The Washington Post

Business

U.S. car sales hit record high in 2015

By Drew Harwell and Steven Mufson January 5 at 7:51 PM

Drivers in the United States bought more cars last year than ever before, a staggering turnaround for an auto industry fighting for its life half a decade ago, as low gas prices and a strengthening economy marked a banner year on American roads.

About 17.5 million cars and trucks were sold last year, automakers said Tuesday, overtaking the 17.3 million sales in 2000 and far outpacing the 10.4 million sales in 2009, when taxpayers paid billions to bail out the bedrock of America's automotive might.

Car buyers last year were energized by several economic sparks: the improving wages and confidence of a more robust job market; easy credit and cheap gas; and the pent-up demand of a driving public whose cars, on average, are more than 11 years old.

And the explosive results could prove more than a blip, with some analysts projecting that a strong economy could yield another car-lot record in 2016. Last year's estimated $437 billion in car sales capped a six-year growth streak, the industry's first since World War II.

The record-setting year has squashed recession-era worries that the industry would never recover and given fuel to the Obama administration's argument that the auto bailout helped carmakers survive.

But because so much of buyers' money went toward larger, gas-gulping trucks and SUVs, the sales boom also conflicts with another administration campaign, designed to encourage more efficient engines and less use of gasoline.

It was also a year in which trust in car companies was severely tested by headline-grabbing scandals, including Volkswagen's cheating on engine-emissions tests, and devastating defects, such as the Takata air-bag flaw now tied to eight American deaths and the largest auto recall in history.

For Fiat Chrysler Automobiles, whose brands include Jeep and Dodge, U.S. sales rose 7 percent last year, giving the automaker its best year in a decade, the company said. The other automakers in Detroit's "Big Three," Ford and General Motors, reported 5 percent gains in sales.

“It’s truly remarkable that the auto industry is finishing off its best year ever just six years after the depths of the Great Recession,” said Jessica Caldwell, the director of industry analysis for Edmunds.com.

Buyers nationwide were boosted by gas prices that dropped by year’s end to an average of $2.03 a gallon, down 28 cents from the same time in 2014, and the cheapest since the recession. The trade group AAA predicts that gas prices this year will remain low, averaging about $2.25 a gallon, 15 cents cheaper than last year.

Cheap gas and an improving housing market pushed contractors and other drivers to buy larger trucks and SUVs: The Big Three sold more than 2 million full-size pickups last year, more than double their sales in 2009.

Sales of slimmer passenger cars fell 2 percent last year compared with 2014, while sales of light trucks and SUVs soared 13 percent, estimates from industry researcher Autodata show. A familiar name remained king: The Ford F-150 pickup truck was America’s best-selling vehicle for the 34th year in a row.

Analysts said buyers’ long delay since their most recent purchase of a new car finally drove some to make a deal, particularly as widely available cut-rate credit deals helped many secure easy financing. Auto lenders have used low interest rates and longer payback terms to shrink buyers’ monthly costs, even if it means many drivers will still be paying off a new car when it is seven years old.

For drivers upgrading after a long spell with an older car, analysts said, the technological upgrades — from better gas mileage to backup cameras — can seem too compelling to pass up.

“Cars on the roads today are the oldest they’ve ever been . . . and if people are employed, they feel more comfortable taking on loans for a car,” said Michelle Krebs, a senior analyst at AutoTrader.com. Drivers care about “technology features even more than they care about the color of the car, and they’re willing to pay for them.”

The sales record has been hailed as a victory for President Obama, who hammered out an $80 billion bailout agreement that rescued GM and Chrysler at the depths of the financial crisis in early 2009. A year ago, the president told workers at a Ford plant in Wayne, Mich., that “betting on you was the right thing to do. . . . And that bet has paid off for America because the American auto industry is back.”

Said Brandi Hoffine, a White House assistant press secretary: “The continued strength of the American auto industry would not have been possible without the grit of American workers who persevered through tough times and the bold steps the president took to rescue the auto industry from the brink. It’s clear the president’s strategy worked.”

But some auto experts worry that part of Obama’s achievement is in danger. The bailout package coincided with a separate agreement between the administration and industry executives to increase passenger-vehicle fuel efficiency to an average of 54.5 miles a gallon by 2025. Yet, the average fuel efficiency of new vehicles sold declined in 2015, to 25 miles a gallon, and U.S. consumption of gasoline rose 3 percent in 2015.

“The good news is that the bailout of the auto industry saved their industry, saved their tailpipe,” said Dan Becker, founder and director of the Safe Climate Campaign. “The bad news is it’s resulting in more gas-guzzling trucks, pickups, SUVs and vans that pollute the atmosphere and which will eventually drive gas prices back up again.”

U.S. automakers, Becker said, are using less-advanced technology than their European and Asian competitors, who make more fuel-efficient vehicles.

“The industry is making the same set of mistakes it made before,” he added. “Poorly competing against foreign competition and becoming dependent on sales of gas-guzzlers and hoping that gas prices stay low — which they won’t forever.”

But others, such as Public Citizen president emeritus Joan Claybrook, say Obama is doing everything he can. “Obama has absolutely taken the lead in pressing for fuel economy,” Claybrook said. “He is the driving force.”

The sales records last year were particularly remarkable, analysts said, because the industry seemed to bounce from one crisis of confidence to the next.

Volkswagen, one of the world’s largest automakers, admitted in September to installing “defeat devices” that could trick emissions tests in several of its more popular diesel-powered models.

The Justice Department on Monday filed a civil lawsuit against the German automaker, saying the devices were installed in about 600,000 cars in the United States. Justice Department officials added that “recall discussions with the company have not produced an acceptable way forward.”

More than 19 million Fords, Hondas and other vehicles have been recalled after air bags from Takata, the Japanese auto-supply giant, were found to explode and spray shrapnel, a defect tied to a rash of gruesome deaths and more than 100 injuries.

Federal regulators imposed a $70 million fine on Takata in November, although the nationwide recall is ongoing and millions more cars could be affected. By last month, only about one-quarter of the recalled driver- and passenger-side air bags had been replaced, regulators said.

Claybrook said the recalls showed that the National Highway Traffic Safety Administration — especially under its new director, Mark Rosekind — was getting tough in enforcing regulations.

“The thing that’s going to sell cars is if laws are tough and being enforced and so that consumers don’t have to take it as their own responsibility,” Claybrook said. “People like a free-market system that’s trustworthy. And the auto industry was losing the public trust.”

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