

SAN DIEGO dealer

FALL 2022

2022-2023 NCDA Chairman Ron Fornaca:

A Customer Service
Heritage



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CHAIRMAN'S LETTER Ron Fornaca

As your incoming Chairman of the New Car Dealers Association Board of Directors, I am honored and excited to serve the San Diego County new car dealer community over the next year in this new role. Having been on Board of Directors for several years now, I've seen firsthand just how valuable our Association is and how much work is done on behalf of dealers.

New car dealers are entering an era that likely will involve unprecedented changes to the way we interact with our customers and vendors. We continue to face ongoing challenges related to the franchise system, regulatory compliance, government relations, and human resources, just to name a few. We operate complex businesses, and the New Car Dealers Association continues to position itself at the forefront of the issues and challenges confronting us today and into the future.

I want to thank everyone who attended this year's Golf Tournament and Annual Meeting/Luncheon. I hope all of you who participated enjoyed your time interacting with your fellow NCDA members at the Maderas Golf Club, the first new venue for this event in more than 25 years!

I am very excited to welcome back our San Diego International Auto Show, which, after a two-year hiatus will return on December 30 through January 2. The auto show truly is our best opportunity of the year to engage with the car-buying public as they explore the many makes and models available in the market and make short and long-term purchase decisions. The show will

New car dealers are entering an era that likely will involve unprecedented changes to the way we interact with our customers and vendors.

only increase in importance to dealers as we move toward an all-electric future, and I urge all of you to support it in whatever capacity possible.

I also encourage you to take full advantage of the incredible benefits offered by the New Car Dealers Association. And please don't hesitate to reach out to your board members and the Association staff with any issues or questions you might have.

I look forward to representing our Association both internally and externally and collaborating with the rest of the Board and Association staff to ensure that we run our businesses effectively and efficiently.

Sincerely,
Ron Fornaca

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-Craig Whetter, President, David Wilson Automotive Group (relationship since 1983)



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2022-2023 NCDA Chairman Ron Fornaca: A Customer Service Heritage



“My Dad, Frank, used to always say, ‘There’re three things you do: you take care of your community, you take care of your customers, and you take care of your employees. If you can do those three things, you’ll be very successful.’” said Ron Fornaca, President-Dealer Principal of Frank Subaru and Frank Hyundai.

The Fornaca family knows the secret to success. They’ve been running thriving businesses in the San Diego area for over a hundred years. The family’s success can be traced back to what Ron’s father called the three pillars of success. “His driving force defines us all,” said Ron.

Ron entered the car business when he was 12 years old. It was the first day of summer, and his dad walked into the boy’s room and said, “Get up! You’re coming to work with me at the dealership this summer.” That was Ron’s first day in the industry. He spent the summer as a lot porter who washed cars when necessary. Later, when he was 18, Ron worked in the parts and sales departments.

However, Frank got into the automotive industry in 1965. During that time, he and his brother, Felice, were running the bakery business their father (Ron’s grandfather), Mario Fornaca, started in 1912. Ron’s mom, Mary, was in the market for a new car and was considering getting a Lincoln. While shopping at the local dealer, they had a terrible experience. And Frank realized he could do it better and treat people better, so he purchased the dealership. That is how Ron’s family got into the business.

Ron Fornaca graduated from the University of San Diego High School. He studied business in Los Angeles at Loyola Marymount University and graduated with a Bachelor’s of Science degree in 1984. He worked at the family bakery until 1996, then returned to Frank Motors Group.

“Taking care of our customers, working with family and building on my father’s legacy is the most rewarding part of my career,” said Ron. “By taking care of customers, we build our dealerships, we continually grow and have the ability to give back to our community. It’s really nice to see happy customers and happy employees. Currently, over 12% of our employee base has been with us for over 20 years. Additionally, we work with many different community partners giving something back throughout the year. Doing all this with family you love is very rewarding.”

There was a moment when running the business with his father’s legacy in mind became his driving force. When he made decisions, he sometimes sat back and asked, “What would dad do?” Frank’s driving force defines Ron and his employees.





During Ron's time at Frank Subaru, the dealership has gone from a small one with a 400-name database to one with more than 5,000 names. There are 40 state-of-the-art service bays, two customer lounges, a dog park and other amenities for customers. The employees are excellent at what they do, and there is a strong emphasis on excellent service. Frank Subaru also has top customer ratings on Yelp and Google; plus both Frank Subaru and Frank Hyundai are J.D. Power Dealer of Excellence award winners.

Where cars and trucks are concerned, Ron has simple tastes. He put 316,000 miles on a 2004 Toyota Tundra truck, and when his family told him he had to replace it and get something that wasn't likely to break down on the side of the road, he replaced it with a 2018 Toyota Tundra. Although he did drive a six-speed Porsche 911 that came into the dealership on trade in 2011, he didn't drive it very long: it didn't have cupholders for his morning coffee.

Ron appreciates NADA San Diego because it helps him keep up with ever-changing laws and trends. The association provides seminars and information so dealers can do business effectively. He acknowledges that the dealership business can be difficult and discouraging, but having current information, avoiding discouragement and being persistent make a difference. He recommends looking for small wins instead of a home run and always treating everyone with respect and dignity.

In October 2018, Ron received national recognition when he was nominated for the 2019 Time Dealer of the Year award. The award, sponsored by Time magazine and Ally Financial, held its award ceremony in January 2019. And while Ron didn't win the top prize that year, being recognized by Time, Ally, and his peers was a proud achievement. He explained then: "When you have good people, which we do, I am able to work 'on the business' rather than 'in the business.' Working on the business allows you to step back and see where you are going and where you need to go. When you work in the business, you are tied up with day-to-day time-consuming activities, and it allows no time for creativity and planning. A great day is when customers are being taken care of, employees are smiling, and you realize that this is what you planned for."

Service is still the foundation of Frank Motor Group's success more than a century after Mario opened a French bakery. The Fornaca family has always understood the importance of customer service in any business, and everyone at the dealership knows that customer service is behind the company's success.

Ron values his time with his wife, Cathy, and their family. They have three children: Elise, Nick and Matt. Ron and Cathy like to watch Padres and Gulls games, go to Palm Desert (a family tradition Ron's father Frank started) and spend time together. 



Rising Inflation Will Lead to California Minimum Wage Hike in 2023:

Five Key Takeaways for Employers

By Fisher Phillips

Insights

California leads the nation in the call for higher minimum wages, emanating from the agricultural fields and reaching nearly every industry. Raising wages has been a major focus in the California Legislature – and federal and state courts – and employers in the state will likely see a higher wage hike than expected next year.

The minimum wage was supposed to reach \$15 an hour for all employers in the Golden State by Jan. 1, 2023, but Governor Gavin Newsom recently projected the rate would rise to \$15.50 due to record-high inflation. Combined with labor shortages and supply chain disruptions, the costs associated with a higher minimum wage will undeniably impact businesses in 2023. Increased wages mean higher employer-side payroll tax obligations and related costs and will further strain businesses already reeling from the impact of the COVID-19 pandemic and the current economic environment.

Given these critical developments, what are the five biggest takeaways for California employers?

1. Small Businesses Face Substantial Increase

California's current minimum wage law, passed in 2016, aimed to raise the minimum wage in phases until it reached \$15 per hour for all employers in 2023. The law specifies that if inflation increases by more than 7% between fiscal years 2021 and 2022 (which ends on June 30), then the state's minimum wage shall increase by 3.5%. The California Department of Finance projected that inflation will exceed 7.6% during this time, thereby triggering the increase in minimum wage effective Jan. 1, 2023.

If the inflation rate exceeds the 7% threshold as expected, the \$15.50 minimum wage will apply to all California workers. Although this may be a welcome change for an estimated three million workers in California currently paid minimum wage, it will also directly impact the labor costs for businesses across the state regardless of employer size and likely hurt small employers the most.

Currently, the state's minimum wage law is divided into tiers depending on the size of the employer. Effective Jan. 1, 2022, employers with 25 or fewer employees must pay \$14 minimum

wage, whereas employers with 26 or more employees must pay \$15 minimum wage. However, the 2023 minimum wage increase will apply to all employers in the state, without a distinction between small and large employers as defined previously.

Therefore, small employers (25 or fewer employees) must increase minimum wages by \$1.50 per hour starting in 2023, compared to employers with 26 or more employees, which will face only a \$0.50 per hour increase to their current minimum wage requirement. So, the relative impact of this increase will be most significant for small employers.

2. Local Minimum Wage Ordinances Will Also Increase

The prevailing inflationary trends have also resulted in higher local minimum wages for residents in certain geographical areas. On July 1, multiple local minimum wage hikes were enacted across California. Many local jurisdictions throughout the state have their own minimum wage requirements that are higher than the state's minimum wage. Notably, these local minimum wage rates do not impact most exempt employees' minimum salary and pay requirements. However, they generally apply to any non-exempt employee working within the geographic boundaries of the local jurisdiction, regardless of the location of a company's offices or headquarters. Employers should stay updated on local minimum wage ordinances and state minimum wage rates to ensure compliance with all applicable minimum wage requirements.

3. California Employers May See Additional Minimum Wage Hikes

Worker advocates across California seek to increase the state's minimum wage to \$18 per hour. Proponents of the Living Wage Act of 2022 have gathered more than a million signatures in an effort to put a measure on the ballot in November 2022 that would allow voters to decide whether or not to make the change. This measure would increase the state's minimum wage by \$1.00 each year starting in 2023 and would follow the same tiered approach as the state's current minimum wage law. Under this measure, employers with 26 or more employees would be required to pay the \$18 minimum wage by 2025, and employers with 25 or fewer employees would be required to pay the \$18 minimum wage by 2026.

We're still waiting to find out if the Living Wage Act has collected enough certified signatures to appear on the November ballot.

4. Federal Minimum Wage is Unlikely to Rise Anytime Soon

California is not the only state facing pressure to increase the minimum wage. Twenty-one states rolled out wage hikes on January 1 this year, and 11 states are scheduled to increase their minimum wage rates in 2023 (Alaska, Arizona, Colorado, Hawaii, Maine, Minnesota, Montana, Ohio, South Dakota, Vermont, and Washington). Additionally, many local jurisdictions across the country are implementing their own wage rules.

Notably, 20 states currently follow the federal minimum wage, which was last updated in 2009 and remains at \$7.25 per hour (approximately \$15,000 annually for a full-time employee). Although President Biden has pushed for a \$15 federal minimum wage, there does not appear to be a congressional consensus to increase the federal rate in the near future.

You should expect more efforts from worker advocacy groups to increase the minimum wage on a national scale. Among other developments, the IRS recognized the impact of inflation on consumers and recently increased the optional standard mileage rate for business travel to 62.5 cents per mile starting July 1. The IRS also announced inflation-adjusted increases for 2023 health care savings accounts and high-deductible healthcare plans.

5. Minimum Wage Increases Have Additional Pay Implications

A minimum wage hike in California affects other key wage thresholds, including the following:

- **Overtime and double-time rates.** As employers face labor shortages, many employees work longer hours and more overtime to bridge the gap. Many employers also offer recruitment and retention bonuses to attract and retain employees in light of the competitive job market. With the increase in minimum wage, employers should also prepare for proportional increases to overtime and double-time pay rates. In 2023, the minimum rate for overtime would be \$23.25 per hour and \$31 per hour for double-time (based on a \$15.50 minimum wage). Additionally, nondiscretionary bonuses and other incentive compensation paid to employees must be factored into employees' regular rates of pay for overtime purposes, further increasing the costs for employee overtime and double-time hours. Therefore, you should review your practices to pay rates correctly.
- **Minimum salary requirement for "white-collar" exemptions.** Employees exempt from overtime and meal and rest period requirements under the professional, administrative, or executive exemptions must be paid at least two times the state minimum wage to qualify for the exemption. The \$15.50 minimum wage increase means that the minimum salary for white-collar overtime exemptions in California will increase to \$64,480 annually or \$1,240 weekly ($\$15.50 \times 2 \times 40$ hours).
- **Minimum hourly earnings for exempt commission salespeople.** Certain salespeople who primarily receive commissions will be exempt from overtime under the commissioned salesperson exemption (applicable only to Wage Orders 4 and 7) if they earn more than 1.5 times the state minimum wage. The minimum wage increase means that starting in 2023, these employees will need

Continued on page 10

With minimum-wage increases on the horizon, employers should forecast these changes in their fiscal planning and determine the potential impact on business operations to plan and prepare for these changes in the near future.

cover higher labor expenses. The increase in the minimum wage may also pressure employers to increase wage rates across the organization, not just those who will benefit from the minimum wage increase. This may be especially true for employees already being paid in the \$20 to \$25 range, who may expect or demand a pay raise in light of the increase to the minimum wage for less skilled or experienced workers.

Consider auditing your pay practices and reviewing employee compensation plans to ensure compliance with current wage and hour requirements and prepare for any updates needed to your policies and practices well in advance of Jan. 1, 2023, the effective date (or July 1, 2022, in some localities) for minimum wage increases. With wages continuing to rise, the potential exposure and liability for non-compliant employment practices will also rise. Employers dealing with lawsuits or complaints about their pay practices should seek creative solutions. 

Fisher Phillips is here to help employers navigate these tumultuous times. Because of the far-reaching implications of a minimum-wage increase, now is the time to act, as 2022 continues to be a challenging year for businesses and employers. Make sure you are subscribed to Fisher Phillips' Insight System to get the most up-to-date information. Please reach out to your Fisher Phillips attorney, the authors of this Insight, or any attorney in our California offices with any questions or to discuss any of the topics addressed above.

Continued from page 9

to earn more than \$23.25 per hour and satisfy all other requirements to qualify for the exemption.

- **Increase in tool-pay.** Employees required to supply and maintain their personal hand tools to perform their job must be paid California's "tool wage," equivalent to double the state minimum wage, or \$31 per hour, starting in 2023.
- **Non-sales activity and rest-period pay.** Employees paid commissions or on a piece-rate basis will also need to be paid at least the increased minimum wage rate for non-sales activity and rest period time. Employers may need to review employee compensation plans to determine whether the pay plans need to be updated or revised to be consistent with the increased minimum wage rate.
- **Split-shift premiums.** The minimum wage section of the Wage Orders provides that employees who work split shifts are entitled to an extra hour of pay at the minimum wage (although employees paid higher than the minimum wage may receive credits toward the one-hour premium).
- **Meal and lodging credits.** The Wage Orders provide certain minimum-wage meal and lodging credits that will change when the minimum wage increases.

How Should Employers Prepare for Minimum Wage Increases?

With minimum-wage increases on the horizon, employers should forecast these changes in their fiscal planning and determine the potential impact on business operations to plan and prepare for these changes in the near future. Among other steps, many employers will likely increase consumer prices to



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New Board Members: Jenifer Ball & Matt Crandall



Matt Crandall, General Manager, Audi of Escondido

Matt is originally from Sacramento, CA, and moved to San Diego 28 years ago. A graduate of the NADA Academy in 2009, Matt's dealership career has included various roles over his 21 years with the Penske Automotive Group and 23 years representing the Audi brand.

Matt is married with one daughter and one son, and he enjoys skiing, golf, projects around the house, spending time with family, and working on a 1968 Mustang. 



Jenifer Ball, Ball Automotive Group – Acura, Honda and KIA, Managing Partner

Jenifer Ball is a native San Diegan and third-generation dealer. She has been in the automotive business for over 20 years and began her career working in the business office, filing documents. Jenifer is a graduate of both the University of San Diego and NADA's Dealer Academy.

She is married with one son and a dog, and she enjoys water sports, snow skiing, and spending time with family. 



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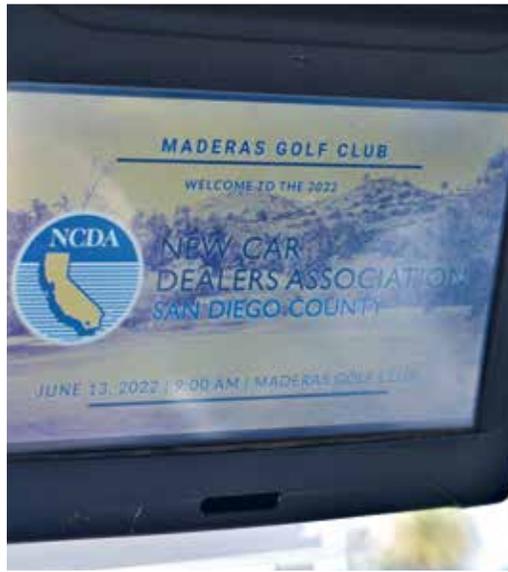
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Is My Gas Can Safe?

By Celly Services, Inc.

What Happened

In the parking lot of a dealership in southern California, an individual was rinsing cars with DI water using pressure washer equipment located on the back of a pickup truck. The pressure washer had a gasoline-powered motor. During the course of rinsing, the gasoline level went low. The operator got a can full of gasoline and started pouring gasoline into the gasoline tank on the pressure washer while the motor was running. A fireball and explosion resulted. The gasoline spilled on the plastic bed of the pickup truck, and the flames quickly melted the plastic. Surprisingly, the operator suffered minimal injuries, and there were no damages beyond the pressure washer equipment and bed of the pickup truck. The General Manager noted that years of safety training and preparedness paid off. Employees trained by CSI responded quickly with fire extinguishers and put out the fire. The fire could have seriously harmed the operator and expanded beyond the truck. Safety training in both handling and storage of flammable materials and emergency response is paramount to avoid such types of accidents.

Gas Can

The maintenance and operation of gasoline tanks, both aboveground and underground, has become expensive, highly regulated, and burdensome. Automobile dealers have resorted to gas dolly equipment where a small amount of gasoline can be added to each new automobile delivered to the dealership. We note that automobiles delivered to dealerships from manufacturers have very small amounts of gasoline; this being a result of U.S. Department of Transportation (DOT) regulations, which dictate that minimal amounts of gasoline be retained in gas tanks of vehicles in transport. This memo briefly discusses the

DOT, OSHA, and CARB regulations applicable to the gas can used to transport from a public gasoline station to dealerships to later fill in automobiles on the lot.

Federal DOT Regulations

Gasoline transport is discussed in Section 173.6 of the DOT regulations under "material of transport exceptions." The least burdensome regulations require that a container being used to transport gasoline must be less than eight gallons per container and a maximum of 72 total gallons (440 pounds) on the vehicle. At this level, only a regular driver's license is needed, and no placarding is required for the vehicle. Driver training must include Hazard Communication Program (29 CFR 1910.1200) and DOT Materials of Trade training. Transport of gasoline in the amount greater than listed above increases the regulatory burden. (<https://www.nwgc.gov/sites/default/files/publications/pms442.pdf> and <http://www.gpo.gov/fdsys/pkg/CFR-2011-title49-vol2/pdf/CFR-2011-title49-vol2-sec173-6.pdf>)

Safety

Safety concerns for gasoline containers are as follows:

- Properly labeled container with hazard warnings. Wear eye protection and nitrile gloves.
- The containers must be secured in the vehicle.
- Containers UL certified.
- Containers must be closed to minimize the risk of spills and creating a fire hazard.

Automobile dealers have resorted to gas dolly equipment where a small amount of gasoline can be added to each new automobile delivered to the dealership.



- Spill-proof spouts also lock in vapors to avoid vapor release while in storage. Do not overfill gas tanks on automobiles.
- Store on a flat surface and transfer in areas with good ventilation or open areas.
- 29 CFR § 1926.152(a)(1) states that “Only approved containers and portable tanks shall be used for storage and handling of flammable liquids. Approved safety cans or DOT-approved containers shall be used for the handling and use of flammable liquids in quantities of five gallons or less.”
- Bonding of containers to eliminate static electricity both at the time of filling up the containers and when transferring from container to container should be undertaken. Keep containers on the ground when filling and not on the bed of the truck. Use grounding wire when necessary. Keep nozzle in contact with can during filling. Do not fill containers over 95% to allow for expansion. Spilled gasoline must evaporate before containers are put on the truck.
- Transport vehicle must have a spill kit available to contain an accidental spill. Operator must be trained on containing, cleaning, and managing an accidental spill.
- Ignition sources such as open flames, torches, running motors, electrical tools & equipment, etc. must be at least 20 feet (measured horizontally) from the flammable material, per 29 CFR § 1926.352(c).
- One 5-B:C or two 4-B:C fire extinguishers are mandatory on the vehicle transporting gas.

Plastic or Metal

Studies at Worcester Polytechnic Institute’s Department of Fire Protection Engineering, as reported by NBC News in late 2013, have indicated that under certain conditions, plastic cans are vulnerable to fires with explosive force. The conditions that present the higher risk include having a very small amount of gasoline (a few teaspoons) inside the gas can, cool temperatures, tilting the can at 42 degrees (typical pour angle) and, of course, a spark! The employees should be

trained to avoid these risky conditions and even buy metal cans in the future. (<https://www.nbcnews.com/news/world/watch-gas-can-explode-lab-test-flna2d11691287>)

CA Air Resources Board (CARB)

As of July 1, 2007, all Portable Fuel Containers (PFC) sold in California must be certified by the Air Resources Board as meeting low-emission standards and regulatory requirements. This regulation is applicable to manufacturers and retailers who place gas cans in the stream of commerce. Only containers of ten gallons or less are covered by this regulation, so the sale of a 25-gallon gas caddy for shop use is exempt from CARB regulations. The following table provides a listing of those CARB-approved containers certified for sale: <http://www.arb.ca.gov/consprod/fuel-containers/pfc/eo/eo.htm>.

Summary

CA-based businesses have only CARB-approved containers available. Other states may use these CARB-approved containers with vapor locks that are spill-proof and emit negligible flammable vapors and hence, are safer. Training in hazardous materials, including information on risks associated with plastic cans, should be provided to employees. Following safety and operation instructions on the PFC is also mandatory. 

DISCLAIMER: The contents of this article are for informational purposes only and are not to be considered as legal advice. Employers must consult their lawyer for legal matters and EPA/OSHA consultants for matters related to Environmental, Health & Safety. The article was authored by Sam Celly of Celly Services, Inc., who has been helping automobile dealers in Arizona, California, Hawaii, Idaho, Nevada, New Mexico, New York, Texas, and Virginia comply with EPA and OSHA regulations for over 35 years. Sam is a Certified Safety Professional (No. 16515) certified by the National Board of Certified Safety Professionals. Sam received his BE (1984) and MS (1986) in Chemical Engineering, followed by a J.D. from Southwestern University School of Law (1997). Sam is a member of the American Chemical Society (No. 31176063), American Industrial Hygiene Association (No. 124715), and National Association of Dealer Counsel (NADC). Sam also serves on the Board of Orange County American Industrial Hygiene Association and on CA Industrial Hygiene Council (CIHC). Your comments/questions are always welcome. Please send them to sam@cellyservices.com.



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FORECAST

Tight Supplies Continue to Dictate Pace of County New Vehicle Sales



Key factors boosting new vehicle sales

Pent up demand is accumulating. Auto Outlook estimates that 29,200 new vehicle purchases have been postponed since the onset of the pandemic and ensuing vehicle supply shortages. This will provide a boost to sales for an extended period.

The labor market is near full employment.

As mentioned on the right, recession might be around the corner and new vehicle affordability has weakened, but the unemployment rate is very low and jobs are generally plentiful. It's rare for the economy to enter a prolonged downturn when the labor market is as tight as it is now.

Household wealth has increased. Household net worth has reached record highs and consumers have greatly increased their holdings of cash and equivalents. This will help households in weathering any prospective economic downturn.

Impressive array of new products coming out. The bevy of new models being introduced offering alternative powertrains and advanced technology should lure many new vehicle shoppers into the market.



Key factors holding back new vehicle sales

Lean supplies have placed a ceiling on sales levels. The lingering microchip shortage and pandemic-related supply issues continue to be the primary factor impacting the market. Demand will soften in the coming months, but insufficient production is still the main roadblock holding back sales.

New vehicle affordability has taken a turn for the worse. Tight inventories have pushed vehicle prices upward, rising fuel prices have cut into disposable income, and higher interest rates are boosting monthly payments. Higher wages have helped, but monthly vehicle loan and lease costs as a percent of disposable income have moved higher during the past several months.

Chances of recession have increased. GDP growth declined in the First Quarter of this year and many economists expect a recession as the Fed puts the brakes on the economy to fight inflation. New vehicle sales almost always decline during economic downturns, but lean supplies have already pushed sales to very low levels. It would take a deep recession for sales to decline further.

Forecast for County New Retail Light Vehicle Registrations in 2022



Baseline scenario: 135,500
down 2.9% vs. '21

Alternative upside: 140,900
up 1.1% vs. '21

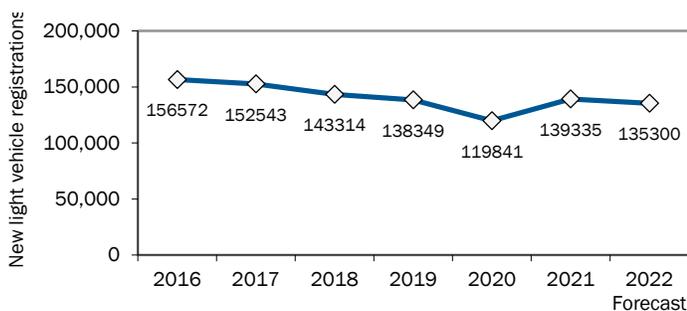
Alternative downside: 127,600
down 8.4% vs. '21

Key Trends in San Diego County Market



- New retail registrations during the first six months of this year fell 13.6% versus year earlier. Strong results for Tesla prevented a steeper decline. Tesla registrations in San Diego County were up 57.2% so far this year. Excluding Tesla, the market fell by 17.7% in the first half of 2022.
- BEV (battery electric vehicle) share was 14.2% in the first half of 2022 (see page 4).

Annual Trend in San Diego County Market



The graph above shows annual new retail light vehicle registrations from 2016 thru 2021 and Auto Outlook's projection for 2022.
Historical Data Source: AutoCount data from Experian.

Market Summary

	YTD '21 June	YTD '22 June	% Chg. '21 to '22	Mkt. Share YTD '22
TOTAL	75,263	65,040	-13.6%	
Car	22,951	18,779	-18.2%	28.9%
Light Truck	52,312	46,261	-11.6%	71.1%
Domestic	21,156	19,832	-6.3%	30.5%
European	11,636	10,095	-13.2%	15.5%
Japanese	35,563	28,100	-21.0%	43.2%
Korean	6,908	7,013	1.5%	10.8%

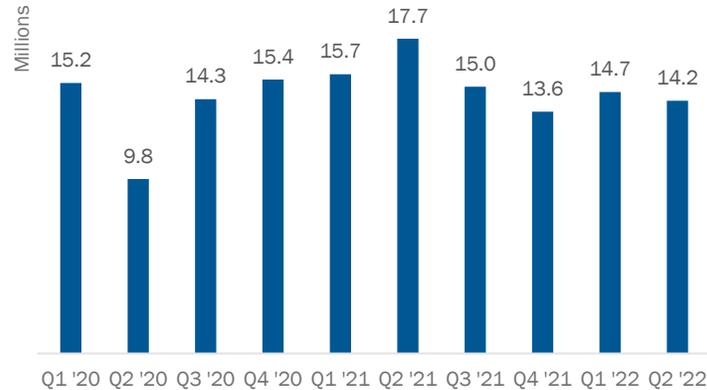
Domestics consist of vehicles sold by GM, Ford, Stellantis (excluding Alfa Romeo and FIAT), and Tesla.
Data Source: AutoCount data from Experian.

San Diego County New Vehicle Market Dashboard



MARKET PERFORMANCE DURING PAST TWO YEARS

**San Diego County
Quarterly Registrations**
**Seasonally Adjusted
Annual Rate, Converted
to Equivalent U.S. New
Vehicle Market SAAR
(millions of units)**



The graph on the left provides an easily recognizable way to gauge the strength of the county market. It shows quarterly registrations based on a seasonally adjusted annual rate. These figures are then indexed to SAAR sales figures for the U.S. new vehicle market. So just like in the national market, when the quarterly SAAR is above 17 million units, the county market is strong, 15 million is about average, and below 13 million is weak. Quarterly registrations stayed below 15 million units in the first two quarters of this year.

Data Source: AutoCount data from Experian. SAAR estimates: Auto Outlook.



COUNTY MARKET VS. U.S.

**% Change In
New Retail Market
YTD '22 thru June vs.
YTD '21**

**San Diego County
DOWN 13.6%**

**U.S.
DOWN 17.9%**

New retail light vehicle registrations in San Diego County declined by 13.6% during the first six months of this year versus year earlier, better than the 17.9% drop in the Nation.

Source for county registrations: AutoCount data from Experian. U.S. figures estimated by Auto Outlook.

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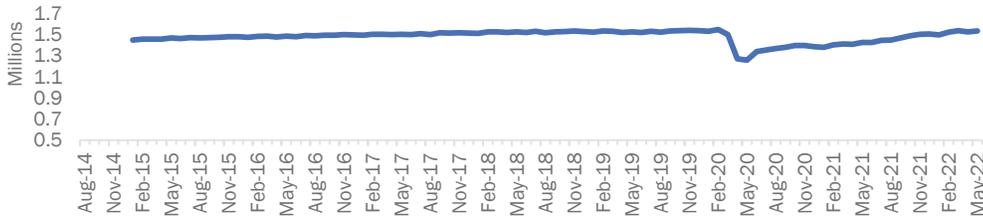
Continued on page 24

San Diego County New Vehicle Market Dashboard



TRACKING ECONOMIC INDICATORS

Total Employment in San Diego County



The county unemployment rate fell to just 2.7% in May of this year and total employment moved closer to pre-pandemic levels. U.S. GDP declined in the First Quarter of 2022 and many economists are predicting a recession, but the strong labor market should partially offset the negative consequences of the softening economy. Consumer sentiment fell to low levels as inflation picked up steam.

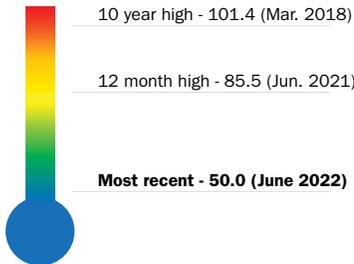
Monthly Unemployment Rates in San Diego County



Average Hourly Earnings for All Workers in County - May 2022

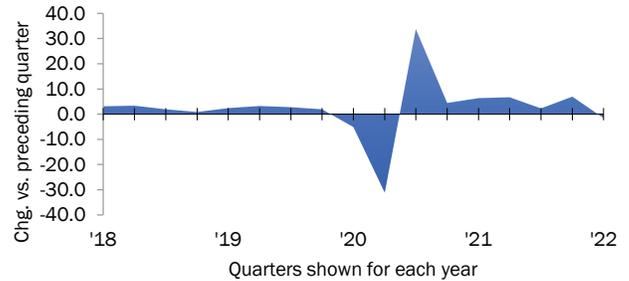


University of Michigan Consumer Sentiment (U.S.)



Percent Change in U.S. Gross Domestic Product

Change vs. previous quarter

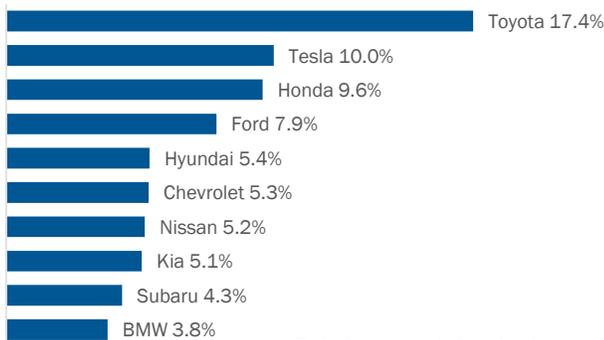


Sources: Bureau of Labor Statistics, University of Michigan, and U.S. Bureau of Econ. Analysis.

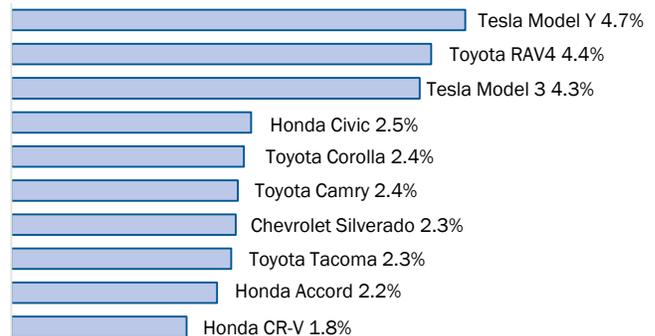


TOP TEN RANKINGS IN COUNTY MARKET

Market Share for Top Ten Selling Brands in County Market YTD 2022 thru June



Market Share for Top Ten Selling Models in County Market YTD 2022 thru June



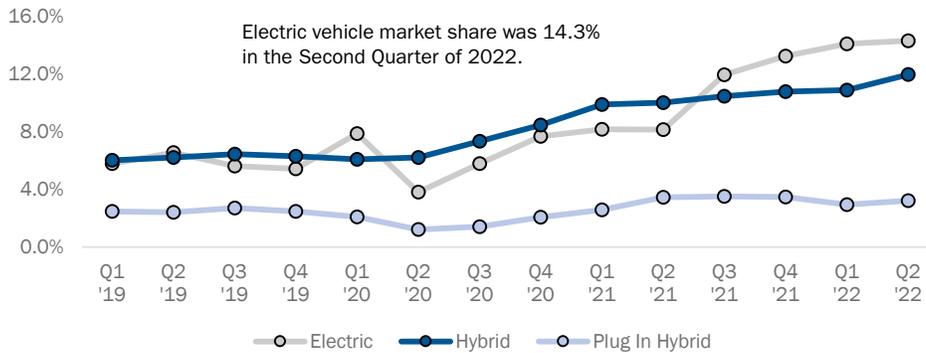
Data Source: AutoCount data from Experian.

San Diego County New Vehicle Market Dashboard



TRACKING ELECTRIC AND HYBRID VEHICLE SALES

Estimated Quarterly Alternative Powertrain Market Share (includes hybrid and electric vehicles)



YTD Share by Engine Type (2021 and 2022, thru June)

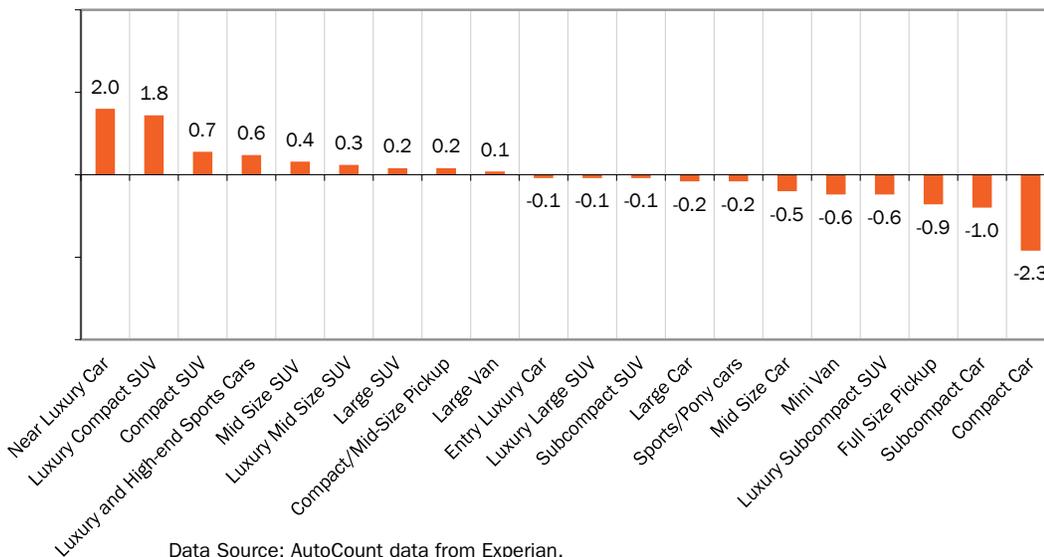
	YTD '21	YTD '22	
Electric (BEV)	8.2%	14.2%	↑
Hybrid	10.0%	11.4%	↑
Plug In Hybrid (PHEV)	3.1%	3.1%	NO CHANGE

The graph above shows estimated hybrid powertrain and electric vehicle market share. Registrations by powertrain for vehicles equipped with multiple engine types were estimated by Auto Outlook. The estimates are based on model registrations compiled by Experian, and engine installation rates collected from other sources.



CHANGE IN SEGMENT MARKET SHARES

Change in Segment Market Share - YTD 2022 thru June vs. YTD 2021



Segments with largest increases:

- Near Luxury Car
- Luxury Compact SUV
- Compact SUV

Segments with largest declines:

- Compact Car
- Subcompact Car
- Full Size Pickup

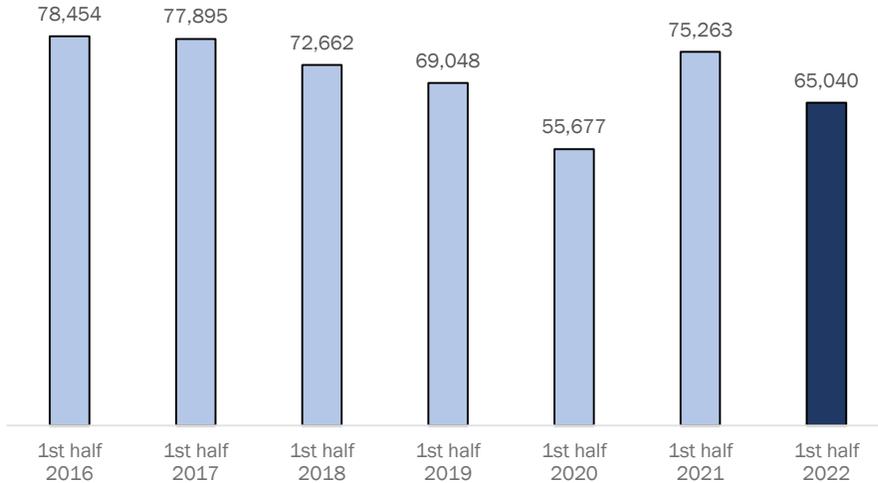
Data Source: AutoCount data from Experian.

Continued on page 26

REVIEW OF FIRST HALF RESULTS

January thru June 2022 Registrations Fall Below 7 Year Average

**San Diego County New Retail Light Vehicle Registrations
January thru June, 2016 thru 2022**



KEY FACTS



Two outliers stand out on the graph: the first half of 2020 (when the pandemic started) and the first half of this year when supply constraints held back sales.

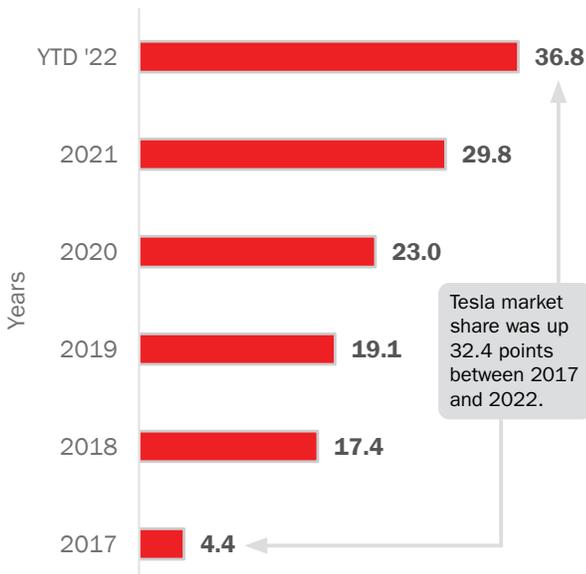
Registrations in the first half of this year exceeded the pandemic lows of 2020, but declined by 13% versus the average total from 2016 thru 2019.

Last year's total exceeded 75,000 units, higher than 2018 and 2019, as demand recovered from the pandemic and supplies were sufficient.

LUXURY CLOSE UP

Tesla's Dramatic Rise...and Fall???

**Tesla Percent Share of County Luxury Market
2017 thru 2021, 2022 thru June**



The graph above shows Tesla's percent share of the San Diego County luxury vehicle market from 2017 thru 2021, and the first half of this year. Tesla share increased from just 4.4% in 2017 to 36.8% during the first six months of this year. Tesla was the best-selling luxury brand so far this year, well ahead of BMW (14.0% share) and Mercedes (13.2%). Source: AutoCount data from Experian.

What's ahead for Tesla?



Optimistic: Tesla can continue to make gains

Tesla has a head start in the electric vehicle market. When many consumers think of BEVs, they think of Tesla.

Cybertruck is reportedly being introduced in 2023. The radically styled pickup could provide a boost to Tesla sales

Some believe Tesla has a competitive advantage in battery production and technology.

Pessimistic: Tesla market share has reached its peak

It's gospel in the industry: new product increases sales. Cyclical model redesigns are key for brands to maintain or grow market share. Tesla has never had a significant redesign and based on typical industry standards, some models are getting stale.

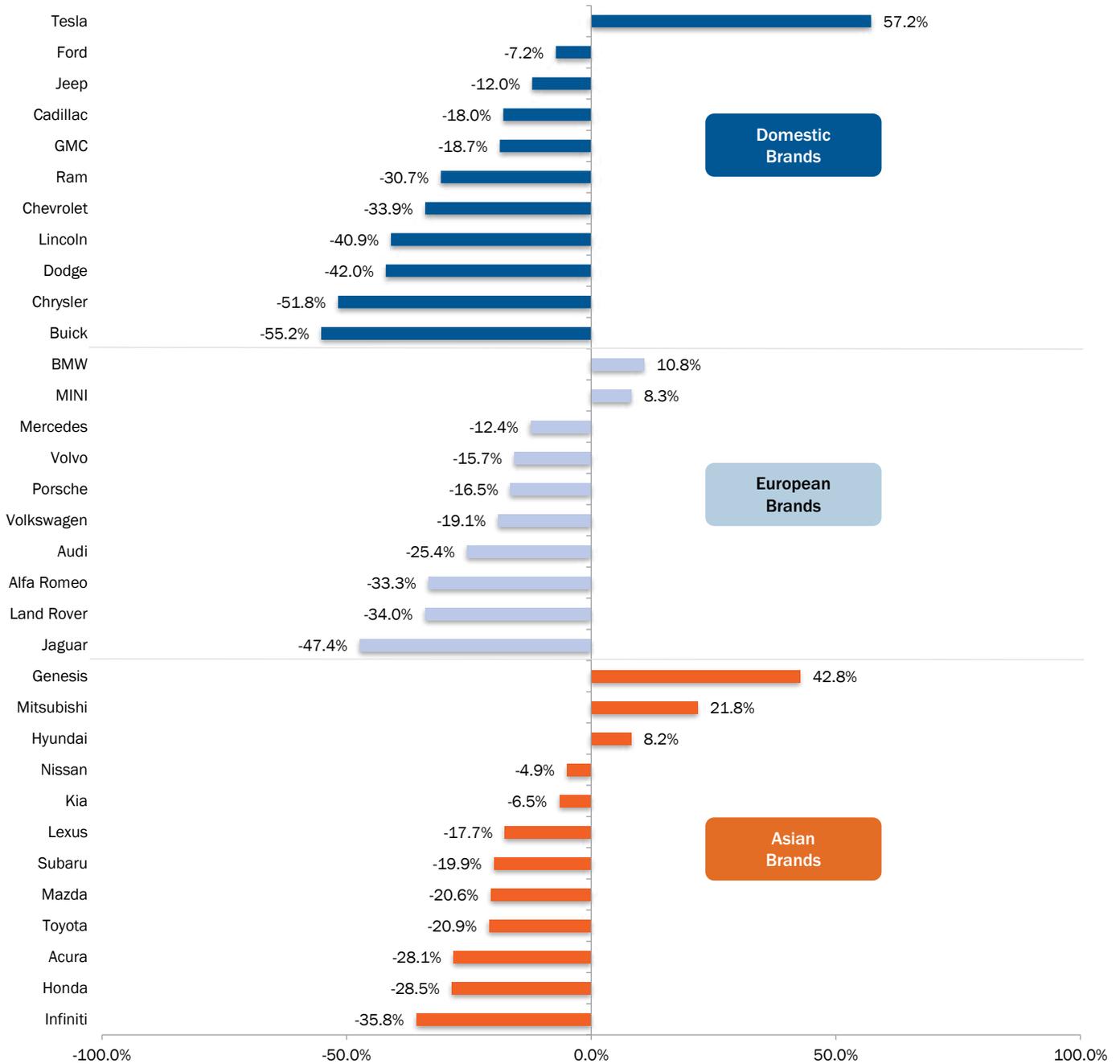
Tesla regularly ranks below average in most measures of vehicle quality and dependability. With a steady stream of new BEVs scheduled to hit the market, this could be a competitive disadvantage for Tesla.

Tesla is reportedly incurring significant losses related to the opening of new production facilities. Is this a "one-off" cost that will go away when the plants are up and running? Or does it foretell future profitability challenges?

Six Brands Had Increases in First Half of 2022

The graph below provides a comparative evaluation of brand sales performance in the San Diego County market. It shows the year-to-date percent change in registrations during the first six months of this year versus year earlier for each brand, organized by category (i.e., Domestic, European, and Asian). Brand results are typically determined by new product offerings, marketing effectiveness, and incentives. But in 2022, sales performance is almost entirely a function of which brands had more inventory.

**Percent Change in San Diego County New Retail Light Vehicle Registrations
YTD 2022 thru June vs. YTD 2021**



Data Source: AutoCount data from Experian.

Continued on page 28

BRAND SEGMENT MARKET SHARES

Top Selling Brands in 7 Primary Segments



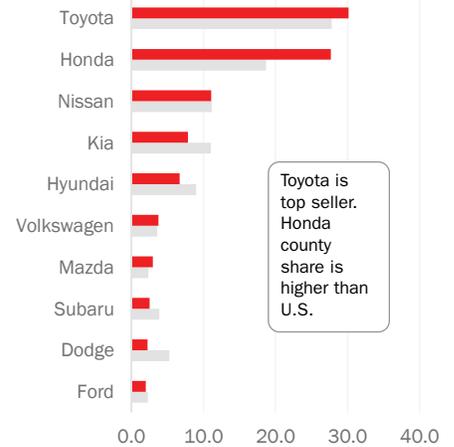
The seven graphs on this page show brand market share in seven key segments in the first half of 2022 in both the San Diego County and U.S. markets. County percent share is depicted by the red bars, U.S. share is light gray. Top ten brands in each segment are ranked from top to bottom based on San Diego County market share.

Segments were defined based on model classifications instead of overall brand positioning. For instance, Chevrolet appears on the Luxury and Sports cars graph because of the Corvette. Small SUVs consists of both Sub Compact and Compact models. Email Auto Outlook (autooutlook@icloud.com) for market share information for Vans and Mini Vans.

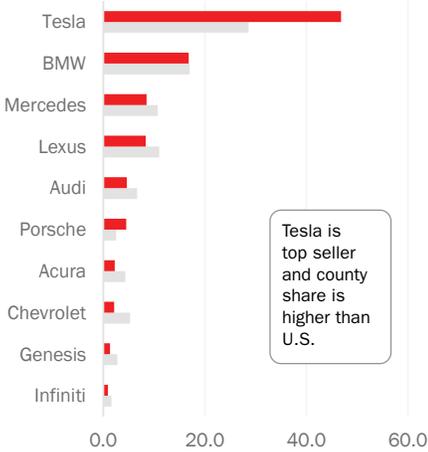
Legend for all graphs

- Brand share of segment in county during YTD '22
- Brand share of segment in U.S. market during YTD '22

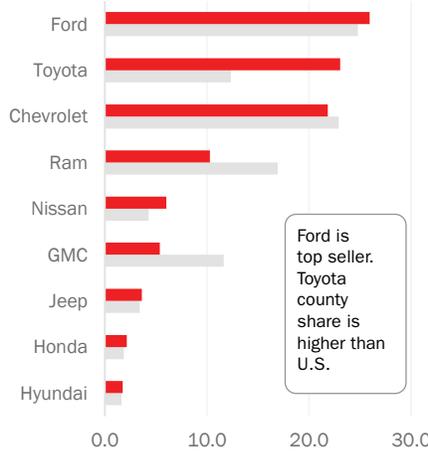
Non Luxury Cars



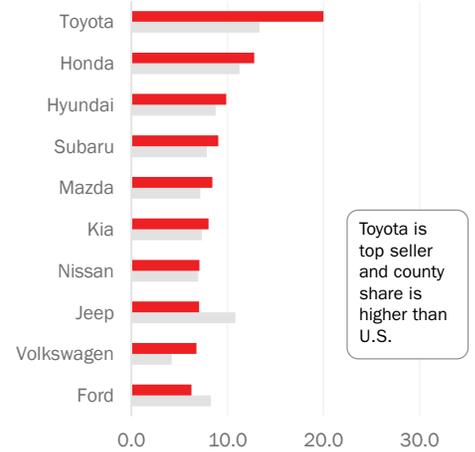
Luxury and Sports Cars



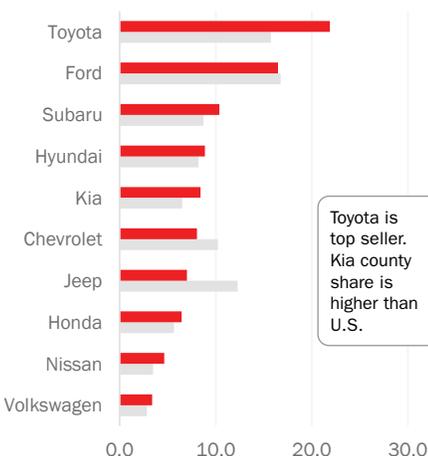
Pickups



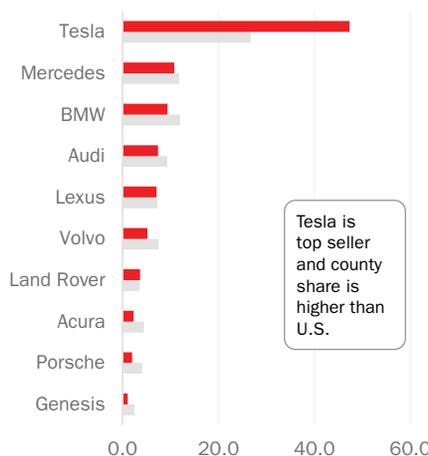
Small Non Luxury SUVs



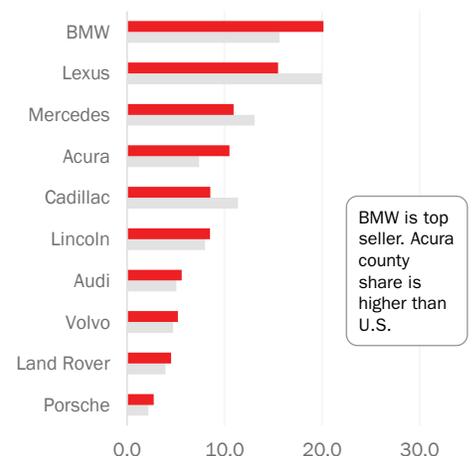
Mid and Full Size Non Luxury SUVs



Small Luxury SUVs



Mid and Full Size Luxury SUVs



Data Source: AutoCount data from Experian.

MODEL RANKINGS

Tesla Model Y Best-Seller in County Market During First Half of '22

The table below shows the top five selling models during the first six months of 2022 in 20 segments. In addition to unit registrations, it also shows each model's market share in its respective segment.



BEST SELLERS IN PRIMARY SEGMENTS

- Compact Car: Honda Civic
- Full Size Pickup: Chevrolet Silverado
- Mid Size Car: Toyota Camry
- Mid Size SUV: Toyota Highlander
- Near Luxury Car: Tesla Model 3
- Large SUV: Chevrolet Tahoe
- Comp./M.S. Pickup: Toyota Tacoma
- Luxury Mid Size SUV: Lexus RX

Top Selling Models in Each Segment - New Retail Light Vehicle Registrations (YTD 2022 thru June)

Cars											
Subcompact			Compact			Sports/Pony Cars			Mid Size		
Model	Regs.	Share	Model	Regs.	Share	Model	Regs.	Share	Model	Regs.	Share
Chevrolet Bolt	124	35.7	Honda Civic	1631	24.5	Ford Mustang	220	36.8	Toyota Camry	1540	38.5
Kia Rio	69	19.9	Toyota Corolla	1581	23.8	Dodge Challenger	109	18.2	Honda Accord	1400	35.0
Hyundai Accent	54	15.6	Nissan Sentra	523	7.9	Toyota 86	86	14.4	Nissan Altima	526	13.1
Nissan Versa	37	10.7	Kia Forte	508	7.6	Chevrolet Camaro	57	9.5	Kia K5/Optima	301	7.5
Toyota Mirai	28	8.1	Hyundai Elantra	482	7.2	Subaru BRZ	49	8.2	Hyundai Sonata	110	2.7
Large			Entry Luxury			Near Luxury			Luxury and High End Sports Cars		
Model	Regs.	Share	Model	Regs.	Share	Model	Regs.	Share	Model	Regs.	Share
Dodge Charger	169	55.6	BMW 2-Series	140	43.1	Tesla Model 3	2778	60.0	Tesla Model S	407	21.2
Kia Stinger	69	22.7	Acura ILX	94	28.9	BMW 3-Series	334	7.2	BMW 5-Series	207	10.8
Toyota Avalon	46	15.1	Mercedes A-Class	54	16.6	Lexus ES	333	7.2	Porsche Taycan	150	7.8
Chrysler 300	12	3.9	Audi A3	30	9.2	BMW 4-Series	284	6.1	Chevrolet Corvette	148	7.7
Nissan Maxima	8	2.6	Acura Integra	7	2.2	Lexus IS	198	4.3	Mercedes E-Class	143	7.5
Light Trucks											
Compact/Mid Size Pickup			Full Size Pickup			Mini Van			Large Van		
Model	Regs.	Share	Model	Regs.	Share	Model	Regs.	Share	Model	Regs.	Share
Toyota Tacoma	1495	39.3	Chevrolet Silverado	1526	36.8	Toyota Sienna	398	49.8	Mercedes Sprinter	377	51.4
Ford Maverick	552	14.5	Ford F-Series	974	23.5	Honda Odyssey	226	28.3	Ram Promaster	177	24.1
Ford Ranger	428	11.2	Ram Pickup	796	19.2	Chrysler Pacifica	111	13.9	Ford Transit Connect	139	18.9
Nissan Frontier	417	11.0	GMC Sierra	374	9.0	Kia Carnival	65	8.1	Mercedes Metris	24	3.3
Jeep Gladiator	290	7.6	Toyota Tundra	364	8.8				Chevrolet Express	16	2.2
Subcompact SUV			Compact SUV			Mid Size SUV			Large SUV		
Model	Regs.	Share	Model	Regs.	Share	Model	Regs.	Share	Model	Regs.	Share
Subaru Crosstrek	920	18.0	Toyota RAV4	2856	25.1	Toyota Highlander	1128	12.6	Chevrolet Tahoe	272	33.8
Honda HR-V	853	16.7	Honda CR-V	1193	10.5	Subaru Outback	752	8.4	Jeep Grand Wagoneer	158	19.6
Kia Niro	585	11.5	Mazda CX-5	918	8.1	Toyota 4Runner	706	7.9	Chevrolet Suburban	98	12.2
Nissan Kicks	505	9.9	Jeep Wrangler	862	7.6	Ford Bronco	567	6.3	GMC Yukon	82	10.2
Volkswagen Taos	381	7.5	Hyundai Tucson	824	7.2	Ford Explorer	485	5.4	GMC Yukon XL	73	9.1
Luxury Subcompact SUV			Luxury Compact SUV			Luxury Mid Size SUV			Luxury Large SUV		
Model	Regs.	Share	Model	Regs.	Share	Model	Regs.	Share	Model	Regs.	Share
Audi Q3	168	22.6	Tesla Model Y	3088	53.7	Lexus RX	655	19.2	Mercedes GLS-Class	140	22.7
Lexus UX	126	16.9	Mercedes GLC-Class	489	8.5	BMW X5	489	14.3	BMW X7	140	22.7
Volvo XC40	126	16.9	BMW X3	454	7.9	Mercedes GLE-Class	389	11.4	Cadillac Escalade	114	18.5
Mercedes GLB-Class	116	15.6	Lexus NX	312	5.4	Volvo XC90	244	7.2	Land Rover Range Rover	88	14.3
Mercedes GLA-Class	94	12.6	Audi Q5	295	5.1	Tesla Model X	229	6.7	Mercedes G-Class	55	8.9

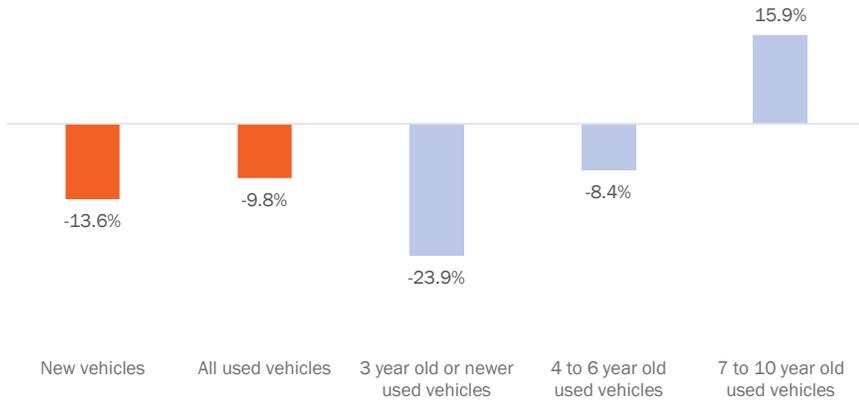
Data Source: AutoCount data from Experian.

Continued on page 30

SAN DIEGO COUNTY USED VEHICLE MARKET

County Used Vehicle Market Declined 9.8% in First Half of 2021

**Percent Change in New and Used Vehicle Registrations
YTD 2022 thru June vs. YTD 2021**



Data Source: AutoCount data from Experian.

**3 KEY TRENDS IN
USED VEHICLE
MARKET**



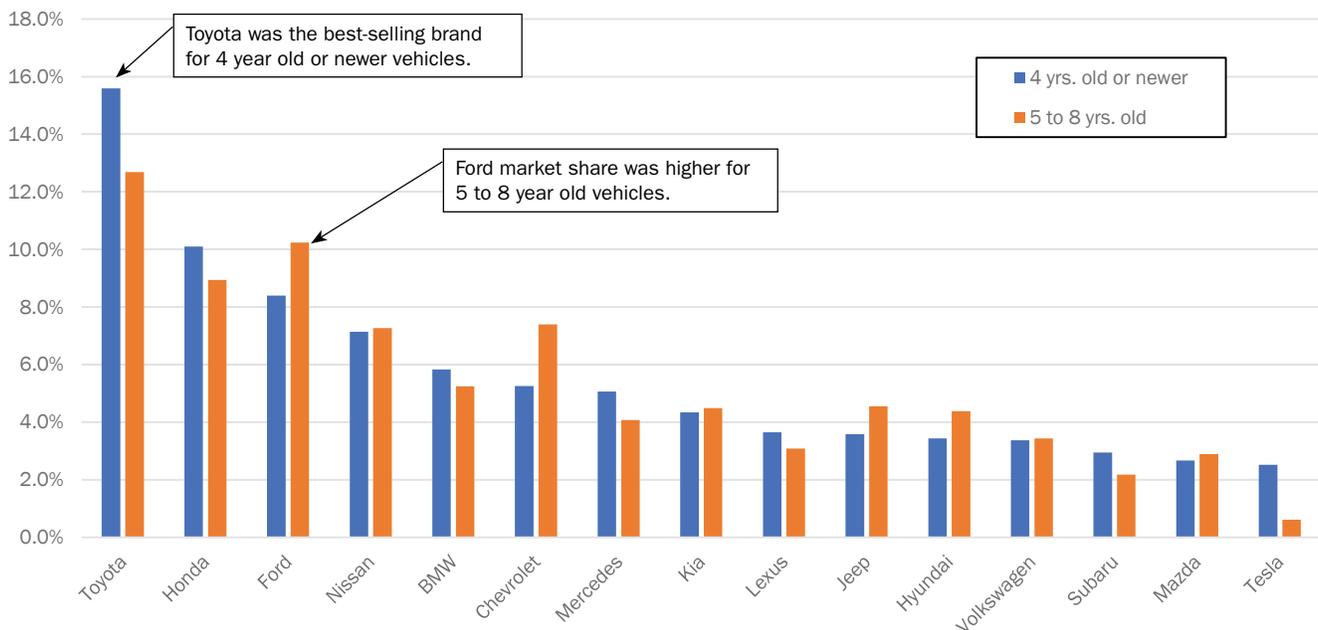
- 01.** Used vehicle registrations in San Diego County fell 9.8% during the first six months of 2022 versus strong year earlier levels. The decline was not as sharp as the 13.6% drop in the new vehicle market.
- 02.** The state used vehicle market should remain relatively stable in 2022. Depleted new vehicle inventories will boost demand for used cars, but historically high prices will limit any possible sales gains.
- 03.** Lower than anticipated new vehicle sales during the past two years due to the pandemic are starting to impact supplies of late model used cars and light trucks. As shown on the graph, registrations for three year old or newer vehicles fell by 23.9%.

USED VEHICLE BRAND MARKET SHARE

Toyota Stays On Top of County Used Vehicle Market

The graph below shows used light vehicle registrations by brand for two age categories: vehicles newer than four years old, and vehicles five to eight years old. Brands are positioned from left to right based on market share for four year old or newer vehicles.

Brand Market Share for Top 15 Selling Brands, by Vehicle Age (YTD 2022 thru June)



Data Source: AutoCount data from Experian.

Brand Registrations Report
San Diego County New Retail Car and Light Truck Registrations

	Second Quarter						YTD thru June					
	Registrations			Market Share (%)			Registrations			Market Share (%)		
	2Q '21	2Q '22	% change	2Q '21	2Q '22	Change	YTD '21	YTD '22	% change	YTD '21	YTD '22	Change
TOTAL	40,753	32,358	-20.6				75,263	65,040	-13.6			
Cars	12,918	9,207	-28.7	31.7	28.5	-3.2	22,951	18,779	-18.2	30.5	28.9	-1.6
Light Trucks	27,835	23,151	-16.8	68.3	71.5	3.2	52,312	46,261	-11.6	69.5	71.1	1.6
Domestic Brands	10,800	9,670	-10.5	26.5	29.9	3.4	21,156	19,832	-6.3	28.1	30.5	2.4
European Brands	6,216	4,989	-19.7	15.3	15.4	0.1	11,636	10,095	-13.2	15.5	15.5	0.0
Japanese Brands	19,624	13,797	-29.7	48.2	42.6	-5.6	35,563	28,100	-21.0	47.3	43.2	-4.1
Korean Brands	4,113	3,902	-5.1	10.1	12.1	2.0	6,908	7,013	1.5	9.2	10.8	1.6
Acura	414	263	-36.5	1.0	0.8	-0.2	693	498	-28.1	0.9	0.8	-0.1
Alfa Romeo	35	31	-11.4	0.1	0.1	0.0	84	56	-33.3	0.1	0.1	0.0
Audi	819	575	-29.8	2.0	1.8	-0.2	1,549	1,156	-25.4	2.1	1.8	-0.3
BMW	1,197	1,150	-3.9	2.9	3.6	0.7	2,222	2,463	10.8	3.0	3.8	0.8
Buick	96	45	-53.1	0.2	0.1	-0.1	165	74	-55.2	0.2	0.1	-0.1
Cadillac	163	127	-22.1	0.4	0.4	0.0	334	274	-18.0	0.4	0.4	0.0
Chevrolet	2,723	1,892	-30.5	6.7	5.8	-0.9	5,239	3,462	-33.9	7.0	5.3	-1.7
Chrysler	141	50	-64.5	0.3	0.2	-0.1	255	123	-51.8	0.3	0.2	-0.1
Dodge	310	166	-46.5	0.8	0.5	-0.3	598	347	-42.0	0.8	0.5	-0.3
Ford	2,922	2,533	-13.3	7.2	7.8	0.6	5,503	5,107	-7.2	7.3	7.9	0.6
Genesis	89	125	40.4	0.2	0.4	0.2	166	237	42.8	0.2	0.4	0.2
GMC	447	375	-16.1	1.1	1.2	0.1	894	727	-18.7	1.2	1.1	-0.1
Honda	5,054	2,821	-44.2	12.4	8.7	-3.7	8,714	6,234	-28.5	11.6	9.6	-2.0
Hyundai	1,961	2,016	2.8	4.8	6.2	1.4	3,220	3,484	8.2	4.3	5.4	1.1
Infiniti	147	99	-32.7	0.4	0.3	-0.1	299	192	-35.8	0.4	0.3	-0.1
Jaguar	90	39	-56.7	0.2	0.1	-0.1	152	80	-47.4	0.2	0.1	-0.1
Jeep	1,312	1,009	-23.1	3.2	3.1	-0.1	2,391	2,103	-12.0	3.2	3.2	0.0
Kia	2,063	1,761	-14.6	5.1	5.4	0.3	3,522	3,292	-6.5	4.7	5.1	0.4
Land Rover	388	274	-29.4	1.0	0.8	-0.2	862	569	-34.0	1.1	0.9	-0.2
Lexus	1,133	874	-22.9	2.8	2.7	-0.1	2,169	1,786	-17.7	2.9	2.7	-0.2
Lincoln	109	60	-45.0	0.3	0.2	-0.1	237	140	-40.9	0.3	0.2	-0.1
Maserati	41	31	-24.4	0.1	0.1	0.0	59	61	3.4	0.1	0.1	0.0
Mazda	1,324	834	-37.0	3.2	2.6	-0.6	2,172	1,725	-20.6	2.9	2.7	-0.2
Mercedes	1,319	1,214	-8.0	3.2	3.8	0.6	2,667	2,336	-12.4	3.5	3.6	0.1
MINI	134	86	-35.8	0.3	0.3	0.0	206	223	8.3	0.3	0.3	0.0
Mitsubishi	71	78	9.9	0.2	0.2	0.0	110	134	21.8	0.1	0.2	0.1
Nissan	2,011	1,676	-16.7	4.9	5.2	0.3	3,540	3,365	-4.9	4.7	5.2	0.5
Other	57	59	3.5	0.1	0.2	0.1	132	112	-15.2	0.2	0.2	0.0
Porsche	338	319	-5.6	0.8	1.0	0.2	678	566	-16.5	0.9	0.9	0.0
Ram	712	441	-38.1	1.7	1.4	-0.3	1,405	973	-30.7	1.9	1.5	-0.4
Subaru	1,866	1,307	-30.0	4.6	4.0	-0.6	3,517	2,817	-19.9	4.7	4.3	-0.4
Tesla	1,865	2,972	59.4	4.6	9.2	4.6	4,135	6,502	57.2	5.5	10.0	4.5
Toyota	7,604	5,845	-23.1	18.7	18.1	-0.6	14,349	11,349	-20.9	19.1	17.4	-1.7
Volkswagen	1,373	864	-37.1	3.4	2.7	-0.7	2,282	1,847	-19.1	3.0	2.8	-0.2
Volvo	425	347	-18.4	1.0	1.1	0.1	743	626	-15.7	1.0	1.0	0.0

Source: AutoCount data from Experian.

The table shows new retail light vehicle (car and light truck) registrations in the San Diego County market. Figures are shown for the 2nd Quarters of '21 and '22, and year-to-date totals. The top ten ranked brands in each change category are shaded light yellow.

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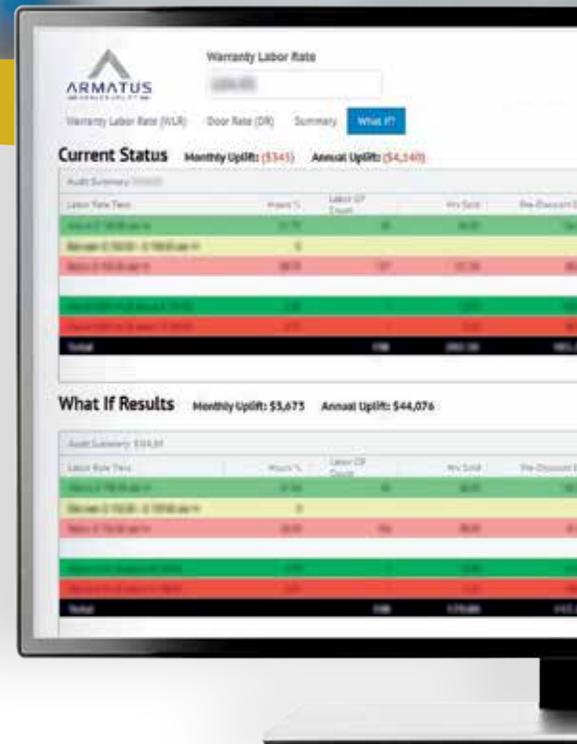
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