



Chicago Fed dismisses looming recession forecast

The Federal Reserve Bank of Chicago's William Strauss in late October discounted the likelihood of a recession to start next year, enabling the auto finance industry to breathe a sigh of relief.

"What causes us to go into a recession is some sort of bad event. ... and it has to be a bad economic event that it rises to the level that it can take down overall activity in the United States," Strauss,

the senior economist and economic advisor, said Oct. 28 during a two-day summit hosted by Auto Finance News.

He noted, "Right now, I'd say we haven't seen such events," adding that such events in the past included the housing bubble burst in 2008, the Sept. 11 attacks in 2001, and the start of the U.S. war in Iraq in 1991.

The U.S. economy has ex-

perienced a growth period, at an average pace of 2.3%, which has lasted 10 years. In fact, "the outlook is for the growth to continue," Strauss said, adding that almost all real-side economy sectors still have room to expand.

"There's still slack in the economy and, therefore, there's less of a risk of a downturn coming from within the United States," he said.

\$10K trade-in cap not replaced, takes effect Jan. 1

Car buyers in Illinois with a trade-in worth more than \$10,000 will pay more sales tax effective Jan. 1, after the state's General Assembly declined to amend an upcoming law during its fall veto session.

The CATA, the Illinois Automobile Dealers Association and others had sought to pass legislation to repeal the \$10,000 cap on motor vehicle trade-in credits before it takes effect when 2020 dawns.

But despite the action having the support of nearly every key lawmaker, House Speaker Mike Madigan declared that only revenue bills intended to clarify language would be considered by the House during the veto session's six days in October and November. The trade-in cap, his aides said, was too substantive to be considered.

The dealer associations said that efforts to undo the

New guide helps dealership staff explain vehicle safety technologies to new-vehicle shoppers

The high-tech safety features available in today's new cars and light trucks — if understood and used correctly — could dramatically reduce human error, which is responsible for 94% of all traffic accidents, the National Highway Traffic Safety Administration said.

That's why the National Automobile Dealers Association created the new Driven publication, "A Dealer Guide to High-Tech Vehicle Safety," which can assist dealership sales consultants and product specialists in explaining to their customers and potential customers how to properly use Advanced Driver Assistance Systems to improve traffic safety.

"New vehicles that dealerships sell today

are likely to include ADAS or offer ADAS as options, but prospective buyers often know little about these features or understand how they work," said 2019 NADA Chairman Charlie Gilchrist, a Texas dealer. "It's important that dealership staff become informed on the ADAS available in the vehicles they sell, so that they can teach car shoppers how to use these features correctly."

The NADA guide is based on the educational campaign, "My Car Does What?," which was developed by the National Safety Council and the University of Iowa. The campaign website includes numerous multimedia resources on new vehicle safety technologies.

Orland Park teen center a recipient of Planet Honda, CATA largesse

The Chicago Automobile Trade Association in October donated \$1,500 to The Bridge Teen Center in Orland Park. The donation came in conjunction with Planet Honda and the Chicagoland Dealers Care program, an initiative that matches CATA dealer donations of up to \$1,500 for local charitable organizations.

Planet Honda has been an active supporter of The Bridge Teen Center for nearly a decade since the center opened in 2010.

The Bridge Teen Center offers free afterschool programs to teenagers, grades seven to 12, ranging from culinary demonstrations and music lessons to homework support and community service projects. The center's holistic afterschool programs and weekend entertainment events are designed around the interests and needs of teens in the Chicago suburbs, providing a safe and positive environment away from negative influences.

"The CATA's Chicagoland Dealers Care program not only helps our member dealers' dollars stretch a little further for impactful organi-



CATA President Dave Sloan, left, and CATA Chairman Bill Haggerty, right, present their donation to The Bridge Teen Center co-founders Rob Steinmetz and Priscilla Steinmetz in October.

zations, but it also helps to put a spotlight on new-car dealers' generosity and charitable work within their communities," said CATA Chairman Bill Haggerty.

"We were completely mesmerized and blown and away by the quality of The Bridge Teen Center in regards to its facilities, educational opportunities and entertainment programming," he said.

The Bridge Teen Center has served more than 8,000 different teens and families from 128 Chicagoland and northwest Indiana communities since its inception nearly a decade ago. Just last year,

the center set a new record of serving a total of 1,521 different students. Those students checked in at The Bridge Teen Center more than 11,500 times throughout the year. Currently, attendance at The Bridge Teen Center ranges from 250 to 450 students per week.

"The Bridge Teen Center is built by the community, for the community," said Rob Steinmetz, founder and director of marketing and development for The Bridge Teen Center. "The car dealer community has risen up to embrace this place, and they want to support us because

it's the right thing to do — not because they want their logo advertised on our walls. We're extremely humbled by that."

Co-founder Priscilla Steinmetz echoed the sentiment. "The support from car dealers has been amazing; they pour so much positivity into the lives of our students. We even have a mock automotive service department at the center where we pull cars in and students interested in the automotive technician trade can get hands on experience," she said. "Many of these sessions are led by service directors within the local car dealer community; they simply donate their time."

The CATA has been a longtime supporter of local nonprofit organizations such as The Bridge Teen Center. Since 2008, the Chicagoland Dealers Care program has donated more than \$100,000 to local charitable organizations supported by new-car dealers. Also, the association since 1992 has raised more than \$53 million for significant Chicago-area nonprofits through the Chicago Auto Show's annual First Look for Charity event.

Trade-in

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trade-in limit would continue when the General Assembly reconvenes next year. "All our hard work will serve us as we advance the issue again in January," CATA Chairman Bill Haggerty said.

Under the cap, a person who buys a \$35,000 vehicle and trades in another vehicle worth \$20,000 still can buy the next car for \$15,000, but will see the sales tax based on a \$25,000 transaction, meaning the consumer will pay about \$700-\$925 more in sales tax compared to today's computations.

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Millennials, 30% of global population, want to own vehicles: new survey

There is a perception that millennials are uninterested in having a vehicle, but a new study proclaims most of them want their own transportation.

Given a perceived environmental consciousness and thrifty nature among Americans generally 23-38 years old, plus “lots of other options in terms of ride-hailing and public transportation, ... we went into this thinking there may not be a (positive) response by millennials in terms of car ownership, and what we found was actually the complete opposite,” said Mark Kwilosz, head of the North American auto industry practice at business consultancy Duff & Phelps. Duff & Phelps surveyed 2,150 millennials and found 75% intend to purchase or lease a vehicle within five years.

“We think that’s great news for (the) automotive industry, especially when they’re staring in the face declining car sales this year globally,” he said, adding that millennials represent 30% of the world population.

Millennials were queried online in North America, Brazil, parts of Europe, India, Japan, Singapore, Hong Kong and China. About a quarter of the responses came from the U.S., with the remainder split relatively evenly among

They embrace cars as much as prior generations, even if they live in cities

the remaining countries.

Not surprisingly, given that more than half of the generation now is in their 30s, 75% of respondents say they already own or lease a vehicle. Of those people, the intention to purchase or lease another vehicle is even higher, 83%. Of those who don’t currently own or lease, 55% say they plan to do so in the next five years.

For those who identified themselves as living in cities, and not rural areas, 80% of respondents plan to buy or lease a vehicle in the next five years.

Kwilosz doesn’t have a breakout between respondents in their 20s and 30s but assumes ownership and intention-to-own percentages are higher for those in their 30s, given they probably have or are starting families, making vehicle ownership or leasing more attractive.

“(They’re) maybe starting to see the value of car ownership, now that they have families and now that they need to drive around their kids, potentially, and take them to sporting events or other activities,” he said.

Duff & Phelps believes there’s further good news for OEMs in the survey, as roughly a third of respondents expressed interest in their next vehicle being a hybrid or EV.

Due to strengthening fuel economy and emissions regulations, LMC Automotive, which examines global automotive industry dynamics, forecasts 1,008 hybrid, plug-in hybrid or battery-electric vehicle nameplates will be offered globally by 2026, based on projected production. That’s up from 201 offered in 2016 and 702 expected next year.

Some 36% of respondents said they want a hybrid or EV as their next vehicle, over those with a gasoline or diesel powertrain, the survey says. “So based on that data, millennials could potentially drive demand for that vehicle type going forward,” Kwilosz said.

In the U.S. and Europe, the share of Millennials expressing interest in buying or leasing an EV or hybrid was closer to the global average of 36%, Kwilosz said.

In further news that should please OEMs, 75% of those surveyed say they’d rather own or lease their own vehicle than use a ride-hailing service, even if the cost was the same.

Used-car SAAR highest since February

The used-car market got a bit stronger in October.

Total used-car sales climbed approximately 1.4% from October 2018, according to Cox Automotive, which estimated the seasonally adjusted annualized rate for used-car sales at 39.6 million for the month.

That beats the year-ago reading of 38.1 million, but is down from 39.8 million in September.

However, what Cox Automotive dubs the used retail SAAR reached its highest level since

February.

The used retail SAAR, which only considers sales from franchised and independent dealers, came in at an estimated 20.6 million units for October.

That beats the year-ago level of 19.8 million.

The August and September readings were both at 20 million. The last time the used retail SAAR was as high as it was last month was in February, which came in at 21.5 million after reaching 22.4 million in January.

Safety

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The guide also includes informative sections on several ADAS technologies, including forward-collision warning, automatic emergency braking, lane-departure warning, blind-spot monitor, adaptive headlights, adaptive cruise control, pedestrian detection and drowsiness alert.

The Insurance Institute for Highway Safety estimates that just four ADAS technologies, when deployed in all passenger vehicles, could prevent or mitigate as many as 1.86 million crashes and save more than 10,000 lives a year.

Its members can download the new guide at the NADA website. (Login and password required.)

Even with more driving, safety features on newer cars help cut fatalities

The latest crash-related data from the U.S. Department of Transportation show a 2.4 percent decline in fatalities for 2018, the second year in a row with lower crash-related fatalities.

The data, compiled by the DOT's National Highway Traffic Safety Administration, show 913 fewer crash-related fatalities in 2018, down to 36,560 people from 37,473 in 2017. Importantly, the fatality rate per 100 million

vehicle miles traveled (VMT) decreased by 3.4 percent (from 1.17 in 2017 to 1.13 in 2018), the lowest rate since 2014. In addition:

- Fatalities among children (14 and younger) declined 10.3 percent;
- Alcohol-impaired-driving fatalities declined 3.6 percent;
- Speeding-related fatalities declined 5.7 percent; and
- Motorcyclist fatalities declined 4.7 percent.

The NHTSA attributed the decline, in part, to the proliferation of Advanced Driver Assistance Systems (ADAS) in the vehicle fleet.

"New vehicles are safer than older ones and when crashes occur, more new vehicles are equipped with advanced technologies that prevent or reduce the severity of crashes," NHTSA Acting Administrator James Owens said. "The NHTSA

has spent recent years partnering with state and local governments and safety advocates to urge the public to never drive impaired or distracted, to avoid excessive speed, and to always buckle up."

Charlie Gilchrist, the 2019 NADA chairman, said: "Advanced Driver Assistance Systems on today's new and late model used vehicles are clearly helping to improve road safety by assisting with criti-

cal driving tasks. In the 2018 model year alone, nearly half of all new vehicles sold by franchised dealers had collision warning, collision mitigation, and blind spot monitoring. As illustrated by its recently published 'Dealer Guide to High-Tech Vehicle Safety,' the NADA is committed to assisting dealers to help customers understand and properly use these important new ADAS technologies."

Car keys on the wane: Lincoln, Tesla lead industry in mobile entry

Key fobs and emerging virtual, or digital, keys from the likes of Lincoln and Tesla are increasingly making traditional metal car keys obsolete as more of the industry's newest models come equipped with mobile entry.

The change, which has accelerated in recent years, means more convenience and safety for drivers but also ends the age-old tradition of teenagers receiving their first car and feeling the engine turn over for the first time. Keyless cars also come with their own unique challenges.

Instead of keys being inserted into an ignition, the majority of new vehicles now sold in the U.S. are equipped with push-button starters that wirelessly connect to plastic fobs or smartphones to allow drivers to start their engines with the

push of a button.

"This trend is obviously going to continue," said Jessica Caldwell, executive director of industry analysis firm Edmunds. "Most consumers who buy new cars or even those who purchase recently used vehicles, chances are they'll be using some sort of push-button, keyless-entry system."

Edmunds reports 91%, or 331 out of 365, available vehicles for the 2019 model-year have keyless ignitions to start the vehicle as standard or optional equipment, up from 72% of 2014 cars and trucks.

Wards Intelligence, an auto industry forecast and analysis company, reports about 68% of 2019 model-year cars and trucks sold from their start of production through March, the most recent figures, had keyless

tech installed. That's more than double from 31% of vehicles for the 2014 model year.

"It's becoming ubiquitous," said Karl Brauer, Cox Automotive executive publisher. "It's basically, you're not going to have a hard key that gets turned physically to start a car soon. It'll just all be gone."

Such systems are more convenient because people don't have to remove keys from their pockets or bags. They're also considered safer because there are no keys that could shift out of "run" while the vehicle is in motion, a situation found to have contributed to more than 100 deaths as part of General Motors' ignition switch crisis in 2014.

Smartphone 'keys'

Adding to the demise of the traditional car keys is the rise of automakers such as

Tesla and Lincoln allowing drivers to use their smartphones as car keys to enter and drive their vehicles.

GM and other automakers have allowed owners to control certain features of a vehicle such as remote start and locking or unlocking from their smartphones for years. The Tesla Model 3 was the first to allow owners to use their smartphones as a key to drive the vehicle.

"People's phones have basically become a fifth limb now," Brauer said. "I like the idea of a phone-related system. Your phone has a whole lot more value to you and you're going to be much more prone to track it and make sure you don't forget it or lose it."

Lincoln recently launched a similar feature called "Phone as a Key" that allows smartphones to be set up as car keys.