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## Morand named next CATA president

Jennifer Morand, who has worked for the Chicago Automobile Trade Association for 10 years, on March 1 ascended to co-chief executive of the association, sharing titles with Dave Sloan. The pair will lead the CATA for the next two years, at which time Morand will fully take the reins.

Sloan said that Morand, who most recently served as the association's director of public relations and social media, impressed him as someone who could lead the CATA in the future. Recent efforts by a PR firm to recruit her accelerated Sloan's plans.

When she accepted the firm's position in December, Morand did so provided she could remain with the CATA through the just-completed Chicago Auto Show — a great example of her dedication and professionalism.

"Obviously," said CATA Chairman Kevin Keefe, "our business is changing fast and the auto show business is, as well. We feel that with Jen's gifts and background, she is the best choice to

lead our association in the future, and we could not let her get away. Allowing Jen to ease into her leadership role with Dave by her side is a scenario that became instantly crystal clear to each of us.

"Dave Sloan has been an excellent leader for the CATA the last 12 years, with the CATA and the auto show achieving some significant victories during that time. Proposing this plan may be his best win yet. He has said that putting Jen in the position to succeed would be the crowning achievement of his CATA career, one he feels he owes to the association that has been so good to him and his family. We are grateful for his continuing leadership."

Sloan joined the CATA in 1993 as executive vice president.



Sloan, left, and Morand

## First Look for Charity raises \$1.6M for nonprofits

At a time still challenged by a pandemic, 17 area charities shared more than \$1.6 million raised by the 2022 Chicago Auto Show's benevolent event, First Look for Charity, and two attendees left with the keys to new vehicles.

The black-tie benefit, which is held the evening before the auto show opens its 10-day public run, boosted its total raised to more than \$58 million over 30 editions. The prize vehicles were a Buick Enclave Avenir and a GMC Yukon Denali.

## Chicago Auto Show wraps February return

The 2022 Chicago Auto Show concluded its 10-day run at McCormick Place on Presidents Day. Despite facing ongoing hurdles of producing a show in the midst of a global pandemic and vehicle inventory shortages, show organizers were able to bring back First Look for Charity, host a successful Media Preview and safely welcome hundreds of thousands of people to the public show.

Eager attendees traveled to McCormick Place to get a look at the latest cars, trucks, SUVs and EVs, including on an indoor electric vehicle test track featuring a variety of new EV models.

"Over a two-year stretch when auto shows were canceled more often than opened, the Chicago Auto Show has been able to navigate the turbulent times and open our doors to the public each year during the pandemic," said '22 Chicago Auto Show Chairman Bill Haggerty. "It's not all due to luck or chance; we've worked strategically and side-by-side with city and state officials on plans A, B and C in order to safely hold our show, even if it meant moving the event from its traditional February timeframe to an indoor/outdoor hybrid show model last July."

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## With auto prices climbing, more buyers take out 6½-, 7-year loans

The surge in auto prices in the second half of 2021 has pushed more consumers to take out auto loans that stretch beyond six years, according to a new report analyzing how millions of consumers finance the vehicles they have purchased.

Credit monitoring service Experian, which analyzes new and used-vehicle loans, said more than a third of all new vehicles

bought in the fourth quarter were financed with loans that have terms of 6½, seven or even 7½ years.

Longer loan terms are one way auto buyers are trying to offset a spike in new- and used-vehicle prices sparked by the low inventory of new cars and trucks.

“The uptick (in loan amounts) is not solely attributed to inventory shortages; it’s partly due to consumers sim-

ply buying larger vehicles,” said Melinda Zabritski, senior director of automotive financial solutions for Experian.

In the fourth quarter, the average amount financed for a new-vehicle loan jumped \$4,300 compared with the same time in 2020, hitting an all-time high of \$39,721. While consumers have tried to lower their payments by taking out loans with longer terms, the

average monthly payment still increased \$65 to a record high of \$644.

The numbers are the latest indication that strong demand and low inventories have combined to drive auto prices much higher. “What I think you are seeing is the general lift from the heavy discounting in 2018 and 2019,” AutoNation CEO Mike Manley said after the company reported

very strong fourth-quarter earnings.

Higher loan amounts and monthly payments are not just limited to new vehicles. Experian said used-vehicle prices and loans climbed to a record high with the average amount borrowed in the fourth quarter reaching \$27,291, an increase of 20%. The average monthly loan payment now is a record high \$488, according to Experian.

## Mandate

CONTINUED FROM PAGE 1

The 2021 Chicago Auto Show was the first public event to reopen McCormick Place and revive conventions for the city since the onset of the pandemic. The '22 show marked this year's largest event at McCormick Place. Organizers reported an attendance of 200,000 visitors, double the number of people who attended last summer's special edition.

“We are proud of what we were able to pull off this February, even though it was impacted by these difficult challenges,” Haggerty added. “Do we hope to return to a more ‘normal’ show in the future? Of course we do. However, considering what the world has faced with the pandemic, not to mention the severe inventory challenges in the auto industry, we know our attendees appreciate the variety of ways this show delivered.”

Chicago Auto Show General Manager Dave Sloan said, “While we experienced lower attendance than in a typical year, in part due to Covid restrictions being in flux and the difficulty communicating a clear message regarding safety protocols, we’re proud to have found a way to bring the auto industry’s latest to our loyal fans.”

The show featured an array of vehicles that made their global, national or auto show debut, including:

- 2023 BMW ixM60
- 2022 BMW xDrive50
- 2022 BMW i4 M50
- 2023 Chevrolet Blazer
- 2024 Chevrolet Silverado EV
- 2023 Chevrolet Corvette Z06
- Ford 1978 F-100 Eluminator EV Concept
- 2022 Ford Bronco Raptor

- 2022 Ford Bronco Everglades
- Ford GT Alan Mann Heritage Edition
- 2022 GMC Hummer EV
- 2022 Hyundai IONIQ 5
- 2022 Hyundai Tucson PHEV
- 2022 Jeep Grand Cherokee 4xe
- 2022 Jeep Grand Cherokee L Limited Black Package
- 2022 Kia EV6
- 2024 Kia EV9 Concept
- 2023 Kia Sportage PHEV
- Lexus IS 500 SEMA Build
- 2022 Lexus LX 600
- 2022 Lexus NX
- Lincoln Aviator Shinola Concept
- 2023 Nissan Ariya
- Nissan Frontier Trio of Concepts: Frontier Project 72X, Frontier Project Hardbody, Frontier Project Adventure
- Nissan Rebelle Rally Frontier
- 2023 Nissan Z
- Ram 1500 “Built to Serve” Edition

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Jennifer Morand  
Erik K. Higgins

President, Publisher  
Editor, Director of Dealer Affairs

## The facts about new-vehicle pricing

By **PATRICK MANZI**

NADA CHIEF ECONOMIST

Recent media coverage about rising new-vehicle prices fails to account for unprecedented market conditions in the retail auto market. The analysis that follows (which is largely based on J.D. Power PIN data drawn from 42% of all consumer transactions for new vehicles) explains key factors driving vehicle pricing.

- The widespread microchip shortage has sharply cut vehicle production and reduced dealership inventories to 40-year lows, while consumer demand has remained strong. This supply-and-demand imbalance has created significant upward pressure on new-vehicle prices.

- These market forces drove the average price paid by consumers up 13% in 2021. Even with such an increase, the average price paid by consumers during 2021 was still below the Manufacturer's Suggested Retail Price.

- Market forces simultaneously drove up used-vehicle prices by 41%, which significantly increased trade-in values. These larger trade-in allowances more than offset the increase in new-vehicle prices. In fact, new-vehicle buyers with a trade-in paid an average of \$305 less in 2021 than in 2020.

### Vehicle production, inventory headwinds

New-vehicle transaction prices increased throughout the year as the microchip shortage reduced the supply of new vehicles while consumer and fleet demand remained steady.

Vehicle inventory levels drive manufacturer decisions on incentives such as rebates, promotional financing and other incentives. In particular, manufacturer incentive spending

historically rises and falls as inventories rise and fall. With such low inventory and such high demand, the OEMs reduced their incentive spending each month last year, with reductions in available OEM incentives effectively raising prices for consumers. Average incentive spending per unit in 2021 fell from \$3,482 in January to \$1,516 in December. For the year, incentive spending per unit averaged \$2,429, a decrease of 39.7% compared with full-year 2020.

And the increase in vehicle prices was not limited to the legacy automotive brands. Direct sellers, such as Tesla, also increased their prices in 2021. According to data from Kelly Blue Book, the average transaction price of a Tesla in December 2021 increased by 20.2% year-over-year. While the MSRP of vehicles sold by franchised dealerships have seen only minor increases, the price increases implemented by Tesla are likely to remain permanent.

### Despite upward pricing pressure, average new-vehicle prices remained below MSRP in 2021

Because of the microchip shortage, manufacturers prioritized production of trucks and SUVs, and among those trucks and SUVs they prioritized production of higher trim models, which contributed to the rise in vehicle prices. Many consumers chose to custom order their vehicles directly from the manufacturer, and some have chosen these higher-trim trucks and SUVs as well.

Because of lower discounting, manufacturer production decisions and consumer preferences, the average transaction price moved closer to MSRP in 2021, increasing by 13% compared with 2020. However, in the aggregate, the average transaction price was still below the average MSRP in

2021.

### Trade-in values soar — offsetting new-car price increases

While the supply of new vehicles tightened, many retail and fleet buyers turned to the used-vehicle market, bidding up wholesale and retail used-vehicle prices. Wholesale auction prices set records throughout the year. According to the J.D. Power Used-Vehicle Price Index, used-vehicle prices rose 41% in 2021.

Historically, used vehicles depreciate significantly over time, but in the unique supply-constrained market of 2021, used vehicles actually appreciated through the year. As a result, new-vehicle consumers with trade-ins saw average trade-in allowances increase by 33.0% in 2021. Consumers suddenly had 58.5% more equity in their trade-ins that resulted in reduced new-vehicle payments in 2021.

Indeed, after increasing year over year in both 2019 and 2020, the difference between the average trade-in value and average transaction price in 2021 fell by \$305, or 1.5%. This means that the average new-vehicle buyer with a trade-in spent less out-of-pocket on the purchase of a new vehicle in 2021 than they would have in 2019 and 2020.

### Conclusion

Prices increased for new vehicles in 2021 due to reduced production, low dealership inventories, reduced OEM discounting and high demand from retail consumers and fleet buyers.

The real-world impact on consumers is more complicated. Because used-vehicle prices appreciated at record rates in 2021, new-vehicle buyers with trade-ins were able to more than offset the increased price of their new-vehicle purchase due to higher average trade-in values.

## Congrats!

As Mitsubishi Motors marked 40 years in the U.S., the company noted its longest franchisees, including **Biggers Mitsubishi** in Elgin (32 years) and **Coronet Mitsubishi** in Ottawa (30 years).

## Bosak Auto Group raises funds for cancer research foundation

The Bosak Auto Group, with 13 franchises in northwest Indiana, revved up the pink factor during October 2021 to fuel funding and awareness for breast cancer research. The group's 14th annual Breast Cancer Awareness Month fundraiser collected \$3,355 for the Community Cancer Research Foundation in Munster, Indiana. A donation was made from every car sold

during October.

"We all know someone who has been affected by breast cancer. The fundraiser was organized to benefit local residents and help support our local communities," said Theresa Bosak, the dealer group's chief marketing officer.

Since 2007, funds from the auto group's efforts each October benefit the cancer research foundation, a not-for-profit orga-

nization dedicated to improving the quality of cancer care in northwest Indiana and the Chicago south suburbs. The foundation links patients with research sponsored by the National Cancer Institute and other major research cooperatives worldwide.

CommunityHealthcare System offers patients access to research for prevention and/or treatment for every stage of breast

cancer, from Stage 0 breast cancer to advanced disease. The foundation also offers patient access to research for the prevention and/or treatment of lung, prostate, skin and colon cancers, lymphoma, adult leukemia and multiple myeloma.

"These funds will make it possible to connect local residents to clinical research trials from around the globe, close to home

in their own neighborhood," said Marie Macke, service line administrator, Oncology Services, Community Healthcare System. "We would like to sincerely thank Greg Bosak, Theresa Bosak, Skip Bosak and the Bosak Auto Group for their generosity and support of the Community Cancer Research Foundation."

For more information about the foundation, visit [www.mycrcf.com](http://www.mycrcf.com).

## Auto recalls down overall — but not for all manufacturers

As the U.S. embarks on Vehicle Safety Recalls Week (March 7-13), there is a natural pause and curiosity around how manufacturers are doing on that score. Given a 42% increase in recalls from 2014 onward and a rise in electronics and software which, per the Automotive Defect and Recall Report issued by the Original Equipment Suppliers Association, now accounts for the highest percentage (26%) of vehicle recalls, one would expect the first couple of months of 2022 to show even more recalls.

That, however, has not been the case. So far in 2022, there have been just 111 total recalls by the National Highway Traffic Safety Administration across all vehicle manufacturers, which constitutes the lowest pace in a decade. Also, the number of potentially affected vehicles is down sharply, with only 4.6 million vehicles affected so

far — barely half of the best January-February total in the past five years (8.3 million vehicles in 2018) and is only 20% of the numbers in 2019 and 2020 (22.1 million and 21.0 million, respectively).

Some manufacturers have been doing exceptionally well. Volvo and Mazda have not had a single recall so far in 2022, which obviously means 0.0% of their respective 2021 production volumes. Perhaps equally as impressive, General Motors has recalled only 1,811 vehicles, which is the equivalent of 0.1% of last year's vehicles (2.3 million). Mercedes-Benz also has recalled only 0.1%, albeit with much lower U.S. volumes (330,000 vehicles).

The pace of recalls so far has slowed to the lowest number in a decade. Unfortunately, not all manufacturers have enjoyed the same improvements.

Tesla already has been

the target of four recalls affecting 2.2 million vehicles, which would constitute 671% of its 2021 production volumes. Of the three recalls involving more than 500,000 vehicles, Tesla was responsible for two of them. The latest was a well-publicized

recall of vehicles that made farting and bleating noises externally, thereby potentially interfering with pedestrian crossings. When Tesla's CEO, Elon Musk, was asked on Twitter what caused the recall, he replied "The fun police made us do it (sigh)."

## Meet auto service/collision students at March 11 career fair

To address the aging technician workforce, the Hoffman Estates-based Collision Repair Education Foundation (CREF) has organized a "can't miss" career fair event, 9 a.m.-1 p.m. March 11, where dealership managers can meet hundreds of Chicagoland area high school & college auto service/mechanical and collision students from the greater Chicago area.

The World of Wheels/Auto Rama Student Day will be at the Donald E. Stephens Convention Center in Rosemont. The vast majority of students in attendance at the event will be specialists in mechanical/auto service. As students approach spring graduation, this is a chance for dealers to network with students who could be a dealership's future entry-level fixed ops workforce.

For more information and participation details, contact Tiffany Bulak from CREF at [tiffany.bulak@ed-foundation.org](mailto:tiffany.bulak@ed-foundation.org).