

NADA Chairman Jeff Carlson
Remarks to the Automotive Press Association
Detroit, Michigan
Oct. 5, 2016

Good afternoon.

Today, I want to talk to you about taxes.

And I want to start by taking a short trip back in time – back 100 years ago:

In early 1917, Washington came up with the idea to classify automobiles as “luxury goods” in order to impose a new, 5% tax on their purchase.

It was an idea that may have made sense a decade earlier: In 1906, Ford produced 1,600 vehicles, and Cadillac produced about 3,200. Before 1910, cars were indeed luxuries for mostly wealthy Americans.

But in 1916, Ford turned out a whopping 597,000 units, Willys-Overland produced 121,000 vehicles, and GM produced 216,000.

The world had changed. Cars were becoming much more affordable, and Americans were buying a lot more of them.

But Americans weren’t just buying more automobiles; they were increasingly relying on them – for work, for family, for independence and yes, for the American Dream.

A new “luxury” tax on what was rapidly becoming an essential item would hit a lot of Americans right in the pocketbook, right at a time when they could least afford it.

Somebody had to get the message to Washington – and quick.

Somebody had to stand up for consumers, and let Congress know that their plan was going to have serious negative implications out in the real world.

Well, somebody did.

And you know who that somebody was? Auto dealers.

It was America’s franchised auto dealers who went to Congress and said:

“Look, we’re on the front lines. We understand the needs and wants of customers better than anyone. And we’re telling you that cars are no longer luxuries to customers coming into our Dealerships; they’re necessities. And if you price our customers out of the market at a time when they’re relying on vehicles to drive the economy, you do so at your own peril.”

And you know what?

Congress listened.

In fact, it was this moment in history that first prompted a group of 30 franchised dealers from different parts of the country to join together in order to better advocate on behalf of their customers in Washington, D.C.

And, yes, this is how NADA was born.

But there are much broader lessons in this story. And there are two truths that have endured for a hundred years.

First: Washington doesn’t always understand the unintended consequences of its actions.

Second: When it comes to decisions in Washington that affect the relationship between Americans and their cars and trucks, nobody – and I mean nobody – sees things more clearly through the eyes of customers than auto dealers, and nobody stands up taller for customers than auto dealers.

For 100 years, NADA has integrated these two truths into every single thing it does.

We have been the voice of our customers in Washington.

We have been the ones warning Washington about ideas that will inadvertently make buying, financing, trading-in, or servicing cars and trucks harder and more expensive.

And we are the ones standing up for consumer affordability at a time when our customers’ ability to pay for the vehicles they want and need is seemingly under attack on multiple fronts from Washington.

Which brings us back to taxes.

Let me ask you a question: If Washington wanted to implement a policy that would add \$600 to the cost of financing a new car, what would you call that?

Leaving aside what Washington calls it, what would that feel like as a customer?

You've just decided on the right car or truck for you or your family, you've gone to a few dealers and gotten yourself a great deal, you've lined up your financing, and your dealer looks you square in the eye and says:

"You know, a year ago I could have helped you get better financing and saved you hundreds, but an agency in Washington told me I can't offer you that savings anymore. Sorry."

Do you think that customer feels like they just got taxed? You're darn right they do!

What about a policy that would take anywhere from \$1,200 to \$6,000 out of a customer's pocket when they went to trade-in a used vehicle in order to buy a new one?

From a customer's point of view, what would that feel like?

Here is a real-world example of what I am talking about:

You have a 2009 Toyota Corolla that you want to trade-in. You get a good idea of what it's worth, you go to the dealership, and your dealer tells you;

"This car has an open recall for an irregularity in the lubrication process for the power window master switch that may cause the master switch assemblies to malfunction and overheat. Toyota hasn't manufactured a fix yet, and we don't know when it's coming. And although both Toyota and the National Highway Transportation Safety Administration have said this vehicle is fine for you or a future owner to continue driving while waiting for a fix, Washington told me that, in the meantime, I can't re-sell or even wholesale it. That's going to knock off \$1,044 from the value of your trade-in. Sorry."

Sounds like Washington just taxed that customer \$1,000, doesn't it?

How about a policy that would add thousands of dollars to every single new vehicle that every manufacturer makes, up and down their entire lineups, right out of the gate?

Imagine searching for a vehicle on a modest budget, but finding that Washington has so dramatically increased the requirements for fuel economy in every vehicle that it's caused the price of the car you're looking at to increase by thousands of dollars.

So you go to the dealership, and your dealer tells you: "A year ago you'd be looking at a monthly payment of \$400, but now you're looking at \$460 or even \$500. Sorry."

Or what if new-car buyers had to pay hundreds of dollars more at the retail level because Washington thought it was no longer beneficial to consumers to have multiple, independent retailers competing with each other for the same customers?

I'll give you another real-world example:

Say you're looking for a new Honda Accord EX, starting at around \$27,000. Today, empirical research shows that the retail price of that car goes down by as much as \$700 because there are multiple Honda dealerships competing with each other to sell you that car.

Now imagine if Washington decided that there didn't need to be multiple, independent retailers competing fiercely for your business. What if just the manufacturer controlled the retailing of their vehicles. Any guess what you'd pay? Right. \$27,000.

Sorry.

I've been an auto dealer for 37 years, and I can tell you this with absolute certainty: Dealers are not in the business of telling our customers "sorry."

This is why NADA is in the business of telling Washington that they better get it right.

And getting it right means keeping it affordable.

Let me be clear: We do not oppose the objectives of many in Washington.

In fact, at every turn, what NADA has said to leaders in Washington is that: We understand your goals, and we agree with many of your goals, but we cannot accomplish those goals on the backs of our customers.

We agree that financing should be fair, and it is, but we cannot let financing become more expensive when there's a better alternative.

So what we continue to tell the Consumer Financial Protection Bureau is that: If you really want to address the issue of fair credit risk in auto financing, you should endorse the NADA, NAMAD and AIADA Fair Credit Compliance Program, which fully addresses fair credit risk while preserving the ability of dealers to offer discounted financing to their customers.

And what we continue to tell Congress is that you should support Senate Bill 2663, and help pass legislation to rescind the CFPB's flawed auto finance guidance – legislation that passed the House by a veto-proof, bipartisan majority of 332-96.

We agree that 100 percent of recalled vehicles should be fixed, but we cannot make trading in a vehicle so costly that it drives more consumers toward the unregulated private sales market, and away from the very dealers who are entrusted – by Congress and our customers – to make these repairs.

So what we continue to tell NHTSA and Congress is that if you really want to increase the recall completion rate from 75 percent to 100 percent, you should be turning toward policy solutions that promotes consumers getting their used vehicles into the dealership, which is where they need to be in order to get repaired.

We agree that we should reduce greenhouse gas emissions, but we cannot make new fuel-efficient cars and trucks so expensive that consumers can't afford to buy them.

So what we have told NHTSA, the EPA and Congress, is that if you really want to reduce emissions, you should strive for fuel-economy targets that enable consumers to buy a greater number of newer, more fuel-efficient cars every year.

And we agree that consumers should have choices when it comes to how they purchase vehicles, but we cannot preserve choice by eliminating the savings that result from vibrant competition at the retail level.

And so what we have told the Federal Trade Commission, and others, is that if you really want to promote a healthy auto retail environment where consumers win and regularly save money, you should embrace the franchised dealer network as the best, most-efficient and most-pro-consumer way of selling new cars and trucks.

I hope to Heaven we aren't saying the same thing 100 years from now.

But if we are: One, it wouldn't be me.

And second: It's okay. Because at the end of the day, what we're doing is standing up for our customers, and helping Washington find a better way that protects our customers but still gets us across the policy goal line. You see dealers are the solution, not the problem.

It's worked in the past. It will work in the future. And I believe that if we stay vigilant, it can work right now.

The reason an organization like NADA can endure for 100 years is because of our history – not only representing dealers, but our customers.

2017 is our hundredth anniversary, but what it really is, is kicking off the next 100 years of auto retail, where local dealerships will continue to compete for our customer's business, and advocate for them in Washington. This why we all have a reason to celebrate.

Thank you. In the event I haven't answered all of your questions, I will be happy to take them now.