



If VW can't get a diesel fix cleared by regulators, repurchased cars would have to be scrapped.

Impact of VW deal depends on a diesel fix

Dealers count on repaired buybacks to refill stocks

Ryan Beene
rbeene@crain.com

WASHINGTON — Can Volkswagen's noncompliant diesels be fixed?

The answer to that question will largely determine the burdens that VW dealers will have to shoulder — or the bounty they will share — in coming years under the \$10 billion-plus buyback program and consent decree reached with regulators and other parties June 28.

Many other pivotal questions remain unresolved, too, including whether and when VW can resume selling diesels in the U.S. For now, dealers are looking to a series of regional meetings

planned for this week and next, where Volkswagen officials will explain how the buybacks and fixes will go down.

■ Volkswagen has yet to file with the EPA to resume diesel sales | PAGE 77 |

Top of mind for dealers like Shannon Harper, a VW dealer in Knoxville, Tenn., is whether they'll be able to use the factory-repurchased vehicles to restock their inventories.

Before the scandal, diesels accounted for around 30 percent of new-vehicle sales at Harper's dealership. Demand is still high but supplies are razor-thin amid a stop-sale for new and certified pre-owned diesels, plus the slowdown in diesel trades from customers who waited months for word on a buyback, he said.

"We could take as many as we could get our hands on right now," he said.

The terms of VW's consent decree with the U.S. Department of Justice require the company to perform regulator-approved emissions repairs before it can resell or export any of the affected 2.0-liter diesels it buys back. If VW's fix proposals aren't approved, or if VW fails to propose fixes, the cars must be scrapped.

The deal gives VW ample incentive to come up with a technical solution: Each car it fixes is one it won't have to scrap or even buy back. If enough customers opt for fixes, VW could theoretically

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CORRECTIONS

■ On Pages 23 and 52 of this issue, 40 Under 40 honoree Greg Lefave's name is spelled incorrectly.

■ A story on Page 6 of the July 4 issue mischaracterized the relationship between the next-generation Jeep Grand Cherokee and the upcoming Jeep Wagoneer and Grand Wagoneer. They will share a common platform. However, the Grand Cherokee is a separate vehicle from the others. The Grand Wagoneer will be an upscale trim of the Wagoneer.

HALFTIME REPORT

Halfway through another big sales year in the U.S., we do a little number-crunching.



Detroit 3 share swaps

GM lost share to both of its crosstown rivals in domestic brand sales.

	JAN.-JUNE 2016 SHARE	JAN.-JUNE 2015 SHARE
General Motors	16.6%	17.7%
Ford Motor Co.	15.6%	15.1%
Fiat Chrysler	13.1%	12.4%

Chevy-Toyota shootout

Ford is well-positioned to be the top-selling brand for the 7th year in a row, but Toyota and Chevy are going at it again for 2nd place.

	JAN.-JUNE 2016	CHANGE
Ford	1,291,873	+4.1%
Toyota	1,008,516	-3.7%
Chevrolet	1,006,890	-4.4%

Musical shares

The biggest market share gainers and losers among brands in the first half

Gainers	CHANGE IN PCT. POINTS
Jeep	+0.7
Nissan	+0.6
Ford	+0.4
Honda	+0.4
Ram	+0.3



Losers	CHANGE IN PCT. POINTS
Chevrolet	-0.7
Toyota	-0.6
Chrysler	-0.4
Volkswagen	-0.3



Benz is beating BMW

Mercedes has almost a 10,000-unit sales advantage over last year's luxury-brand winner, BMW.

	JAN.-JUNE 2016	CHANGE
Mercedes-Benz	162,777*	-1.3%
BMW	153,436	-9.0%
Lexus	151,564	-4.6%

*Does not include Sprinter/Metris van sales

Car-tastrophe

The trend toward light trucks, including crossovers, continues unabated.

	JAN.-JUNE 2016 SHARE	JAN.-JUNE 2015 SHARE	JAN.-JUNE 2014 SHARE
Trucks	59%	55%	52%
Cars	41%	45%	48%

Source: Automotive News Data Center

Streaks alive

Consecutive months of year-on-year sales gains by major brands through June

Audi	80	Jeep	33
Ram	59	Volvo	19
Subaru	55	Scion	10



Jeep keeps it up

Did Jeep finally cool off in the first half? Not really. A few highlights

■ 17% sales increase was tops among the industry's top 25 brands.

■ The industry's biggest market share gain in the first half (0.7%)

■ Accounted for 57% of the industrywide sales gain in the first half

■ Over 90,000 sales in 1 month for the first time (May)

■ Newcomer Renegade is No. 1 in hot new subcompact crossover segment.



A golden age for soccer moms?

Chrysler minivan lovers are partying like its 1999. But while the Chrysler Pacifica is new and selling well, the surge of the Dodge Grand Caravan and Chrysler Town & Country is due to FCA shutting down its minivan plant in Windsor, Ontario, for 100 days in spring 2015 to retool for the Pacifica.

	JAN.-JUNE 2016	CHANGE
Dodge Grand Caravan	71,523	+94%
Chrysler Town & Country	55,448	+42%
Chrysler Pacifica	10,189	—

King crossover

In the first half, nonluxury crossovers outsold compact and midsize cars combined.

	JAN.-JUNE 2016	CHANGE
Midsize cars	1,114,228	-8.0%
Compact cars	1,081,502	-7.3%
Crossovers (nonluxury)	2,212,816	+8.2%

RAV4's turn on top

Honda's CR-V has long been the top-selling compact crossover in the U.S., but with half of 2016 in the books, the Toyota RAV4 is in the lead.

	JAN.-JUNE 2016	CHANGE
Toyota RAV4	165,900	+16%
Honda CR-V	159,075	-2.4%
Ford Escape	155,378	+6.1%

Tesla probe is new area for NHTSA

Agency's 1st real-world look at autonomous technology

Ryan Beene
rbeene@crain.com

WASHINGTON — Tesla Motors, the trailblazing electric-car company, is leading the National Highway Traffic Safety Administration into uncharted territory as well.

The agency's investigation into the fatal crash of a Tesla Model S is its first opportunity to get a real-world reading on how automated-driving technology works in the field, and how drivers interact with it.

It also pushes NHTSA into the unfamiliar

■ **Opinion:** Keep drivers from beta testing autonomous vehicles | PAGE 12 |

role of evaluating the complex software behind Tesla's Autopilot system, as the agency tries to determine whether it's dealing with a malfunction, an engineering flaw or just the limits of technology's power to compensate for human error and inattention.

The Autopilot probe is "qualitatively different" from the evaluations and investigations NHTSA has done in the past, says Al-

lan Kam, a former NHTSA enforcement attorney for 25 years who was counsel to the agency's Office of Defects Investigation.

There's also little or no data from competitors about how automated driving systems such as Autopilot perform in the field, meaning investigators will be unable to compare Tesla data with industry norms, Kam said.

"Here you have a totally new technology, and you don't really have peers," he said. "It does mean that the traditional methodolo-

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Most-read story: A 5-point plan to make the most of VW's buybacks

by the numbers

4.1%

How much Mexico's auto production rose in June from a year earlier, according to the country's auto industry group, AMIA. In June, 319,122 cars and trucks were produced, up from 306,694 last year. Exports rose 1.8 percent to 247,005 vehicles. Exports to the U.S., which receives more than three-fourths of Mexico's car shipments, rose 7.5 percent to 185,635 vehicles.

From Reuters and Bloomberg

\$86 million

The amount Volkswagen will pay in penalties to California over its diesel emissions violations, on top of a settlement of about \$15 billion that the automaker reached with U.S. officials last week.



> Tesla executive leaves for Facebook

Tesla's product technology head Rich Heley has been hired by Facebook to work at its new Building 8 research lab. He is the sixth vice president to depart the electric-car maker this year. Heley, now 36, joined Tesla from Apple in November 2013.

NHTSA

Focus may be on how sensors react to hazards

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gies that NHTSA has used to evaluate a safety-related defect are not applicable here."

NHTSA chief Mark Rosekind and U.S. Transportation Secretary Anthony Foxx have lauded the potential of automated and autonomous vehicle systems to reduce the human factors that are behind 94 percent of vehicle crash fatalities, which topped 35,000 in the U.S. last year.

The agency has thus far resisted issuing rules for automated driving systems in part out of concern that they may squelch innovation and potential safety benefits. Instead, the agency has been crafting non-binding guidelines for the safe deployment of autonomous vehicles and systems. Those guidelines are due this month.

Against that backdrop, the probe will force NHTSA to confront the risks associated with the early deployment of automated driving systems and how drivers interact with them, in the absence of federal rules.

NHTSA's inquiry is likely to focus on the ability of Autopilot's cameras and sensors to detect and react to road hazards. Even if the system performed as it was designed to, experts say, the agency could find that it poses

an unreasonable safety risk as deployed.

Tesla rolled out its Autopilot system in October through software update, with key features still in the beta, or late testing, stage. The software helped activate the cameras, radar, ultrasonic sensors and GPS technology built into later models of the car, allowing it to largely steer itself, moderate its speed and change lanes automatically. But in a blog post at the time, Tesla warned: "The driver is still responsible for, and ultimately in control of, the car."

The extent to which drivers heed that warning is unclear. Missy Cummings, an engineering professor and human-factors expert at Duke University, says humans tend to show "automation bias," a trust that automated systems can handle all situations when they work 80 percent of the time.

The Model S crash that killed driver Joshua Brown, a former Navy SEAL and Tesla fan, was "not an isolated incident," Cummings said, citing examples of other reported crashes involving Tesla cars that had Autopilot functions activated.

That highlights the need for a more comprehensive testing and analysis program than what's currently available, she said.

"From a very clear engineering pragmatic standpoint, we know there is a technological flaw," if there is a blind spot, she said. "We know the cameras can't see everything they need to see, particularly at high speeds." **AN**

DODGE

'We think we've got the model down'

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Dodge is where Kuniskis' passions lay. Roadkill Nights events are one way to keep Dodge relevant and growing.

He says this year's Roadkill Nights in Pontiac will be an even bigger boost for Dodge because of improvements his team has made to the formula. For instance, this year's drag racing will take place on a closed-off section of historic Woodward Avenue, while the Viper and Hellcat thrill rides will occur on the new M1 course. Last year, both events were crammed into the parking lot of the former Pontiac Silverdome.

"Last year was [put together] very fast and we didn't have enough

time to really promote it," Kuniskis said. "This year, we've been through two, so we think we've got the model down."

The amateur drag racing at this year's Roadkill Nights is open to vehicles from all brands. Dodge will award \$19,000 in purse money to the quickest Dodge vehicles, and another \$1,900 in prizes will be available for non-Dodge vehicles.

As Dodge does with Roadkill Nights, celebrations of muscle-car culture are something dealers could do to help their own marketing efforts, Kuniskis said.

"We used to do premiere nights. When we would come out with a new car, we would put together packages for our dealers to bring in customers to see the new car in their showroom," Kuniskis said. "Dealers could do this themselves very easily, and our dealers are very successful at it." **AN**

SURVEY

Community outreach often goes unnoticed

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firevich isn't surprised most consumers are in the dark.

"People are not paying attention. That figure, in my eyes, could have been higher," he said. "They are concerned about the fairness of their deal. There's no question about it."

Appreciation

On the other hand, there are the people that do appreciate it, Alfievich said. "We get people once or twice a week that say because you sponsored my cancer walk, we want to shop for a Chevrolet at your dealership."

Gary Tucker, CEO of DealerRater, warned that there are some limitations to research when only a single question is asked. "Community activity can build goodwill over time that builds a positive brand awareness that then drives shopping behavior not captured by a single question like ours," he said.

The more important question is "Do your associates care?" said Adam Arens, owner of Patriot Subaru of Saco, Maine, and Patriot Subaru of North Attleboro, Mass.

"Are they more loyal and committed?" he said. "I think the answer is absolutely yes. If it's not, those sorts of people weed themselves out."

Arens started an associate-directed giving program last year. Employees nominate charities for dealership support, then managers review the nominees and decide how much to give based on the employee's involvement in the charity. The donation increases if, for example, the employee is on the charity's board.

The managers ask customers to route donation or sponsorship requests through their salesperson or service adviser.

At both stores, dealership-supported organizations can vary from Little League teams to religious institutions to fundraising walks. It all depends on the employee's involvement. Employees "know they have to have more than just the ask," Arens said.

'Not about recognition'

National Automobile Dealers Association spokesman Jared Allen said dealerships often give back to their communities, but "it's not about recognition, it's about doing what they can to make a positive difference in the lives of their neighbors, families, friends and employees."

Many dealers don't expect that their chari-

Your dealership does what?

Here is the percentage of dealership sales or service customers who agreed with each of the following responses to this question:

Which of these best describes your awareness of the community activism of the dealership where you had your most recent sales or service experience? (select one)

55.5% I am not aware of any community activity or involvement sponsored or supported by this dealer.

21.8% I have heard of this dealer being involved in the community but I can't pinpoint exactly how or where they provide support, but it did not influence my decision to use this dealer.

8.7% I am aware of this dealership supporting specific community activities that I can name (e.g., sponsor of Little League teams, charity events), but it did not influence my decision to use this dealer.

7.6% I am aware that this dealer supports community activities that are important to me (e.g., sponsor of Little League teams, charity events), but it did not influence my decision to use this dealer.

6.3% I chose this dealership in part because of their specific community involvement (e.g., sponsor of Little League teams, charity events).

Source: Survey conducted June 22-29 on DealerRater.com. After posting a review of their sales or service experience, 11,638 consumers responded to the question, which was provided by Automotive News.

table work will result in vehicle sales or a boost in service traffic.

"We cannot put a condition on a gift that somebody will buy a car from us," Walters said. "Do we hope they will? Yeah." But even if community outreach doesn't lead to more car sales, he said, "If it feels good, do it."

Arens agrees. "Does the community involvement open the funnel? I don't know, but it's OK if it doesn't," he said.

Based on the survey, community outreach might not open the funnel for more business, but Friendship's Ragan said learning that community involvement only influences 6 percent of customers means little to her. When Friendship gave bicycles to 100 children who needed them, "some laughed, some cried. I also cried," she said. "I get to see the gratitude on a daily basis here at Friendship." **AN**

LYFT

Ride-hailing users extend cars' service

continued from Page 4

whether those will be new or used vehicles. A Toyota spokesman declined to comment. Volkswagen in May announced a tie-up with European ride-hailing company Gett but hasn't detailed any lease plans.

Finding alternative uses for late-model used vehicles has become a bigger priority for automakers and rental operators amid an expected surge in inventory industrywide, which already has sapped projected resale values. Residual-values forecaster ALG predicts the supply of late-model used vehicles — five years old or less — will jump 46 percent by 2020 vs. last year, to 14.5 million.

GM North America President Alan Batey sees the company's Lyft partnership as a way to fill untapped vehicle demand while soaking up some excess inventory of cars rolling off rental lots.

Lyft's "biggest challenge is getting enough vehicles. So this is a win-win for us," Batey told *Automotive News* in May. "These are vehicles that would have typically gone into a resale environment. We're now able to put them into a Lyft environment and provide Lyft with more cars."

Part of the draw for automakers is that those vehicles can be kept in use longer than the typical rental term, which often lasts fewer than two years. Julia Steyn, head of GM's Maven mobility-services unit, told *Automotive News* last month that the used vehicles going into the Lyft fleet could do service for a few years.

Rental operators also see ride-hailing as a way to extend the life of their outgoing vehicles.

Hertz Global Holdings Inc. last month expanded a partnership to offer rentals to Lyft drivers. The arrangement helps Hertz manage the remarketing and residual values of its fleet, CEO John Tague said during an investor presentation last month.

Tague said an earlier pilot program offered so-called second-life vehicles — those that Hertz would have sold because they no longer met its standards — available to Lyft customers for weekly or monthly use.

"Ride-sharing drivers don't need new cars. They need lower costs, good car condition, but they don't need low miles," Tague said. "These cars will probably have another two or three years of life with high-mileage usage." **AN**