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Service advisors fall within federal overtime exemptions: High court

The U.S. Supreme Court on April 2 ruled that auto service advisors aren't covered by the Fair Labor Standards Act's overtime pay requirement, nearly two years after the justices issued a limited ruling in the same case that didn't address that central question.

The 5-4 decision in *Encino Motorcars vs. Navarro* reverses a 9th U.S. Circuit Court of Appeals ruling that the Mercedes-Benz dealer in Encino, California, owed five defendants back pay for working 55-hour weeks.

The Fair Labor Standards Act in 1940 established the standard 40-hour workweek.

The majority decision said service advisors and parts department employees sell goods and services and do not physically repair vehicles; the minority argued that service advisors neither sell nor repair automobiles and should not be exempt.

To be exempt from overtime, the "salesmen, partsmen, and mechanics" exemption requires only that covered employees spend more than half their time working as a "salesmen, partsmen, or mechanics," regardless of how or how much they are paid (so long as they are paid minimum wage for every hour worked).

Dealers worry as car prices climb

As the automotive industry braces for changes including electrification and autonomy, dealers across the U.S. are worried about something much simpler: the price of a new car.

After decades of fighting to protect their businesses and advocating for dealers

to Congress and the federal government, dealers see their new mission as advocating for the consumer to keep the cost of a new vehicle low. The average cost of a new car through February was about \$32,200, about \$500 more than one year earlier, accord-

SEE **PRICES**, PAGE 4



Student Excellence Foundation directors Don Longacre (from left) and Barbara Marquardt, with Cadillac of Naperville's Veronica Coy, CATA President Dave Sloan and John Hennessy, a CATA director.

CATA's Chicagoland Dealers Care accepting grant requests

Dealerships play a vital role within their local communities, and the CATA knows that many of its dealer members already support local charitable organizations. To help that contribution go a little bit further — and broadcast that message a little bit wider — the CATA is again accepting applications for its Chicagoland Dealers Care grant program.

The CATA began the Chicagoland Dealers Care pro-

gram in 2008 to build upon the charitable efforts of Chicagoland's metropolitan dealers who graciously donate to causes all year round. The program matches up to \$1,500 per dealership and charitable organization.

A few recent examples of grants include:

Cadillac of Naperville and the **Student Excellence Foundation**

Cadillac of Naperville
SEE **NONPROFITS**, PAGE 4

In Memoriam

Stephen (Steve) Xavier Foley Sr., 92, died March 23 after a full and productive life.

After service in the U.S. Army and shortly after his 1952 marriage to Mercedes (nee Meyenberg), Mr. Foley left his position at General Motors Acceptance Corporation to pursue a career in car sales at Hollingshead Oldsmobile on Chicago's South Side. He moved from sales to management and in 1964 he became the dealer/owner of Hollingshead Oldsmobile, renaming it Steve Foley's Hollingshead Oldsmobile.

In 1974, Mr. Foley sold the Oldsmobile dealership, purchased a Cadillac dealership in Northbrook and renamed it Steve Foley Cadillac. He added Rolls-Royce and Bentley franchises there in 1983, and he purchased and sold other dealerships in Illinois, Wisconsin and Florida over the years. At one time, he also owned and operated several tire and service centers throughout the Chicago area.

Mr. Foley served 19 years on the board of the Chicago Automobile Trade Association, including as chairman in 1978-1979 and as Chicago Auto Show chairman in 1980.

He also was a member of the Cadillac Advertising Association and the National Dealer Council. He received the Distinguished Alumnus Award from his high school alma mater, Quigley Seminary in Mundelein, in 1994.

Mr. Foley was involved in and supported many charitable organizations. He and Mercedes served twice as chairpersons of the Loyola Stritch School of Medicine Awards Dinner. The dinner is the longest-running black-tie gala in Chicago and continues to raise hundreds of thousands of dollars for medical student scholarships.

Survivors include his wife of 65 years, Mercedes; daughters Mary Margaret, Cathy, and Maureen; a son, Steve Jr.; and grandchildren Steve, Ryan, Mercedes, and Richard.

Memorials appreciated to Catholic Charities of the Archdiocese of Chicago or Mundelein Seminary.



Fraud scheme targeting dealers within a day's drive of Chicago

Law enforcement officers have recently become aware of a Chicago-based fraud scheme impacting automobile dealerships. The scheme is carried out by identity thieves who make initial contact with a dealership as the result of an internet sales ad-

vertisement.

The fraudsters typically target used vehicles ranging in value from \$40,000 to \$60,000. The "sale" of the vehicle is arranged via telephone and email. The "buyer" will sign documents and return them via express

parcel service if asked to do so.

The "buyer" typically asks the dealership to deliver the vehicle to the Chicago area and will push the dealer to do so as soon as possible once all documents related to the financing and transfer of the

vehicle have been completed.

Any dealership that has been the target of this fraud scheme should notify Investigator Isaiah Hoff of the Dubuque, Iowa Police Department via email at Ihoff@cityofdubuque.org.

Auto sales are healthy, but politics a wild card: economist

It should be relatively smooth sailing for the U.S. economy in general and for U.S. auto sales in particular the next couple of years, "unless the politicians mess it up," said Nariman Behravesh, chief economist for IHS Markit.

"Left to its own devices, the U.S. economy and the global economy can go on at least another two years" before any serious worry about a recession, Behravesh said

at a March forum at the New York Auto Show.

Behravesh said U.S. auto sales should stay in the neighborhood of a healthy 17 million new vehicles annually. He predicted sales of 16.9 million in 2018 and 2019, and 17.1 million in 2020. New-vehicle sales in 2017 were 17.2 million.

However, those numbers are down from the all-time high of almost 17.6 million in 2016.

Annual CATA golf outing June 12 Cog Hill Golf and Country Club Lemont

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AIADA honors McGrath Sr. with its Lifetime Achievement Award

Mike McGrath Sr., who with his family owns and operates six dealerships in the Chicago area, won the 2018 David F. Mungenast Sr. Lifetime Achievement Award on March 25 at the annual meeting of the American International Automobile Dealers Association.

The award is presented each year by the AIADA's board of directors to an industry leader who possesses a similar community spirit and devotion to the international nameplate auto industry as the award's namesake.

"Dealers are generous people, and few exemplify this more than Mike McGrath," said AIADA President Cody Lusk. "He's dedicated so much of his time and resources to giving back to his community, as well as our industry, so we are pleased to honor him with this year's Lifetime Achievement Award."

McGrath has served in various leadership roles across the industry, including as vice chairman of the Lexus National Dealer Council; chairman of the



Acura National Dealer Council; director of the National Lexus Dealer Advertising Board; and chairman of

the Automotive Free International Trade PAC.

In addition to running a successful group of dealerships — Acura and Lexus dealerships in Chicago and Westmont; and Honda and Hyundai stores in Chicago — McGrath is known for his commitment to the com-

munity and several philanthropic causes, including the Northern Illinois University College of Business, which honored him in 2013 with its Distinguished Alumni of the Year award.

He also has been recognized as an outstanding business leader by the 100 Club of Chicago, which presented him with its "Corporate Leadership Man of the Year" award in 2015.

McGrath served nine years as a director of the Chicago Automobile Trade Association, including as chairman in 2002-2003.

New NADA chairman Lutz outlines goals, focus areas for 2018

Personal vehicle ownership is stronger than ever and auto dealers will continue to bring exciting, inspiring, life-changing products to their customers, just like they've have been doing for the last 100 years, Wes Lutz said in his first official address as 2018 chairman of the National Automobile Dealers Association.

"It's true, technology makes sharing a car more convenient than ever. But, what the naysayers forget is that technology also makes owning a car better than it used to be," said Lutz, who has

been a dealer since 1976. "Auto dealers are going to sell the vast majority of electric cars (that are) sold. ... The automobile is the most exciting platform for innovation in the next 100 years."

A Michigan dealer, Lutz outlined his priorities and focus for his coming year as chairman, including advocating new-car dealer concerns within the industry, and in the legislative and regulatory affairs arenas as well. Lutz said he will also encourage dealers to continue adapting to the retailing challenges ahead.

"Just because a new system pops up doesn't mean the 'old one' is dead. Just because technology changes, it doesn't mean that a car's usefulness is gone," Lutz said. At almost every turn, dealers have faced challenges — some major ones. But our troubles didn't define us. How we responded to them did."

As car ownership continues to break records — global sales of 90 million in 2017, Lutz noted — auto dealers have a role to play in the future of the industry, investing in new franchises, new facilities, and new technologies.

Scarpelli praises dealer lobbying in words as departing NADA chairman

Dealers can be proud of their lobbying efforts over the last year, which protected the affordability of the automobile and the profitability of auto dealerships in a tumultuous political year, Mark Scarpelli said March 23 in his final message as 2017 chairman of the National Automobile Dealers Association.

At the 2018 NADA Show in Las Vegas, Scarpelli, president of Raymond Chevrolet and Raymond Kia in An-

tioch, said lobbying efforts to protect dealer reserve from persistent threats by the Consumer Financial Protection Bureau and the successful defense of 100 percent deductibility for floorplan interest during the tax reform debate late last year protected dealer profits and kept vehicles affordable for consumers.

Scarpelli also noted the NADA's efforts in 2017 to push back on manufacturer stair-step programs.

And there were other threats to the

dealer business model in 2017, Scarpelli said, including "overly broad" recall legislation that would have treated every recall the same, regardless of its impact on vehicle operations.

"This legislation would have created a 'consumer trade-in tax' for every recalled car on the road — even ones with only minor defects, like a peeling sticker," Scarpelli said, adding that the legislation could have cost consumers "on average \$1,200."

Off-lease cars set to drive down U.S. used-vehicle values, NADA says

Large numbers of ex-lease cars coming onto the used-car market is set to drive down used-car prices in the US and put pressure on new-car sales.

That's the view of Patrick Manzi, senior economist of the National Automobile Dealers Association, speaking at last month's NADA convention in Las Vegas.

He cited figures from Cox Automotive indicating that 3.9 million lease returns are expected in 2018, an increase of 8 percent from 2017.

"The rise in off-lease volumes will spur growth in the certified pre-owned used market, and 2018 could very well be a record year for CPO sales," he said.

"CPO sales provide cus-

tomers with the peace of mind of a factory warranty and dealership inspection process."

Manzi said that the influx of off-lease vehicles will put pressure on new-vehicle sales because the increased supply will drive down used-vehicle prices.

"Consumers will see a widening price difference

between a new vehicle and a similarly equipped used or CPO vehicle, and will consider buying used," he said.

Despite the economic headwinds likely to impact the retail-auto industry this year, the NADA is sticking to its original sales forecast of 16.7 million new cars and light trucks in 2018.

Prices

CONTINUED FROM PAGE 1

ing to J.D. Power, as manufacturers roll out new models with additional technology and safety features, justifying an increase in price.

Customers also are buying more SUVs and pickup trucks, which usually have higher transactional prices than cars

If the cost of a new car continues to rise at rates it has been, "it will stop sales," said Wes Lutz, chairman of

the National Automobile Dealers Association. "It's just more than the consumer can handle."

But dealers and consumers face a number of challenges. Tightening credit conditions and higher interest rates are driving up monthly payments to an average \$525, according to Edmunds.com, adding that interest rates in February hit an eight-year high. New tariffs on steel and aluminum imports could compound the matter.

As automakers such as

Toyota Motor Corp. met with their dealers in March at the NADA Show in Las Vegas, Toyota executives told their dealers that "we're all in the same boat together," but acknowledged that "it's simple math, with a tariff there's going to be a price increase," said Jack Hollis, general manager of Toyota North America.

If vehicle selling prices increase by an average \$200, as some estimated, it would represent an additional \$3.4 billion tax on U.S. consum-

ers.

Dealers said they have to get crafty to get consumers into a new car at a price they can afford. Charlie Gilchrist, the NADA vice chairman, said he sometimes puts consumers into a longer-term lease to drive down monthly payments. But he acknowledged rising interest rates and prices could result in fewer cars sold in 2018.

"You can't continue to raise the price because at some point, people won't buy cars," Gilchrist said.

Nonprofits

CONTINUED FROM PAGE 1

supports the foundation, which is an all-volunteer organization that raises funds for innovative programs and new materials to enhance educational opportunities for Wheaton-Warrenville students not otherwise covered by state funding. The CATA matched the dealership's donation of \$1,500.

Liberty Auto City and the Midwest Brain Injury Clubhouse

Liberty Auto City gave \$2,500 to the nonprofit, which provides long-term rehabilitative services, support and mentoring to those affected by stroke

or brain injury in the Chicagoland area. The CATA matched up to \$1,500; collectively the two groups donated \$4,000 to the charity.

Bredemann Ford/Lexus and St. Joseph Services

The CATA donated \$1,500 to help further Bredemann's contribution to St. Joseph Services, a charity that supports people in need in Chicago's Humboldt Park and Austin neighborhoods. Specifically, the program helps to strengthen and develop participants' skills in order to move from a position of poverty and assistance to one of economic, spiritual and social self-sufficiency.

The CATA has been a longtime

supporter of local nonprofits. Since its inception in 2008, the Chicagoland Dealers Care program has donated more than \$100,000 to local charitable organizations supported by new-car dealers. Additionally, since 1992, the association has raised more than \$50 million for significant Chicago-area charities through the annual First Look for Charity black-tie event, held the evening before the Chicago Auto Show opens to the public.

Visit ChicagolandDealersCare.com to learn more about the program. To apply for a grant, contact the CATA's Mark Bilek at mbilek@drivechicago.com.