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Hotel tax inches up in new Cook budget

Cook County commissioners added another percentage point tax on hotel stays in the county when they approved next year's budget on Nov. 20. The nightly tax on a hotel room will rise to 17.4 percent after Jan. 1.

Cook County Board President Toni Preckwinkle sought the increase to close a roughly $22.5 million gap in her $4.5 billion 2016 budget. One commissioner, John Fritchey, noted that a half-percentage-point cut in the $4.5 billion budget would save the $22.5 million. Other commissioners worried that the higher hotel tax would steer trade shows and conventions from the county.

Before settling on the hotel tax, Preckwinkle considered expanding the county's 3 percent amusement tax to include cable television bills and other recreational activities such as bowling and golfing.

A 1 percentage point sales tax hike, passed earlier and about to take effect, concerns merchandise that does not have to be titled or registered by an agency of Illinois state government, such as vehicles, so the increase will not affect the showrooms of dealers in Cook County.

SUVs: 40% of U.S. auto market by 2020?

Baby boomers emptying the nest and their adult offspring starting families are driving demand for sport utility vehicles, which will account for two in five new auto sales in the U.S. by 2020, Ford Motor Co. predicts.

Americans will buy a record 5 million SUVs in 2015, fueled by low gasoline prices, cheap car loans and a desire for high-riding big rigs that can haul plenty of people and possessions, according to Kevin Schad, brand manager for the Ford Escape. Sales of SUVs and sport wagons are up 16 percent this year, ac-

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Federal budget includes first increase in OSHA fines in 25 years

Fines assessed by the Occupational Safety and Health Administration are set to increase almost 80 percent after being stagnant the past 25 years, under a law signed Nov. 2.

In a section of legislation titled Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, OSHA would be allowed a "catch up adjustment," apparently dating back to 1990, the last time OSHA fines were increased. From October 1990 to September 2015, the Consumer Price Index, upon which the increase would be based, rose 78.24 percent.

Applying that increase to the current maximum OSHA penalties would produce these results:

- The maximum repeat or willful violation fine would increase from $70,000 now to $124,768, and
- The maximum serious violation fine would increase from $7,000 to $12,477.

The bill calls for the adjustment to "take effect not later than Aug. 1, 2016."

Along with the one-time catch-up increase, OSHA penalties could increase each year using the CPI. The head of OSHA could choose not to increase fines the first year the new rules are in effect with the agreement of the director of the Office of Management and Budget.

Allowing OSHA to make the one-time increase and future inflationary increases would put it in line with many other federal agencies that can increase fines by inflation, including the Food and Drug Administration, the EPA, the Equal Employment Opportunity Commission, the FCC, and several agencies under the Department of Transportation, including the Federal Highway

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House passes legislation to roll back CFPB's auto financing 'guidance'

The U.S. House on Nov. 18 passed legislation that requires the Consumer Financial Protection Bureau to follow a transparent process when issuing auto finance guidance. A 2013 CFPB directive has impacted the auto loan market, yet it was issued without prior notice, public comment or a hearing.

The Obama administration reportedly opposes the House bill, which impacts auto financing arranged by auto dealers, because it would "revoke important guidance designed to prevent discriminatory pricing of auto loans."

"The bill would create confusion about the existing protections in place to prevent discriminatory auto loan pricing, and effectively block the CFPB from issuing related guidance in the near-term," the White House said in a statement.

House Resolution 1737 won bipartisan support in the 332-96 vote, with 88 Democratic representatives joining 244 Republicans.

The bill, which still must be considered by the Senate, also requires cost estimates for consumers and consultation with other government agencies vested with regulatory authority, and allows the CFPB to re-issue new guidance with transparency and public participation.

The CFPB said it issued its 2013 guidance to help ensure that customers are not charged disproportionately higher prices for auto loans because of their race, color, religion or "other characteristics that should have no bearing on loan decisions."

The CFPB wants to eliminate a dealer's ability to discount credit but fails to acknowledge "legitimate business reasons," such as budget constraints, which explain why a dealer may discount an interest rate.

The Washington Post recently debunked the Center for Responsible Lending's claim that dealer compensation "cost consumers $26 billion a year." The Post found that CRL's conclusions were based on misapplied, unexplained, and false data and gave the claim 4 Pinocchios — the newspaper's maximum "Whopper" rating of a false statement.

Congressional authors of H.R. 1737 carefully drafted the bill to narrowly focus only on CFPB auto finance guidance. Previously, Democratic members of the House Financial Services Committee in the last Congress objected to a bill (H.R. 4811) that would have affected all CFPB guidance as being overbroad.

CFPB enforcement actions are forcing lenders to settle based on information and analysis the CFPB knows to be flawed. One undisputed study found that the CFPB's proxy methodology had errors of 41 percent. The CFPB admits errors by as much as 20 percent.

The legislation is supported by the auto industry, including auto dealers, who complained that the 2013 guidance could eliminate a dealer's flexibility to discount auto loans in the showroom.

"The CFPB has sought, through 'guidance,' to make it impossible for dealers to discount interest rates for their customers, even for customers facing serious budget constraints," National Automobile Dealers Association President Peter K. Welch wrote in a Nov. 17 op-ed in The Hill, a top U.S. political website.

Member-discounted tickets to 2016 auto show on sale now

Tickets and vouchers that admit the holder to the 2016 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 Weekday 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 $12. A minimum 100 passes must be ordered with either order.

Next edition: 2015 year-end accounting checklist for dealers

Happy Thanksgiving!

The CATA office will be closed Thursday and Friday, Nov. 26 and 27, to commemorate the Thanksgiving holiday. Business hours resume Nov. 30.

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Best defense against cyber attacks? A good offense

If your business were to get hacked, do you have in place a response plan, with action checklists and notifications to be triggered in the event of a cyberattack? CATA allied member ComplyNet Corporation will speak at a Jan. 14 CATA seminar about steps to try to avoid a data breach, and steps to take if cybercriminals attack. Register for the free presentation at www.CATA.info.

In the not-too-distant past, consumers probably gave little thought about the security of their credit or debit card information in the hands of retailers. But that changed about two years ago, when Target reported that 40 million card numbers had been stolen during the year-end holiday shopping season.

That would be followed by data breaches at businesses as varied Home Depot; Michaels, the nation's largest arts and crafts chain; casinos in four states; and sandwich shop chain Jimmy John's. All told, data breaches would be the top story that haunted the card industry throughout 2014.

Since then, larger enterprises have become better defended, so cybercriminals are moving down the business food chain. Jason Healey, director of the Cyber Statecraft Initiative of the Atlantic Council, said that, "smaller companies are generally more vulnerable, as only the best companies can afford the best defenses."

Indeed, 71 percent of cyber-attacks now occur at businesses with fewer than 100 employees. Among the weaknesses that make small and midsize businesses attractive to criminals, cited by multiple experts are:

- Lack of time, budget and expertise to implement comprehensive security defenses.
- No dedicated IT security specialist on the payroll.
- Lack of risk awareness.
- Lack of employee training.
- Failure to keep security defenses updated.
- Outsourcing security to unqualified contractors or system administrators
- Failure to secure endpoints.

Hackers use a variety of methods to try to breach company data, such as with phishing, an email scam that attackers use to trick people into clicking links or volunteering sensitive information. A single phishing email could severely impact the company's privacy and security.

Many states require companies to notify all of their customers if a breach is even suspected and to take necessary steps to correct the situation — a cost estimated at up to $30 or more per customer. Add to that the potential loss of confidence in an affected company by its customers and potential customers.

It is not realistic or even fair to require smaller businesses to have the same complex controls and monitors that large enterprises leverage. However, it should be expected that they have basic controls.

It also is important to note that automobile dealers, unlike the retailers cited earlier, have a legal responsibility under Gramm Leach Bliley to protect their customers' non-public information — a responsibility that currently represents a giant hole in many of their privacy and safeguards plans.

Experts say small businesses can act on several recommendations to improve security without costing big bucks, including:

- Update security software. This can frequently be automated. Also, there are vendors that will enable a free system check.
- Limit access to sensitive information.
- Educate employees, especially about the risks of social media.
- Insist on rigorous passwords.
- Screen apps before allowing them to be downloaded.

Remember that compliance is a process, and companies which do not continually assess and improve may quickly fall out of compliance.

In introductory remarks in a speech about best practices, Tom Farley, the president of the New York Stock Exchange, said: "No issue today has created more concern within corporate C-suites and boardrooms than cybersecurity risk.

"It is important that companies remain vigilant, taking steps to proactively and intelligently address cybersecurity risk within their organizations. Beyond the technological solutions developed to defend and combat breaches, we can accomplish even more through better training, awareness, and insight on human behavior.

"Confidence, after all, is not a measure of technological systems, but of the people who are entrusted to manage them."

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Administration and the Federal Aviation Administration.

"Unscrupulous employers often consider it more cost effective to pay the minimal OSHA penalty and continue to operate an unsafe workplace than to correct the underlying health and safety problem," OSHA chief David Michaels said about previous bills that would increase agency penalties.

Kelley Blue Book expects used-car sales to grow into next year

There's a lot of chatter regarding new-vehicle sales heading into the winter, with Kelley Blue Book's most recent estimate at 17.4 million for the year. But dealers aren't just concerned with the flash of new sales — they know many of those vehicles will be coming back to their lots eventually, and they want to know what to expect.

Not that the new-vehicle figure isn't impressive, but in the first three quarters of this year, the National Automobile Dealers Association's data reveals that more than 30.7 million used units were sold in the U.S., a 1.8-percent increase over last year's results.

And, according to KBB's analyst Tim Fleming, those used-sales should continue to blossom with the assistance of new sales and vehicles coming back into the used market heading into the coming years.

"We are looking for used-vehicle sales to continue to grow as we move into 2016," Fleming said. "The new-car market is incredibly strong right now, but that growth is expected to level off in 2016 and 2017.

"Meanwhile, the supply of late-model used vehicles will only increase, thanks to the booming sales growth we've (seen) in the past few years, much of which came from leasing. With the increasing supply boosted by more lease returns, prices should continue to ease from record highs seen a few years ago, making the used market even more attractive to consumers," he said. "More lease returns will also mean more opportunities for CPO, which remains a relatively small part of the market but which has also increased its foothold in the industry in recent years."

Let's break that statement down a bit. There appears to be a bit of a consensus in the industry that new-vehicle sales growth will peak in the next couple of years.

Following reports from numerous news outlets covering an event in October, where IHS Automotive made a prediction that new-vehicle sales would peak in 2017, Auto Remarketing caught back up with IHS to confirm that those values were still consistent today.

According to Chris Hopson, IHS Automotive's manager of North American light vehicle sales forecasting, his organization is still holding to its predicted peak of 18.2 million units to be sold in 2017, before tapering off to around 17 million units by 2022. This continued influx of new vehicles bodes well for the next few years of used sales.

"What we're seeing right now, helping to help support new-vehicle sales, could have a trickle-down effect come the next 48 months maybe to the three- or four-year outlook," Hopson said.

Jeff Schuster, the senior vice president of forecasting at LMC Automotive, in partnership with J.D. Power's new-vehicle retail sales report for October, provided a sales outlook, as well.

"The tenacious pace of auto sales since May, combined with the current favorable position of the U.S. economy, is increasing the level of upside potential to 2015 by 100,000 units, while nearly wiping out any downside risk," Schuster said. "Looking forward, the forecast for 2016 is 17.6 million units, but growing economic stability and consumer confidence could easily push light-vehicle sales toward 17.8 million units next year."

Hopson said the high uptick in lease rates will fuel those vehicles returning to the used market. Jessica Caldwell, the executive director of strategic analytics at Edmunds.com, said that 29 percent of the new vehicles purchased in October were leased, the highest percentage since March.

SUVs

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cording to researcher Autodata Corp. And they account for almost one-third of auto sales in the U.S., Schad said.

"The two largest cohorts in America are evolving into different life stages, which, ironically, require the same vehicle," Schad said at a preview of the new Escape this month. "Millennials are evolving into a life stage where they're starting to settle down and have families and they need more space in their car. Baby boomers are looking for a vehicle that supports the reality of some of their physical disposition."

The freshened Ford is on display at this month's Los Angeles Auto Show. Other SUVs at the event include Jaguar's first, called the F-Pace; the Bentley Bentayga; and Cadillac's XT5, which replaces the SRX. Toyota is also refreshing its compact RAV4, including a hybrid to the lineup.

Boomers who pioneered the SUV a quarter century ago "feel more comfortable on the road" in them because they ride high and are easier to get into and out of than low-riding sedans, Schad said. Millennials who grew up in the back seat of SUVs see them as the family car of the modern age. And now that they are having children, millennials are moving out of small sedans and into SUVs, he said.

New family car

The return of the SUV has caused car sales to plummet. Family sedans such as the Toyota Camry and Honda Accord and small cars such as the Ford Focus were considered "the heart of the market" a few years ago, Schad said.

"Well," Schad said, "that was thrown out the window when the compact SUV segment surpassed both of those segments last year to emerge as the No. 1 segment in the industry. And we haven't seen that growth slow at all this year."

Schad called the compact SUV "the epicenter of growth. That segment has really taken off since the economic downturn and industry recovery in 2008 and 2009 and doubled sales."