



LOS ANGELES NEW CAR DEALERS ASSOCIATION

E-NEWSLETTER ISSUE #5 – 2016



TIME AND ALLY FINANCIAL HONOR GLENDALE DEALER

GLANCD A Board Member David Ellis Wins National Recognition for Community Service and Industry Accomplishments at NADA Convention



The nomination of David Ellis, dealer principal at Glendale Dodge Chrysler Jeep in Glendale, California, for the 2017 TIME Dealer of the Year award was announced by TIME.

Ellis is one of a select group of 49 dealer nominees from across the country who will be honored at the 100th annual National Automobile Dealers Association (NADA) Convention & Exposition in New Orleans, Louisiana, on January 27, 2017. The announcement of this year’s nominees was made by Meredith Long, SVP : GM, News & Luxury, TIME, and Tim Russi, president of Auto Finance for Ally Financial.

“We are excited about the extraordinary group of nominees that are in the running for the 2017 TIME Dealer of the Year award,” said Russi. “These dealers have been recognized for the ways that they ‘do it right’ in their communities, and we look forward to sharing their stories over the next few months and celebrating their accomplishments at the NADA convention in January.”

In its sixth year as exclusive sponsor, Ally will recognize dealer nominees and their community efforts by contributing \$1,000 to each nominee’s 501(c)3 charity of choice. Nominees will also be recognized on AllyDealerHeroes.com, which highlights the philanthropic contributions and achievements of TIME Dealer of the Year nominees.

The TIME Dealer of the Year award is one of the automobile industry’s most prestigious and highly coveted honors. Recipients are among the nation’s most successful auto

dealers who also demonstrate a long-standing commitment to community service. Ellis, 62, was chosen to represent the Greater Los Angeles New Car Dealers Association in the national competition – one of only 49 auto dealers from 16,000 nationwide – nominated for the 48th annual award. The award is sponsored by TIME in association with Ally Financial, and in cooperation with NADA. A panel of faculty members from the Tauber Institute for Global Operations at the University of Michigan will select one finalist from each of the four NADA regions and one national Dealer of the Year.

“The most rewarding part of my automotive career is the long-term relationships that I have developed with my employees,” nominee Ellis said. “I enjoy seeing them and their families grow and prosper.”

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TIME AND ALLY FINANCIAL HONOR GLENDALE DEALER – *continued from page 1*

A 1972 graduate of St. John Bosco High School in Bellflower, California, Ellis earned a B.A. in economics from the University of California, Los Angeles (UCLA), in Westwood in 1977. His career in the retail automobile industry began long before he graduated from college, as he worked as a lot attendant at his father's store, Jack Ellis Chrysler-Plymouth in Glendale, starting at age 16.

"While attending UCLA, I would sell cars during the summer and on weekends," Ellis said. Upon graduation, he attended a Chrysler dealer training program in Detroit, Michigan, and became sales manager for his father's dealership soon after. "The entire sales staff quit and went to work with the former manager," he remembered. "I called three of my college friends and offered them free new car demos if they would come and sell cars for me. At that time, it was not typical for a salesman to be a young college kid, but we were very successful."

Building on that success, his father bought a Chrysler dealership in 1980 in Canoga Park, California, and put Ellis at the helm at age 26. Ellis eventually purchased the store in 1990 and took over the Glendale operation when his father passed away unexpectedly in 1999. In 2015, he sold the Canoga Park dealership, calling it "a bittersweet moment." Today, he runs Glendale Dodge Chrysler Jeep with two younger brothers, Jackson and Evan Ellis.

His daughter, Caroline Craun, is the store's administrative assistant.

"The car business has been my life's work," Ellis said. "I could not have done it without my father's guidance. He taught me to be good to my customers, to be involved in my community and to be good to my employees."

As current treasurer/secretary of the Greater Los Angeles New Car Dealers Association and the group's president from 2011 to 2013, Ellis understands the importance of the automotive industry in the local economy. "Our association represents more than 200 car dealers in Los Angeles County, employing 20,000-plus people in good-paying jobs," he said. "We collect millions of dollars in sales tax revenue and have invested \$250,000 in worthy charitable causes in the last fiscal year. We pride ourselves on being involved in a host of community organizations that make the world a better place for our customers and their families."

On a personal level, Ellis enjoyed his work with Junior Achievement, a group that prepares students to be successful in the global economy, while volunteering at a local junior high school from 1985 to 1991. "I visited an 8th grade classroom weekly, teaching these great kids about the economics of the car business," he said. "I even had a contest where they could design my weekly advertisement and I ran the

winning ad in the local paper. I have heard from many of the students through the years, and some have even come in to purchase cars from me!"

Ellis is also a member of the Rotary Club of Woodland Hills, California, and supports Glendale Youth Alliance (providing jobs and training to low-income youths) and Villa Esperanza Services in Pasadena, California (offering educational programs for children and young adults with developmental disabilities).

For his community involvement and business acumen, Ellis has received numerous awards. He has donated his time and talent to the Canoga Park-West Hills Chamber of Commerce; West Valley Family YMCA (Reseda, California); and Valley Cultural Center (Woodland Hills).

"I really enjoy the opportunity to help my community," Ellis said. "As an auto dealer, I have the resources to be involved with so many important and worthwhile organizations."

Ellis was nominated for the TIME Dealer of the Year award by Bob Smith, executive director of the Greater Los Angeles New Car Dealers Association. He and his wife, Janet, have three children and one grandchild.





Court Blocks New Federal Overtime Exemption Rules

Article from *The Scali Law Firm*

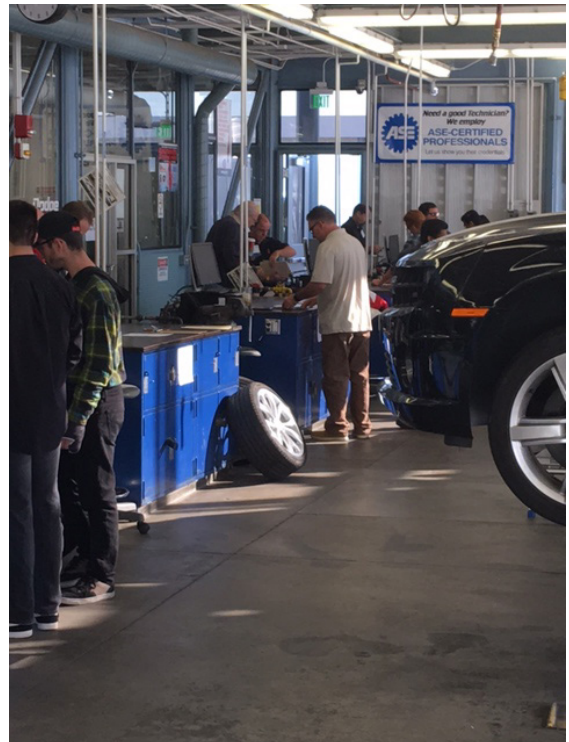
The U.S. District Court for the Eastern District of Texas issued a nationwide injunction that blocks the Department of Labor's new minimum salary requirements for the federal white collar overtime exemptions, which were set to take effect December 1, 2016. The Court held that the DOL's new salary rules are contrary to legislative intent and that the DOL exceeded its authority with respect to the new minimum salary requirements, as well as the future automatic adjustments. The new DOL rules had been challenged by 21 states, and this injunction now applies to all 50 states. Although this injunction is not necessarily the end of the battle, the DOL's position on this rule (which has been backed by the Obama administration) is subject to change with the new incoming administration that is expected to be more business-friendly, and it is possible that this new rule may never come into effect.

However, California employers are still subject to a minimum salary increase under state law:

California has its own minimum salary requirement for white collar overtime exemptions, however the DOL's new law set a new minimum salary (\$913 per week) that substantially exceeded even the California minimum salary requirement for the corresponding overtime exemptions (currently \$800 per week). It is important, however, that California employers ensure that they are still complying with the California rules pertaining to overtime exemptions, especially since the minimum salary for the white collar exemptions under California law will increase along with the California minimum wage on January 1, 2017. Specifically, with the increase of the California minimum wage (which will rise to \$10.50 on January 1st) the new minimum salary requirement for the white collar exemptions will increase to \$840 per week, or \$43,680 annually. California employers may want to seek input from their employment counsel regarding these new requirements.

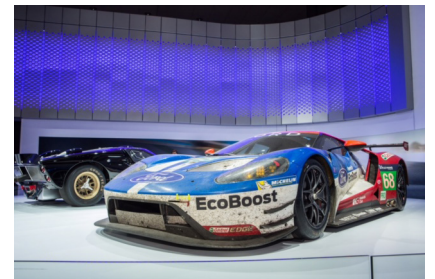


GLANCD A 2016 High School Auto Technician Competition





The 2016 LA Autoshow was a huge success!





Spiwak: The curious case of Tesla's lawsuit

Reprinted from The Detroit News, Lawrence Spiwak

Every state in America has laws governing the retail sales of new automobiles. Some states including Michigan preclude auto manufacturers from selling cars directly to consumers, which means that when you buy a new car, you buy it from an independently-owned, franchised dealer.

Last September, Tesla Motors sued the governor, attorney general and secretary of state, claiming that Michigan's prohibition against direct manufacturer sales is unconstitutional because it lacks a rational means of achieving any legitimate government purpose. Unfortunately for Tesla, it faces an uphill legal battle. Over the years this argument has often come before the courts, and each time the constitutionality of such laws has been upheld.

But Tesla's complaint begs an interesting policy question: do auto-franchise laws continue serve the public welfare in the 21st century, or do such laws serve

just the private interest of dealers and existing manufacturers as Tesla alleges? If we look at the data specifically, vehicle pricing a strong argument can be made that state auto-franchise laws continue to promote the public interest by increasing competition and, by extension, lower prices for consumers.

Two types of competition exist in auto retail: inter-brand competition between automakers and intra-brand competition between dealerships. Once a consumer decides on what make and model she wants (i.e., inter-brand competition), she then aggressively shops for the best price from a variety of same-brand dealers (i.e., intra-brand competition). In Metro Detroit, a consumer can shop at 12 Toyota dealers to buy a Camry.

And a statistical analysis of automobile prices released last year showed that consumers benefit greatly from intra-brand competition for new cars.

Analyzing data on hundreds of thousands of new car sales and registrations in Texas for 10 of the most popular models, the study found that when multiple dealers within a brand compete for business, prices drop. I doubt many car buyers who shop around are surprised by the result.

In contrast, a direct sales model by definition eliminates the possibility for intra-brand competition. As Tesla concedes in its complaint, "Tesla sells its cars at uniform and transparent list prices ... Tesla customers pay the same price whether they purchase through Tesla's website, at a local store, or at a store in a different state." In fact, Tesla President Elon Musk tweeted that Tesla would offer "no discounts ever" to consumers in their showroom stressing that this pricing strategy is "fundamental" to the brand's integrity.

Continued on next page 7

The curious case of Tesla's lawsuit – *continued from page 6*

So what do consumers get from Michigan's current auto franchise law?

Another recent study predicts that direct automobile selling could lead to higher prices for consumers and higher profits for manufacturers. In contrast, the franchise model produces lower prices, with new cars being sold at tiny, if any, profit margins. Since cars are very expensive, it makes sense for the Michigan legislature to require new cars be sold through independent dealers if



price competition is more intense for doing so.

It would appear, therefore, that state auto franchise laws do address supportable public policy considerations and do not exist

(as Tesla argues) to promote the private interests of auto dealers. If independent dealers are replaced with direct sales, then Tesla (along with other auto manufacturers) will earn higher profits and the consumers will pay higher prices for new cars. Consumers will be greeted at the door for one of their most expensive purchases with Mr. Musk's "no discount policy."

Now whose private interest does that serve?



Los Angeles Auto Outlook™

Comprehensive information on the LA County new vehicle market

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Quick Facts

New retail car and light truck registrations in the county declined a slim 1.1% in October 2016 versus a year earlier. Note: monthly recording of registrations occurs when the data is processed by the DMV. This can impact the measurement of registrations in individual months.

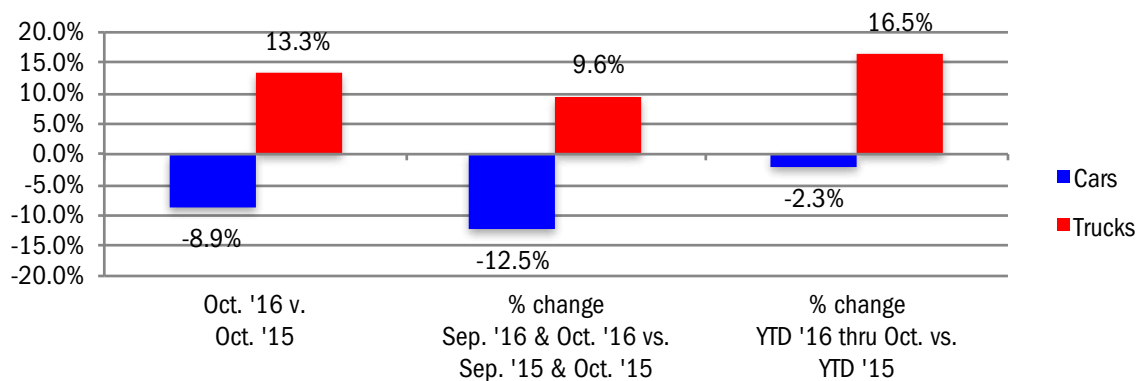
The county market was up 4.3% for the first ten months of this year. Light trucks were up 16.5%, versus a small increase for passenger cars.

The three month moving average of new vehicle registrations increased in October of this year versus a year earlier.

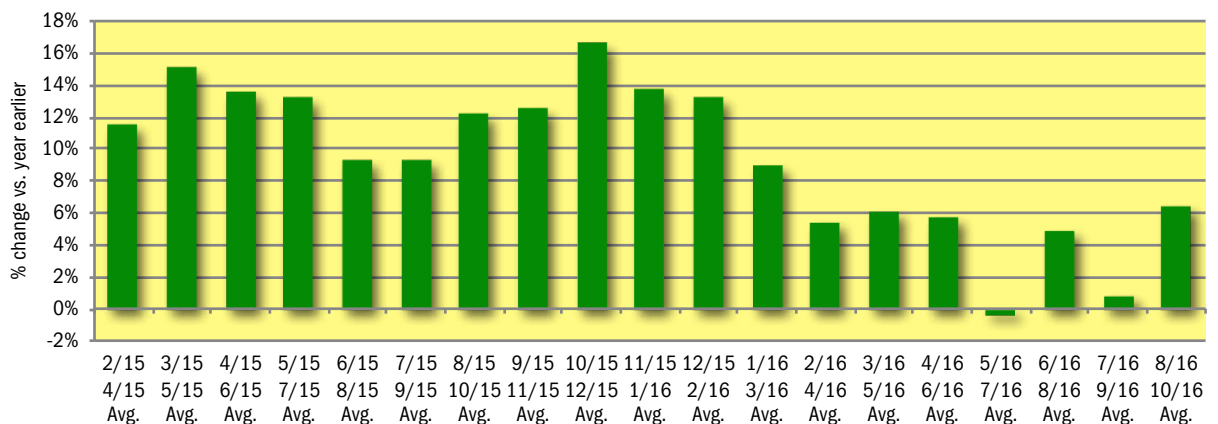
Jaguar, Volvo, Land Rover, Buick, Lincoln, Chevrolet, and Audi new vehicle registrations have increased sharply this year.

Los Angeles New Retail Car and Light Truck Registrations									
	October			Sep. '16 and Oct. '16 Combined			Year to date thru October		
	2015	2016	% chg.	Previous	Current	% chg.	2015	2016	Chg.
Industry Total	40,415	39,982	-1.1%	91,253	86,940	-4.7%	434,528	453,419	4.3%
Cars	26,206	23,882	-8.9%	59,147	51,763	-12.5%	281,596	275,240	-2.3%
Light Trucks	14,209	16,100	13.3%	32,106	35,177	9.6%	152,932	178,179	16.5%
Detroit Three	7,466	8,150	9.2%	17,247	17,600	2.0%	81,884	89,969	9.9%
European	8,477	7,956	-6.1%	18,042	17,722	-1.8%	89,716	92,475	3.1%
Japanese	20,970	20,431	-2.6%	48,267	44,202	-8.4%	227,034	232,322	2.3%
Korean	3,502	3,445	-1.6%	7,697	7,416	-3.7%	35,894	38,653	7.7%

Percent Change in Los Angeles County New Retail Light Vehicle Registrations



% Change in Three Month Moving Average of New Retail Registrations vs. Year Earlier



The graph above provides a clear picture of the trending direction of the LA County market. It shows the year-over-year percent change in the three month moving average of new retail light vehicle registrations. The three month moving average is less erratic than monthly registrations, which can fluctuate due to such factors as the timing of manufacturer incentive programs, weather and title processing delays by governmental agencies.

Data Information

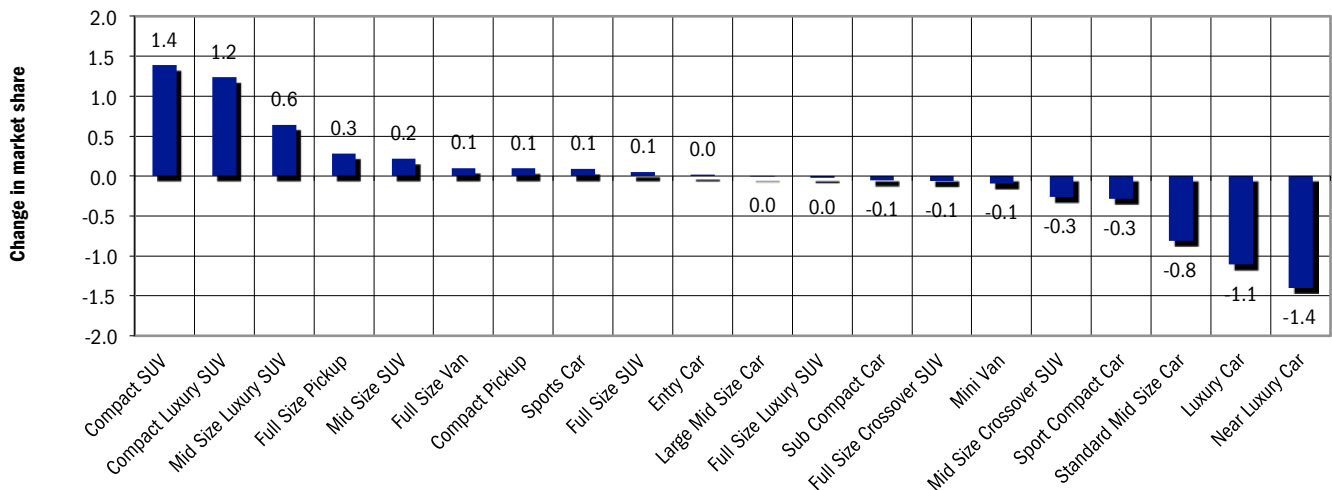
All data represents new and used vehicle retail registrations in Los Angeles County and excludes fleet. Please keep in mind that monthly registration figures can occasionally be subject to fluctuations, resulting in over or under estimation of actual results. This usually occurs due to processing delays by governmental agencies. For this reason, the year-to-date figures will typically be more reflective of market results. Green shaded areas in tables represent the top ten ranked brands. Data Source: AutoCount data from Experian Automotive.

New Vehicle Market Brand Registrations

Los Angeles New Retail Car and Light Truck Registrations

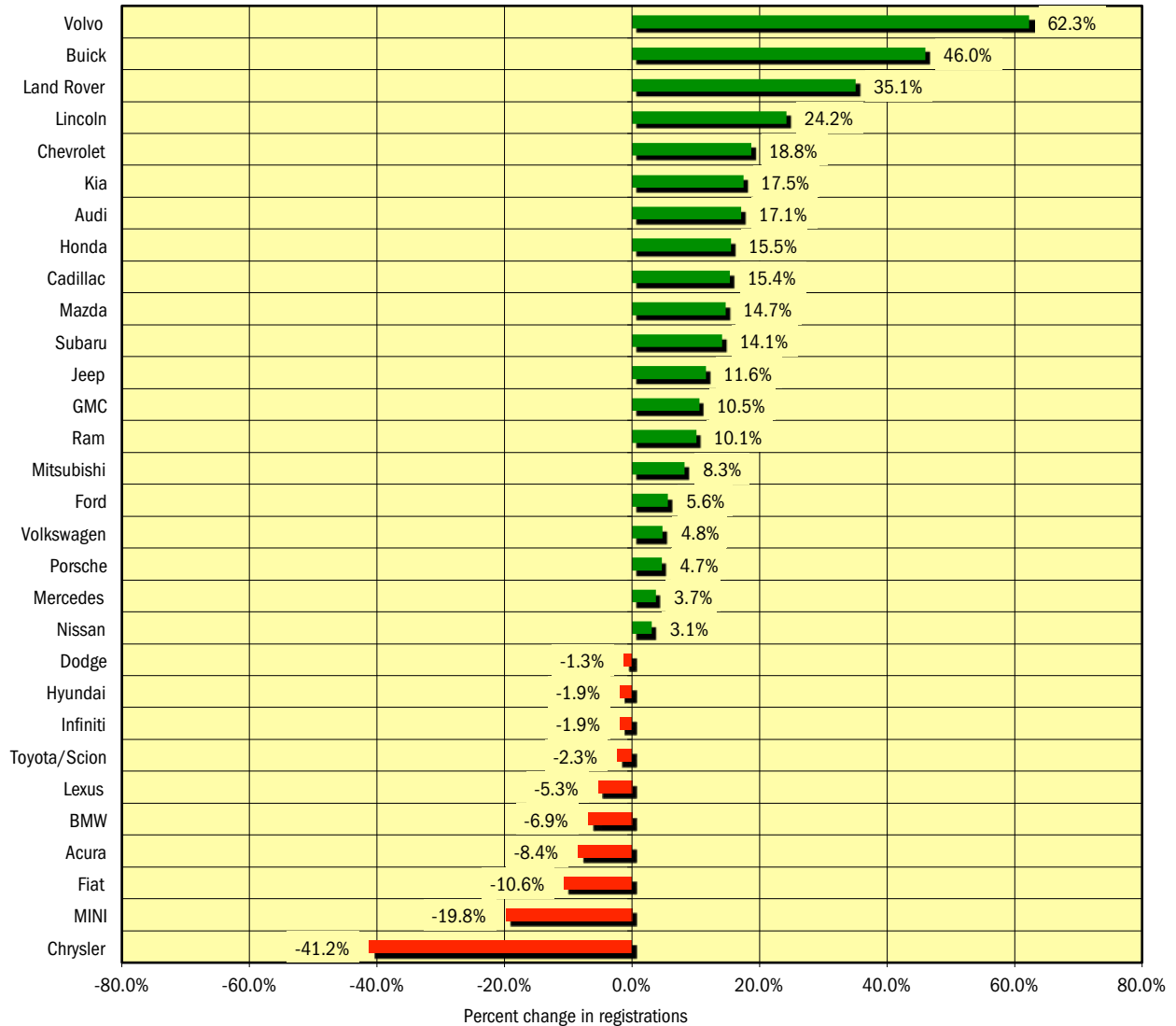
	July			June '16 and July '16 Combined			Year to date thru July			YTD Market Share (%)		
	2015	2016	% chg.	Previous	Current	% chg.	2015	2016	% chg.	2015	2016	Chg.
TOTAL	51,017	43,237	-15.2%	94,852	88,642	-6.5%	297,069	313,619	5.6%			
Acura	603	423	-29.9%	1,073	871	-18.8%	3,729	3,414	-8.4%	1.3	1.1	-0.2
Audi	1,317	1,489	13.1%	2,494	2,858	14.6%	7,950	9,312	17.1%	2.7	3.0	0.3
BMW	2,543	2,033	-20.1%	4,763	3,961	-16.8%	16,466	15,333	-6.9%	5.5	4.9	-0.7
Buick	157	173	10.2%	282	338	19.9%	848	1,238	46.0%	0.3	0.4	0.1
Cadillac	221	260	17.6%	440	534	21.4%	1,589	1,833	15.4%	0.5	0.6	0.0
Chevrolet	2,942	2,606	-11.4%	5,292	5,195	-1.8%	15,139	17,978	18.8%	5.1	5.7	0.6
Chrysler	239	131	-45.2%	437	268	-38.7%	1,545	908	-41.2%	0.5	0.3	-0.2
Dodge	726	552	-24.0%	1,345	1,244	-7.5%	4,222	4,169	-1.3%	1.4	1.3	-0.1
Fiat	262	166	-36.6%	490	406	-17.1%	2,003	1,790	-10.6%	0.7	0.6	-0.1
Ford	2,823	2,537	-10.1%	5,586	5,509	-1.4%	18,036	19,055	5.6%	6.1	6.1	0.0
GMC	525	461	-12.2%	987	946	-4.2%	2,991	3,306	10.5%	1.0	1.1	0.0
Honda	7,139	6,583	-7.8%	13,333	13,967	4.8%	40,460	46,750	15.5%	13.6	14.9	1.3
Hyundai	1,802	1,579	-12.4%	3,280	3,121	-4.8%	10,107	9,916	-1.9%	3.4	3.2	-0.2
Infiniti	701	500	-28.7%	1,339	1,023	-23.6%	4,338	4,256	-1.9%	1.5	1.4	-0.1
Jaguar	82	179	118.3%	151	363	140.4%	608	849	39.6%	0.2	0.3	0.1
Jeep	1,189	999	-16.0%	2,193	2,052	-6.4%	6,387	7,129	11.6%	2.2	2.3	0.1
Kia	2,579	2,249	-12.8%	4,693	4,498	-4.2%	14,266	16,761	17.5%	4.8	5.3	0.5
Land Rover	365	369	1.1%	670	740	10.4%	2,229	3,011	35.1%	0.8	1.0	0.2
Lexus	2,473	2,000	-19.1%	4,873	4,050	-16.9%	16,393	15,529	-5.3%	5.5	5.0	-0.6
Lincoln	202	188	-6.9%	396	355	-10.4%	1,065	1,323	24.2%	0.4	0.4	0.1
Maserati	211	100	-52.6%	437	221	-49.4%	1,072	774	-27.8%	0.4	0.2	-0.1
Mazda	1,005	1,028	2.3%	1,936	1,947	0.6%	5,648	6,479	14.7%	1.9	2.1	0.2
Mercedes	2,730	2,466	-9.7%	5,113	4,840	-5.3%	16,492	17,108	3.7%	5.6	5.5	-0.1
MINI	557	313	-43.8%	1,053	667	-36.7%	2,910	2,334	-19.8%	1.0	0.7	-0.2
Mitsubishi	179	122	-31.8%	286	233	-18.5%	979	1,060	8.3%	0.3	0.3	0.0
Nissan	3,748	2,826	-24.6%	6,839	5,800	-15.2%	21,190	21,848	3.1%	7.1	7.0	-0.2
Porsche	366	324	-11.5%	641	705	10.0%	2,384	2,495	4.7%	0.8	0.8	0.0
Ram	421	374	-11.2%	758	782	3.2%	2,384	2,624	10.1%	0.8	0.8	0.0
smart	34	13	-61.8%	75	38	-49.3%	264	152	-42.4%	0.1	0.0	0.0
Subaru	1,024	1,023	-0.1%	1,923	2,024	5.3%	6,326	7,221	14.1%	2.1	2.3	0.2
Tesla	323	519	60.7%	520	789	51.7%	1,670	2,639	58.0%	0.6	0.8	0.3
Toyota/Scion	9,807	7,251	-26.1%	17,931	15,285	-14.8%	55,401	54,122	-2.3%	18.6	17.3	-1.4
Volkswagen	1,479	1,065	-28.0%	2,776	2,404	-13.4%	8,453	8,860	4.8%	2.8	2.8	0.0
Volvo	141	264	87.2%	280	471	68.2%	934	1,516	62.3%	0.3	0.5	0.2
Other	102	72	-29.4%	167	137	-18.0%	591	527	-10.8%	0.2	0.2	0.0

Change in New Vehicle Segment Market Share - YTD 2016 thru July vs. YTD 2015

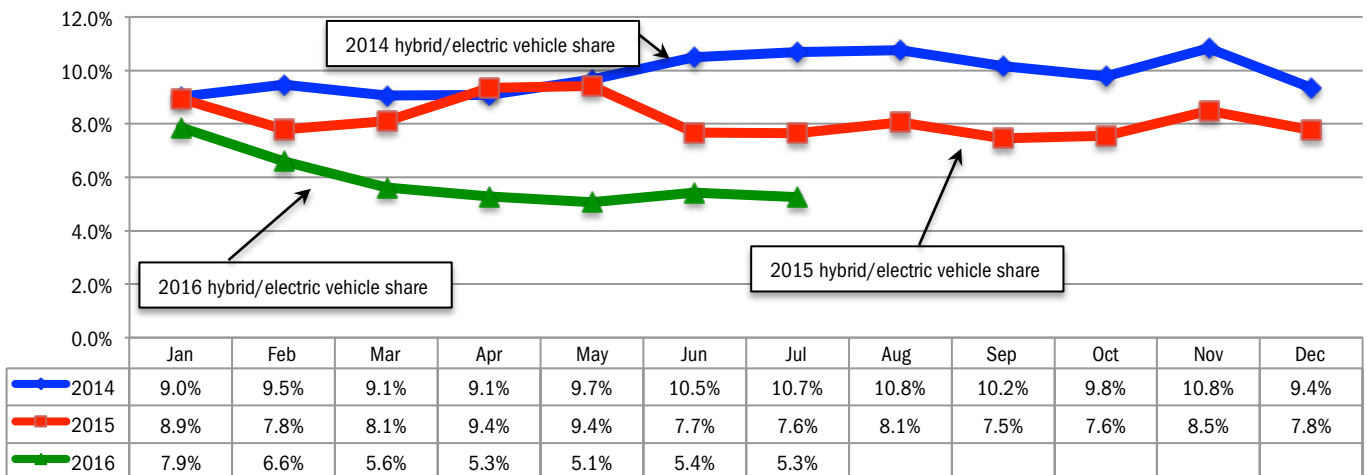


Data Source: AutoCount data from Experian Automotive.

**Percent Change in Brand Registrations
YTD 2016 thru July vs. YTD 2015
(Top 30 selling brands)**



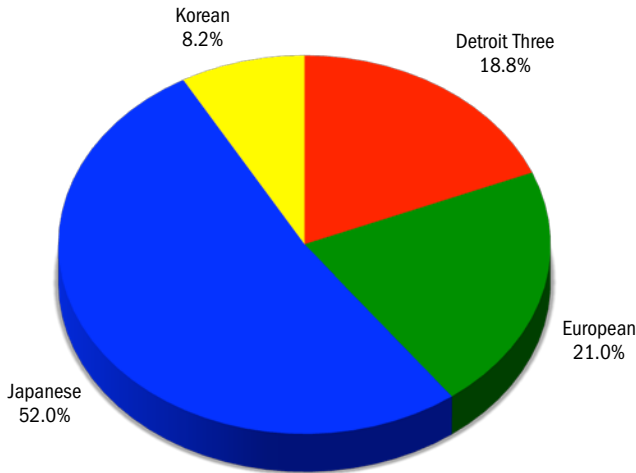
Combined Hybrid and Electric Vehicle Market Share in LA County



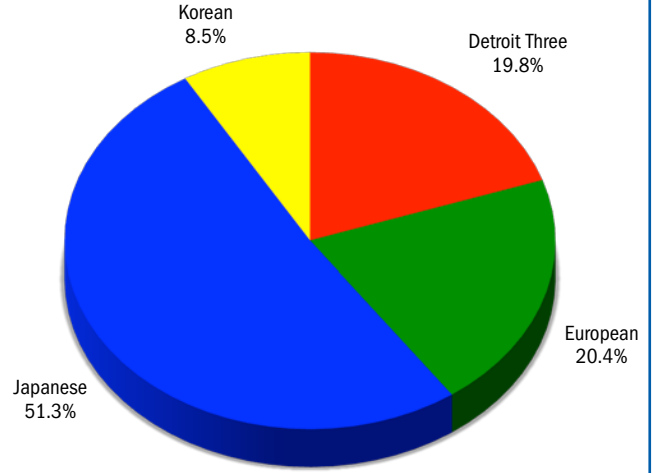
Data Source: AutoCount data from Experian Automotive.

Market Share for Japanese, Detroit Three, European, and Korean Brands - YTD '15 and '16

YTD 2015 thru July

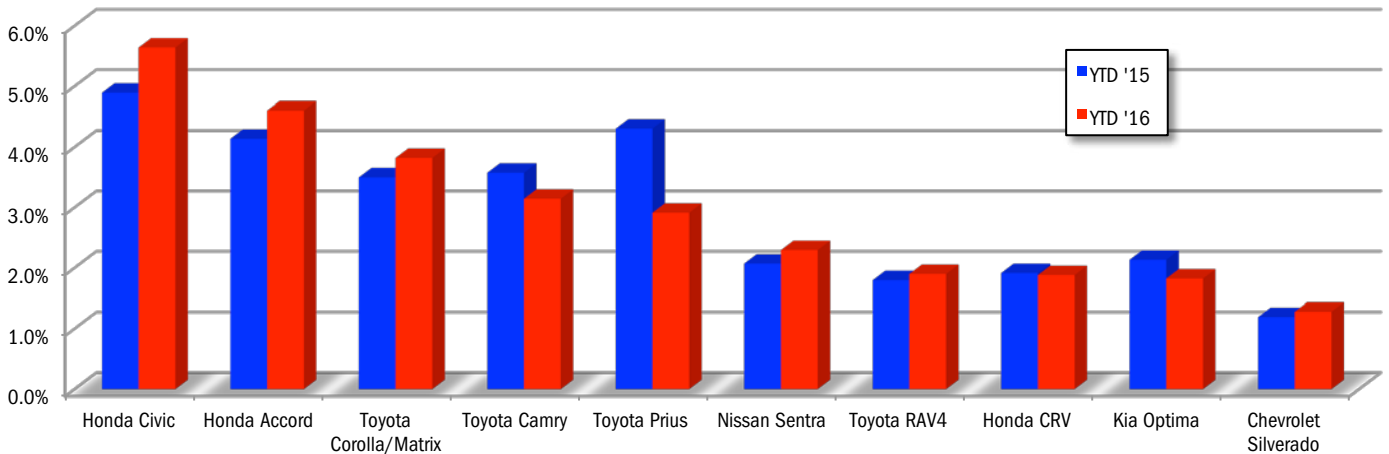


YTD 2016 thru July



Data Source: AutoCount data from Experian Automotive.

Market Share for Top 10 Selling Models in LA County - YTD '15 and '16, thru July



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WHO ARE MY TOP COMPETITORS?
-BY MARKET AREA?

WHAT NEW AND USED CARS SELL WELL IN MY MARKETS?

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