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Scarpelli elected 2017 NADA chairman; Michigan dealer is vice chair

The National Automobile Dealers Association's 63-member board of directors officially elected Mark Scarpelli as association chairman for 2017, when the board voted Oct. 11.

"I'm honored to be elected chairman, and I look forward to working with the NADA board and new-car and -truck dealers across the country," said Scarpelli, who represents metropolitan Chicago's auto dealers on the NADA's board. "Traveling this past year as NADA vice chairman, I can tell you that the NADA is well prepared for any issues that come its way."

Scarpelli is president of Raymond Chevrolet and Raymond Kia in Antioch, and co-owner of Ray Chevrolet and Ray Chrysler-Jeep-Dodge-Ram in Fox Lake. His dealerships employ more than 350 people and have been operating for 56 years.


Mark Scarpelli

"Moving forward, I plan on continuing with many initiatives, which include promoting the consumer benefits of the franchise system, working with auto manufacturers and advocating our issues on Capitol Hill, as well as identifying and getting the next generation of dealers involved with the NADA," Scarpelli said.

Wes Lutz, who represents Michigan's new-car dealers on the NADA's board, was elected as vice chairman. Other 2017 officers include Delaware dealer Bill Willis, secretary; and Brian Hamilton, a Nebraska dealer who will be treasurer. The terms begin at the 2017 NADA Convention and Expo in New Orleans in January.

Cook County approves paid sick leave law

The Cook County Board voted this month to require that employers give workers paid sick time, bringing the county's suburbs in line with a Chicago law approved in June. Both ordinances take effect July 1, 2017.

The largely identical measures allow employees to earn one hour of paid sick time for every 40 hours worked. Employees can accrue a maximum of 40 hours of paid sick leave a year, or about five days, unless their employer sets a higher limit.

Cook County joins nearly 30 local jurisdictions across the country that have adopted paid sick leave laws in recent years in the absence of a broad federal law. The U.S. Department of Labor in September issued a final rule requiring that federal contractors let employees earn up to seven paid sick days a year.

Business interest groups including the Chicagoland Chamber of Commerce and the Illinois Retail Merchants Association opposed the Cook measure, saying it would contribute to an unfriendly business climate.

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New cars are being discounted at the highest levels ever

After a blockbuster year for new-car sales in 2015, growth in the auto industry has slowed in 2016. U.S. sales in August for GM and Ford were down 5.2 percent and 8.4 percent, respectively, compared with the same month in 2015. But automakers aren't accepting the downturn passively: To juice sales in September, incentive spending was at the highest levels ever.

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Discounts

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According to a J.D. Power report, automakers have been trying to boost sales by increasing incentives significantly. The average incentive in September reached a record high of $3,923 per unit. The beats the previous peak of $3,753 in December 2008 — back when the Great Recession was kicking into full effect, the economy retrenched dramatically, and dealerships were particularly desperate to move vehicles off their lots.

Even with increased discounts, however, retail sales of new cars were on pace to be down 1.3 percent through September 2016, compared with the same period a year ago — but that's against a record-setting September 2015.

At first glance, car buyers might assume that the record-high incentive levels mean that right now is a terrific time to scoop up a new vehicle at a discount. And indeed, there are some great deals to be had.

Edmunds.com recently pointed to dozens of cars that can be leased for $199 per month or less.

What comes as a surprise, though, is that while the discounts are high, so too are the final purchase prices being paid by buyers. The J.D. Power study noted that the average retail transaction price for a new car was $30,665, an all-time high for the month.

The main explanation for why is that drivers today are especially likely to skip affordable small sedans and fuel-efficient hybrids and subcompacts in favor of SUVs and trucks.

Nearly 61 percent of new-vehicle retail sales in September were trucks (SUVs included), according to J.D. Power. That matches the all-time high for trucks as a percentage of all sales, set just a couple of months ago in July.

Pickup trucks alone accounted for 16 percent of all sales in September. Because these trucks have much higher sticker prices than their smaller commuter car counterparts, they can be more heavily discounted and yet still result in high transaction prices for dealerships.

So even as overall sales are going flat and discounting is on the rise, "the numbers do not reflect a significant weakness or risk" for the industry, saidn Jeff Schuster, senior vice president of forecasting at LMC Automotive.

"In absolute terms, the industry is performing at an exceptional level," J.D. Power senior vice president Deirdre Borrego noted. "While sales have fallen slightly, they are at near-record levels and transaction prices are at all-time highs."

Apple reduces production plans

Apple Inc. has drastically scaled back its automotive plans, leading to hundreds of job cuts and a new direction that, for now, no longer includes building its own car, according to people familiar with the project.

Hundreds of members of the car team, which comprises about 1,000 people, have been reassigned, let go, or have left of their own volition in recent months, the people said, asking not to be identified because the moves aren't public.

New leadership of the initiative, known internally as Project Titan, has re-focused on developing an autonomous driving system that gives Apple flexibility to either partner with existing carmakers, or return to designing its own vehicle in the future, the people also said. Apple has kept staff numbers in the team steady by hiring people to help with the new focus, according to another person.

Apple executives have given the car team a deadline of late next year to prove the feasibility of the self-driving system and decide on a final direction, two of the people said. Apple spokesman Tom Neumayr declined to comment.

The new shift and deadline come after months of strategy disagreements, leadership flux and supply chain challenges inside Apple's unmarked car labs in Sunnyvale, Calif., a short drive from its Cupertino headquarters.

Apple isn't the first to realize mastery of mobile gadgets and software updates is no guarantee of automotive success. Alphabet Inc.'s Google learned the challenges of building its own vehicles and has sought partners. Its car project has also suffered departures. Tech investors are dubious, too. They're used to fat profit margins, while carmakers survive on net margins well below 10 percent.

"For a quality Apple-branded car they could probably get a healthy margin," said Eric Paul Dennis, an analyst at the Center for Automotive Research. "They probably weren't willing to compromise on quality issues" because that could hurt the perception of its other products, he added.

Apple started Titan in 2014 with grand ambitions to make a dent in an auto industry that consultant McKinsey & Co.

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Consumers want option to control autonomous cars: study

Four out of five people believe a human driver should always have the option to drive themselves instead of having a full self-driving vehicle, a new study commissioned by Kelley Blue Book found.

"They're not really ready for a fully autonomous vehicle," said Rebecca Lindland, senior analyst for the vehicle valuation and information company.

About one in four people (26 percent) would be interested in a self-driving vehicle for their next vehicle lease or purchase by 2020, the Future Autonomous Vehicle Driver Study found, as long as there's an option for a human driver to take over. That compares to one in five (20 percent) for partial autonomy and about one in eight (13 percent) for a purely self-driving vehicle.

The study assumes all levels of autonomy will be available in the next four years. Several automakers have announced ambitions to offer self-driving vehicles in the coming years — mainly for controlled fleets such as ride-hailing or car-sharing services.

The responses are based on a scale of autonomy from level 0 for human only, to level 5 for full autonomy with no option for a human driver to take control. The vast majority of vehicles on the road today are considered level 0 and level 1 "modern vehicles," according to the study.

"People definitely feel like level 4 (full autonomy with human control available) is the sweet spot," Lindland said. "They want a vehicle that can drive itself, but then there's also times they want to drive."

The survey results call into question strategies by some automakers to offer level-3 partially automated vehicles as well as fully self-driving in the coming years.

Some automakers — most notably Tesla — have launched or plan to launch what is considered partial autonomy (level 3) vehicles that have the ability to keep a vehicle in its lane, drive with the speed of traffic and even change lanes with the touch of a turn signal. But a driver is still necessary to monitor in case of a system not being able to drive.

"There is definitely an opportunity to skip over level 3," Lindland said, adding that airplanes with autopilot are still considered level 4. "Not being able to fully relax is the biggest deterrent for level 3."

General Motors plans to release its level-3 competitor to Tesla's Autopilot system called Super Cruise in 2017. The company has said it will keep steering wheels and other human-controlled components in cars for the foreseeable future.

"We believe through an evolution we're able to put the technology into the vehicles," GM Chairman and CEO Mary Barra told reporters ahead of the automaker's annual shareholders meeting last summer. "And it is very important that we demonstrate safety. We think that having that capability when the steering wheel and the pedals are still in the vehicle is a very good way to demonstrate and prove the safety."

That contrasts with Ford, which in August announced plans to have a fully driverless car without a steering wheel or pedals for braking and acceleration in 2021.

Going straight to a car that doesn't need a driver, steering wheel or pedals offers bigger benefits to passengers and is more profitable, the automaker said. The cars, Ford said, would initially be available only for commercial applications such as ride-sharing in major cities.

However, even current ride-share users aren't sold on fully autonomous vehicles, according to the KBB study. About 40 percent of current ride-sharing users said the most appealing level of self-driving vehicles would be for full autonomy with the driver able to take over. That compares to 28 percent of ride share users for full autonomy.

"Even among those ride-share users, we're still seeing level 4 as the peak, or sweet spot," Lindland said. "It's just a running theme that we found."

More familiarity with advanced automated technologies would likely increase acceptance rates: The study found 48 percent of people who own a level 2 vehicle with limited autonomy would purchase a level 5 vehicle for their next car or truck. That compares to 11 percent of those who do not own a level 2 vehicle.

The Future Autonomous Vehicle Driver Study was conducted by California-based Vital Findings. It is based on an online survey in May of more than 2,200 people age 12-64.

In Memoriam

Paul Cotton, 59, proprietor of Joe Cotton Ford, in Carol Stream, died Oct. 6 after an 18-month battle with prostate cancer.

Mr. Cotton joined the dealership after graduating college. He prided himself on his community involvement, from sponsoring youth sports teams to community car washes to high school Relay for Life walks. He also supported the American Cancer Society.

Survivors include his wife, Bernie; a son, Joseph; and a daughter, Jacqueline. Donations appreciated to the Prostate Cancer Foundation, in memory of Paul Cotton.

Apple

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estimates will be worth $6.7 trillion by 2030. The iPhone maker embarked upon an aggressive hiring spree, and an Apple-designed vehicle was targeted by the early 2020s. The hope was to revolutionize cars in the way the iPhone upended the mobile industry in 2007.

By the end of 2015, the project was blighted by internal strife. Managers battled about the project's direction, according to people with knowledge of the operations. "It was an incredible failure of leadership," one of the people said. In early 2016, project head Steve Zadesky, a former Ford Motor Co. engineer and early iPod designer, left Titan. Zadesky, who remains at Apple, declined to comment.

Zadesky handed the reins to his boss, Dan Riccio, adding to responsibilities that already included engineering annual iPhone, iPad and Mac refreshes. Bob Mansfield, a highly regarded manager who helped develop the original iPad, returned in April from a part-time role at Apple to lead the team.

About a month later, Mansfield took the stage in a Silicon Valley auditorium packed with hundreds of Titan employees to announce the strategy shift, according to people who attended the meeting. Mansfield explained that he had examined the project and determined that Apple should move from building an outright competitor to Tesla Motors Inc. to an underlying self-driving platform.

Heading out the door

In the following months, engineers started leaving. Some chose to quit amid doubts over job security and skepticism that an Apple car product would ever come to market. Others were cut. In August, a first wave of employees was let go, followed by a second round in September.

More than 120 software engineers working on a car operating system and testing procedures were cut. Several hundred hardware engineers working on car chassis, suspensions and undercarriages also left, the people said. The New York Times reported in September that Apple had cut dozens of employees from Titan.

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"This mandate will lead to greater uncertainty for employers and fewer employment opportunities," Tanya Triche, vice president and general counsel of the Illinois Retail Merchants, said in a statement.

About 40 percent of private-sector workers in Cook County, or 840,000 people, currently do not receive any paid sick leave, according to the local legislation. Low-wage workers are the most likely to not receive any paid sick days, and advocates say they are the least able to afford forgoing their wages or risking their jobs to take a day off for their health.

The legislation applies to employers of all sizes and to anyone who works at least 80 hours for an employer within any four-month period, so most part-time workers qualify.

New employees would start accruing time off right away, but the law allows employers to not permit them to use it for up to six months after their start dates, so many temporary or seasonal workers would be excluded.

Paid sick time can be used if a worker or a family member becomes ill, and also in the event of domestic violence or the closing of a school or business due to a public health emergency.

Employees with collective bargaining agreements could decide to waive the sick leave requirements in their contracts.

Sedgwick deflects Q3 2016 jobless claims

One hundred twelve CATA dealer members reported a combined 348 unemployment claims during the third 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 $882,836 in benefit charges by contesting the claims.

By comparison, 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.