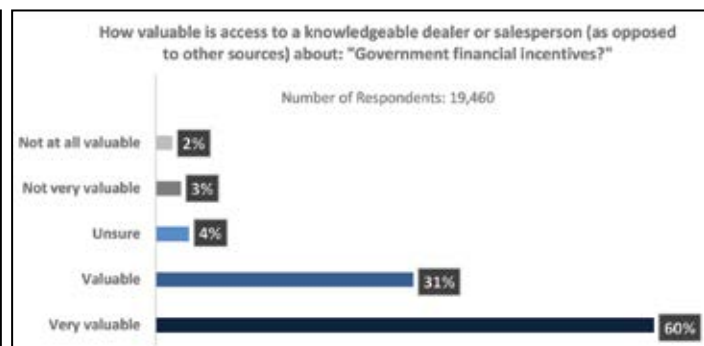
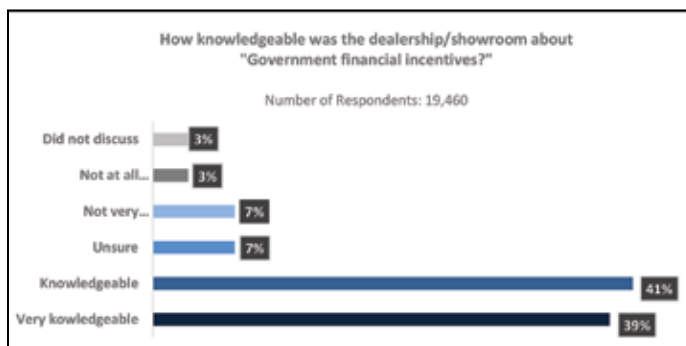


EV Customers' Dealership Experience

Dealerships sales staff help EV customers find the vehicle that best suits their needs and provide valuable information for a variety of EVs. Based on CSE's Electric Vehicle Customer Survey,

consumers who received a rebate, said dealerships are very knowledgeable about government financial incentives and contribute to the EV customer's purchasing experience. The chart below provides more detailed information.

Dealer Hub & Outreach Efforts



CVRP Dealer Hub webpage provides dealer-specific resources in supporting EV sales. Please visit the Dealer Hub at cleanvehiclerebate.org/eng/dealer.



Auto Dealers' Guide to EVs

Dealership-facing overview of EV technology, features, benefits and incentives



Program Overview

Basics of the Clean Vehicle Rebate Project and Preapproved rebates



Dealer Resources

Download flyers and get essential electric vehicle information



Savings Calculator

Use our calculator to find electric vehicle incentives in your area



CVRP Rebate Now Resources

Learn about a preapproved rebate process in San Diego County



Dealer Outreach Map

The CVRP Dealership team has continuously visited these dealerships since 2017

The CVRP Dealership Outreach Team offers online information sessions, webinars, marketing materials and other resources to ensure dealership sales staff are equipped to sell EVs and provide EV car shoppers a comprehensive and positive buying experience. CVRP Dealership Coordinators are always available to answer any questions and concerns regarding the program. Please feel free to contact us at dealership@energycenter.org.

Center for Sustainable Energy (2019). California Air Resources Board Clean Vehicle Rebate Project, Rebate Statistics. Data last updated [October 23, 2019]. Retrieved [November 4, 2019] from <https://cleanvehiclerebate.org/eng/rebate-statistics>

Los Angeles Auto Outlook



Comprehensive information on the LA County new vehicle market

FORECAST

Market Gets off to Good Start in 2021; 8.8% increase Predicted for Entire Year

Below is a summary of five key trends in the Los Angeles County new vehicle market.

County new retail light vehicle registrations declined 3.6% in the First Quarter of 2021

The market declined slightly during the first three months of this year versus a year earlier, and there would have been an increase were it not for the typical lag in measuring registrations. The recording of registrations can occur 15 days, or more, after the date of sale. So the March 2020 total likely reflects vehicles that were sold from around the middle of February to the middle of March, when COVID was barely a factor. The full of impact of the pandemic will be evident in the Second Quarter, when the market could improve by more than 60%.

Los Angeles county new vehicle market predicted to increase by 8.8% for all of 2021

Here is the scenario that was hoped for in 2021: the vaccine rollout would expand as the year progressed, COVID would abate, full re-opening would occur, economic recovery would gain steam, and new car sales would head higher. But this scenario is far from guar-

anteed and the microchip shortage, and other supply-related bottlenecks have added some uncertainty. If the outlook for 2021 was only a function of demand, vehicle sales would likely be off to the races in the second half of the year, but lean inventories will act as a speed bump that will slow the pace of the recovery.

Light truck market share moves above 60%

Combined SUV, pickup, and van sales continued to improve. Higher gas prices might give a temporary boost to passenger car sales, but demand for trucks and SUVs should continue to fuel increases in light truck share.

Alternative powertrain market improves

Hybrid and electric vehicle registrations were up 40% during the first three months of '21 versus the 3.6% drop in the overall market.

Toyota, Honda, Tesla, Chevrolet, and Mercedes are leaders in county market

Toyota was the best selling brand in the First Quarter, with an 18.5% share. Honda's county share was 12.4%, well above its 9.0% share in the U.S.

Key Factors Driving the County New Vehicle Market



Low interest rates: Interest rates should remain at historically low levels for the foreseeable future, supporting consumer affordability.

Pent up demand: Delayed purchases accrued due to the pandemic will give sales a boost for at least the next two years.

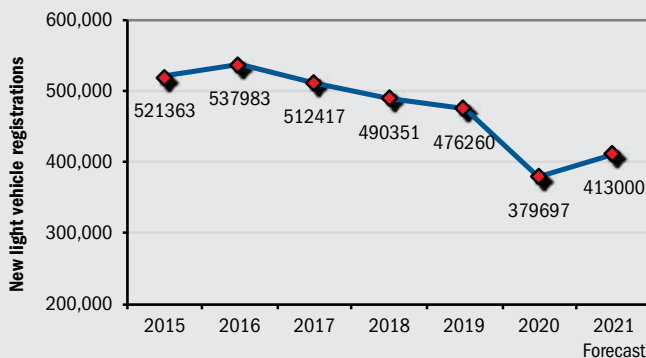
Employment: Hiring has accelerated and it's possible that jobs lost during the pandemic could be recovered by the middle of 2022.

Economic stimulus: The Federal government has continued to support the economy, which will boost growth well into next year.

Tight inventories: Supply-induced production cutbacks will hold back the rate of growth in new vehicles sales during 2021.

Rising gas prices: Higher fuel prices reduce disposable income, but will spur interest in the bevy of electric vehicles hitting the market.

Annual Trend in County Market



Historical Data Source: AutoCount data from Experian.

The graph above shows annual new retail light vehicle registrations from 2015 thru 2020 and Auto Outlook's projection for 2021.

Market Summary

	YTD '20 thru Mar.	YTD '21 thru Mar.	% Chg. '20 to '21	Mkt. Share YTD '21
TOTAL	110,334	106,379	-3.6%	
Car	48,727	39,748	-18.4%	37.4%
Light Truck	61,607	66,631	8.2%	62.6%
Domestic	23,419	26,042	11.2%	24.5%
European	22,488	21,754	-3.3%	20.4%
Japanese	54,733	49,621	-9.3%	46.6%
Korean	9,694	8,962	-7.6%	8.4%

Data Source: AutoCount data from Experian.

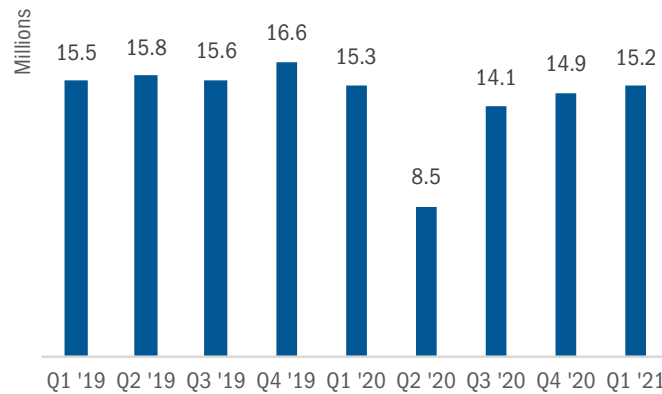
Domestics consist of vehicles sold by GM, Ford, FCA (excluding Alfa and FIAT), and Tesla.

Los Angeles County New Vehicle Market Dashboard



MARKET PERFORMANCE DURING PAST TWO YEARS

Los Angeles County Quarterly Registrations
Seasonally Adjusted Annual Rate, Converted to Equivalent U.S. New Vehicle Market SAAR (millions of units)



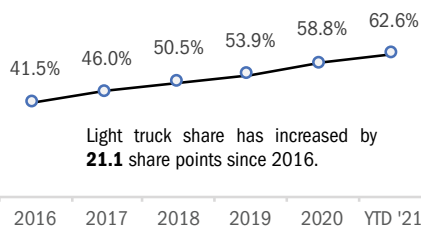
Data Source: AutoCount data from Experian.

The graph on the left provides an easily recognizable way to gauge the strength of the county market. It shows quarterly registrations based on a seasonally adjusted annual rate. These figures are then indexed to SAAR sales figures for the U.S. new vehicle market. So just like in the national market, when the quarterly SAAR is above 17 million units, the county market is strong, 15 million is about average, and below 13 million is weak. Quarterly registrations in the county recovered to a U.S. equivalent level of 15.2 million units in the First Quarter of 2021, up slightly from the Fourth Quarter of last year.

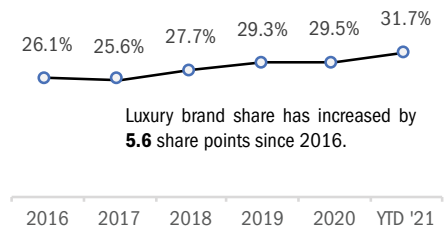


KEY TRENDS DURING PAST FIVE YEARS

Light Truck Market Share 2016 thru 2020 and YTD '21 (March)



Luxury Brand Market Share 2016 thru 2020 and YTD '21 (March)



Data Source: AutoCount data from Experian.

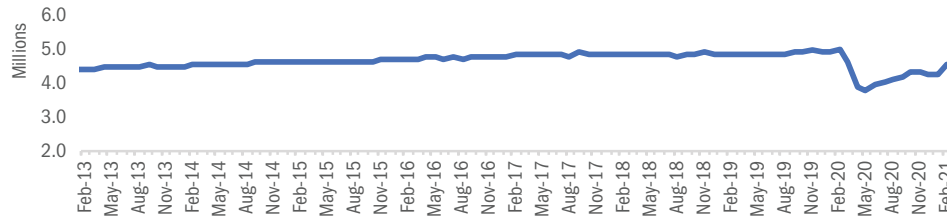
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Los Angeles County New Vehicle Market Dashboard



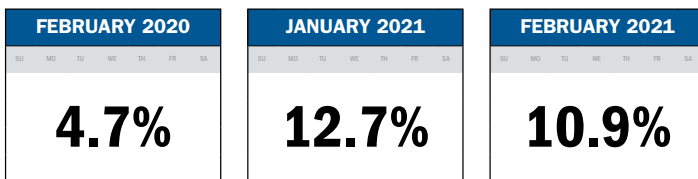
TRACKING ECONOMIC INDICATORS

Total Employment in Los Angeles County



Total employment in Los Angeles County was 4.56 million in February of this year, down 8% from a year earlier. Employment has drifted higher following the low-point in April of last year. The county unemployment rate was 10.9% in February of 2021, up from 4.7% a year earlier. Consumer sentiment has improved during the past several months.

Monthly Unemployment Rates in Los Angeles County



Average Hourly Earnings for All Workers in County - Feb. 2021



University of Michigan Consumer Sentiment



10 year high - 101.4 (Mar. 2018)
12 month high - 101.0 (Feb. 2020)

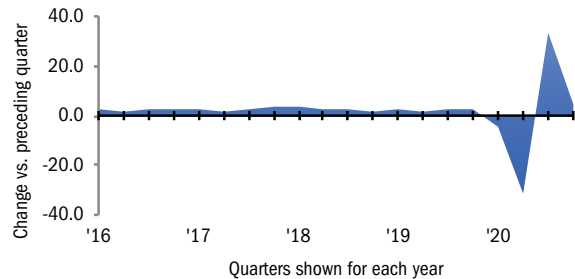
Most recent - 84.9 (Mar. 2021)

10 year low - 55.7 (Aug. 2011)

Key Values During Past 10 Years

Percent Change in U.S. Gross Domestic Product

Change vs. previous quarter

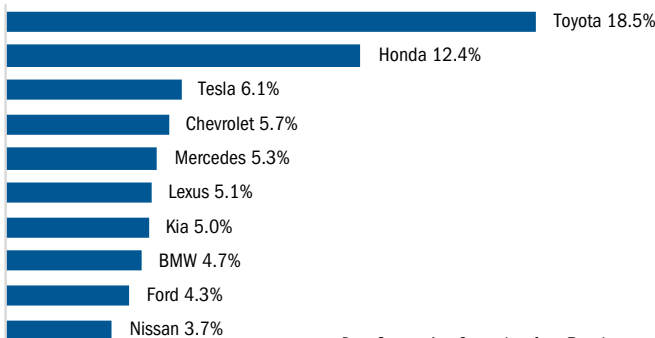


Sources: Bureau of Labor Statistics, University of Michigan, and U.S. Bureau of Econ. analysis.



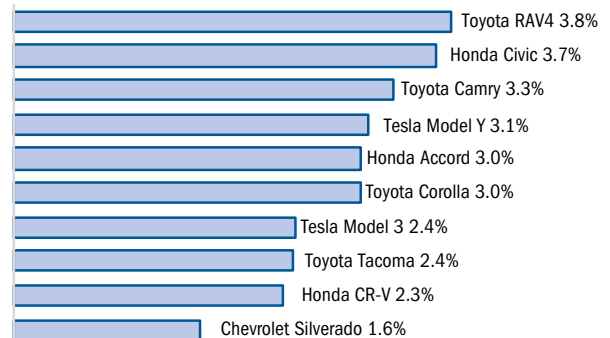
TOP TEN RANKINGS IN COUNTY MARKET

Market Share for Top Ten Selling Brands in County Market YTD 2021 thru March



Data Source: AutoCount data from Experian.

Market Share for Top Ten Selling Models in County Market YTD 2021 thru March

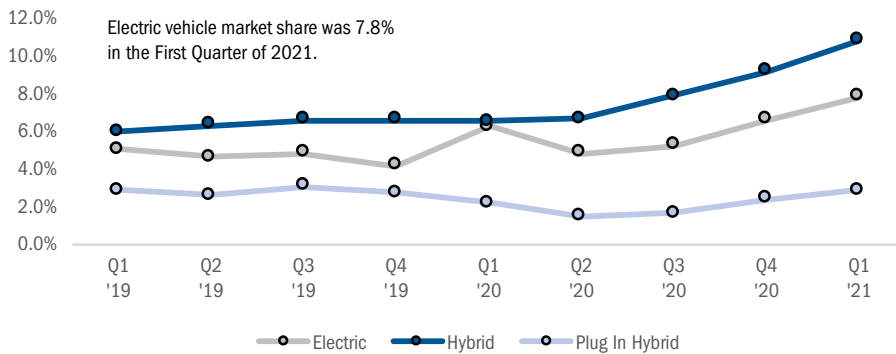


Los Angeles County New Vehicle Market Dashboard



TRACKING ELECTRIC AND HYBRID VEHICLE SALES

Estimated Quarterly Alternative Powertrain Market Share (includes hybrid and electric vehicles)



YTD Share by Engine Type (2020 and 2021, thru March)

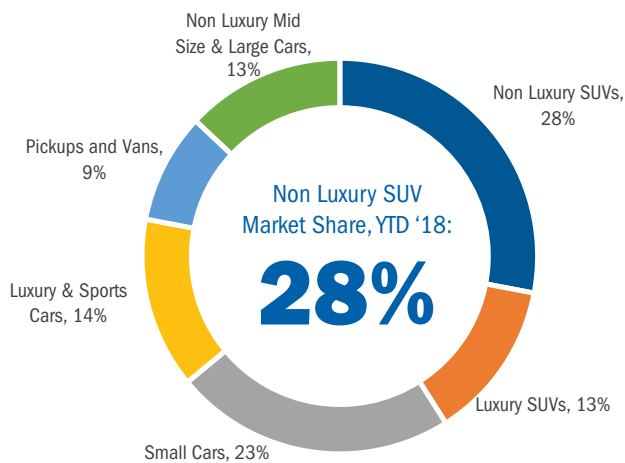
	YTD '20	YTD '21	
Hybrid	6.5%	10.8%	↑
Electric	6.3%	7.8%	↑
Plug In Hybrid	2.2%	2.9%	↑

The graph above shows estimated hybrid powertrain and electric vehicle market share. Registrations by powertrain for vehicles equipped with multiple engine types were estimated by Auto Outlook. The estimates are based on model registrations compiled by Experian, and engine installation rates collected from other sources.



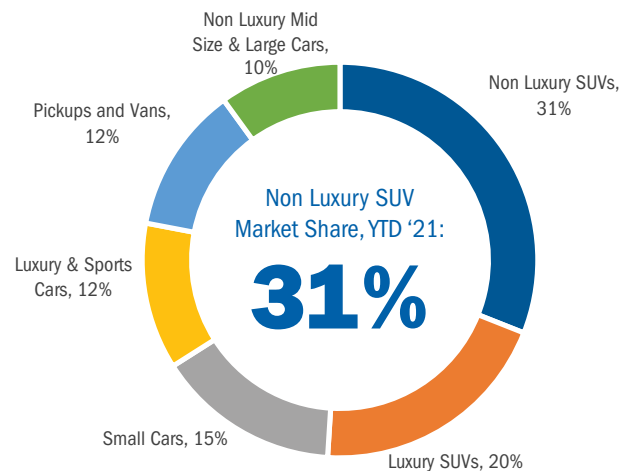
THREE YEAR CHANGE IN SEGMENT MARKET SHARES

Segment Market Shares in County YTD 2018 thru March



Data Source: AutoCount data from Experian.

Segment Market Shares in County YTD 2021 thru March



Data Source: AutoCount data from Experian.

Brand Registrations Report												
Los Angeles County New Retail Car and Light Truck Registrations												
	First Quarter						Annual Totals					
	Registrations			Market Share (%)			Registrations			Market Share (%)		
	1Q '20	1Q '21	% change	1Q '20	1Q '21	Change	2019	2020	% change	2019	2020	Change
TOTAL	110,334	106,379	-3.6				476,260	379,697	-20.3			
Cars	48,727	39,748	-18.4	44.2	37.4	-6.8	219,397	156,444	-28.7	46.1	41.2	-4.9
Light Trucks	61,607	66,631	8.2	55.8	62.6	6.8	256,863	223,253	-13.1	53.9	58.8	4.9
Domestic Brands	23,419	26,042	11.2	21.2	24.5	3.3	98,419	86,822	-11.8	20.7	22.9	2.2
European Brands	22,488	21,754	-3.3	20.4	20.4	0.0	100,725	77,444	-23.1	21.1	20.4	-0.7
Japanese Brands	54,733	49,621	-9.3	49.6	46.6	-3.0	241,400	182,871	-24.2	50.7	48.2	-2.5
Korean Brands	9,694	8,962	-7.6	8.8	8.4	-0.4	35,716	32,560	-8.8	7.5	8.6	1.1
Acura	1,159	902	-22.2	1.1	0.8	-0.3	5,047	3,650	-27.7	1.1	1.0	-0.1
Alfa Romeo	653	613	-6.1	0.6	0.6	0.0	2,015	2,137	6.1	0.4	0.6	0.2
Audi	3,521	3,167	-10.1	3.2	3.0	-0.2	13,334	10,619	-20.4	2.8	2.8	0.0
BMW	5,224	5,027	-3.8	4.7	4.7	0.0	23,654	16,851	-28.8	5.0	4.4	-0.6
Buick	189	172	-9.0	0.2	0.2	0.0	1,237	674	-45.5	0.3	0.2	-0.1
Cadillac	485	704	45.2	0.4	0.7	0.3	2,178	1,782	-18.2	0.5	0.5	0.0
Chevrolet	5,608	6,027	7.5	5.1	5.7	0.6	26,086	20,862	-20.0	5.5	5.5	0.0
Chrysler	202	261	29.2	0.2	0.2	0.0	1,054	723	-31.4	0.2	0.2	0.0
Dodge	1,755	1,603	-8.7	1.6	1.5	-0.1	6,607	6,100	-7.7	1.4	1.6	0.2
FIAT	71	15	-78.9	0.1	0.0	-0.1	530	169	-68.1	0.1	0.0	-0.1
Ford	4,353	4,587	5.4	3.9	4.3	0.4	20,253	16,957	-16.3	4.3	4.5	0.2
Genesis	181	185	2.2	0.2	0.2	0.0	573	510	-11.0	0.1	0.1	0.0
GMC	777	1,052	35.4	0.7	1.0	0.3	3,422	3,391	-0.9	0.7	0.9	0.2
Honda	16,776	13,181	-21.4	15.2	12.4	-2.8	73,282	54,815	-25.2	15.4	14.4	-1.0
Hyundai	3,717	3,497	-5.9	3.4	3.3	-0.1	14,369	13,360	-7.0	3.0	3.5	0.5
Infiniti	1,165	743	-36.2	1.1	0.7	-0.4	6,118	3,387	-44.6	1.3	0.9	-0.4
Jaguar	397	181	-54.4	0.4	0.2	-0.2	1,567	1,091	-30.4	0.3	0.3	0.0
Jeep	2,988	3,118	4.4	2.7	2.9	0.2	14,485	12,116	-16.4	3.0	3.2	0.2
Kia	5,796	5,280	-8.9	5.3	5.0	-0.3	20,774	18,690	-10.0	4.4	4.9	0.5
Land Rover	1,636	1,643	0.4	1.5	1.5	0.0	6,441	5,448	-15.4	1.4	1.4	0.0
Lexus	5,523	5,387	-2.5	5.0	5.1	0.1	23,887	18,472	-22.7	5.0	4.9	-0.1
Lincoln	473	355	-24.9	0.4	0.3	-0.1	1,680	1,410	-16.1	0.4	0.4	0.0
Maserati	138	92	-33.3	0.1	0.1	0.0	573	401	-30.0	0.1	0.1	0.0
Mazda	2,629	2,115	-19.6	2.4	2.0	-0.4	10,502	8,814	-16.1	2.2	2.3	0.1
Mercedes	4,994	5,621	12.6	4.5	5.3	0.8	26,377	20,197	-23.4	5.5	5.3	-0.2
MINI	485	419	-13.6	0.4	0.4	0.0	2,581	1,788	-30.7	0.5	0.5	0.0
Mitsubishi	245	187	-23.7	0.2	0.2	0.0	1,258	741	-41.1	0.3	0.2	-0.1
Nissan	4,639	3,954	-14.8	4.2	3.7	-0.5	22,227	15,365	-30.9	4.7	4.0	-0.7
Other	341	286	-16.1	0.3	0.3	0.0	1,350	1,009	-25.3	0.3	0.3	0.0
Porsche	1,056	1,396	32.2	1.0	1.3	0.3	4,632	4,000	-13.6	1.0	1.1	0.1
Ram	1,244	1,661	33.5	1.1	1.6	0.5	5,135	5,414	5.4	1.1	1.4	0.3
Subaru	3,853	3,472	-9.9	3.5	3.3	-0.2	16,228	13,259	-18.3	3.4	3.5	0.1
Tesla	5,345	6,502	21.6	4.8	6.1	1.3	16,282	17,393	6.8	3.4	4.6	1.2
Toyota	18,744	19,680	5.0	17.0	18.5	1.5	82,851	64,368	-22.3	17.4	17.0	-0.4
Volkswagen	3,011	2,389	-20.7	2.7	2.2	-0.5	13,818	10,172	-26.4	2.9	2.7	-0.2
Volvo	961	905	-5.8	0.9	0.9	0.0	3,853	3,562	-7.6	0.8	0.9	0.1

Source: AutoCount data from Experian.

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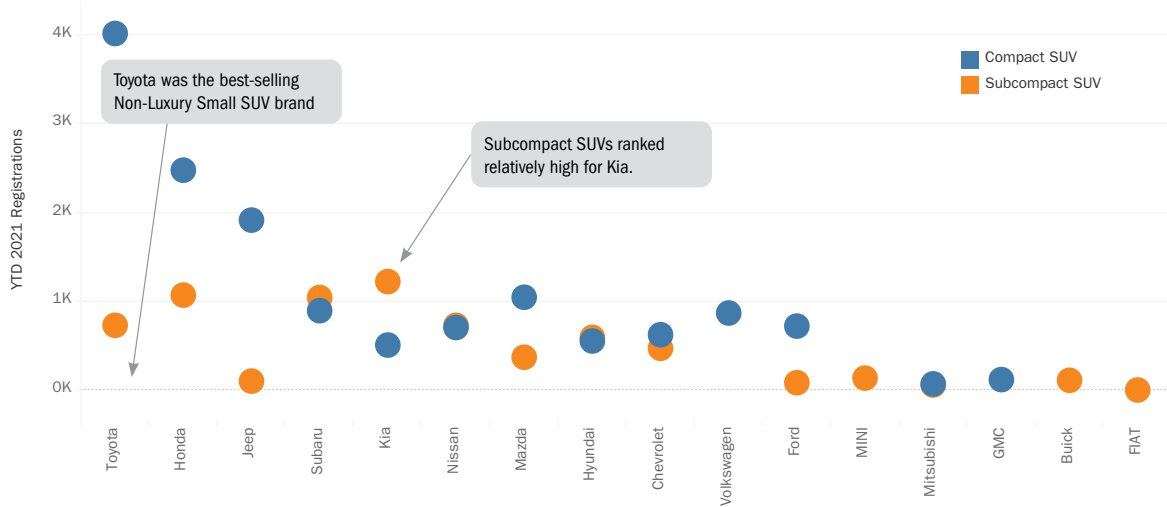
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SMALL SUV CLOSE UP

Toyota is Top Selling Non-Luxury Small SUV Brand

The graph below shows new retail light vehicle registrations for Small Non-Luxury SUV brands. Brands are positioned from left to right based on the combined total for Subcompact and Compact models. Each circle corresponds to brand registrations for Subcompact SUVs (orange circle) and Compact SUVs (blue circle).

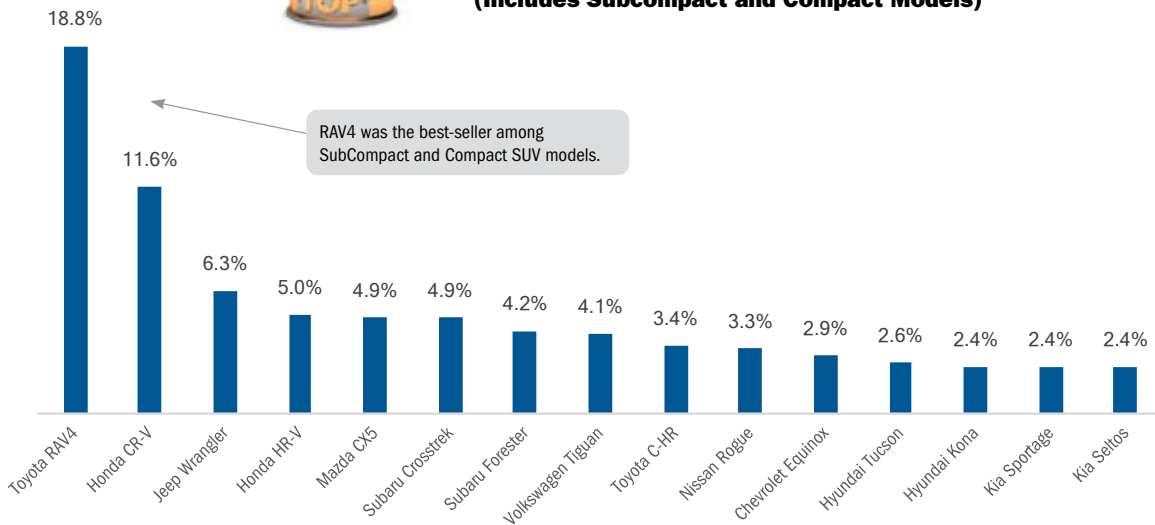
New Retail Light Vehicle Registrations in Non-Luxury Small SUV Segments - YTD 2021 thru March



Data Source: AutoCount data from Experian.



**Top 15 Selling Small SUVs in Los Angeles County
YTD 2021 thru March
(Includes Subcompact and Compact Models)**



Data Source: AutoCount data from Experian.

People Are Spending More on New Cars, but Prices Aren't Necessarily Rising

Wild market conditions are driving high-end sales and skewing average prices

By Jeff S. Bartlett



In March 2021, Kelley Blue Book's valuation analysts reported an estimated U.S. average transaction price for light vehicles of \$40,472. To put this number in context, the estimated average was \$38,812 in March 2020. The percentage change between March 2020 and March 2021 was a 4.28% increase.

Are prices likely to drop going forward? No, but the story is more complicated than it might seem. To start:

- The pandemic affected the market. Manufacturing stopped for a while, people lost jobs and buying habits paused. That combination also caused the new-vehicle average to increase.
- Electric and hybrid vehicles cost more than gas-powered vehicles, and they require less maintenance overall. As market share shifts, that difference in sticker price creates a powerful incentive for dealers to compensate for the drop in service shop profits by charging more money for cars upfront.
- Supply chains are still brittle, especially overseas. That affects computer chips and other components used to build cars. If manufacturers can't get the parts they need to build cars, they have to wait. The wait increases demand.
- Many people prefer trucks and four-wheel drive, but those vehicles have higher prices. That affects the average somewhat.
- Manufacturers are offering more high-end trims and luxury features than ever before. That, plus improved safety, is worth a higher price tag.
- There are more cars priced at \$200,000 than there are cars priced at \$20,000. A record number of high-priced cars pull the average up sharply.
- Many new vehicles cost \$20,000 or less. For example, the MarketWatch website says the least expensive new car is currently a 2021 Chevrolet Spark. The website cites a sticker price of \$13,400 plus a destination charge. Other sources list different prices; according to Car and Driver, the price is somewhere between a low of \$14,595 and a high of \$17,995. These are not bad prices for a subcompact with 30 mpg in the city and 38 mpg on the highway, although Car and Driver also says the manual transmission version is cheaper and better than the version with continuously variable automatic transmission.
- For people looking to buy at the lower end of the market, there are other good choices to consider. If you consider inflation, for example, the cost of some popular cars has actually decreased over time. Jake Fisher, senior director of the auto test program for Consumer Reports, says the Toyota Corolla and Subaru Forester are in this category. They are better cars now than they were in 2001. Why are they better? The new models are bigger,

cleaner, more fuel-efficient and safer. However, they are also less expensive.

What all this adds up to is a divided market targeting two separate groups of auto consumers. During 2020, for example, sales grew for cars that are priced at \$70,000 and up. Sales fell for cars priced at \$40,000 and less.

- According to Edmunds analysts, people who have the money, thanks to owning bull-market stocks and their houses, have taken advantage of pandemic-inspired low interest rates and their strong credit scores to buy new SUVs and trucks or other expensive items.
- At the other end of the market are those who already had lower credit scores. They have been negatively impacted by the pandemic, and they have either chosen to make do with what they have or have purchased used vehicles, which increases the cost of buying used.

Another factor is the increase in telecommuting. Many people started working from home during the pandemic; they may or may not ever go back to working full-time in an office. But those who are least likely to be able to telecommute are front-line workers in low-paying jobs.

How expensive are car loans now? Your credit score makes a big difference. Experian, one of the major financial data companies, said the 2020 average interest rate on car loans for people with scores in the 781-850 range was 3.24%. For those in the 501-600 range, the rate was 11.33%.

As prices have increased, lenders have kept purchases within reach by extending the average loan length. Loans that last 72 months and 84 months are increasingly popular, to the point that Experian currently lists the average loan length at almost 72 months. Unless a loan has 0% interest, the increased loan length means customers with long loans pay significantly more money in interest than customers with 36-month or 48-month loans.

The pandemic did offer many 0% financing deals. Have those gone away? They hadn't as of April, according to U.S. News & World Report. The website listed 12 different 0% APR vehicle purchase deals on its website April 7, 2021.

Consumer Reports used its March 2021 issue to analyze the prices for 1,900 test cars it bought over a 40-year period. It

adjusted the prices and looked at the changes that had taken place. Some conclusions:

- Many older cars would cost the same or more now.
- The Toyota Camry effectively costs thousands of dollars less than it used to. Consumer Reports has listed it as a Top Pick. Experts at the magazine like the entertainment features (Android Auto and Apple CarPlay), fuel economy, interior, owner satisfaction, predicted reliability, price, road performance and safety.

Manufacturers and dealers have responded to conflicting market forces by changing vehicle prices. Some cars sell for more than their sticker price, and some sell for less. The used car market looks like it will continue to have higher prices, but trade-in prices are higher, too.

Many people cannot afford to spend 40 grand on a car. Fortunately, it's still possible for them to find excellent options that cost much less than that. 🍷



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