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Fixed ops implement lessons from pandemic

Dealers are putting into practice in their fixed operations a variety of lessons learned from the coronavirus pandemic, according to panelists at a January presentation by Cox Automotive.

"Service now is

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Illinois lawmakers pass bill to prevent predatory loans

The Illinois General Assembly in January passed the Predatory Loan Prevention Act, which will implement a 36% interest rate cap on consumer loans, including car title loans and payday loans.

Specifically, the PLPA would apply to any non-commercial loan made to a consumer in Illinois, including closed-end and open-end credit, retail installment sales contracts, and motor vehicle retail installment sales contracts.

Senate Bill 1792, filed as part of the Illinois Legislative Black Caucus' economic equity omnibus bill, replaces the traditional Truth-in-Lending Act definition of APR with Military APR as defined in the Military Lending Act. The latter distorts the calculation of the amount financed in a retail installment contract, thus complicating motor vehicle transactions.

The bill, which cleared both General Assembly chambers in two days, could impact dealers when products and services such as GAP waivers and service contracts are financed with a vehicle purchase. If the interest rates grow beyond 36%, dealers would be in violation of the PLPA.

Dealers are urged to contact Gov. J.B. Pritzker's Chicago office at (312) 814-2121 and urge for the bill to be vetoed, so that other legislation can be written to protect consumers from predatory lending practices without limiting their

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Consumers' car-buying habits have been unchanged by pandemic

The COVID-19 pandemic's impact on the auto industry has been well documented, from massive drops in sales for part of the year to automakers struggling to implement effective rules for plant workers to how companies had to alter the way they do business to survive.

But what has been tougher to track is how it has impacted consumers and if their habits have been changed when it comes to the process of selecting, buying and paying for new vehicles. Deloitte's newest report, the 2021 Global Automotive Consumer Study, sheds light on what to expect in the near term: people like what's familiar and it's going to show up in their buying habits.

"The global automotive industry, like many others, has been profoundly impacted by the pandemic," said Harald Proff, Deloitte Global automotive leader and partner, Deloitte Germany, who led the development of the report, which interviewed more than 24,000 people in 23 countries.

"That said," Proff added, "the momentum toward a more connected vehicle future remains bright and full of promise. Ever stricter vehicle emissions requirements in many markets around the world are also pushing the goal of electric mobility forward. Efforts to realize these technologies open up a new world of possibility."

Familiarity means that the long-awaited push into electric vehicles may take a bit longer than expected, as 74% of U.S. consumers plan to make their next vehicle a traditional car, truck or utility vehicle powered by a gasoline or diesel engine.

The ranges of EVs have been increasing steadily, in many cases putting them

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COVID tax credit extended for employers who keep workers on payroll

The Internal Revenue Service is urging employers to take advantage of the newly extended employee retention credit designed to make it easier for businesses that choose to keep their employees on the payroll despite challenges posed by COVID-19.

The Taxpayer Certainty and Disaster Tax Relief Act of 2020, enacted Dec. 27, 2020, made a number of changes to the employee retention tax credits previously made available under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), including modifying and extending the Employee Retention Credit (ERC), for six months through June 30, 2021. Several of the changes apply only to 2021, while others apply to both 2020 and 2021.

As a result of the new legislation, eligible employers can now claim a refundable tax credit against the employer share of Social Security tax equal to 70% of the qualified wages they pay to employees from Dec. 31, 2020 through June 30, 2021. Qualified wages in 2021 are limited to $10,000 per employee per calendar quarter. Thus, the maximum ERC amount available is $7,000 per employee per calendar quarter, for a total of $14,000 in 2021.

Employers can access the ERC for the 1st and 2nd quarters of 2021 prior to filing their employment tax returns by reducing employment tax deposits. Small employers (those with an average of 500 or fewer full-time employees in 2019) may request advance payment of the credit (subject to certain limits) on Form 7200, Advance of Employer Credits Due to Covid-19, after reducing deposits. In 2021, advances are not available for employers larger than that.

Effective Jan. 1, 2021, employers are eligible if they operate a trade or business during Jan. 1-June 30, 2021, and experience either:

1. A full or partial suspension of the operation of their trade or business during this period because of governmental orders limiting commerce, travel or group meetings due to COVID-19; or

2. A decline in gross receipts in a calendar quarter in 2021 where the gross receipts of that calendar quarter are less than 80% of the gross receipts in the same calendar quarter in 2019. (To be eligible based on a decline in gross receipts in 2020, the gross receipts were required to be less than 50%.)

Employers that did not exist in 2019 can use the corresponding quarter in 2020 to measure the decline in their gross receipts. In addition, for the first and second calendar quarters in 2021, employers may elect in a manner provided in future IRS guidance to measure the decline in their gross receipts using the immediately preceding calendar quarter.

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on par with gas- and diesel-powered vehicles. But range anxiety still is the biggest impediment to battery-car acceptance, as 28% of respondents said that was their primary reason for not being interested. Further, less than half — 44% — of Americans believed the technology to be "beneficial."

However, among American who want an electric vehicle, it appears an overwhelming majority, 70%, plan to charge that vehicle at home. A reticence about EVs doesn't necessarily mean a fear of technology, as those intenders said they found advanced driver assistance systems, such as blind-spot detection, very appealing.

Excitement about safer cars through the use of advanced technology isn't necessarily a guarantee of that same warm fuzzy feeling transferring to the sales process. For the number of people buying vehicles online during the pandemic, it appears that it was done out of necessity more than preference.

Seventy-one percent of U.S. vehicle buyers prefer an "in-person sales experience," the study revealed. The biggest part of that, 75%, want to see and touch the vehicle before they buy it, and 64% wanted some time behind the wheel as well.

"Unlike many other retail sectors that have seen a wholesale shift to online buying, purchasing a vehicle remains a largely personal experience for many consumers," said Karen Bowman, a Deloitte vice chairwoman.

"However, some people will be looking for a virtual sales experience to maximize convenience, speed and ease of use. This will likely result in a more complicated, and potentially costly, set of consumer expectations for dealers to meet at a time when businesses are looking to recover and thrive in the wake of the pandemic."

One area where U.S. consumers were happy to see handled via the internet was vehicle service. The ability to get online and have a car or SUV picked up by a dealer at home or work was appealing, with 46% of respondents in favor of that type of interaction — provided it is free.

The shift to online purchasing during the pandemic didn't appear to hinder sales, although the pandemic itself did, as more than one-third of U.S. consumers delayed their vehicle purchase.

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David E. Sloan — President, Publisher
Erik K. Higgins — Editor, Director of Dealer Affairs

Biden pledges to replace U.S. government fleet with electric vehicles

President Joe Biden has vowed to replace the U.S. government's fleet of roughly 650,000 vehicles with electric models, as the new administration shifts its focus toward clean-energy.

"The federal government also owns an enormous fleet of vehicles, which we're going to replace with clean electric vehicles made right here in America made by American workers," Biden said Jan. 25.

Biden criticized existing rules that allow vehicles to be considered U.S.-made when purchased by the U.S. government even if the vehicles have significant non-American made components.

Biden said he would close "loopholes" that allow key parts such as engines, steel and glass to be manufactured abroad for vehicles considered U.S. made.

The White House did not immediately answer questions about over what period Biden planned to replace current vehicles. It could cost the U.S. $20 billion or more to replace the fleet.

Biden's "Buy America" executive order, signed Jan. 25, does not direct the purchase of electric vehicles.

As of 2019, the U.S. government owned 645,000 vehicles that were driven 4.5 billion miles consuming 375 million gallons of gasoline and diesel fuel, according to the General Services Administration. The GSA said the U.S. government spent $4.4 billion on federal vehicle costs in 2019.

Of U.S.-government vehicles, just 3,215 were electric vehicles as of July 2020, the GSA said.

During the campaign, Biden vowed to "make a major federal commitment to purchase clean vehicles for federal, state, tribal, postal, and local fleets."

He also vowed to create 1 million new jobs in the "American auto industry, domestic auto supply chains, and auto infrastructure, from parts to materials to electric vehicle charging stations."

EVs don't like winter weather

By John McElroy

Are electric cars at a tipping point? A lot of people think so. Sales of EVs are far stronger than anyone expected in Europe. They're growing fast in China. And on a percentage basis, they're growing faster than any other segment in the American market.

The barriers to EV ownership are coming down. Battery costs are dropping and will reach parity with ICE powertrains in just a few years. Range anxiety is becoming less of an issue as more public charging stations get built. And consumers soon will have a rich choice of models to choose from in almost every showroom.

But the auto industry faces a major development challenge with EVs: They don't like winter weather. Or, more properly stated, EV batteries don't like cold temperatures.

I've test driven a number of electric cars and plug-in hybrids in cold weather and the drop-off in driving range is significant. My observations are not carefully calibrated engineering tests but do represent what a typical owner would encounter.

As a rule of thumb, I would say EVs lose about 30% of their range around 33 degrees Fahrenheit and close to 40% of their range at 24 degrees. I can only imagine it drops off much more at colder temperatures, but I have not personally tested EVs at those temps. EV advocates don't talk about this, but automakers clearly face a challenge marketing EVs to people who live in winter climates.

Having said that, Norway has the highest EV ownership rate in the world. But that market is heavily skewed by tax policies that make it far cheaper to buy an EV than an ICE car. And Norway is a small country with much shorter driving distances. For example, while Norway has nearly 58,000 miles of roads, the state of Michigan, where I live, has 120,000 miles.

My rule of thumb represents a worst-case scenario. Owners can mitigate cold weather problems by preheating the battery and the interior of their car while it's still plugged in. That way the battery is ready to go as soon as you unplug it, and you'll use less stored battery power keeping the cabin warm.

But that only works if you can keep your EV plugged in for all situations. If your car sits unplugged in a parking lot at work, or in the parking lot of a hotel when you're on a road trip, that cold battery will lose a lot of range. And it's these worst-case scenarios that will feed range anxiety.

Automakers have to step up and provide honest range numbers to consumers. Everyone knows the NEDC (New European Driving Cycle) is a misleading test. It's an easy-breezy procedure that generates great driving ranges for electric cars and wonderful fuel economy numbers of cars with internal combustion engines.

John McElroy is editorial director of Blue Sky Productions and producer of "Autoline Detroit" for WTVS-Channel 56, Detroit.

OSHA has COVID-19 worker safety guidelines

The Biden administration has released guidelines for workplace safety in what U.S. Labor Department officials said was a first step toward revamping national protections for workers to avoid COVID-19.

The guidelines, released Jan. 29, say every employer should implement a COVID-19 prevention program. They list 15 potential instructions, including how to evaluate workplaces for hazards, and how to isolate workers and clean and disinfect workplaces.

Similar to guidelines the Trump administration published last year, the new recommendations do not carry the weight of law. Worker advocacy groups have pressed the U.S. Occupational Health and Safety Administration to implement something stronger.

"This guidance is not a standard or regulation and it creates no new legal obligations," the guidance reads.

Jim Frederick, the newly appointed deputy assistant secretary of OSHA, said in an interview that the agency plans additional actions. In a Jan. 21 executive order, President Joe Biden instructed the agency to issue the guidelines by early February. He tasked OSHA with considering whether it should issue nationwide emergency temporary standards, which would carry legal requirements for employers.

"Stopping the spread and protecting workers from COVID-19 is without question the only way to get the economy and our lives back to where we all want to be," Frederick said. "The biggest takeaway from the updated guidance is that implementing a COVID-19 prevention program is the most effective way to reduce the spread of the virus.

"Employers should implement COVID-19 protection programs tailored to their workplace."

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about options for the customer," said Josh Aaronson, dealer principal of the Island Auto Group in Staten Island, New York, who spoke Jan. 25. The group counts 31 dealerships and almost $1.2 billion in revenues.

According to the panelists, the options that dealers are providing include what's now a familiar menu of customer vehicle pickup and delivery and sanitization, as well as a couple of new approaches that help dealers get more value from customer data than what comes in from the service department.

"That's how we're operating now," Aaronson said. "Over 60% of customers are never arriving at the dealership" due to pickup and delivery, as well as the ability to pay by phone or online, he said.

Customers who prefer to come in can also visit a dealership for service, drop off their car, get a loaner car and check themselves in and out via kiosk "without talking to a human being," if that's their choice, he added.

John Malishenko, chief operating officer of Germain Motor Co. of Columbus, Ohio, said his group is now promoting its new service capabilities to all 1 million customers in its files, as the bulk of them haven't been in to experience service since the pandemic started last year.

"The vast majority have no idea of these capabilities, the things we can do," Malishenko said. The first step was for the group to merge all of its customer data from its various Dealership Management Systems and Customer Relationship Management Systems, from all different brands and suppliers, into a single, cloud-based database.

That was "not too easy, or inexpensive," Malishenko said.

But now that the database is set up, communications are sent to customers consistently across the group and automatically, based on business rules set up by the dealership group, are keyed to where a customer is in their ownership life cycle.

"We can talk to everybody, all the time," he said.

Damian Mills, CEO of Mills Automotive Group of Raleigh, North Carolina, said customer data from the service department can be used to cross-sell other dealership goods and services, and also to provide a competitive advantage over newcomers such as Carvana that don't have as many profit centers, or as many different ways to interact with the same customer.

"We may have a customer who comes in with a Toyota, but they also have a Ford F-150. We can service Vehicle A, or Vehicle B. And by the way, we'd like to purchase Vehicle A, if you'd like to upgrade, or just if you'd like to sell," he said in the panel discussion.

Carvana and similar companies are "not concerned with the database of fixing the cars, or selling the parts. They're only concerned with that one transaction" — that is, the used-car transaction, Mills said, adding that dealerships can turn those broader customer relationships to their advantage. He said, "We need to speak to the people who already know us."

Loans

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access to dealer products and services.

Loans that violate the Act would be considered void and uncollectable. "Any loan made in violation of this Act is null and void and no person or entity shall have any right to collect, attempt to collect, receive, or retain any principal, fee, interest, or charges related to the loan," the legislation states.

The General Assembly has until Feb. 12 to send the bill to Pritzker, and the governor has until mid-March to sign it. The rate cap would be imposed on all loans made on or after the effective date.