



Volume 113, No. 5

March 14, 2016

## As used-car prices drop, deflation ahead?

Vehicle leasing as a percentage of monthly light-vehicle sales hit a record in February at 32.3 percent, indicative of what is a long-term trend: Since 2009, the share of monthly auto leases as a percentage of vehicle sales well more than tripled.

The thing about leased vehicles is that they come back, and about 3.1 million vehicles will return to dealer lots off leases this year, up 20 percent from 2015. The number will climb to 3.6 million in 2017 and 4 million in 2018.

So what does that mean for dealers? Zero Hedge, a financial blog that aggregates news and presents editorial opinions from original and outside sources, thinks it means deflation. And what does that mean for the automakers? Hefty losses, said Zero Hedge.

This has happened before. The auto industry expanded the use of leasing in the mid-1990s, helping to fuel retail sales of new vehicles. Eventually, a glut of off-lease cars sent resale values down and auto lenders who had bet residuals would remain high ended up racking up billions of dollars in losses when they had to sell the cars for much less than they anticipated.

But the silly thing about the dynamic with auto leases is that it was the dealers and the automaker-affiliated financ-

ing companies that made the leases in the first place. In other words, it's not like this was some supply shock that couldn't have been forecast ahead of time. In fact, they knew exactly when the off-lease deluge would start, so it's not entirely clear why they would have set optimistic residual assumptions.

Anyway, the cracks are already starting to show.

The Manheim Used-Vehicle Value Index posted its largest year-over-year decline in over two years last month, falling 1.4 percent, to 3.5 percent below the peak.

While improving inventory acquisition cost for the dealers, it may put downward pressure on the value of existing dealer inventories, which can be negative for used margins.

And falling used-car prices means pressure on new-car prices as well, which would be a shock to America's booming auto market.

Obviously, the scariest part about all of the above is that consumers still have the pedal to the metal (pun intended) when it comes to leases, which means there's no end in sight to the off-leases and thus no way to determine, at this juncture, how big the residual writedown wave and deflationary auto industry calamity will ultimately end up being.

## 3 of 4 people afraid to ride in autonomous car

Three out of four U.S. drivers are afraid to ride in a self-driving car, according to a new AAA study released March 1.

And, only one in five Americans say they would trust an autonomous vehicle to drive itself, the automobile club's study found.

Despite their initial trepidations, the study found that gradual experience can lessen that fear. The study said drivers who own vehicles with semi-autonomous features are 75 percent more likely to trust the technology than first-time users.

"With the rapid advancement towards autonomous vehicles, American drivers may be hesitant to give up full control," John Nielsen, AAA's managing director of Automotive Engineering and Repair, said in a statement. "What Americans may not realize is that the building blocks towards self-driving cars are already in today's vehicles and the technology is constantly improving and well-trusted by those who have experienced it."

A separate study released by global consulting agency EY at the Geneva

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## 64 area dealers get Five Star Award for great customer experiences

Edmunds.com has named more than 800 car dealerships nationwide as winners of the company's fourth annual Five Star Dealer Awards.

The awards recognize select car dealers who earned the highest overall rating for customer satisfaction in Edmunds.com's dealer "Sales Ratings."

"Providing excellent customer satisfaction has never been more important than it is in today's highly connected world," said Edmunds.com CEO Avi Steinlauf. "Congratulations to all of the winners of the Edmunds Five Star Dealer Awards for recognizing that putting the customer first is the very best way to be successful."

To be eligible for the Five Star Dealer Award, a dealership must be an Edmunds.com Promise Partner that has earned an overall sales rating of five stars from car-shopping customers on Edmunds.com — with a minimum of 20 reviews during the previous two years — as of Dec. 31, 2015.

The 2016 winners from this marketplace are:

Acura of Libertyville  
 Advantage Chevrolet of Bolingbrook  
 Antioch Chrysler Dodge Jeep Ram  
 Audi Orland Park  
 Audi Westmont  
 AutoNation Honda O'Hare  
 Bredemann Lexus in Glenview  
 Bredemann Scion  
 Classic Toyota Scion Kia  
 Continental Honda  
 Continental Nissan  
 Continental Scion  
 Fair Oaks Ford Lincoln  
 Gerald Hyundai  
 Gerald Nissan of Naperville  
 Gerald Subaru of Naperville  
 Gerald Subaru of North Aurora  
 Gjovik Ford

Golf Mill Ford  
 Grand Subaru  
 Haggerty Ford  
 Honda Superstore of Lisle  
 International Subaru  
 Jennings Volkswagen  
 Fletcher Jones Audi  
 Fletcher Jones Honda  
 Fletcher Jones Volkswagen  
 Laurel BMW of Westmont  
 Lombard Scion  
 Marino Chrysler Jeep Dodge Ram  
 Mercedes-Benz of Chicago  
 Mercedes-Benz of Naperville  
 Mercedes-Benz of Westmont  
 Ed Napleton Honda of Oak Lawn  
 Napleton's Arlington Heights Chrysler Jeep Dodge Ram  
 Napleton's Kia of Elmhurst  
 Nissan of St. Charles  
 Oak Lawn Mazda  
 Oakbrook Toyota  
 Patrick BMW  
 Phillips Chevrolet  
 Phillips Chevrolet of Lansing  
 Ray Chevrolet  
 Raymond Chevrolet  
 Schaumburg Toyota  
 Sunrise Chevrolet  
 Sutton Ford Lincoln  
 Toyota of Naperville  
 Valley Honda  
 Westfield Ford  
 Wickstrom Chrysler Jeep Dodge Ram  
 Wickstrom Ford Lincoln  
 Woodfield Lexus  
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### Marketplace

**Controller** Oversee and able to do all aspects of accounting office. Effectively manage cash flow, and process accurate and timely financial statements. ADP/CDK proficient. Knowledge of Microsoft office and quicken. Manage expenses to budget or below. I take pride in accurate accounting and enjoy this business. Blanche Migel, (847) 854-2167.

Résumé on file at the CATA.

The CATA Bulletin is produced by the  
 Chicago Automobile Trade Association  
 18W200 Butterfield Rd. Oakbrook Terrace, IL 60181-4810

The CATA Bulletin is distributed via blast email every other Friday except during the Chicago Auto Show, when it is not produced.

Listings of items for sale are subject to the approval of the CATA. Candidates for employment must submit a full resume to the Editor.

Review past editions dating to 1998 or search by subject at [www.cata.info/publication/bulletins](http://www.cata.info/publication/bulletins).

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## Making a good deal even better for EV customers

By **MARY JO WARSKOW**

ELEVATE ENERGY

Whether it's the right price, right color, or right features, there's always a detail that can make a great sale even better. And that detail can turn a good customer into an effective word-of-mouth advocate for your dealership.

The sweet spot for electric vehicle owners is lowered fuel costs. But how can you, the dealer, help a committed EV buyer realize even greater fuel savings?

It's simple, and just two words: Hourly Pricing.

ComEd's Hourly Pricing program lets customers take advantage of the hourly wholesale market price for electricity, which tends to be cheaper during nights and weekends. This happens to be the same time most electric vehicle owners are charging their cars.

Hourly Pricing participants have saved an average of 15 percent compared to what they would have paid on ComEd's fixed-price rate. Given their larger consumption of electricity, EV owners have the potential to save even more. The program currently has hundreds of EV owner participants.

Read any of the local EV forums and you'll find Hourly Pricing mentioned. Often, it's one EV owner recommending the program to another current or future EV owner. But why should an unknown person on a forum get the credit for helping an EV owner reap the benefits of this program? We know that EV dealers are in the perfect position to do the same.

Eric N., a Chevy Volt owner and

happy Hourly Pricing participant, had the same question when reflecting on his EV purchase experience. Eric said he received great customer service and encountered very knowledgeable staff at all the dealerships he visited in pursuit of a new EV.

But Eric thought his EV purchasing experience could have been improved had he received timely information on the Hourly Pricing program. Eric said he would have been happy to read an Hourly Pricing brochure while waiting for the Sales Manager's approval or for the Business Manager to fill out paperwork.

Based on his experience of saving 20 percent in the two years he's been

on the Hourly Pricing program, Eric said, "Hourly Pricing is a necessity for any EV owner."

Don't let the forum folks get all the credit! Contact me at (773) 922-3018 and [MaryJo.Warskow@ElevateEnergy.org](mailto:MaryJo.Warskow@ElevateEnergy.org) to get your free Hourly Pricing brochures and plan an EV event today.

*The ComEd Hourly Pricing program is administered for ComEd by the nonprofit organization Elevate Energy, whose mission is to deliver smarter energy use for all. Elevate designs and implements efficiency programs that lower costs, protect the environment, and ensure the benefits of energy efficiency reach those who need them most. For more information, visit [www.elevateenergy.org](http://www.elevateenergy.org).*

# COMED'S HOURLY PRICING PROGRAM



**"HOURLY PRICING IS A NECESSITY FOR ANY EV OWNER!"**

—ERIC N., HOURLY PRICING PARTICIPANT SINCE 2013

**ComEd.** powering lives  
An Exelon Company



*Save the date!*

## CATA annual golf outing is June 14

Block out your schedule on June 14 in order to be part of the Chicago Automobile Trade Association's annual outing at Cog Hill Golf & Country Club in Lemont.

Full details in the weeks ahead.

## Dealership Workforce Study participants to get 2 complimentary reports

Members of the National Automobile Dealers Association who participate in the 2016 Dealership Workforce Study — which entails completing a questionnaire and submitting payroll records — will receive the trends report, Automotive Retail: National & Regional Trends in Compensation, Benefits & Retention, and customized report, Compensation, Benefits, Retention: How Your Dealership Compares, at no cost.

The trends report, which retails for \$399, is packed with useful information on competitive pay, benefits and work schedules so that

dealerships can attract new hires and retain talented employees. The customized report, which is available only to participants, provides dealers with comparison data to see how they stack up against their peers nationally, regionally and by state as well as by brand. Last year, more than 290,000 payroll records were submitted.

The participation period for the Dealership Workforce Study closes April 29. To participate, visit [www.nadaworkforcestudy.com](http://www.nadaworkforcestudy.com). For questions, send an email to [WorkforceStudy@nada.org](mailto:WorkforceStudy@nada.org) or call (800) 557-6232.

## Autonomous

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auto show found that more than 40 percent of drivers could imagine letting an autopilot steer their car, while about two-thirds of drivers were willing to let an autopilot steer their car if they had an added option of taking over the wheel in an emergency.

The studies comes a day after Google reported its driverless car was at fault when it hit a bus at 2 miles per hour while test driving on California roads. The tech company has reported all accidents involving its driverless cars, and none have resulted in injuries.

Senior executives from 17 of the world's leading automotive companies met in January with federal officials in Detroit to cement an agreement aimed to collaboratively enhance auto safety

efforts in the United States. No definitive actions were announced but executives and federal officials categorized the agreement as "historic," "unprecedented" and a road map for the industry and federal officials moving forward.

Already, most major automakers have implemented a number of semi-autonomous safety features such as park assist, collision warning and lane-keeping assist. Nearly two-thirds (61 percent) of American drivers surveyed by AAA report wanting automatic emergency braking, adaptive cruise control, self-parking technology or lane-keeping assist in their next vehicle.

Most drivers (84 percent) who want the technology cite safety as the No. 1 reason. About 64 percent of responders want it for convenience, while 46 percent want it to reduce stress.

About 84 percent of drivers who do not want semi-autonomous features on their next vehicle say they trust their own driving skills more than the technology. About 60 percent feel it's too new and unproven, while 57 percent just don't want to pay more for it.

The EY study said that forward-collision warning systems and automatic braking will help reduce car crashes up to 15 percent.

Driverless cars are coming, whether consumers want them or not.

In January, Transportation Secretary Anthony Foxx announced a 10-year, \$3.9 billion investment that's part of President Barack Obama's 2017 budget proposal to accelerate development of autonomous cars. The new policies would lay a framework for state regulatory laws and generally remove roadblocks and red tape that have stalled

development in the past.

Delphi Automotive has been testing a fully autonomous Audi SQ5 for years, and showcased the vehicle at this year's CES tech show in Las Vegas.

Kia Motors Corp. earlier this year created a sub-brand called Drive Wise for all of its autonomous vehicle research, and plans to put a fully driverless car to the market by 2030. Ford Motor Co. earlier this year tripled its autonomous vehicle test fleet, and CEO Mark Fields has said he expects someone to put a fully driverless car on the road by the end of the decade.

A January study by consulting firm McKinsey & Co. said they expect by 2030, 15 percent of global auto sales will be of autonomous cars. By 2035, the EY study said 85 million autonomous-capable vehicles will be sold annually.