



BBQs coming Sept. 18



Save Sept. 18 as the date for this year's Barbecue for the Troops fundraiser to benefit the USO of Illinois.

Because the Chicago Auto Show is rescheduled for July 15-19, the CATA decided to postpone this year's USO campaign. The weather in September still should be mild enough to return barbecue gatherings and community events to dealerships.

In nine years, CATA dealerships have raised more than \$950,000 for the USO of Illinois.

Cook use tax now to be filed online only

Taxpayers get a reprieve this month in their remittance of the Cook County use tax, normally due on the 20th day each month. In July, payment for June transactions is not owed until July 30.

The extension was granted because the county's new online payment portal was not available until July

6. Starting this month, payment can only be made online.

Taxpayers will want the extra time to file because the ability to upload voluminous data does not yet exist and there is no timetable for when that ability will be available. But Michael Luzzi from the Cook County Revenue Department said that

shortcoming is not a deal-breaker.

"You can do this (data entry) throughout the month," Luzzi said. "You don't have to do it (file) in one sitting."

Cook County's use tax amounts to 1% of the transactional amount of goods purchased at retail and titled or registered at an

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Traditional dealer franchise model trumps direct-to-consumer approach

By JOHN McELROY
BLUE SKY PRODUCTIONS

All the EV startups are saying "Phooey!" to franchised dealers. They're pulling an end run around dealers and trying to sell direct to consumers.

There are some notable advantages to doing this, but there are even bigger drawbacks. I believe that in just a few years, franchised dealers will come out far ahead.

The startups have logical reasons why they don't want to use dealers. First and foremost, they believe dealers

are a cost burden. Dealers buy cars from the factory, mark them up and sell them. The startups believe there's more profit by selling those cars themselves, rather than letting dealers take a cut of the action.

Also, the startups don't like the fact that dealers (normally) have acres of vehicles parked on giant lots waiting for customers to come buy them. Until they do sell, dealers have to floorplan those vehicles, which adds more cost. The startups believe they can simply make

cars to order and avoid the cost of carrying all that inventory.

Most importantly, the startups want to control the entire sales process. With their own stores, they believe they can deliver a more consistent sales experience than having thousands of dealers who operate independently. I think that's the one area where the startups got it right.

But here's what the startups are overlooking: Franchised dealers are everywhere. They're in every

community from New York to California and Montana to Texas.

If you're a low-volume startup that's content to sell one or two thousand cars a month, maybe you don't need that kind of reach. But if you want to sell hundreds of thousands of cars a year, or over a million, you have to have lots of stores located where all your customers are.

The startups also need lots of local service departments to keep those cars up and

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Taxes

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address within the county.

The department relaxed its reporting demands (see [reporting FAQs](#)) after listening to feedback from dealerships during June informational webinars about the changeover.

“We contended that listing all sales separately in Schedule A, along with Sales Invoice Date, Sales Invoice Num-

ber, Name of Purchaser, VIN, Amount Subject to Tax, and Cook County Use Tax was overly burdensome. This has been modified to require only the completion of two lines on the schedule: one for New Vehicles and the second for Used Vehicles, with the date being always the last day of the month,” said Dennis O’Keefe, the CATA’s general counsel.

Similarly, lease transactions, reported

on Schedule B, require the same data entry. The county also allowed that Sales to a Dealer for Resale (wholesales) need not be scheduled, meaning Schedule D can be left blank. For Purchases for Dealer Use, reported on Schedule E, the transaction amounts from all transactions also can be summarized on one line. Direct questions about the new mandate to (312) 603-6961 or to revenuecompliance@cookcountyil.gov.

Franchise

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running. Not everything can be fixed with an over-the-air update. And roaming service vans can only do simple repairs and maintenance. If it’s pouring rain, snowing hard, or if a car has to go up on a hoist, service vans will not get the job done.

And God forbid, when these startups have a recall — and they will — they’ll need to fix a flood of cars very quickly. So, they’re going to need lots of stores with lots of service bays. Does anyone believe that building all those stores and service centers will be much cheaper than building dealerships?

Traditional automakers like to point out that their dealerships are built with OPM — other people’s money. Car companies don’t pay to build dealerships, dealers do. They have to borrow the money, often from the automaker itself. When the startups build their own stores and service centers, all that money comes out of their own pocket.

While it’s true that dealers buy cars from the factory and mark them up, they have very slim profit margins, the kind of margins you find with

grocery stores. Even the biggest, publicly traded dealer groups like AutoNation and Penske Automotive have 3% profit margins or less. And most of that profit comes from selling F&I and service, not from selling cars.

Far from driving up the cost of cars, dealers are caught in a cutthroat competition that keeps a lid on prices. The average Ford dealer doesn’t compete with the local Chevy dealer. He competes with all the other local Ford dealers.

He has to offer customers a better deal so they don’t drive down the road and buy the same car from another Ford dealer at a cheaper price. With factory-owned stores, you don’t get that kind of competition. The factory price is the factory price. Take it or leave it.

People wonder why Tesla is constantly changing its prices. There’s your answer. It doesn’t have independent dealers who are competing against each other and who are constantly juggling prices to close a sale.

Demand always varies by season and by region, and dealers have the flexibility to react to that reality. A startup that wants to raise or lower

prices has to do it across the board. There is no regional flexibility.

Tesla has done a decent job of selling directly to customers. But almost half its U.S. sales have been in California, and it’s going to struggle to boost sales significantly in the rest of the country. There are 18 states that either ban direct sales, or limit Tesla to a couple of stores.

All the other startups will face the same ugly reality. The courts really should overturn this. It’s a blatant restraint of interstate trade. But while Tesla has spent a small fortune in legal fees trying to get this overturned, not much has changed.

There are over 16,000 dealerships in the U.S. and they’re no longer the mom-and-pop shops of yesterday. More and more of them are

getting bought out by large, publicly traded corporations. And those companies are instilling a higher level of professionalism in their operations. They have massive scale and marketing clout. They are formidable competitors who will deliver a consistent sales experience throughout all their stores.

And that’s why, despite a public image that often disparages dealers, the traditional franchise model will trump the direct-to-consumer model. Yes, I know the direct model has worked wonderfully well in other industries. But we’re talking cars here, not laptops or tablets. You can’t put a car in a box so UPS can deliver it to your doorstep.

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

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Ill. secretary of state lifts freeze on paperwork 18+ days after car sale

The Illinois secretary of state's office on July 8 lifted its weeklong hold on paperwork submitted more than 18 days after a vehicle's sale. Upon submitting such ERT transactions, dealers began receiving previously unseen error messages from the office.

According to the Illinois Vehicle Code, an application for

a certificate of title can be submitted up to 20 days after a vehicle sale. Beginning Aug. 1, the office said it would more aggressively enforce that statutory deadline for both manual and electronic applications.

The secretary of state plans to issue a memo that specifically addresses their position and enforcement plan.

Rumors of demise of cars greatly exaggerated

By EMILY CADMAN
BLOOMBERG

Just a few years ago, obituaries were being written for vehicles. Millennials and Gen-Zers, the argument went, were going to swerve away from car ownership as more of them moved to cities with myriad public transport options and ride-hailing services like Uber. Besides, concern about the adverse impact on the environment would deter young people from making purchases.

Then the pandemic hit. Now, as the world recovers, used-car prices are going through the roof. Waiting times for driving tests have blown out. And online requests for driving directions are soaring, while public transit route inquiries have plunged.

One survey of 3,300 consumers in nine countries found that 32% of non-car owners said they intended to get a car in the next six months. About half of those prospective buyers were millennials. Georgios Basdanis, a 32-year-old doctor in London, is one of those who's already taken the plunge. He bought a second-hand Mini with 10,000 miles on

the clock for about \$15,600, financed over two years.

"If it weren't for the pandemic, I wouldn't have thought about getting a car," Basdanis said. "I would have thought it a hassle."

He lives in an apartment complex, which, pre-pandemic, had a no-car policy, meaning expensive and often scarce street space was the main option for parking. Additionally, in congested London, many journeys had been much quicker on the Tube, the U.K. capital's subway system.

But these calculations changed during the pandemic, when taking public transport to his hospital job at the height of the U.K.'s outbreak was an anxiety-inducing experience. Being able to drive himself seemed much safer.

He'd have loved an electric car, but he said that option was too expensive — not only the purchase price but also the insurance costs. Unlike in China, where a new bare-bones electric vehicle can sell for about \$4,500, EVs tend to be pricier in Western markets than their gas-guzzling counterparts, impeding the conversion of a green conscience into an actual

purchase.

Now fully vaccinated, and seeing traffic-jams picking up, Basdanis said he's likely to be back on the Tube for his daily commute soon. But that doesn't mean he's likely to sell the car.

"It's certainly a useful thing to have, for out of hours work or just driving to the gym on a weekend," Basdanis said. "Also trips. I can just jump in the car and go to the countryside for a day."

That sense of convenience and freedom is the stuff of a thousand TV commercials — as well as legions of pop songs. Yet it's also a direct challenge to pre-pandemic public policy. For decades, authorities around the world have been pushing to try and get people out of their cars and onto public transport, both to accommodate growing city populations and reduce air pollution — still a major health issue even in developed countries.

"There will be a strong push of cities trying to limit and reduce the number of cars," said Eric Zayer, a partner in Bain & Co.'s automotive and mobility practice in Munich. "They have made huge invest-

ments in public transport, and they need to be amortized. They will not give up on their mass transport systems."

It's not just in the West where attitudes have changed. In Japan, where in pre-pandemic times more than 10 million people a day jammed onto Tokyo's subway lines, interest in car ownership is rising. The number of new driver's licenses issued increased in 2020 for the first time in eight years, according to the country's National Police Agency, with much of that growth came from people aged in their 20s and 30s. Wait times to take a driving test have more than doubled.

Authorities betting on a return to normal face a battle to win over those like Gypsy Byrne, a 19-year-old student in Melbourne, who has rethought her transport usage. She'd always had access to public transport, so getting her driver's license was more of a vague goal than a priority in pre-pandemic times. Then the main bus near her house became an infection hotspot.

"You can't trust public transport now," said Byrne.

Franchised New-Car Dealers in the 8-county CATA area as of 1 July 2021

Car Line	Chicago only Ill.	Rest of Cook Cty. Ill.	Lake Cnty. Ill.	DuPage Cnty. Ill.	McHenry Cnty. Ill.	Kane Cnty. Ill.	Will Cnty. Ill.	Lake Cnty. Ind.	Porter Cnty. Ind.	Total [prior] 1/1/2021	Total [present] 7/1/2021
Acura	1	4	2	3	0	0	0	1	0	11	11
Alfa Romeo	1	3	0	1	0	0	0	1	0	7	6
Aston Martin	0	1	0	1	0	0	0	0	0	2	2
Audi	1	3	1	2	0	0	0	1	0	8	8
Bentley	1	1	0	1	0	0	0	0	0	3	3
BMW	1	4	1	3	1	0	0	1	0	11	11
Bugatti	1	0	0	0	0	0	0	0	0	1	1
Buick	2	9	1	4	4	1	3	2	2	28	28
Cadillac	0	8	2	2	1	0	1	1	0	15	15
Chevrolet	3	15	5	6	4	4	6	4	2	49	49
Chrysler	3	11	5	4	3	3	2	3	2	36	36
Dodge	4	11	5	4	3	3	2	3	2	37	37
Ferrari	0	0	1	1	0	0	0	0	0	2	2
Fiat	0	3	0	1	0	0	0	1	0	5	5
Ford	3	13	6	7	3	4	5	4	2	47	47
Genesis	2	6	2	3	1	1	0	1	0	16	16
GMC	1	9	1	4	3	1	2	2	1	24	24
Honda	4	9	3	2	1	3	1	2	0	25	25
Hyundai	2	10	4	3	1	1	1	2	0	24	24
Infiniti	1	4	1	2	0	0	0	1	0	9	9
Jaguar	1	3	1	2	0	0	0	1	0	8	8
Jeep	3	11	5	4	3	3	2	3	2	36	36
Kia	1	8	3	3	1	1	1	2	1	21	21
Lamborghini	1	0	0	1	0	0	0	0	0	2	2
Land Rover	1	3	1	2	0	0	0	1	0	8	8
Lexus	1	4	1	2	0	0	0	1	0	9	9
Lincoln	1	5	3	2	1	0	0	1	0	13	13
Lotus	1	1	0	0	0	0	0	0	0	2	2
Maserati	1	3	0	2	0	0	0	0	0	5	6
Mazda	1	7	1	3	1	0	1	1	1	16	16
McLaren	1	0	0	0	0	0	0	0	0	1	1
Mercedes-Benz	1	5	1	2	0	1	0	1	0	11	11
Merc-Benz Vans	1	3	1	1	0	1	0	0	0	7	7
Mini	0	3	0	1	0	0	0	0	0	4	4
Mitsubishi	0	4	1	1	1	0	0	1	1	9	9
Nissan	2	12	2	4	1	1	1	2	1	26	26
Porsche	0	3	1	1	0	0	0	0	0	5	5
Ram	4	11	5	4	3	3	2	3	2	37	37
Rolls-Royce	1	1	0	0	0	0	0	0	0	2	2
Subaru	1	5	2	2	1	2	1	1	1	16	16
Toyota	4	11	3	4	1	1	1	2	1	28	28
Volkswagen	2	7	3	4	1	1	1	2	0	21	21
Volvo	1	5	0	1	0	0	0	1	0	8	8
# of Car lines	61	238	74	100	39	35	33	53	21	654	655
# of Outlets	33	164	46	62	20	23	19	36	16	417	419

NOTE: The difference between car line and outlet figures is the result of outlets that handle more than one car line.