

“Keep Auto Retailing Affordable for Car Buyers”
Remarks by Bill Fox,
Chairman, National Automobile Dealers Association,
To the Automotive Press Association, Detroit
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Good morning, everyone!

When I was fortunate enough to be selected as this year’s NADA Chairman, the first event that I attended was your 2015 International auto show here in Detroit.

Keith Crain and *Automotive News* invited me to attend a great dinner right here at the Detroit Athletic Club.

When I was introduced to Keith, he bellowed: “Oh, I know who you are!”

And then he wagged his finger and said, “I have some advice for you.”

When I asked what that would be, he said: “One issue only.”

I said: “Ok, what’s the issue?”

And he barked: “Understand the media!”

Great advice!

And after almost a full year as NADA Chairman, I’m really getting Keith’s advice.

I’ve been busy. And you’ve been busy.

There is so much going on in Washington, D.C. that’s affecting new car dealers.

They say that “the road to hell is paved with good intentions.”

Washington is full of good intentions.

And let me be clear about something.

NADA and its members appreciate the good intentions of Washington:

Higher fuel economy standards to preserve the environment;

Legislation to increase the recall completion rate to 100 percent;

Rules to make sure vehicle financing is fair for everyone.

But instead of laying down blacktop with the help of those who actually work the pavement every day, regulators are sidestepping those who know the business best...

Washington is passing rules and legislation ... issuing “guidance”... and bringing enforcement actions that just don’t make sense.

Do you know who it’s going to hurt in the end?

THE CONSUMER.

Consumers have a number of rights when it comes to buying a new car—and they count on these rights to find the right car for them at a competitive price.

As a matter of principle, consumers have the right to negotiate.

They always have the right to seek a better deal.

And they should always have the right to choose the loan that’s best for them.

Unfortunately, Washington is paving a road that might not necessarily lead to “hell”... but it definitely leads over a cliff.

Actions in Washington are taking away our customers’ right to benefit from the dealer franchise system—especially rules governing dealer-assisted financing.

When you’re paying \$30,000 for a car, you should have every possible financial advantage.

These advantages—driven by fierce competition—make up the foundation of the retail automotive market.

And Washington shouldn't be in the business of denying consumers these rights, or taking away these advantages.

But that’s exactly what’s happening.

And on every front, NADA has had the extraordinary challenge of explaining the reality of the retail automotive market-- to regulators, to legislators, and to the media.

THIS IS THE REALITY:

Today, customers can afford new cars because dealers compete for their business. And then they compete fiercely to help finance those.

Literally, outside these doors, HUNDREDS OF THOUSANDS of consumers are out shopping for cars right now.

Once they buy the right car, they need help finding the RIGHT financing.

They can do this on their own, or they can come to us.

Today, about 80 percent of customers go to their dealer for financing.

Because with the push of a button, a dealer can instantly send a customer's credit application to 20 or 30 lenders—all of whom are competing for that business.

And then on top of that, dealers can discount those competitive rates even further, right in the dealership.

But the Consumer Financial Protection Bureau—you know it well as a regulatory agency in D.C—is pressuring lending sources to adopt an inflexible, flat-fee system.

And the CFPB brought enforcement actions that are already reducing the amount a dealer can discount rates – in some cases by 50 percent!

The CFPB's approach will destroy competition...constrain a dealer's ability to offer rate discounts...and lead to higher interest rates.

How does that benefit you if you go to the nearest Chevy dealer here in Detroit and you're looking for competitive financing?

Or if you're looking for a better rate than you got from your bank or your credit union?

It doesn't!

Let's pretend you're going to the Chevy dealer with a trade-in.

There's another proposal in Congress that could ground all vehicles sold at a dealership under open recall.

It's called the "Blumenthal Amendment."

What's the problem with that?

There are 64 million cars under open recall right now.

But the vast majority of them don't require the drastic step of grounding the vehicle.

In fact, the National Highway Traffic Safety Administration—and manufacturers—only include stop-drive orders on 6 percent of the recalls they issue.

The majority of open recalls are for minor issues—like a phone number misprint in the owner's manual.

But if the Blumenthal amendment were to become law, every single one of those cars with an open recall would be grounded.

And for how long?

Maybe indefinitely... if it's a situation where parts aren't available.

So, what would happen in the meantime?

That would devastate an individual customer's trade-in value, and it would wreak havoc on the entire used-car market!

Think about that for a second:

If it's harder for a consumer to trade in a used car, are they more or less likely to buy a new, safer car?

And if consumers are forced to turn to the private market to sell a used car, do you think private buyers are more or less likely than dealers to see that an open recall gets completed?

The answers are obvious to car dealers.

We are making sure policymakers understand these realities before they keep paving a path that harms consumers.

Finally, I'd like to touch on fuel economy.

There's no doubt we all want cars to be more efficient.

There's no doubt we want to preserve our environment and reduce emissions.

But there has to be a practical balance.

Improved fuel economy comes at a cost: about an increase of \$3,200—OR MORE-- to the average price of a car.

That's an increase that the new-car buyer will have to pay up-front.

The problem is that takes 7 million Americans out of the new-car market because they won't be able to afford the increase.

The total cost of the EPA/NHTSA fuel economy rule will be about \$210 billion.

That's about twice as much as the auto industry received in government aid during the Great Recession!

Imagine sending your child—fresh out of college—to your local dealership, but he or she can't find a car under \$20,000 or \$16,000!

Dealers know that, at the end of the day, customers come to us to find a car that suit their lifestyle and budget.

A compact, gas-saving car for a couple in New York City doesn't necessarily work for a family of seven in rural Kansas.

Farmers can't haul hay in a Prius!

This is just a glimpse of the path that's being paved for auto dealers and their valued customers.

We have no intention of driving off this cliff either—and neither do members of Congress whom we've successfully educated on these issues;

Whom we've gotten to understand that actions have consequences;

And to understand that problems simply can't be solved with intentions alone—no matter how "good" those intentions might be

As a result, Democrats and Republicans alike are supporting the passage of H.R. 1737—a bipartisan bill introduced by Representatives Frank Guinta and Ed Perlmutter.

The bill would nullify the CFPB's flawed auto guidance.

It would bring openness, transparency and informed decision-making into the conversation about regulating the auto finance market.

The Guinta-Perlmutter bill would also require the agency to study the true impact on consumers before issuing new guidance;

It would mandate a public comment period;

And it would require the CFPB to consult with the agencies that currently share jurisdiction over the indirect auto finance market.

NADA strongly supports passage of this legislation.

And we also strongly support the adoption of a program that will address fair credit risk while preserving the fierce competition that is the hallmark of auto financing.

Along with the National Association of Minority Automobile Dealers and the American International Automobile Dealers Association, we've produced a compliance program.

It's modeled off one developed by the U.S. Department of Justice.

And it would ensure the consumer's right to get an interest rate discount fairly.

As I've said before, it is the best way to ensure fair credit compliance.

At the same time, it preserves the consumer's right to benefit from competition--and from rate discounts that only happen at the dealership.

We're fighting for fair financing in Congress.

We're fighting for reasonable recall policies.

In short, we're fighting for our customers so they can seek out that best deal—it's their RIGHT.

Dealers have been busy selling cars—millions of them.

At the same time, we're doing everything we can to protect consumers from being put on a well-intentioned road that leads to you know where...

I've spent a good deal of time mentioning consumers.

Why don't we get their take on it?

Take a look at the reality of this industry through the eyes of our consumers.

Let's watch...

{Video plays}

So that is what dealer have been up to, and why it's important for consumes everywhere. Thank you very much for your time today – and from here I can take a few questions.