



BBB has issues with dealer sites

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As we start the new year, it may be time to discuss the issues the BBB encounters with respect to dealer websites prepared by third parties or manufacturers. The main message is that these are not always compliant with the Illinois Motor Vehicle Advertising Regulations and dealers must consistently monitor their websites for compliance. The BBB has found that, even when dealers change the content for compliance, websites revert to problematic content when incentives change. This can be fairly often, as we know.

The main issues we see relate to advertised prices and disclosures.

Rule 475.310, Advertised Price, requires that all costs to consumers at the time of sale be included in advertised prices except for tax, title, license and the documentation fee, which in 2018 is a maximum \$175.94. The rule also requires that purchasers shall be able to purchase all advertised vehicles at the advertised price.

A related concept is included in Rule 475.530, Re-

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7th record year for CPO car sales

Certified pre-owned vehicle sales reached a seventh straight record year by the slimmest of margins.

According to Autodata Corp., there was an estimated 2,645,718 CPO vehicles sold in 2017, compared to 2,642,986 sold in 2016.

That's a gain of just 0.1 percent, but it was enough to bump certified sales to their best year on record.

The year closed with 221,126 sales in December, which was down 4.8 percent year-over-year.

Dealers moved 624,602 CPO units in the fourth quarter, which was off 2.7 percent year-over-year, according to Autodata.

Despite the slowdown at the close of the year, the

firm said 12 CPO programs had best-ever years: BMW, Cadillac, Fiat/Chrysler, Honda, Infiniti, Land Rover, Maserati, Mazda, Mitsubishi, Nissan, Porsche and Subaru.

Domestic brands combined to move 907,447 certified vehicles for the year, beating the 2016 total by 0.9 percent.

Asian brands were down 1.1 percent with 1.29 million CPO vehicles sold. European brands upped their sales by 1.9 percent, selling 449,775 units.

On the new-car side, there appears to be some momentum building, according to commentary from Comerica Bank.

"Vehicle sales surged in

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CATA building, access to forms to go dark Feb. 2-20 for Chicago Auto Show

The Chicago Automobile Trade Association building in Oakbrook Terrace will close Feb. 2 and reopen Feb. 21, while the staff moves temporarily to McCormick Place to produce the 2018 Chicago Auto Show.

Because the CATA building will be closed, association members must make

a few adjustments:

Make sure any forms provided free by the CATA — odometer statements, used-car buyer's guides, used-car limited warranty statements, and emission control equipment statements — are ordered by Jan. 30 to ensure that orders will be processed by Feb. 1.

Use of meeting rooms at the CATA is suspended Feb. 2-20. Calls to the CATA office during the auto show, which is open to the public Feb. 10-19, will automatically be forwarded to CATA staff at McCormick Place.

A preview of the coming auto show will appear in the next newsletter.

Federal Reserve rate hikes expected to hurt car sales in 2018

As automakers in 2017 saw their first annual U.S. sales decline since 2009, expectations for more interest-rate hikes are contributing to the nearly unanimous view that car demand will drop again in 2018.

Few analysts anticipate sales this year will reach 17 million vehicles, which was just achieved for a third-straight year and for only the fifth time in history. The Federal Reserve forecasts three rate hikes in 2018, crimping the free-flowing credit that helped fuel a record streak of demand growth that now may be coming to an end.

“Consumers could face slightly higher costs for all their borrowing: credit-card balances, student loans, financing a house or a car,” said Charlie Chesbrough, senior economist at Cox Automotive, which owns websites including Kelley Blue Book and Autotrader. “At the same time, higher rates drive up the cost to provide low-rate financing, which eats into profit margins and hurts the carmakers as well.”

The central bank, which hiked rates three times in 2017, raises interest rates to keep the economy from overheating and leading to high inflation. For consumers, those protective measures make it more expensive to take on new-car loans or leases.

Monthly payments

“The monthly payment matters,” said Jonathan Smoke, Cox’s chief economist. “When rates rise, many consumers do not have an option to pay more. We believe higher rates have already led the automotive market to see some shift” toward used-vehicle purchases instead of new ones.

Most automakers and industry experts predict new-vehicle sales this year will decline from 17.25 million in 2017 — the fourth-highest sales ever after a record 17.55 million in 2016 — to a still robust range of 16.7 million to 16.9 million.

With a record-high stock market and low unemployment, the Federal Open Market Committee is expected to stay the course and keep raising rates slowly as the chairmanship passes this year to Jay Powell from Janet Yellen.

A quarter-point increase in interest rates typically adds \$8 to \$20 to the monthly payment on a new vehicle, said Ivan Drury, senior analyst with car-shopping website Edmunds. Throw a handful of those at a consumer this year and the higher payments could lead shoppers to give up options like heated seats and satellite radio, or move down in vehicle size, pinching automaker profits.

Still, interest rates are considerably lower than in 2000 and 2001, the only other period that annual U.S. sales topped 17 million, Drury said. At that time, typical auto loan rates were in the range of 6 percent or 7 percent, compared with about 4 percent now, he said.

“These numbers aren’t high enough to really deter anyone from purchasing a vehicle,” Drury said on a conference call last month. “I mean, you’re talking still about record low inter-

est rates, especially for auto loans.”

Bigger picture

Borrowing costs are just one part of a mixed policy outlook for the U.S. auto market. Carmakers have warned the Trump administration’s approach to renegotiating NAFTA could increase costs.

Consider ‘adopting’ a school to attend 2018 Chicago Auto Show

Dealerships can plant a benevolent seed with students by sponsoring a school group’s visit to the 2018 Chicago Auto Show. The measure can be a community relations plum and establish customer loyalty with young consumers.

Under the Adopt-A-School Program, a dealer can purchase tickets at \$6 each for students in a group. There is no minimum or maximum potential group size.

Prepaid food vouchers are available (but must be ordered by Jan. 31). The lunch coupon/vouchers are \$7 each.

High schoolers at or near driving age are logical students for a dealership to pair itself with. There are hundreds and hundreds of high schools in the Chicago area, probably more than one within each dealer’s relevant market area.

Bill Stasek, proprietor of Bill Stasek Chevrolet in Wheeling, each year sponsors students from nearby Buffalo Grove High School, John Hersey High School in Arlington Heights, and Vanguard School in Wheeling. Accompanying chaperones are admitted at no charge.

“The schools look forward to the auto show so much, and they wouldn’t be able to go without this program,” Stasek said. “They really appreciate it, so it creates a lot of goodwill with the schools.”

In the program, dealers contact a school’s principal or assistant principal to arrange the weekday field trip. Stasek often meets the groups at McCormick Place and even pops for lunches for everyone.

Dealers interested in “adopting” a school should contact the CATA’s Donna Young for more details, at (630) 424-6045.

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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.

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CATA donates \$1,500 to Midwest Brain Injury Clubhouse

Chicagoland's new-car dealer association, the Chicago Automobile Trade Association, on Dec. 28 donated \$1,500 to the Midwest Brain Injury Clubhouse, which provides long-term rehabilitative services, support and mentoring to those affected by stroke or brain injury in the Chicagoland area.

The CATA created the Chicagoland Dealers Care program in 2008 to build upon the charitable efforts of the CATA's dealer members within their communities. Liberty Auto City most recently applied to the program to help extend its contribution of \$2,500. Together, the CATA and Liberty Auto City made a \$4,000 donation to the Midwest Brain Injury Clubhouse.

"The unfortunate reality is that charities such as the Midwest Brain Injury Clubhouse in Chicago are underfunded and struggle to keep their doors open each month," said CATA Chairman Ray Scarpelli Jr.

"However," he said, "local businesses such as Liberty Auto City recognize the need to help people within their community. Personally, I couldn't be prouder to represent all of Chicagoland's new-car dealers for championing efforts such as this."

Liberty Auto City President Joe Massarelli partnered up with former Chicago Blackhawk Daniel Carcillo on a poker night fundraiser to help raise money for the Midwest Brain Injury Clubhouse. After the event, he became more invested in helping the charity.

"As a dealership, we have made it our mission to get involved with



CATA Chairman Ray Scarpelli Jr., far right, joins the Dec. 28 check presentation at Liberty Auto City, in Libertyville.

worthy organizations, such as the Midwest Brain Injury Clubhouse, throughout the Chicagoland community," said Massarelli. "The Midwest Brain Injury Clubhouse works with people of all ages and social circumstances to provide support and rehabilitative services to attain their best life after a brain injury or stroke.

"Through my own athletics growing up and through my friendship with Daniel [Carcillo], it has become evident that we have an epidemic with brain injuries, and the funding to this charity is of critical importance."

The Midwest Brain Injury Clubhouse opened its doors to serve the community in 1999. Today, the charity has 76 active members and, on average, serves 35 people each day. The clubhouse offers services such as work reintegration or assisting people with basic life skills like personal hygiene, cooking and grocery shopping.

Midwest Brain Injury Clubhouse Executive Director Tammiko Bess explained: "Because Chicago is such a violent city, trauma patients' time in the

hospital is often cut short as new cases surface, such as gunshot wounds, and the hospitals need open beds. After patients' basic trauma needs are met, hospital staff then refer them to the clubhouse to seek additional therapy."

Midwest Brain Injury Clubhouse Board Member Angela Mathew added: "Liberty Auto City's support of community charities such as the Midwest Brain Injury Clubhouse during this crucial time means the world to us. Head injuries change lives and the necessary after-care, education, support and advocacy are challenging to find.

"The Midwest Brain Injury Clubhouse exists to meet those needs, and brings a sense of purpose to each member. All this remains possible because of support from organizations like Liberty Auto City and the CATA."

The CATA has been a longtime supporter of local nonprofit organizations. Since its inception in 2008, the Chicagoland Dealers Care program has donated nearly \$100,000 to local charitable organizations supported by new-car dealers. Additionally, since 1992, the association has raised nearly \$48 million for significant Chicago-area charities during the annual First Look for Charity black-tie event, held the evening before the Chicago Auto Show opens to the public.

For more details on the Chicagoland Dealers Care program, visit ChicagolandDealersCare.com. For more on the Midwest Brain Injury Clubhouse, see mbiclubhouse.org.

FTC: Businesses have duties to victims of identity theft

Given several recent high-profile data breaches and the attendant likelihood of identity theft incidents, the FTC has issued a reminder to all businesses of their duties under federal law to identity theft victims. Businesses must provide identity theft victims — or law enforcement, at the victim's request — with a copy of records relating to the theft.

Following a written request from an identity theft victim, the records must be provided within 30 days, free of charge and without a subpoena. Steps also must be taken to ensure that the people asking for the records are who they say they are, to avoid scammers from taking advantage of this requirement.

Member-discounted tickets to 2018 auto show on sale now

Tickets and vouchers that admit the holder to the 2018 Chicago Auto Show free or at a reduced price can be ordered by CATA members using the order form posted at www.CATA.info.

The passes promote goodwill with customers and even can help persuade a prospect to close a deal. Two kinds of passes are available, General Admission ticket and Week-

day Discount voucher. The former, which costs CATA members \$600 for 100 tickets, admits the holder to the auto show free, without a box-office wait. The Weekday Discount voucher costs members \$100 for 100 and admits the holder for \$7 during the week.

Regular admission is \$13. A minimum 100 passes must be requested with either order.

In Norway, electrics and hybrid cars outsell conventional models

Although electric vehicles make up a just small portion of the global market now, automakers — including those such as Tesla, which produce only electric models, and giants such as Volkswagen — have bet billions of dollars that such vehicles will soon be as cheap and ubiquitous as conventional cars.

“This is good for both road safety and the environment,” said Christina Bu, secretary general of the Norwegian Electric Vehicle Association.

Sales of electric cars could have been even higher, but some buyers continued to hold out for newer models such as Tesla’s Model 3.

Sales of electric and hybrid cars in Norway outpaced those running on fossil fuels last year, cementing the country’s position as a global leader in the push to restrict vehicle emissions.

About 52 percent of the new cars sold in the country last year ran on new forms of fuel, according to the data

released Jan. 4 by Norway’s Road Traffic Advisory Board, OFV.

But the country offers generous incentives that make electric cars cheaper to buy, and provides additional benefits once the vehicles are on the road.

As China tries to improve air quality and dominate new vehicle technology, the country wants one in five cars sold to run on alternative fuels by 2025.

Norway, which wants to phase out diesel and gasoline cars by 2025, offers a counterexample.

Websites

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bates, which requires that all rebates come only from the manufacturer and that only general rebates available to all consumers may be included in advertised prices. Under no circumstance may limited rebates, not available to all consumers, be included in advertised prices.

The BBB often sees disclosures on websites such as “Sale price does not include taxes, license, title fees, dealer-installed accessories, emissions charges, finance charges, destination charges,

documentation fees and all other fees allowed by law.”

Since the only amounts that can be excluded from advertised prices are tax, title, license and the doc fee, this disclosure obviously excludes many impermissible amounts. The BBB writes letters on this issue frequently.

Another disclosure the BBB sees regularly: “Sale prices include all manufacturer rebates and incentives. Must qualify.”

This disclosure says that limited rebates are included in advertised prices. The BBB frequently writes letters

on this issue as well. What we find, however, is that dealers, in some cases, are actually not including limited rebates in prices but have not changed the provided disclosure language to reflect that.

At the same time, we find that, yes, limited rebates have been included in advertised prices. The BBB reminds dealers that this is a zero tolerance issue that will result in a referral to the Illinois attorney general’s office.

The BBB suggests that dealers monitor advertised prices to include only general rebates and that they also review disclosures on a

regular basis to ensure the disclosures are consistent with actual practices.

The price disclosure should be very simple in saying advertised prices exclude only tax, title, license and the doc fee. Prices include rebates available to all consumers.

The above issues are the basis for many referrals to the BBB by dealers and advertisers.

In all cases, the BBB does write a letter to ensure that each referral is handled in a way that promotes a fair marketplace for all dealers.

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September after the hurricanes damaged vehicles from Texas to Florida,” said Robert Dye, chief economist at Comerica

Bank, in a news release. “We expected sales to fall off from the September surge quicker than they have. Strong consumer confidence, buoyed by sustained economic momentum and tax reform, may be extending the rally in auto sales.”