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USO Barbecue for Troops fundraiser total to be announced on Aug. 17

The sum raised in July by area new-car dealers for the USO of Illinois will be announced Aug. 17 at an annual USO event in Chicago, Clark After Dark.

Most of the funds were gathered during barbecues on July 15, but some dealers conducted month-long drives at their stores and on their websites.

A check presentation will be made at the USO event in Chicago's River North neighborhood, at 420 N. Clark St. The annual Clark After Dark

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Chicago dealer to host blood drives

A Chicago dealer group is partnering with an area blood bank to bolster needed blood supplies for hospitals.

Fletcher Jones Chicago will host blood drives at Mercedes-Benz Chicago on Aug. 14; at Fletcher Jones Honda-Volkswagen on Aug. 15; and at the Fletcher Jones Service Facility on Aug. 18. The drives will be operated by Heartland Blood Centers, a nonprofit medical organization that provides blood and blood products to more than 70 hospitals in northern Illinois and northwest Indiana.

"We are hoping it can be an annual event for our group," said Lauren Librizzi, marketing director for Fletcher Jones Chicago.

Blood banks serving the Chicago area are at a critically low level not seen in several years, forcing postponement of surgeries in at least one hospital, officials said.

Donations typically decrease about 20 percent in

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Upcoming actions that Congress may take on self-driving cars

Lawmakers are exploring ways to speed up the deployment of self-driving cars as the auto industry and safety advocates clamor for action at the federal level.

A sweeping autonomous vehicle measure is quickly moving through the House, and a bipartisan group in the Senate is planning to release a major legislative package after the August recess.

"We can set the stage for the continued development of self-driving cars and ensure America stays the innovation leader that it is," said Rep. Greg Walden (R-Ore.), chairman of the Energy and Commerce Committee, which drafted the lower chamber's bill.

The most significant congressional effort yet to address the emerging technology comes as traffics deaths have been climbing. Automakers now are promising aggressive timelines to bring fully driverless vehicles to the market as quickly as possible.

There are likely to be a few differences between the House and Senate measures, and some divisions between Democrats and Republicans were also on display during hearings on the topic. But lawmakers appear to generally be on the same page.

Here are several actions Congress may take on self-driving cars.

More exemptions

Autonomous vehicle developers have warned lawmakers that they will soon run into a major problem as more and more companies try to design and test driverless cars.

Under current federal safety standards, all cars are required to have a steering wheel and floor pedals. Some automakers, however, want to build fully driverless cars that don't have those traditional automobile features, which means they need to seek an exemption.

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Consumers find new vehicles more 'APEAL-ing' than ever: J.D. Power

Car owners' love affair with new vehicles is stronger than ever, as evidenced by a 9-point increase in the APEAL index from last year — tied for the largest gain ever — a new J.D. Power study indicates.

In this year's U.S. Automotive Performance, Execution and Layout (APEAL) Study, the industry average APEAL index increases to 810 points (on a 1,000-point scale), propelled by significantly better scores in nine of the 10 categories measured and in 19 of the 32 brands in the study making positive gains in their performance, compared with 2016.

"Many automakers are getting better and better at giving consumers what they want in a vehicle," said Dave Sargent, a vice president at J.D. Power. "The industry is doing a very good job of creating vehicles customers like across every segment, and the APEAL study identifies why this is. One clear reason is that non-premium vehicles are increasingly offering technology and safety features found in premium vehicles."

Some of the study's key findings:

• Premium and mass market brands are getting closer. The average APEAL index score for the non-premium segment (804) improves by 10 points year over year, while the premium segment (845) improves by just 1 point. The gap between the two segments has narrowed to an all-time low of 41 points.

• Some vehicles deliver outstanding levels of APEAL as well as IQS. Eight models receiving APEAL segment awards also receive awards in the J.D. Power 2017 U.S. Initial Quality Study: BMW 2 Series; Chrysler Pacifica; Kia Cadenza; Kia Niro; Kia Soul; MINI Cooper; Porsche 911; and Porsche Macan. The all-new Genesis brand ranks second in both APEAL and IQS this year, while Porsche ranks top in APEAL and third in IQS.

"Manufacturers are making ever-higher quality vehicles, but this is not coming at the expense of performance, styling, utility or features," Sargent added.

The 2017 U.S. Automotive Performance, Execution and Layout Study measures owners' emotional attachment and level of excitement across 77 attributes, ranging from the power they feel when they step on the gas to the sense of comfort and luxury they feel when climbing into the driver's seat. The attributes are combined into an overall APEAL index score that is measured on a 1,000-point scale.

The study, now in its 22nd year, is based on responses gathered from February through May 2017 from nearly 70,000 purchasers and lessees of new 2017 model-year vehicles who were surveyed after 90 days of ownership.

Blood

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the summer compared with the rest of the year. Blood banks expect donations to drop over the summer months when regular donors take vacations. The closure of schools and college campuses — which hold blood drives and attract new donors — also contributes to the seasonal dip in donations.

This year, donations have dipped even more. Local blood bank officials don't have an explanation for that, but they contend the shortage puts the people who count on blood donations for emergencies, heart surgery, organ transplant procedures, cancer or other disease at risk.

The lack of supply has led medical staff at Chicago's Rush University Medical Center to postpone some surgeries, particularly those for infants or children who need blood that has gone through a special optimization process to ensure safety, according to Mark Pool, medical director for the Rush's blood center.

Blood has a shelf life of 35 to 42 days. While it can be frozen, this requires a hospital to have proper storage space and thawing facilities, which not all hospitals do. Rush does have such facilities.

"Blood is a living resource. The cells are alive and there is no substitute," Pool said. "The whole thing literally depends on people."

USO

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block party celebrates America's military service members and their families, and gives participants a chance to shout a final "HOO-AH!" to summer.

Ray Scarpelli Jr., chairman of the CATA, said he expects the 105 dealers who participated this year will have raised more than the $166,000 collected in 2016. Over the first four summers, dealers have raised more than $422,000 for USO programs and services for 330,000 military personnel and military families in Illinois.

A nonprofit organization, the USO of Illinois is fully supported by the generosity of the American people.

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Host a congressman at your dealership during August recess

By Mark Scarpelli
2017 NADA Chairman

The advantages of buying a car through a local dealer are many. As dealers, we deliver in-person customer service that people can't get through a computer screen; we are equipped to handle warranty and recall repairs; we incur billions of dollars in expenses for equipment and facilities; and we, unequivocally, reduce consumer costs through a competitive model that makes purchasing an expensive new car possible through dealer-assisted financing.

For more than 100 years, consumers have relied on auto dealers to deliver the most efficient and cost-effective means of buying a car.

But does your member of Congress know that?

With the summer congressional recess upon us, you have the opportunity to tell them yourself. Members of Congress will be home this summer through Sept..5, meeting with constituents like you. There is an especially important reason to visit with your member of Congress this summer: new self-driving vehicle legislation. We need to make sure that legislation that establishes the federal role in self-driving cars is not overly broad, and that state dealer franchise laws are preserved. We need to educate our officials on the importance of state franchise laws that help level the playing field between small business auto dealers and large multinational auto companies.

There are many other issues looming in Washington — tax reform, auto financing, FTC regulations — and this is your opportunity to build a line of communication with people who have the ability to make or break our industry. Now is the perfect time to invite a legislator to your dealership or meet them at their office. Visits with legislators take only about an hour, and NADA staff can help facilitate the appointment.

During the visit, walk them around your dealership, give them the opportunity to meet and speak with your employees, and remind them of the financial benefits dealerships provide within your local community. As one of my professors at Northwood University always said, showing is so much more impactful than telling.

The August congressional recess presents a rare opportunity to educate our elected officials on our own home turfs and on our key policy issues. It is also our chance to remind them of who we are: more than 16,000 strong employing more than 1 million people throughout the nation. On behalf of the NADA, I urge fellow dealers across the country to host your members of Congress at your dealerships soon.

If you are interested in hosting a member of Congress at your dealership or meeting at a legislator's district office, please contact Patrick Calpin, director of grassroots advocacy, at pcalpin@nada.org or (202) 547-5500.

While our congressmen and senators and their families are enjoying a welcome reprieve for the summer, there is no rest for the hard-working and passionate men and women of the U.S. auto retail industry. Let's make this August the most productive one yet for our industry!

Updated HAV legislation won't impact state motor vehicle laws

The House Energy and Commerce Committee on July 27 introduced updated legislation that clarified Congress' intent not to jeopardize state motor vehicle franchise and licensing laws as it seeks to fast-track the deployment of highly automated vehicles (HAVs).

The updated legislation was approved by the full committee during a markup of a number of bills intended establish federal guidelines for vehicles with advanced design features that can be operated without human intervention.

Days earlier, the Digital Commerce and Consumer Protection Subcommittee of the House Energy and Commerce Committee approved a draft bill that regulates self-driving vehicles and seeks to prevent a patchwork that would compel automakers to build different vehicles for different states.

However, the early draft bill's federal preemption language could have unintentionally preempted a variety of state-based motor vehicle franchise and licensing laws related to such things as driving education and training, safety and emissions inspections, traffic rules, and how motor vehicles are sold, serviced, registered, insured, and advertised.

During the markup a bipartisan consensus emerged within the Committee that there was no intent to preempt a wide swath of important state laws, including state motor vehicle franchise and licensing laws.

The chairman of the NADA praised the committee's efforts to address this issue and have Congress' intent reflected accurately in the legislation.

"State motor vehicle franchise and licensing laws exist to ensure that all vehicles certified as safe under federal rules continue to be used, maintained, and operated safely long after they are shipped from the factory," said NADA Chairman Mark Scarpelli, a Chevrolet and Kia franchisee in Antioch.

Dubious doomsday scenario: Subprime autos won't trigger crisis

By Jonathan Smoke

A persistent automotive doomsday thesis that continues to have favor with some in the media and on Wall Street is that subprime auto loans are booming and creating the next great financial crisis. Don't believe it.

As an economist who covered housing during the mother of all bubbles and subsequent financial crisis, I can confidently assert that what is happening today is not setting the stage for 2008 all over again.

It is true that record volumes of auto loans have supported strong growth in new vehicle sales in recent years. According to Equifax, a record 29 million auto loans and leases were originated in 2016, helping the industry achieve record levels of new-and-used cars sales.

Subprime auto lending also grew during this period, but 2016 actually saw a 3 percent decline in the number of subprime auto loans and leases. Indeed, the share of subprime auto loans and leases peaked in 2015 and has been declining.

As the subprime share increased, the default rate on auto loans increased. This, of course, was expected, but the default rate peaked at 1.08 percent in October 2016, according to S&P/Experian and is far from a crisis by historical standards.

In February 2009, during the Great Recession, auto loan defaults rates reached 2.75 percent.

Lenders responded to the deterioration in loan performance by tightening standards. According to Federal Reserve Senior Loan Officer survey data, credit tightening for auto loans began in earnest in 2016. Since then, we've seen:

• four straight quarters of lenders reporting tighter loan standards

• five quarters of increasing spreads on loan rates

• four of five quarters with increases in minimum required down payments

• five quarters of higher minimum required FICO scores

• six quarters of tightening policies on customers who do not meet credit score thresholds

Defaults have been declining as a result. In fact, S&P/Experian reported that the auto loan default rate fell to 0.82 percent in June 2017, the lowest level in the data series, which dates back to 2004.

The time to write about possible problems in auto loan defaults was a year ago, and even then the volume of defaults was not near crisis levels. Instead, it led to appropriate tightening and now a healthy and normal distribution of auto loans.

Furthermore, broader economic and credit data suggest the average consumer is in good financial shape. Defaults on all types of loans are down and trending lower. Total financial obligations are lower, debt service ratios are lower, personal incomes are up and wages are again growing faster than inflation thanks to low unemployment.

Assuming current lending standards and trends hold, automotive credit should remain accessible, and any contained losses in subprime are not likely to cause pain for the economy more broadly. The insinuation that a bubble in subprime auto lending could take down the economy like the mortgage market did is comical.

The real mortgage credit bubble was fueled by rapid growth in securitization that dwarfed automotive lending at its peak by comparison. The current $1.1 trillion level of auto loans outstanding is 9 percent of total household loans. At the time of the financial crisis in Q3 2008, mortgages were worth almost $11 trillion and represented 76 percent of household loans.

Furthermore, the very nature of a real estate loan is very different from an auto loan. Real estate is an investment that typically appreciates over time. During the bubble years, consumers and lenders falsely believed appreciation would bail them out from poor judgment.

Vehicles, on the other hand, depreciate. There is no false hope of higher values in the future to bail out a borrower or a lender. It is also far easier and less expensive to repossess a car compared to foreclosing on a home. Furthermore, as default metrics from the financial crisis show, a consumer is more likely to pay their car loan ahead of other debts.

That's a key reason why the market normally sees at least 20 percent of auto loans as subprime. The lender receives a higher rate to compensate for the higher risk, but the risk is low enough to make the loan work for the subprime borrower. The same is not true of housing — subprime mortgage lending has almost disappeared as a result of the experiences of the financial crisis.

Subprime lending plays an important and natural role in the automotive market. While the subprime share did grow and cause a higher rate of default, subsequent tightening of standards have returned the market to a more normal level of subprime lending.

Bottom line: There is no crisis.

The author is chief economist for Cox Automotive.

Self-driving

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Federal officials can only grant a limited number of exemptions — 2,500 per year — which could eventually become an issue as more companies seek to develop the technology.

That's why lawmakers in both chambers have expressed a desire to lift the federal cap. The House legislation, for example, would raise the number of exemptions to 100,000 per year.