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Under new law, Illinois dealers must offer implied warranty on used cars

An Illinois law that takes effect July 1 will require dealers to extend an implied warranty on most used vehicles for 15 days or 500 miles, whichever occurs first.

The coverage concerns power train components only, not bumper-to-bumper coverage. The law does not apply to vehicles with more than 150,000 miles at the time of sale, or to vehicles that have been branded "rebuilt" or "flood."

A dealer's maximum liability for repairs under the impending law is limited to the purchase price paid for the used vehicle, to be refunded to the consumer in exchange for the vehicle.

On the Buyers Guide, the "As Is" box would be checked when selling vehicles affected by the new law, but related paperwork must carry the following statement in boldface 10-point type or larger, set off from the body of the agreement:

"Illinois law requires that this vehicle will be free of a defect in a power train component for 15 days or 500 miles after delivery, whichever is earlier, except with regard to particular defects disclosed on the first page of this agreement. "Power train component" means the engine block, head, all internal engine parts, oil pan and gaskets, water pump, intake manifold, transmission, and all internal transmission parts, torque converter, drive shaft, universal joints, rear axle and all rear axle internal parts, and rear wheel bearings. You (the consumer) will have to pay up to $100 for each of the first 2 repairs if the warranty is violated."

The warranty does not extend to damage that occurs as a result of off-road use, racing, towing, abuse and other negligence.

The legislation was spawned after an Illinois woman's used car broke down on her way home after buying it from a used-car store. She returned to the store and was offered another vehicle, which also broke down on her trip home.

Gov. Bruce Rauner signed House Bill 4377 last August. He vetoed similar legislation a year earlier because that bill affected only independent dealerships, not those that also sell new vehicles.

What dealers are saying that they expect from the Trump presidency

Since Donald Trump's presidential inauguration in January, automotive industry headlines have focused on the impact of a new border tax on imported vehicles and where manufacturers produce their products.

New taxes, naturally, increase the cost of products for consumers; and a renegotiated North American Free Trade Agreement could increase automakers' costs of doing business.

But what do dealers expect from the 45th president and his administration? The Gillrie Institute, based in Florida, surveyed a cross section of more than 200 dealers for their assessment about the "Trump Effect" on their businesses.

Positive Tailwinds

- 68 percent believe that the overall conditions for success in the industry will improve;
- 73 percent believe that Trump's stance on corporate tax reduction will increase after-tax profit;
- 71 percent believe that lower personal income taxes and higher spendable income will help sell more vehicles;
- 76 percent are optimistic that deregulation will help save regulatory and compliance costs;
- 66 percent think that Trump will unwind the Affordable Care Act and reduce the corporate healthcare burden.

Uncertainties

- 43 percent said Trump's border tax would increase sales of American-manufactured vehicles;
- 47 percent believe that Trump's

See **Trump**, Page 3

February incentives highest since 2009, at average 10% off sticker

To maintain U.S. auto sales at the present high volume, give or take a few percentage points, analysts said automakers are resorting to an average discount of about 10 percent off suggested retail price.

That's the highest level of incentives for the month of February since 2009, according to a joint forecast by J.D. Power and LMC Automotive. Incentives can take several forms. Cash back is the most obvious, but low-interest loans and discounted leases also are common.

Discounts were high in 2009 because the U.S. auto industry was desperate to make a sale and dig itself out of a hole.

In February 2009, incentives averaged 11.2 percent of manufacturer's suggested retail price, the companies said.

General Motors and the former Chrysler Group went through bankruptcy restructuring in 2009, while U.S. auto sales hit the lowest level per capita since World War II. Ford had a close brush with bankruptcy but avoided it by going into debt before credit markets froze.

The situation today is a mirror image. Discounts are high and the automakers are anxious to make a sale, because volume is at a peak.

The industry is using incentives to stay there, and of course individual companies resort to incentives for tactical reasons, to fight their rivals, and to unload slow sellers.

The average incentive last month was about $3,748, an increase of about 9 percent from a year ago, J.D. Power and LMC Automotive said.

That sounds like a lot, but transaction prices are also on the rise, and that's a positive sign for the industry. The average new car or truck had a transaction price of $31,483, a record for February, the companies said.

Still, over time, the high level of incentives represents "a fundamental threat to the long-term health of the industry," said Deirdre Borrego, senior vice president of automotive data and analytics at J.D. Power, in a written statement.

Ryan, Brady are 'BAT-ty' to support a border adjustment tax: Op-Ed

By Rick Woldenberg

House Speaker Paul Ryan's proposed border adjustment tax has been condemned by a wide range of industries. Importers and small businesses are screaming about taxes exceeding earnings under the plan. Our family business develops its educational toys here, but makes them overseas and will be hammered by the bill. Despite the strong resistance, House Republicans relentlessly push for this tax on imports.

I wonder how clearly House leadership thought this through. What if Ryan and Ways and Means Committee Chair Kevin Brady, R-Texas., get their way and the border adjustment tax reform bill goes to the Senate for approval? What happens if the BAT becomes law?

Be careful what you wish for.

Republicans plan to use the Senate "reconciliation" process to pass tax reform with a majority vote to avoid the risk of a Democratic filibuster. For technical reasons, the Obamacare repeal must come first, and a 2018 budget must be fashioned and passed. The tax bill itself also must pass "dynamic scoring" at the Joint Committee on Taxation. This all takes time.

When tax reform finally arrives sometime in the summer, House members will already be gearing up for midterm elections. Tax reform will be a big factor in the election, just like the repeal of Obamacare. Will members vote to raise taxes on importers? Importers are a big constituency in every congressional district, employing tens of thousands. Taxes and healthcare may decide the midterms.

This is high stakes poker, and the precedent is worrisome. In 1994, the House passed an energy bill, known as the "BTU tax" under pressure from President Clinton, only to see the bill die in the Senate. Democrats lost the House in the 1994 midterms as voters took revenge. This is known as "getting BTU'd." It seems likely that importers will respond if the border adjustment tax plan moves forward.

The author's company, Learning Resources, employs 150 people in the U.S. and overseas.

Webinar on revised Buyers Guide

A free webinar that examines the revised Used-Car Buyers Guide, first presented Feb. 16 by the National Automobile Dealers Association, now is available online to all NADA members. NADA staff experts and FTC attorney John Hallerud addressed compliance with the requirements of the Used-Car Rule and how to create and complete the revised Buyers Guide.

To access the archived webinar, go to NADA.org/OnlineLearning/, login with your NADA login and search "FTC webinar."

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BBB: Secret shoppers help dealers to 'level the playing field'

As part of an annual meeting to review recent dealership advertising practices, staff of the Better Business Bureau of Chicago and northern Illinois noted the BBB's secret shopper program.

The February meeting included representatives of the Chicago Automobile Trade Association, the Illinois Automobile Dealers Association, the Illinois attorney general's office, and other agencies.

Patricia Kelly, chief counsel at the BBB, said consumers regularly contact her office to complain that sales prices advertised by certain dealers are not available to all persons who want to buy the advertised vehicles.

Section 475.310 of the Illinois Administrative Rules on Motor Vehicle Advertising states that all consumers must be able to buy a vehicle at its advertised price. The most common reason they can't is because limited rebates, for which not all consumers may qualify, are factored into the advertised price.

That practice also runs afoul of the state advertising rule's Section 475.530, which addresses available rebates.

Kelly said the BBB asks dealers to substantiate that they are not including limited rebates in their advertised prices when consumers cite a dealership. The BBB also uses secret shoppers to verify that all customers qualify for vehicle prices.

Shoppers are consumers who contact the BBB and volunteer to be part of the Secret Shopper Program. They are paid a nominal fee for assisting the BBB in monitoring marketplace practices.

They actually shop dealers online or in person to check the prices of specific advertised vehicles as chosen by the BBB. The shoppers will ask about limited rebates and report back to the BBB.

Kelly described the program as a longstanding service to BBB-accredited businesses which assists in discovering sales practices that result in an unfair marketplace. The BBB attempts to level the playing field through the BBB-CATA advertising review program, and the use of secret shoppers is a useful tool that dealers should understand.

Kelly said the BBB is committed to ensuring a fair marketplace for all businesses and finds that the program goes far in achieving that goal.

Trump

Continued From Page 1

unorthodox communication methods will increase consumer awareness about U.S.-manufactured vehicles;

• 42 percent feel the Trump administration will secure dealership jobs and strengthen the franchise-dealer model;

• 27 percent believe that Trump will slow down momentum of autonomous driving trends and alternative vehicle ownership models.

About half the survey participants, 53 percent, were dealer principals, but the balance represented a diverse mix of senior and middle management and other dealership personnel.

Other expectations

Union Auto Workers jobs might reverse the downward trend they have experienced in recent years. General Motors, Ford, and Fiat Chrysler Automobiles have to expand domestic capacity because it's more difficult to establish manufacturing in Mexico, and the jobs they create will be UAW jobs.

Those jobs are more likely to grow in the upper Midwest because Ford, GM and FCA need to build a lot of trucks and SUVs.

The Gillrie Institute also said the Trump administration is expected to ease regulatory burdens, invest heavily in infrastructure and lower both corporate and personal income tax burdens. That could further boost the outlook for OEMs and dealers by increasing the bottom line for companies and boosting the spending power of consumers.

The growth of electric cars in the U.S. market may be somewhat softened if environmental concerns take a back seat to economics.

Because alternative vehicles are more expensive than those that are gas-powered, electric cars will need continuing state and federal government incentives to make their sticker price more appealing. Given President Trump's expressed distrust in assertions of global warming, he can be expected to be less supportive of these subsidies.

While some in the industry may stand to lose, there is a significant upside to the policies of the new administration as well, the Gillrie Institute opined, adding that President Trump's pro-business approach could very well prove to be the impetus for a fundamental change in the way companies operate today and lead to the overall industry transformation.

Poll: 78% 'fear' self-driving cars

A survey released March 7 by AAA said 78 percent of Americans are afraid to ride in a self-driving vehicle. The organization also did the survey last year and said people's fear is unchanged this year. Another finding from the survey showed 59 percent of drivers want autonomous technologies in their next vehicle, according to a news release issued today.

"This marked contrast suggests that American drivers are ready to embrace autonomous technology, but they are not yet ready to give up full control," the press release stated.

Franchised New-Car Dealers in the 8-county CATA area as of 1 January 2017

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] 7/1/2016	Total [present] 1/1/2017
Acura	1	4	2	3	0	0	0	1	0	11	11
Alfa Romeo	1	3	0	1	0	0	0	1	0	6	6
Aston Martin	0	0	1	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	3	29	29
Cadillac	1	8	2	2	1	0	1	1	0	16	16
Chevrolet	4	15	5	6	4	4	6	4	2	50	50
Chrysler	3	11	5	4	3	3	2	3	2	35	36
Dodge	4	11	5	4	3	3	2	3	2	36	37
Ferrari	0	0	1	1	0	0	0	0	0	2	2
Fiat	1	3	0	1	0	0	0	1	0	6	6
Ford	3	13	6	7	3	4	5	4	2	47	47
GMC	1	9	1	4	3	1	2	2	2	25	25
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	35	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	0	0	7	7
Lexus	1	4	1	2	0	0	0	1	0	9	9
Lincoln	1	6	3	2	1	0	0	1	0	14	14
Lotus	1	0	1	0	0	0	0	0	0	2	2
Maserati	1	2	0	2	0	0	0	0	0	5	5
Mazda	1	7	3	3	1	0	1	1	1	18	18
McLaren	0	0	1	0	0	0	0	0	0	1	1
Mercedes-Benz	1	5	1	2	0	1	0	1	0	11	11
Mini	1	2	1	1	0	0	0	0	0	5	5
Mitsubishi	0	4	1	2	1	0	0	1	1	11	10
Nissan	2	12	3	4	1	1	1	2	1	27	27
Porsche	0	3	1	1	0	0	0	0	0	5	5
Ram	4	11	5	4	3	3	2	3	2	36	37
Rolls-Royce	1	1	0	0	0	0	0	0	0	2	2
Scion	0	0	0	0	0	0	0	0	0	27	0
smart	0	2	0	0	0	1	0	0	0	3	3
Sprinter	1	3	1	1	0	1	0	0	0	7	7
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	4	1	1	0	0	0	1	0	8	8
# of Car lines	62	231	80	98	37	35	33	51	23	675	650
# of Outlets	34	159	51	64	20	23	19	35	16	421	421

NOTE: The difference between car line and outlet figures is the result of outlets that handle more than one car line. The notable drop in franchises this period is the result of the elimination of Scion.