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Is cyclical auto sales industry showing hints of decline? Chicago to host

Digital Dealer June 6 and 7

For seven years, the steadily expanding auto industry has helped drive the American economy forward, racking up billions in profit and paying workers hefty bonuses, all while consumers flocked to dealerships and drove sales to record heights.

It is a boom that President Donald Trump has been counting on to add more jobs. But the industry's ability to do so is now in question.

Automakers on May 2 reported the fourth straight monthly retreat in sales of new cars and light trucks, the longest stretch of declines since 2009, when the industry was embroiled in

crisis and bankruptcies. The slump underscores the view of many that auto sales have peaked and are set to trend downward.

"The market is tapped out," said Adam Silverleib, vice president of Silko Honda, a dealership in Raynham, Mass. "It's no longer expanding at the rate the manufacturers thought it would."

He added that the more optimistic consumer sentiment recorded since Trump's election "hasn't translated into what's happening in dealerships where we're trying to sell cars."

Moreover, the top six automakers in the American market all reported declines from their April sales a year

ago, and in every case the falloff exceeded analysts' forecasts. Wall Street took notice: Shares of Ford and Fiat Chrysler automobiles were down more than 4 percent, and General Motors shares fell almost 3 percent.

Dealers in April sold 1.43 million cars and trucks, down from 1.5 million a year ago. But even before those totals were reported, automakers had started preparing to trim the number of vehicles they are making, which almost always means jobs are eliminated.

Some 1,100 workers at a GM plant in Lansing, Mich., are being laid off this month and will be out of work for

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701 dealers can remit funds easily: electronically

As a reminder, dealers with unionized technicians can remit contributions electronically to the fund office of Automobile Mechanics Local 701. Since the electronic method debuted a year ago, dealers who use it say it is simple and efficient. However, just 30 percent of eligible dealers are enrolled to participate.

The new ISSi-Remit system (Innovative

Software Solutions, Inc.) accurately captures, manages and transfers remittance data electronically, allowing employers to submit reports and make payments online. The method eliminates duplicate entry of remittance data and saves time and money for both the employer and the 701 Fund.

Dealers who aren't already using the elec-

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The upcoming Digital Dealer Workshops, June 6-7 at McCormick Place, will feature the most progressive educational content found anywhere in the automotive industry. Attendees can learn how to build specific solutions for their dealerships at 40-plus intensive workshops led by top dealership executives, trainers, and consultants.

In one of the workshop's two Keynote Addresses, hear firsthand from Eric K. Gail, CEO of an industry-leading and award-winning automotive group with 19 locations. He will discuss how his group and others have defined mastery within Brand Loyalty, Sales, Finance, Fixed and Marketing operations.

Gain compelling insights and immediate-actionable items, which will provide recurring gains in unit sales, transaction gross and net

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Dealers urged to promote safe teen driving during prom season ahead

The National Foundation for Teen Safe Driving is calling on new-car dealerships to help raise awareness of Senior Promise 2017. The campaign runs through Memorial Day.

“The campaign’s messages are targeted to the high school graduating class of 2017, with a similar call-to-action to other members of the community, reminding us that safety is a shared responsibility,” said Roy Bavaro, NFTSD executive director. “The goal of the campaign is to guard against poor choices that can have tragic consequences during a time that is among the deadliest times of the year for teens.”

The NFTSD will provide participating dealerships — at no cost — with all campaign materials, ready for co-branding, instruction, tips and guidance. The campaign slogan is “Dance with your date, not with your fate.” Dealerships can choose the level of participation and duration that works best.

Congratulations!

Seven area Subaru dealers won the automaker’s 2016 Steller Care Award, the highest honor a Subaru retailer can achieve: **Brilliance Subaru** (Elgin), **Evanston Subaru** (Skokie), **Grand Subaru** (Bensenville), **Gary Lang Subaru** (McHenry), **Muller Subaru** (Highland Park), **Napleton Subaru** (Schaumburg), and **Roto Subaru** (Arlington Heights).

The 2016 Subaru Love Promise Retailer of the Year award was bestowed upon **Evanston Subaru**, in Skokie, for its community support. Since 2010, the dealership has donated nearly \$130,000 to the USO of Illinois.

Five area dealers won the 2016 Acura Precision Team Award, for reaching the highest level of dealer excellence: **Continental Acura of Naperville** (20-year recipient); **Acura of Libertyville**, **McGrath Acura of Westmont**, and **Muller’s Woodfield Acura** (all 15-year recipients); and **Arlington Acura in Palatine** (6-year recipient).

Continental Honda, in Countryside, was named a recipient of the Honda Environmental Leadership Award, which recognizes dealers who reduce their energy consumption. **Continental Acura of Naperville** won the same award from Acura.

Woodfield Nissan (Hoffman Estates) and **Glendale Nissan** (Glendale Heights) are among the top 50 U.S. Nissan dealers for certified pre-owned sales.

CATA supports Northwood student

The Chicago Automobile Trade Association has continued its 20 years-plus practice of awarding a scholastic scholarship to a student at Northwood University, in Midland, Mich. Edward Mavromatis will receive \$5,000 towards his tuition.

Mavromatis, a graduate of Fremd High School, in Palatine, is pursuing a bachelor’s degree in Automotive Marketing & Management and aspires to work in the automotive retail sector.

“This scholarship will help me financially at Northwood and inspire me to continually strive to be the best I can be,” he said. “One of my career goals would be to work for the Jeep brand as a marketing team member, and I am very grateful to say I received such a prestigious award.”

High school upperclassmen whose parents or legal guardians work at a CATA-member dealership, or dealership employees pursuing a Northwood degree, are eligible to compete for a scholastic scholarship for four years at Northwood University.

For scholarship consideration, applicants must have a high school grade point average of at least 2.5 on a 4.0 scale. Continued eligibility is subject to maintaining a 2.5 GPA at Northwood.

Mavromatis will intern this summer at Motor Werks of Barrington. The last two summers he worked at Napleton’s Arlington Heights Chrysler-Dodge-Jeep-Ram and Zeigler Maserati, in Schaumburg.

“As a graduate of Northwood, I have a special place in my heart for this scholarship,” said Ray Scarpelli, principal of Ray Chevrolet in Fox Lake and vice chairman of the CATA. “A career in automotive retail can be financially and emotionally rewarding and is an often overlooked career path.”

CATA annual golf outing June 13 at Cog Hill

Full details and registration at www.cata.info.



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Review past editions dating to 1998 or search by subject at www.cata.info/publication/bulletins.

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The elephant in the room: Stair-step programs evaluated

By **MARK SCARPELLI**
2017 NADA CHAIRMAN

There is an elephant in the room when it comes to the retail auto industry, and it's named "stair-step incentive programs," particularly the unfair and indiscriminate kind.

We all know how the elephant was born: automakers rolled out dealer incentive programs in the form of escalating bonuses if sales targets were achieved. The OEMs' intention was straightforward enough: to provide dealers with a carrot to sell harder and push more and, consequently, wrest back market share or boost key models. These programs are inherently tied to the modern dealership business. The programs were all a novel incentive, or so we thought.

When these programs are implemented, they often negatively affect our businesses, the value of our brands, and our collective integrity. Moreover, these programs that lead to multi-tier pricing have a tendency to be more disruptive to the marketplace than beneficial. Most important, we know for a fact that they're incredibly detrimental to the customer experi-

ence and our customers' trust in the brand.

The National Automobile Dealers Association is confronting this long-held issue head-on. The ongoing proliferation of market strategies — like indiscriminate price tag coupons and others — are extremely complicated and not consumer-friendly.

And as many dealers have expressed, some programs are not available to everyone, so dealerships of a different size or those in a different location can be at an extreme disadvantage compared to the dealerships that utilize these programs. There is no doubt that auto retailers all want a healthy outcome: dealerships brimming with sales and happy customers and moving inventory.

But at what cost?

I am asking our OEMs, "How many of the gains are you really willing to offset through counterproductive methods that move us back to where we started?" If these programs run afoul of everything our customers care about — trust, fairness, and transparency — then it's not really worth it anymore.

America's dealers and manufacturers should have the same goal, and achieved in the right way: to sell our inventory in large volume and at competitive prices while maintaining the integrity of the brand and creating a great customer experience.

Throughout the year, our two camps meet to discuss our challenges, successes and goals. Addressing these issues requires a deep, insightful dive into how we market and sell. The NADA is ready and willing to navigate these choppy waters.

We will continue to have important discussions with manufacturers to express our concerns and find ways to produce an outcome that truly benefits us all, including our partners, investors, our shareholders and, above all else, our customers.

This year, America's franchised new-car dealers are poised to sell 17.1 million vehicles. That's a lot of moving inventory. Let's make sure it's moving off our lots in the best way possible. Let's move this elephant out of our room.

Mark Scarpelli is principal of Raymond Chevrolet and Kia in Antioch.

Sales

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at least the next five months, although about 700 of them are expected to be rehired by the end of the year. Three other GM plants are eliminating shifts, moves that will idle more than 3,000 other workers.

"We are very cognizant that we operate in a cyclical industry, and we are in the eighth year of expansion," the company's chief financial officer, Chuck Stevens, said in a conference call in late April after the company re-

ported first-quarter earnings. "We are very focused on acting like we are in a downturn."

The automakers' comeback since the 2009 crisis had been driven in large part by low gasoline prices that have fed Americans' tastes for sport utility vehicles and trucks — particularly profitable categories, and the models more likely to be assembled in the U.S. rather than Mexico. Sales also benefited from pent-up demand as recession turned to recovery.

Now consumers seem to be holding off on spending

more broadly — not just on cars, but on other big-ticket items, a primary factor in the economy's tepid first-quarter performance.

Ford and Fiat Chrysler both saw their sales fall 7 percent or more in April, while Honda's fell 6.3 percent and GM's 5.8 percent. Toyota declined 3.5 percent, and Nissan dipped 2 percent. (Those figures exclude the Japanese makers' luxury brands.)

For GM, the domestic downturn compounds difficulties it is dealing with abroad. It has announced plans to sell off its Opel

and Vauxhall operations in Europe, and on May 2 said it would take a \$100 million charge to write off the value of its factory in Venezuela, which was seized by authorities in the volatile country two weeks ago.

Like GM, Fiat Chrysler has idled several thousand workers this year while it retools factories in Toledo, Ohio, and Belvidere, Ill.

Further production cuts may be coming. Many analysts have forecast that auto sales will suffer a small decline this year — to about 17.2 million vehicles.

Trump suggests raising tax on gasoline

President Donald Trump on May 1 suggested raising the federal gasoline tax to help pay for his infrastructure plan.

The federal fuel tax — 18.4 cents per gallon for gasoline and 24.4 cents for diesel — is supposed to pay to fix and expand the country's roads and transit systems, but Congress has refused to increase it since 1993. Between inflation and the higher fuel economy of cars, the tax is hardly up to the job. Highway-related tax revenue was only \$37.4 billion in the 2015 fiscal year.

Many of the country's roads and transit systems are somewhere between shoddy and falling apart. The American Society of Civil Engineers recently gave the country's roads a grade of D and transit systems a D-. It said the poor state of the roads cost the country \$160 billion in time and fuel in 2014. And the country's transit systems have a \$90 billion repair backlog, according to a government report published in January.

Trump floated the idea of raising the gas tax in an interview with Bloomberg News. His press secretary, Sean Spicer, realizing that the president might have touched the third rail of national Republican politics, quickly tried to scale back his comment, saying the president was not endorsing a gas tax increase but merely considering it because the trucking industry had asked him to look into it.

A higher gas tax would be one way to help pay for Trump's \$1 trillion infrastructure plan without

increasing the federal deficit. It would benefit Americans by shortening their commutes, creating jobs and reducing costs for car repairs. Businesses would be able to ship raw materials and goods faster. All of that would bolster economic growth, which is probably why, in addition to truckers, the U.S. Chamber of Commerce and AAA support an increase.

Adjusted for inflation, the value of the federal tax on gasoline has eroded by almost 40 percent since Congress last increased the tax in 1993.

Many states, tired of waiting for Washington, have raised fuel taxes. Just last month, lawmakers in California, Indiana, Montana and Tennessee voted for increases. Altogether, 21 states have done so since 2013, according to the American Road & Transportation Builders Association.

But states cannot do the job alone. Many large infrastructure projects cross state lines and involve multiple modes of transportation, like road, freight rail and mass transit, putting them beyond the capacity of individual states.

Of course, there are substantial political obstacles to increasing the tax. Many conservatives, including House Speaker Paul Ryan, R-Wis., and the anti-tax ideologue Grover Norquist, oppose the idea.

Then-President Ronald Reagan persuaded Congress to pass the last gas tax legislation, a 5-cent-a-gallon increase. "The cost to the average motorist will be small," Reagan said, "but the benefit to our transportation system will be immense."

Remit

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electronic remittance process should contact Lisa Conner, (708) 588-8112, or Nicole Kerkstra, (708) 588-8111. They can provide dealers with a username, password and instruction manual. The manual also can be downloaded under the Employers tab at www.mech701-benefits.org.

The ISSi system is user-friendly, prompting the employer through each entry and maintaining running totals for the reporting template. Employers can upload payroll files; and dynamic tables give employers the flexibility to sort, search, and display information as needed.

Sue Jucius, who works at Shirey Cadillac, in Oak Lawn, said she remitted union contributions manually for 20 years before the dealership switched to electronic remittance last year.

"I don't know why anyone wouldn't want to be on (electronic remittance)," she said. Jucius added that if a dealership is experiencing cash-flow issues, the remittance can be done the day the funds are due, without concern of factoring the time it takes to mail the payment.

Diana Tobey, the office manager at Apple Chevrolet, in Tinley Park, said, "I'm a fan because it kind of organizes your life a little."

Tobey said electronic remittance improves accuracy because the software automatically adds sums for the dealer.

"It's the way to go, I think," added Gina Nichols, who oversees payroll and human resources at Apple Chevrolet.

Workshops

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profit; while defining and achieving a fortress-balance sheet operating model.

Don't miss this opportunity to fuel your dealership with the latest digital strategies & solutions from the country's top dealership leaders and technology-focused providers. Also, CATA members will save \$200 off registration with promotion code DDWSCATA. Full details are at www.digitaldealer.com.

Save the date: May 17

CATA Spring Event/BBQ Boot Camp

Meet with the CATA's Approved Member Partners and Recommended Consultants; attend a free seminar, "The Growing Importance of Mobile Marketing;" and learn at a boot camp to prepare for the July 15 Barbecue for the Troops fundraiser.