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Adjusting for inflation, FTC raises civil penalty maximums

The Federal Trade Commission has approved final amendments to Commission Rule 1.98 that adjust the maximum civil penalty dollar amounts for violations of 16 provisions of law the FTC enforces, as required by the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015.

The Act directs agencies to implement a "catch-up" inflation adjustment based on a prescribed formula. The new maximum civil penalty amounts will take effect Aug. 1, 2016.

The maximum civil penalty amount has increased from $16,000 to $40,000 for the following violations and others listed in the Federal Register Notice:

• Section 5(l) of the FTC Act: final Commission orders issued under section 5(b) of the FTC Act,

• Section 5(m)(1)(A) of the FTC Act: trade regulation rules issued by the Commission under section 18 of the FTC Act that address unfair or deceptive acts or practices, and other laws enforced by the Commission that provide for civil penalties by reference to section 18, and

• Section 7A(g)(1) of the Clayton Act: premerger filing notification requirements under the Hart-Scott-Rodino Improvements Act.

The Notice also notes that when the Commission seeks civil penalties, it is mindful of the statutory criteria under section 5(m) of the FTC Act that courts must apply when determining the amount of the civil penalty for violations of that section such as the degree of culpability, any history of prior such conduct, ability to pay, and effect on ability to continue to do business.

The Commission also has a civil penalty leniency program for small businesses that establishes criteria the Commission will consider when determining the propriety of a penalty waiver or reduction for small businesses that are not in compliance with the law.

See **FTC**, Page 4

Analysis: State franchise laws lower prices, benefit customers

Retail prices for new cars are lower for consumers because of state franchise laws, according to a new economic analysis from the Phoenix Center for Advanced Legal and Economic Public Policy Studies.

The analysis, "State Automobile Franchise Laws: Public or Private Interests?" found that state franchise laws serve to foster intense competition among franchised new-car dealers, which "demonstrably lowers prices for consumers" and "alter[s] the way consumers buy cars and service in a positive way."

"Franchise laws do not limit competition or lead to higher prices," said study co-author and Phoenix Center Senior Fellow Professor T. Randolph Beard. "In fact, all the evidence suggests that there is intense competition leading to very low margins on new car sales."

The Phoenix Center study came in response to recent scrutiny of state franchise laws by the Federal Trade Commission and others, and the suggestion that these laws are outdated. The study concluded, however, that state franchise laws are indeed still very beneficial to consumers.

"When selling an automobile-service bundle, our analysis indicates that franchised auto dealers have a better incentive with respect to consumer desires than car manufacturers," said another study co-author and Phoenix Center Chief Economist Dr. George S. Ford. "As such, it is not unreasonable for state legislatures to choose a market design that best serves their constituents in the form of local auto franchise laws."

Employers sent notices about workers who got health insurance subsidies

Several hundred thousand notices mailed to companies in late June from the U.S. Department of Health and Human Services about employees identified as eligible for health insurance subsidies as part of a national Health Insurance Marketplace.

The notice informs the employer that an individual worked for the employer and either (a) didn't have an offer of health care coverage from the employer; (b) did have an offer of coverage but it wasn't affordable or did not provide minimum coverage; or (c) was in a waiting period and unable to enroll in health care coverage.

The HHS notices are part of the verification process established to ensure that individuals awarded subsidies are eligible to receive them. Employers who receive a subsidy notification and believe one was awarded to an employee in error have the option to appeal the award. Not doing so may expose an employer with 50 or more full-time workers to pay-or-play penalties.

Employers should consider appealing a notice if they believe an employee's receipt of a subsidy is in error. For example, if the employer believes that the employee was offered affordable, minimum value coverage, or the employee is actually enrolled in the employer's plan and thus, in either case, is ineligible for a subsidy..

Employers do not need to appeal subsidy notifications for part-time employees (unless the notice inaccurately identifies them as full-time employees), employees who terminated while in a waiting period for coverage, or notifications naming spouses or family members as recipients of a subsidy.

21 million autonomous cars by 2035

The United States will be an early leader in deploying autonomous vehicle technology, an effort that eventually will help put nearly 21 million self-driving cars on the world's roads by 2035, IHS Automotive predicted in a recent report.

The forecast, which is much higher than previous estimates, is influenced by recent research and development by major automakers, suppliers, and tech companies as well as regulatory changes and a wave of investments, said IHS.

The research firm even points to the 2020 Olympics in Japan as a driving factor toward wide deployment of autonomous vehicles, saying that while the U.S. leads the world in initial deployment, Tokyo will be responsible for ramping up industry coordination and investment ahead of the games.

Deployment in the U.S., according to the IHS forecast, will begin with several thousand vehicles in 2020, and the number will grow to 4.5 million vehicles by 2035.

Subcompacts take big hit on resale price

Subcompact cars have seen some big drops in resale value, a new study found, despite consumer demand for fuel efficient cars.

Subcompact cars fell 26.1 percent in value during the past year, the biggest one-year drop of any vehicle segment in the past decade except for 2008, the year the nation's gas prices spiked above $4 a gallon in many regions, said analytic firm Black Book.

Subcompacts include the Toyota Yaris, Nissan Versa, Kia Soul, Honda Fit, Ford Fiesta and Chevrolet Spark.

With the nation's gas prices low, the outlook is pretty grim. Anil Goyal, senior vice president for Black Books, predicts small cars are going to continue to lose value over the next three years. Even as subcompacts' popularity ebbs, he said shoppers still want their next vehicle purchase to be as fuel efficient as possible despite low gas prices.

"Smaller cars are less in demand and the bigger vehicles are more in demand," said Goyal.

Yet a Consumer Reports survey finds that motorists still feel strongly about the need to have cars with good gas mileage. The survey of 1,052 adults in May found 84 percent of those surveyed feel fuel efficiency is important and 73 percent believe the government should continue to mandate gas mileage goals.

Some 60 percent say they are willing to pay more for a fuel-efficient vehicle if they can recoup the higher gas in five years through fuel savings. The survey has an estimated error rate of plus or minus 3.2 percentage points. "Consumers want cars that don't drain their pocketbook — either through costly repairs or guzzling gasoline," said Shannon Baker-Branstetter, policy counsel for Consumers Union, in a statement.

But Goyal said car buyers are putting a higher priority on overall value when they buy a new car rather than fuel economy.

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Carmakers retreat from quirky designs as millennials embrace mainstream

It was not too long ago that automakers were tripping over themselves in pursuit of younger buyers, offering boxy wagons and small, jellybean-shape city cars. The Scion xB, the Honda Element, the Nissan Cube: All were funky departures for Generation X from the dowdy minivans of their parents.

But times and tastes change. When Toyota moved to mothball its youth-oriented Scion brand, it punctuated a broader retreat in the industry from quirkier car designs, particularly at the low end of the market.

Today's younger buyers, loosely referred to as Generation Y, have embraced a term that would have turned off their immediate forebears.

"Compared to Gen X, Gen Y is very mainstream," said Michelle Krebs, senior analyst for Autotrader. "They see the car as a symbol of their accomplishments and aspirations. They're into very established, highly respected global brands, whereas Gen X always wanted something different from what their parents drove."

Scion reached peak sales of 173,000 a year in 2006, then plunged as low as 45,000 in 2010. Some of its models will survive, but under the Toyota name.

Instead, younger buyers have embraced conservatively styled crossovers and sport utility vehicles. Even once-moribund Buick is attracting millennials with its strong-selling Encore compact crossover.

Central to the Scion recipe were unconventional exterior designs ripe for personalization. The so-called tuner culture that blossomed in the 1990s in Southern California readily adopted the cars, with their sub-$20,000 sticker prices, idiosyncratic yet malleable styling and easily upgraded exhaust and engine-management systems. Scions were underbaked by design.

"Toyota is, 'measure 17 times, cut once,' whereas Scion was more, 'measure twice, cut once,' " said Jack Hollis, group vice president of marketing for Toyota's American subsidiary, Toyota Motor Sales. "Being progressive wasn't something that came easy for Toyota 13 or 14 years ago. Scion was a laboratory for experimentation."

Hollis, who previously served as vice president of Scion, added: "We had the lowest median age buyer in the market, so the recession hit us hard." But while other carmakers roared back, with a record 17.5 million passenger vehicles sold in 2015, Scion's numbers never recovered.

Mini, the emblematic British brand resurrected by the BMW Group of Germany at the dawn of the millennium, has also struggled against the preference of millennials for more staid — and bigger — cars, with American sales of the Mini relatively flat since 2012.

The asymmetrical Cube from Nissan, a vehicle whose emphatic strangeness was unrivaled in the United States market, was discontinued in 2014. Production of the Honda Element, an airy four-door beloved by dog owners for its crate-ready rear load area and easily cleaned interior, was stopped in 2011.

Hollis said that the initial success of the Scion FR-S, a well-reviewed sports coupe, was attributable in part to its "being mainstream." But consumers gave a wan embrace to the Scion iQ, a tiny runabout aimed at urban dwellers. "It didn't work as well," he said of the iQ experiment.

Stewart Reed has a front-row seat to aesthetic shifts in the industry, as chairman of the transportation design program at the Art Center College of Design in Pasadena, Calif., one of the car industry's top incubators of global design talent. Reed recalled that the original Scion xB, whose resolutely boxy body scored a knockout for unfashionable design, sold strongly through its first generation.

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Thomas F. Shirey	(708) 636-6600	tfs@shireycadillac.com
Colin Wickstrom	(847) 381-8850	colin@wickmail.com

Board members welcome any questions and comments from their fellow CATA members!

Congratulations!

The 2016 Center of Excellence award was given to 32 U.S. BMW dealerships, including **Karl Knauz Motors**, in Lake Bluff.

Autohaus on Edens (Northbrook), **Mercedes-Benz of Chicago**, and **Mercedes-Benz of Orland Park** were winners of Mercedes-Benz Financial Services' Valued Partner Award.

Valley Honda, in Aurora, became a 10-year winner of Honda Financial Services' Council of Excellence Award. **Bill Kay Honda**, in Bourbonnais, also was a winner of the 2015 award.

Audi Morton Grove, **Continental Audi of Naperville**, and **Fletcher Jones Audi** (Chicago) were named members of the 2015 Audi Magna Society, for extraordinary business accomplishments. **The Audi Exchange** (Highland Park) was a Magna Society Elite dealership.

Muller's Woodfield Acura, in Hoffman Estates, became a 10-year winner when it won the 2015 Council of Excellence Award, bestowed by Acura Financial Services. **Ed Napleton Acura**, in Elmhurst, also won the award.

Planet Honda (Matteson), **Team Honda** (Merrillville, Ind.) and **Valley Honda** (Aurora) are members of the 2015 Honda Masters Circle.

Imperial Motors of Lake Bluff is a winner of the 2015/16 Pride of Jaguar award.

Land Rover Hinsdale was named to the 2015/16 Land Rover Pinnacle Club.

Muller Honda (Highland Park) and **Valley Honda** (Aurora) are winners of Honda's 2015 President's Award.

Patrick Volvo, in Schaumburg, is one of 25 U.S. dealerships to win the 2015 Volvo Excellence Award.

The Autobarn Mazda Evanston and **CJ Wilson Mazda** (Countryside) are members of the 2015 Mazda President's Club.

Toyota of Naperville was named a member of the 2015 Toyota Board of Governors.

Toyota Motor Sales, USA gave its President's Award to the following dealerships: **Classic Toyota** (Waukegan), **Continental Toyota** (Hodgkins), **Elgin Toyota**, **Pauly Toyota** (Crystal Lake), and **Team Toyota** (Schererville, Ind.).

Ford Credit gave its 2015 Partners in Quality Award to **Rod Baker Ford Sales** (Plainfield), **Bredemann Ford** (Glenview), **Highland Park Ford-Lincoln**, **Libertyville Lincoln**, **River View Ford** (Oswego), **Van Drunen Ford** (Homewood), **Victor Ford** (Wauconda), and **Zimmerman Ford** (St. Charles).

Alec Bettenhausen and Michael Sorensen, both with **Bettenhausen Motor Sales**, in Tinley Park, are 2016 graduates of FCA US LLC's Future Dealer Development Program.

FTC

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The Commission vote to publish the Federal Register Notice amending Commission Rule 1.98 was 3-0. (FTC File No. P072104; the staff contact is Kenny A. Wright, Office of the General Counsel, (202) 326-2907.

The Federal Trade Commission works to promote competition, and protect and educate consumers. More can be learned about consumer topics and file a consumer complaint online or by calling (877) FTC-HELP (382-4357).

Read FTC blogs and subscribe to press releases for the latest FTC news and resources.

Sedgwick deflects Q2 2016 jobless claims

One hundred fourteen CATA dealer members reported a combined 379 unemployment claims during the second quarter of 2016 to Sedgwick Claims Management Services, Inc., which has been serving CATA dealers under various names since 1979. The company's efforts saved those dealers a total of $895,587 in benefit charges by contesting the claims.

Recent quarterly claims were as high as 949 in the fourth quarter of 2009.

Sedgwick CMS monitors any unemployment claims against its clients and contests all unwarranted claims and charges. The company counts about 235 CATA dealers among its clients.

Claims that can be protested and subsequently denied help minimize an employer's unemployment tax rate. The rate can vary between 0.55 percent and 7.75 percent of each employee's first $12,960 in earnings.

The 2016 average unemployment tax rate & new employer rate for Illinois employers is 3.55 percent, or about $460 annually per employee ($486 in 2015). The rate continues to inch down from 2007, as the Illinois economy continues to improve.

"The unemployment tax is really the only controllable tax, in that it's experience-driven," said Paul Schardt of Sedgwick. An ex-employee's claim affects the employer's tax rate for three years.

For new enrollees, client fees amount to $2.85 per employee, per fiscal quarter. For the fee, Sedgwick monitors all unemployment claims; files any appeals; prepares employer witnesses for hearings, as necessary; represents the client at any hearings; verifies the benefit charge statements; and confirms the client's unemployment tax rate.

To discuss retaining the company, call Schardt at (773) 824-4325 or Bruce Kijewski at (773) 824-4322.