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OCTOBER 2020



eNEWS

A MESSAGE FROM THE PRESIDENT

The board members of GLANCD A hope all our dealer members are navigating these challenging times with success. The work of the association for much of this year has been focused on helping keep all Los Angeles County dealerships open and operating, under the various protocols in place to remain safe. Dealers are seeing sales and service business climb back from the low levels earlier in the year. We wish you all continued success.

We hope you enjoy this edition of the GLANCD A digital newsletter. Keep an eye open for information the association is sending out, and we continue to look forward to the day we can gather together in person!

Best,

David Ellis
GLANCD A President



NEWSOM ORDERS 2035 PHASEOUT OF GAS-POWERED VEHICLES, CALLS FOR FRACKING BAN

By Phil Willon, Tony Barboza, LA Times

Emphasizing that California must stay at the forefront of the fight against climate change, Gov. Gavin Newsom on Wednesday issued an executive order to restrict new car sales in the state to only zero-emission vehicles by 2035 and threw his support behind a ban on the controversial use of hydraulic fracturing by oil companies.

Under Newsom's order, the California Air Resources Board would implement the phase-out of new gas-powered cars and light trucks



"He is the governor of the state at the very center of the climate emergency right now, and he has the political environment here that allows him to think big. If he won't take strong action that we so desperately need, who will?"

Siegel's organization this week threatened to sue Newsom unless he halted all new permits for gas and oil wells in the state, saying the

and also require medium and heavy-duty trucks to be zero-emission by 2045 where possible. California would be the first state in the nation to mandate 100% zero-emission vehicles, though 15 countries already have committed to phasing out gas-powered cars.

Newsom did not take executive action to ban the controversial oil extraction method known as fracking but called on the state Legislature to do so, setting up what could be a contentious political fight when lawmakers reconvene in Sacramento next year.

Taken together, the two climate change efforts would accelerate the state's already aggressive efforts to curtail carbon emissions and petroleum hazards and promise to exacerbate tensions with a Trump administration intent on bridling California's liberal environmental agenda.

"This is the most impactful step our state can take to fight climate change," Newsom said in a statement released Wednesday morning. "Our cars shouldn't make wildfires worse — and create more days filled with smoky air. Cars shouldn't melt glaciers or raise sea levels threatening our cherished beaches and coastlines."

Newsom said that California's action will help spur greater innovation for zero-emission vehicles and, by creating a huge market, will drive down the cost of those cars and trucks.

More than 1.63 million new cars and trucks are expected to be sold in the state in 2020, according to the California New Car Dealers Assn. Climate scientists and advocates say the world must stop production of gas- and diesel-powered vehicles by 2035 or earlier in order to keep global warming to tolerable levels. California and other governments across the world are seeking to achieve carbon neutrality by 2045, and it will take years for vehicles to turn over and be replaced by zero-emission models.

Newsom sharply criticized the Trump administration this month for ignoring the reality of climate change, saying that California's deadly wildfires, some of the largest in state history, were grim reminders of what lies ahead for the nation if political leaders in Washington don't take action. Rising temperatures have decimated forests across the West Coast, leaving behind swaths of dead trees to fuel catastrophic wildfires.

"This is a climate damn emergency," Newsom said during a tour of the charred landscape around the Northern California town of Oroville. "This is real and it's happening."

While meeting with Newsom in Sacramento last week, Trump expressed skepticism about the scientific evidence of climate change saying: "It'll start getting cooler. You just watch."

The state has sued the Trump administration to block efforts by the U.S. Environmental

governor has failed to protect the health of vulnerable Californians from pollutants released by the state's petroleum industry.

Since taking office, Newsom has faced pressure from politically influential environmental groups to ban new oil and gas drilling and completely phase out fossil fuel extraction in California, one of the nation's top petroleum-producing states.

But the Democratic governor has pushed back, promising to take a more measured approach that addressed the effects on oil workers and California cities and counties that are economically dependent on the petroleum industry.

California has 1,175 active offshore wells and 60,643 active onshore wells. In 2019, the state produced just under 159 million barrels of oil, CalGEM records show. The state's annual crude oil production has been consistently declining since 1985.

California oil industry representatives have argued that phasing out oil production in the state, which has some of the strictest environmental regulations in the world, would force more oil to be imported by train and tanker ship from countries that do not have the same environmental safeguards. According to the Western States Petroleum Assn., there are more than 26 million vehicles with internal-combustion engines in California.

Cars, trucks and other vehicles are the largest emitters of greenhouse gases in California, accounting for about 40% of the statewide total, and their emissions have been stubbornly creeping upward in recent years. Driving down transportation pollution remains the state's biggest challenge in achieving its goal of slashing planet-warming emissions 40% below 1990 levels by 2030.

Under current regulations, California's Air Resources Board requires automakers to sell electric, fuel cell and other zero-emission vehicles in increasing percentages through 2025.

Electric and plug-in hybrid vehicles accounted for 7.6% new car registrations California in 2019.

In 2018, under then-Gov. Jerry Brown, the state set a goal to put 5 million zero-emission cars on the road by 2025. There were 670,000 zero-emission vehicles sold in California through the end of 2019, according to auto industry sales data.

In June, the Air Resources Board adopted the nation's first sales mandate requiring heavy-duty truck manufacturers to sell increasing percentages of electric or fuel cell models until all new trucks sold in California are zero-emission by 2045.

But efforts to completely phase out gas-powered cars have not gained traction. Three years ago, Brown directed the state's chief air quality

Protection Agency to rescind a special federal waiver that permits California to set its own strict pollution controls to improve air quality, the foundation of the state's aggressive efforts to combat climate change.

While pleased about Newsom's action on zero-emission vehicles, environmental activists remain skeptical about his actions on fracking. In November, Newsom imposed a temporary moratorium on new hydraulic fracking permits, saying he wanted them to undergo independent scientific review. Since April, however, his administration has issued close to "Newsom is really good at making announcements that sound big but they actually aren't. We can't let the fact that he's acting on cars eclipse the fact that he's still protecting the oil industry," said Kassie Siegel, director of the Climate Law Institute at the Center for Biological Diversity.

regulator, Mary Nichols, to look into stepping up the state's timetable. But so far, her agency has only floated the idea of banning gas-powered vehicles in congested areas of the state. And legislation lawmakers introduced in 2018 to require all cars registered in the state be zero-emission by 2040 didn't move forward.

Some local governments have set their own zero-emission vehicle targets, which they are unlikely to achieve without the backing of tougher regulations. A "Green New Deal" plan by

Los Angeles Mayor Eric Garcetti, for example, aims to increase the percentage of zero-emission vehicles to 25% by 2025, 80% by 2035 and 100% by 2050.

GLANCD A GIVES \$5,000 TO AUTO TECH PROGRAM AT ELAC

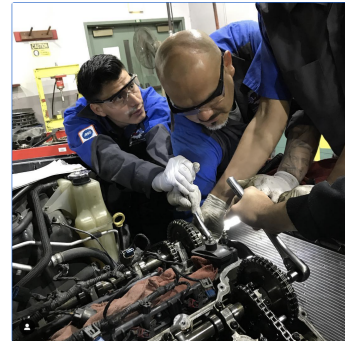
Thank you, Bob Smith, and the Greater Los Angeles New Car Dealership Association (GLANCD A) for your kind and generous donation to East Los Angeles College (ELAC) Automotive Technology Program. The monies donated will be used in the following way:

The East Los Angeles College Auto Tech Dept. will be using the monies to pay for students ASE (Automotive Service Excellence) Certifications and purchasing small tool sets to give away to students that earn an Auto Tech Certificate of Completion.

Thank you again GLANCD A for supporting our students and the East Los Angeles Community.

Your support is much appreciated and will be used to improve our students lives.

Kind Regards,
Adrian Banuelos
Auto Tech Dept. Chair | East Los Angeles College



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2020 HAS BEEN AN UNPRECEDENTED YEAR. IN MARCH (STATE PARTS WERE FORCED TO SUSPEND OR REDUCE ORDER BOOKS AND SINCE THEN HAVE HAD TO COME UP WITH EVER CHANGING OPERATIONAL REQUIREMENTS TO MAKE MATTERS EVEN MORE COMPLICATED. THE LEGISLATURE HAS PASSED MANY NEW LAWS THAT DEMAND YOUR ATTENTION.

THIS YEAR WE WILL BRING A TWO PART 20-MINUTE WEBINAR SERIES INCLUDING LIVE Q&A'S ON WEDNESDAY. THE FIRST PART WILL COVER TOPICS SUCH AS THE GOVERNOR'S EXECUTIVE ORDERS ON STATE OPERATIONS, CONSUMER PROTECTION AND RESALE TAXES. THE SECOND PART WILL COVER EMPLOYMENT AND RELATED HEALTH REQUIREMENTS.

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AUTO DEALERS FACE A REVOLUTION IN THEIR BUSINESS AS EVs ARE POISED TO GAIN MARKET SHARE

By Michael Hiltzik, LA Times



A Chevrolet Bolt, the company's electric vehicle, is fitted with a battery at a GM assembly plant in Michigan. Automakers are preparing for a sea change in consumer acceptance of EVs. (Duane Burseson / Associated Press)

It was Friday morning, and eight members of the sales staff at Felix Chevrolet were gathered around the table for a weekly seminar led by Darryl Holter, the boss of the venerable downtown Los Angeles dealership.

This may be one of the more unusual educational efforts in Southern California. The students get weekly reading assignments, on which they're quizzed, just as in regular schools. But the topic is unusual: how to sell customers on electric cars.

The maintenance costs of EVs are as much as one-third lower than those of conventional cars, however, because they have fewer moving parts or mechanical systems that are expensive to fix or replace, such as transmissions. (The largest potential cost, which is replacing the battery, doesn't factor in until relatively late in an EV's life; the warranty on the Bolt's battery covers eight years or 100,000 miles.)

"One of the problems with the business model," Drake told me, "is that if you take away

The working-class Latinos who make up Felix's core market haven't been early adopters of novel products such as EVs. The obstacles include the perception that EVs are more expensive than conventional cars — that's true, before government and retailer incentives are counted.

They're also skimpier on range. While a gasoline car can run 350 miles or more on a single fill-up, EVs generally run about 200 to 250 miles before needing a charge, and charging stations are harder to find than gas stations, especially in working-class neighborhoods.

The point is to emphasize the less understood advantages of EVs. "We point out that maintenance is very low," says Janet Lopez, one of the sales staff attending Holter's seminars. "There are no oil changes — when you bring the car in you just have to rotate the tires and check the battery."

Holter is convinced that the EV wave is coming. So he tapped this group of salespersons to give them the tools to meet a growing demand. I want them to know what distinguishes an electric car, I want them to talk about the rebates and other programs so they can line up the price points closer to that of a gasoline car. I want to be able to put the customer at ease.

By many accounts, it has taken the American auto dealer community too long to understand the challenges that may be holding buyers back. Except perhaps for Tesla, consumer awareness of EVs has remained low. The Sierra Club issued a disillusioned report in 2016, after it sent 174 volunteers into auto showrooms in California and nine other states with zero-emission vehicle sales mandates.

The volunteers reported that EVs were often hard to find on showroom floors and that vehicles designated for test drives were often left without adequate charges.

Sales staff often failed to explain the government subsidies that could bring down the vehicles' prices by as much as one-third and weren't well-versed in the features of the cars or how to operate them. There are few signs that things have improved much since then.

The reluctance of auto dealers to stock and sell EVs has been an article of faith for years. Auto manufacturers tend to blame EVs' small share of the overall market on consumers, who they say gravitate toward bigger, heavier cars and SUVs and shun smaller, nimbler EVs.

Dealers say they're willing to sell whatever consumers want to buy. But they also say that consumer preferences reflect dynamic factors in the marketplace, including the price of gasoline, and that the auto industry hasn't been especially skilled at anticipating those factors.

the service, the cost of the car is going to have to go up just because the warranty charges subsidize the front end. Guys are going to have to make more selling an EV because they're going to make less fixing it."

Drake, who describes himself as "way more progressive than most dealers on EVs" and autonomous vehicles, expects the physical footprint of auto dealerships to shrink as they cut back their service departments. That could be a source of revenue for those that own their locations. "A lot of this really expensive real estate will be repurposed somehow."

Dealers such as Drake and Holter — a member of a dealer advisory council on EVs for General Motors — believe that one thing holding back EV sales is a lack of inventory. "Every month we've sold every Bolt we have and asked for more," Holter says.

Many prospective Bolt buyers are well-versed in the car's features by the time they walk in the door, but they typically represent the core market for EVs — they're relatively affluent and educated, and have access to charging because they live in single-family housing.

Expanding the market means reaching out to a new customer base for EVs. Addressing those challenges is Holter's goal in bringing his staff together for the weekly seminars.

"The idea is to make them confident to answer questions people have," Holter says. "The more they can do that, the more we can break into the large market of people who haven't bought EVs."

A knowledgeable sales force is key because EV buying and ownership involve complexities that don't exist with conventional cars. EV owners need to think about time-of-use rates from the electrical utilities, allowing them to charge their vehicles during lower-priced off-peak hours.

There's a dizzying variety of rebates. The standard California state subsidy is \$2,000 on a Bolt, but \$4,500 for families with income less than 300% of the federal poverty line, or \$78,600 for a family of four.

The federal tax credit of up to \$7,500 has phased out for GM cars such as the Bolt because the company sold more than 200,000 EVs, but other subsidies and rebates are available from General Motors, utilities and retailers such as Costco; Dwayne Chew, one of Holter's sales staff, says that he has managed to cobble together breaks worth as much as \$12,000 for customers.

Then there's driving technique, a consideration irrelevant to owners of gasoline-powered cars. The Bolt has a feature known as regenerative braking, which reduces wear and tear on the friction brakes while generating electricity to

"When gas prices went up, everyone wanted compacts," Holter recalls. "Then when they stopped going up anymore, we were stuck with all this inventory."

Dealers may also be wary of EVs because they know that the advanced vehicles are destined to upend their traditional business model.

"Very few dealers make money selling new cars," says Howard Drake, the owner of Casa Automotive Group — which includes Casa de Cadillac and Subaru, GMC and Buick dealerships, all in Sherman Oaks. "You make all your margin fixing cars" — that is, through repair and warranty service.

charge the battery. The feature works best in stop-and-go traffic.

Chew, who drives a Bolt to Felix from his home in Carson, says that by taking surface streets he can reduce the need to recharge his car to as seldom as once a week. "I tell my customers, 'You need to drive the car a lot smarter.'"

Sell smarter too. Even within big automakers such as General Motors, executives are becoming convinced that a wave of EV ownership is coming, and the industry is standing on the edge of the water. Dealers are coming around to the idea that the time has come to get their feet wet.

LA AUTO OUTLOOK

[Data Source: AutoCount data from Experian]

Los Angeles Auto Outlook is distributed free of charge to all members of Los Angeles New Car Dealers Association. The publication is sponsored and supported by GLANCD A.

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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.

Who we are... We are factory-franchised dealers who are committed to serving the communities of Greater Los Angeles County by promoting professionalism within the retail automotive industry. The Association dealer members contribute not only to the economy of Los Angeles County, but also to the well-being and growth of their individual communities.

Who our members are... Our Members are individuals, partnerships, or corporations owning and operating a franchised motor vehicle dealership engaged in the sales of automobiles or trucks and licensed by the State of California and located within the Los Angeles County area.

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