



Volume 118, No. 10

May 17, 2021

Auto shows more important than ever: analyst

Some automakers in recent years have begrudged auto shows as expensive and a poor return on their investment, but an industry analyst said they are using the wrong measuring stick and predicts auto shows will become even more important in the coming years.

“Auto shows are where consumers become aware of every innovation,” Chris Stommel, president of Foresight Research, said in April in an Automotive News podcast, “Daily Drive.” The company is a recognized expert in auto shows analysis. He said manufacturers that base the success of their auto show participation on cost alone are missing the bigger picture.

“Eleven million people attended an auto show in the U.S. before Covid, so the consumers are still coming,” Stommel said. They willingly pay for parking and over-

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2021 Chicago Auto Show is a go, July 15-19

The year-plus disruption to most aspects of life caused by Covid-19 affected auto shows around the world. The Chicago Auto Show wrapped its 2020 edition mere weeks before public gatherings grounded to a halt, and continued restrictions forced this year’s February show to pause.

It was down but not out.

The Chicago Auto Show will be one of the first events to return to McCormick Place when it hosts an abbreviated five-day exposition July 15-19. Attendance will be limited during the time slots consumers must choose



from when purchasing their tickets, and sizable outdoor ride-and-drives will help alleviate the indoor crowd size.

“Finally, the return of our beloved Chicago Auto Show,” Illinois Gov. J.B. Pritzker said May 4 during the reopening announcement, adding that the return of events at McCormick Place is a “critical step toward our state’s over-

all economic recovery.”

The show will move to the convention center’s West building with 470,000 square feet of indoor space and 100,000 square feet of outdoor space along Indiana Avenue, where test drives will be conducted. There also are plans for a street festival that will feature cars, food and entertainment.

Admission is \$13 for adults and \$10 for senior citizens and children through age 12. Members of the CATA can buy \$6 vouchers for customers which, when redeemed, will admit the users free.

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General Assembly inches closer to May 31 adjournment

Two bills of interest to dealerships stand on the precipice of passing through the Illinois General Assembly. But if they are to do so, it must happen by month’s end, when lawmakers will adjourn their spring session.

Senate Bill 58 would abolish the \$10,000 limit on the trade-in credit allowance for first division vehicles, a limit that took effect in 2020. House Bill 3940, would amend the Illinois Motor Vehicle Franchise Act to redefine how manufacturers must compensate dealers for repairs of vehicles under warranty.

Both bills have been approved by one chamber of the General Assembly and are nearly through the other. HB 3940 is being considered by the Senate Executive Committee, and SB 58 awaits a vote by the full House. Dealers and their employees are urged to contact their lawmakers now to help get the bills across the finish line.

Dan Marquardt, a Buick-GMC dealer who leads the CATA’s Government Relations Committee, noted that few constituents ever

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Battleground for electric vehicle purchase wide open, J.D. Power says

With some encouragement, undecided battery electric vehicle shoppers can become likely purchase considerers, which is good news for automakers expanding their EV product lineup, according to the inaugural J.D. Power U.S. Electric Vehicle Consideration Study.

Currently, more than half (59%) of new-vehicle shoppers fall into the “somewhat likely” or “somewhat unlikely” categories when it comes to considering an EV for their next purchase or lease — a significant window of opportunity for future EV sales.

“Right now, the projected EV supply outweighs consumer interest. And for every new-vehicle shopper seriously considering EVs, there’s another at the opposite end of the spectrum,” said Stewart Stropp of J.D. Power. “To avoid a potential ongoing inventory surplus, it behooves manufacturers and retailers to identify why shoppers in the middle ground aren’t completely

sold on the technology, and how to get them over the hump into the ‘very likely’ consideration camp.”

The study found that firsthand experience with EVs plays an important role in purchase consideration. Among respondents who say they have owned or leased an EV in the past, 46% are “very likely” to consider another, while only 6% say they are “very unlikely” to consider purchasing another EV as their next vehicle.

This is similar to findings in the J.D. Power 2021 U.S. Electric Vehicle Experience Ownership Study in which, even among dissatisfied owners (overall satisfaction scores below 600 on a 1,000-point scale), 65% say they “definitely will” consider an EV for their next purchase.

The EVC Study also found the “very likely” ratio among respondents who have simply ridden in an EV is nearly three times that of those who have never been in one (20% versus 7%, respectively).

Half of respondents had

never been in an EV, highlighting a critical need for automakers and retailers to create opportunities for consumers to familiarize themselves with these vehicles. “Anything stakeholders can do to get more people into electric vehicles, whether it’s experiential events, take-home test drives or other proactive efforts, will help break down the preconceptions people have about EVs and drive higher consideration,” Stropp said.

Key findings of the 2021 study include:

Vehicle use outweighs range anxiety: Among heavy-use drivers, the prospect of eliminating gasoline expense seems to neutralize range anxiety. “Very likely” consideration is more than three times higher among those who take more than 10 road trips a year compared with those who don’t take any (34% versus 10%, respectively). The ratio is similar among those who commute more than one hour (35%) compared with those who have

no commute (9%).

Consideration by current vehicle segment: The “very likely” ratio among current owners of premium brands (36%) is more than twice that of mass market brand owners (15%). The study also finds consideration by current vehicle brand ranges widely from 46% to 96% in the premium segment and 36% to 60% in the mass market segment.

Information begets consideration: Nearly one-third (30%) of non-considerers cited a lack of information as a reason for their lack of consideration. To consider EVs, shoppers need to be better informed about them and the ownership proposition they offer.

Time frame for non-considerers to become considerers: Four in 10 (41%) non-considerers say they will consider a plug-in hybrid electric vehicle or a hybrid electric vehicle in the next two to four years while 27% say they will consider an EV in the same time frame.

Stommel said consumers attend auto shows to see what’s available and to have their questions answered. He said: “Our data shows that things like ride-and-drives are very powerful. Anything to increase consumer awareness is a good thing.”

Auto shows

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priced concessions to experience what essentially is a long car commercial. But the takeaway, he said, is that attendees often add brands to their purchase considerations.

Some automakers have been absent from U.S. auto shows for several years. Stommel said manufacturers in recent years have placed too much emphasis on the media coverage generated by their participation in auto shows and not enough on consumers and resulting sales numbers.

“I think auto shows are suffering from a (manufacturer) perception problem,” he said. “They are expensive, and the shift to public relations brought elaborate displays that exploded budgets. Some declared auto shows obsolete, but we take a completely different view at Foresight.”

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.

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Cybersecurity is companywide effort, IT executive says

Ransomware, where hackers hold hostage a company's IT system and data, is top-of-mind in the auto industry right now. But simple human error with business emails still is the biggest vulnerability in cybersecurity, and employee training still is the first line of defense.

"Ransomware is a huge, huge issue," said Benjamin Tweel, senior cybercrime specialist within Bank of America's Global Information Security team. However, even the more sophisticated threats including ransomware often get their foot in the door via common, everyday threats such as phony, "phishing" business emails.

Tweel provided some tips and best practices for combating cybercrooks in "The Auto Industry Under Cyber Attack," a recent webinar hosted by the American International Automobile Dealers Association.

It's estimated that 90% of phishing incidents are caused by "human error," when someone clicks or downloads something they shouldn't have, Tweel said. If there's a single

most important tip from Tweel's presentation, it might be, "Don't reply to an email requesting a change in payment instructions!"

Once an intruder gets into a company's IT system, it takes an average of 280 days to identify the intrusion, he said. "Let me say that again: 280 days. That's a long time not to know somebody could be doing something suspicious on your network," Tweel said.

Scammers may use that time to learn the ropes in an organization. The goal is to create an email which may even come from an actual executive's own email account, ordering a subordinate to make an immediate payment outside the usual channels, typically under unusual circumstances.

For example, the executive is overseas — and in fact may be overseas. There's some plausible-sounding reason why the payment has to be kept confidential. Above all, it has to be done quickly, before anyone has a chance to think it over, Tweel noted.

Companies need to train employees to recognize fishy circumstances in the

first place, and "empower employees to slow down the process without pressure" when they see warning signs, he said. It's also a good idea to create a requirement that at least two people need to sign off on a payment.

The coronavirus pandemic has raised the threat level by forcing companies to switch to multiple, interconnected digital channels faster than they normally would have done, Tweel said.

Before COVID, corporations saw digital adoption as "a cost-saving investment, for the next three to five years." With COVID, that timeline is compressed to one or two years, and the focus no longer is just on cost savings; it's on simply staying in business at all, he said.

In employee training, it's important to make the training relevant and "engaging," Tweel said. Rather than making employees feel like "the weakest link," trainers need to make employees feel like "our strongest defender," he said. "They've got to understand why it's important."

Bills

CONTINUED FROM PAGE 1

contact their lawmakers on pending legislation, so if supporters of the two bills prod their legislators to pass these, it will have an impact.

Automakers consider different time guides for the same repair when technicians fix a car under warranty versus the longer time considered when customers pay for the work. The bill requires manufacturers to compensate dealerships for warranty work in the same manner that retail customers pay for retail work, in terms of time allowances, labor rates, and

parts prices.

Mechanics Local 701, the union representing area technicians at dealerships, is working with the CATA to advance the legislation. Supporters say HB 3940 would bring a fairness to the payment process that could attract new technicians to dealerships. Wisconsin has had similar policy in place for more than a decade.

In addition to establishing an equitable compensation scheme for warranty work, the bill would prevent manufacturers from imposing cost recovery fees or surcharges to overcome the bill's effect.

For manufacturers, it would preserve their right to approve or disapprove dealership claims, and it ensures manufacturers have a way to charge back any false or unsubstantiated claims they paid.

Capping the trade-in credit increases the cost of new vehicles and used vehicles bought at retail. Gov. J.B. Pritzker has voiced his backing of SB 58. The cap took effect in 2020 following moves to find funding for Pritzker's multibillion dollar state capital infrastructure plan.

Under SB 58, infrastruc-

ture projects would instead be funded, in part, by increasing the sales tax charged in private vehicle sales. For instance, the current \$390 sales tax on a 1-year-old vehicle sold privately for less than \$15,000 would increase to \$465. If the same vehicle sells for \$15,001-\$20,000, the sales tax would be increased from \$750 to \$850.

The tax rates for private transactions haven't changed in more than 30 years, and the modest increases are much less impactful than a trade-in credit cap, which costs consumers hundreds of dollars and harms dealers statewide.

US Department of Labor withdraws Independent Contractor Rule

The U.S. Labor Department has withdrawn its “Independent Contractor Rule” to maintain workers’ rights to the minimum wage and overtime compensation protections of the [Fair Labor Standards Act](#).

The department withdrew the rule for several reasons, including:

- The independent contractor rule was in tension with the FLSA’s text and purpose, as well as relevant judicial precedent.

- The rule’s prioritization of two “core factors” for determining employee status under the FLSA would have undermined the longstanding balancing approach of the economic realities test and court de-

terminations requiring a review of the totality of the circumstances related to the employment relationship.

- The rule would have narrowed the facts and considerations comprising the analysis of whether a worker is an employee or an independent contractor, resulting in workers losing FLSA protections.

“By withdrawing the Independent Contractor Rule, we will help preserve essential worker rights and stop the erosion of worker protections that would have occurred had the rule gone into effect,” said U.S. Secretary of Labor Marty Walsh. “Legitimate business owners play an important role in our economy but, too often, workers

lose important wage and related protections when employers misclassify them as independent contractors.

“We remain committed to ensuring that employees are recognized clearly and correctly when they are, in fact, employees so that they receive the protections the Fair Labor Standards Act provides.”

The FLSA includes provisions that require covered employers to pay employees at least the federal minimum wage for every hour they work and overtime compensation at not less than one-and-one-half times their regular rate of pay for every hour they work over 40 in a workweek. FLSA protec-

tions do not apply to independent contractors.

In addition to maintaining the scope of workers covered by FLSA wage-and-hour protections, the department anticipates that the independent contractor rule’s withdrawal will avoid a reduction in workers’ access to employer-provided fringe benefits such as health insurance and retirement plans. The withdrawal will also avoid a reduction in other benefits such as unemployment insurance and workers compensation coverage.

For more information about the FLSA or other laws it enforces, visit the Labor Department’s [Wage and Hour Division](#), or call (866) 4US-WAGE.



Discounted auto show admission!

Members of the CATA are the only group eligible to access vouchers to gain admission to this summer’s Chicago Auto Show at a reduced price.

Call the CATA at (630) 495-2282 to learn how to obtain the vouchers for \$6 each. Adult admission regularly is \$13.

Reopening

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Face masks will be required at all times. There will be contactless delivery for tickets. Temperatures will be scanned and a medical questionnaire must be filled out before entering. A vaccine will not be required.

The show will be smaller, limited to 10,000 people at a time, and shorter, but it is on

nonetheless.

The Chicago Auto Show will be McCormick Place’s first convention since the beginning of the pandemic more than a year ago. McCormick Place was temporarily turned into an alternative care facility in case hospitals became overwhelmed.

“We’ve been working with McCormick Place officials for months on an opening plan, and very early on they

saw that our show may provide a pathway to reopening the facility,” said Chicago Auto Show General Manager Dave Sloan. “We stand committed to providing a safe environment for all involved and will carefully adhere to the health and safety protocols and guidelines set forth by city and state officials.

“McCormick Place is an important economic engine for our city and state, and

we take very seriously the responsibility that comes with helping to get it running again.

“While we believe February is the right time for the Chicago Auto Show to have its biggest impact on the industry and the area economy, we’re thrilled to be able to experiment with the July dates. The timing has allowed us to get creative and try new things and the automakers have really embraced it.”