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Secure Power of Attorney form now needed for cars up to age 10

The Illinois secretary of state's office no longer accepts the non-secure (white) Power of Attorney form to transfer the title of a vehicle up to 10 years old when the vehicle's title is not present. Instead, the red Secure Power of Attorney form must be used in the state.

Power of Attorney forms are necessary when the vehicle owner does not possess the title to the vehicle and thus can't confirm the vehicle's mileage. For a vehicle that is more than 10 years old, the non-secure form still can be used.

Ernie Dannenberger, director of the secretary of state's vehicle services department, said his department had been inconsistent in which Power of Attorney form it accepted for the used-vehicle transactions. But a review of the Federal Odometer Act, passed in 1972, indicated the secure version is necessary for vehicles up to 10 years old.

Dannenberger said dealers who have already embarked on a transaction using a non-secure form will not have to begin anew with a secure form. "We're not opposed to working with people to get through this (transition) process," he said.

The secure Power of Attorney forms are sequentially numbered and issued only by the secretary of state's office. For a supply, call the office's warehouse at (217) 782-7132.

For either form, the secretary of state will return to the dealership forms that are prepared improperly, including forms that have not been signed.

A review of CATA Approved Member Partners

Chicago Automobile Trade Association members have premier access to benefits and services from the CATA's Approved Member Partners.

The CATA Member Benefits Committee works to establish and maintain preferred partner relationships with allied members that offer programs with unique value to dealer members and to the CATA. The allied members currently recognized as CATA Approved Partners are listed below and contact information can be found on the CATA website at www.cata.info/resources/cata_approved_member_partners/).

CATA APPROVED MEMBER PARTNERS

- **American Door and Dock** – Overhead Doors
- **American National Skyline, Inc.** (ANSI) – Window Cleaning
- **Chicago Concierge** – Dining, Entertainment, Nightlife
- **Connexion** – Energy Efficient Lighting
- **Illinois Recovery Group** – Used Oil Recycling and Environmental Needs
- **International Fleet Solutions, Inc.** (IFS) – Hail Damage Repair
- **Principal Financial Group** – Retirement, Group & Executive Benefits, Affordable Care Act Consulting
- **Reynolds Document Services** – LAW 553 Retail Installment Sale Contracts
- **RoadDealer.com** – Dealer-to-Dealer Online Auction Network
- **Utility Management Group** – Energy Consulting

In addition, the CATA Recommended Consultants program identifies and recommends organizations that have a proven track record of helping dealers in areas of the business that can be particularly challenging to navigate and manage.

In recognizing these organizations, the CATA

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Dealership buy/sells in 2017 topped 200 again: 3 reasons why

More international groups joining the fray

Dealership consolidation, profitability, and the growing number of sellers coming to market were top factors driving dealership market activity in 2017, the fourth straight year that buy/sells surpassed 200 transactions, according to an industry report released March 19.

In its latest "Blue Sky Report," Kerrigan Advisors determined that many dealers reassessed succession plans in light of disruptive projections about the changing nature of auto retail and the belief that only large groups will be able to successfully navigate the industry's evolution. Sellers also cited concern over reliance on OEM incentives to support dealership profitability, as well as manufacturer facility requirements.

"The economic benefits of consolidation continued to bring new buyers to market in 2017, and these new entrants included a growing number of international auto retailers," said Erin Kerrigan, managing director of Kerrigan Advisors.

"These international buyers are primarily motivated by the tremendous consolidation opportunity in the U.S. auto retail market, considered by many to be the most fragmented in the developed world," Kerrigan said. "High net worth individuals and family offices also sought investments in auto retail in 2017. All of these new entrants are highly attracted to the economies of scale available in U.S. auto retail through meaningful consolidation."

The "Blue Sky Report" includes analysis of all transaction activity in 2017 and lays out the high, average and low blue sky multiples for each franchise in the luxury and non-luxury segments for the quarter.

"Blue Sky Report" data and analysis from the 2017 full-year report also includes:

• 202 dealership buy/sell transactions were completed in 2017, compared to 221 transactions in 2016. After hitting a plateau in 2015 at 240 transactions, buy/sell activity declined slightly. But for 2018, Kerrigan Advisors expects an increase of activity compared to 2017.

• Multi-dealership transactions declined slightly in 2017. The firm noted 51 multi-dealership transactions closed in 2017, resulting in an 11 percent decrease compared to the record year set in 2016. The size of some dealership groups is a motivating factor in the sale. Many are simply too large and too valuable to pass on to the next generation, particularly given predicted industry disruption.

• For 2017, domestics' share of the buy/sell market remained steady at 43 percent; import luxury represented 20 percent of the buy/sell market in 2017, a disproportionate number considering that import luxury franchises represent just 9 percent of U.S. franchises.

• Public retailers' acquisition spending increased 20 percent in 2017 compared to 2016, led by Lithia Motors.

• Private buyers, including new entrants to U.S. auto retail, dominated the 2017 US dealership buy/sell market. Of the 343 franchises sold, 317 were acquired by private buyers.

More than 60 dealership groups now exceed $1 billion in sales. That number is expected to grow considerably in the next five years, as the largest groups consolidate the industry.

The report also identified three key trends shaping this year's buy/sell market, including:

• Tax reform benefits auto retail and results in increased buy/sell activity.

• Dealers' investment strategies shaped by auto retail's expected evolution.

• Dealership profit variability widens blue sky pricing ranges.

"We expect 2018 to be a very active year for buy/sells with more private and public buyers eager to put their capital to work. These buyers believe growth is the answer to a changing auto retail environment and are eager to capitalize on economies of scale and scope," Kerrigan said.

"We also expect more sellers coming to market in 2018, particularly given the drumbeat of change reverberating throughout the industry."

Kerrigan Advisors publishes its "Blue Sky Report" quarterly.

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Review past editions dating to 1998 or search by subject at www.cata.info/publication/bulletins.

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Erik K. Higgins Editor, Director of Dealer Affairs

In Memoriam: Bill Stasek

William R. "Bill" Stasek, who served nine years on the CATA board of directors and ascended to chairman in 1998-1999, died March 19. Mr. Stasek, 70, operated a namesake Chevrolet dealership in Wheeling.

He also was chairman of the 2000 Chicago Auto Show.

Following his CATA board service, Mr. Stasek continued to work on behalf of his fellow dealers. For those with unionized technicians, Mr. Stasek helped guide negotiations between the New-Car Dealers Committee and Mechanics' Union Local 701 to reach several multi-year collective bargaining agreements.

He also was a member of the Metro Chicago & Northwest Indiana Chevrolet Dealers Advertising Association, the National Dealer Council, and the Illinois Attorney General's Advisory Board.

Mr. Stasek, an adoptive parent, was a tireless proponent of The Cradle, an Evanston-based adoption agency on whose board of directors he also served. He and his wife, Linda, have been avid supporters of The Cradle for more than 30 years, and in 1996 he was instrumental in including The Cradle as a benefiting organization in the Chicago Auto Show's First Look for Charity event.

At last month's show, The Cradle honored the Staseks with the nonprofit's inaugural Bill and Linda Stasek Star Award. Kim Perez, The Cradle's president and chief executive, said the award "will live on in Bill and Linda's name and be given to future participants who give their time, effort and support tirelessly like Bill and Linda have over the years."

Mr. Stasek and his family enjoyed snowmobiling and boating in the Northwoods of Wisconsin.

In addition to his wife, Linda, survivors include a son, Jeremy; a daughter, Monica; and six grandchildren. Memorials appreciated to The Cradle, (800) 272-3534.

2018 NADA chairman talks opportunities, challenges in used-car market

Wes Lutz, the 2018 chairman of the National Automobile Dealers Association, said dealers in the coming year will be challenged by the number of off-lease vehicles landing on dealer lots.

"The return of a record number of off-lease vehicles will be one of the biggest challenges dealers will face, but it's also one of the biggest opportunities," said Lutz.

"Obviously, the number of lease returns will put a lot of pressure on new-car sales, and used-car sales will likely increase because of the influx of late-model, lower-priced trade-ins returning to the market," Lutz said.

"But there's also a great opportunity because we are a little over capacity on the new side right now. The key for dealers will be properly managing their inventories."

And inventory, it will be plentiful.

Cox Automotive is anticipating 3.89 million off-lease units in 2018, which would be up from 3.59 million in 2017. While that's more than an 8 percent hike, the growth in off-lease volume is slowing down a bit.

Off-lease volume in 2017 was up more than 16 percent, following a more than 22 percent gain in 2016, according to data in a Cox Automotive presentation. Still, 2018 is expected to be a record year for lease returns, according to Edmunds.

It could also be another record year for certified pre-owned sales, helped in good part by that off-lease volume, which tends to be the bread-and-butter of CPO inventory.

In January, Cox Automotive economists said they were expecting about 2.7 million CPO sales in 2018. If that comes to fruition, it will be the eighth straight year of record CPO sales. According to Autodata Corp., there was an estimated 2,645,718 CPO vehicles sold in 2017, compared to 2,642,986 sold in 2016.

That's a gain of just 0.1 percent, but it was enough to bump certified sales to their best year on record.

"One of the biggest industry trends right now is lease returns, which will likely result in the eighth consecutive year of sales increases (for CPO). CPO sales are driven by the influx of late-model used cars coming off lease," Lutz said. "I'm confident that we're going to have another strong year for used-car sales."

Lutz is the president of Extreme Chrysler-Dodge-Jeep-RAM in Jackson, Mich. Asked how top dealerships, including his, have handled increases in off-lease volume, Lutz points to CPO.

"The rise in off-lease volume and subsequent CPO sales is an opportunity for both dealers and car shoppers," Lutz said. "There's a substantial price difference between a new vehicle and an off-lease vehicle.

"The manufacturer-backed CPO programs offered at new-car dealerships provide consumers with numerous options for an affordable, late-model and low-mileage vehicle under factory warranty along with competitive financing rates and other perks," he said.

Detroit auto show mulling move to October, name change

The Detroit auto show could undergo some significant changes in the coming years, including a move from January to October as early as 2020 and a possible name change that could emphasize Detroit in the branding.

Rod Alberts, executive director of the Detroit Auto Dealers Association, which produces the North American International Auto Show, said this month that a date change has been under consideration for years. But talks about moving the 2020 show are "more in-depth," driven by such factors as the city's downtown resurgence and greater demand for outdoor demonstrations of self-driving cars.

Automakers like the idea of saving money and time by building their displays in August and September rather than during the holiday trifecta of Thanksgiving, Christmas and New Year's Day. The displays at the Detroit show are bigger, more elaborate, labor intensive and expensive than other U.S. auto shows because automakers' global communications and marketing budgets pay for them.

Risks include the fact that the show will be competing with other fall events and the height of several sports seasons. The show also could lose its coveted international status, key to attracting new vehicles and newsmakers from German automakers.

Abandoning the NAIAS's traditional January slot also invites auto and technology shows in Chicago, Los Angeles and Las Vegas to go after vehicles that otherwise would be introduced in Detroit.

A potential name change for the Detroit show has been under discussion for years, Alberts said, and talks have continued as the city's revival gains both traction and credibility. The show rebranded in 1989 as the NAIAS to broaden its global appeal.

"We're talking (about the name), but that's a separate decision from the move," Alberts said March 2. "With a consideration of a date change, all things are being considered."

He emphasized the decision to move the show to October is not final. But Alberts spoke enthusiastically about the possibility.

Climbing APR pushes lease penetration to new highs

With loan interest rates at an eight-year high in February, more consumers than ever are turning to leasing as a way to lower their monthly payments, according to a report from Edmunds.

Average new-vehicle annualized percentage rates hit 5.2 percent in February, up from 4.9 percent last year and 4.4 percent in 2013, according to the report. Used vehicles were not immune either as average APR among the category rose to 8.3 percent compared to 7.9 percent last year.

The increase in average interest rates are largely driven by an uptick in the number of mid-range new-vehicle APRs of 4 percent to 7 percent, Edmunds reported. Meanwhile, rates above 7 percent and below 2 percent are expected to remain relatively steady.

"We're starting to see a trickle-down effect from the rate increases happening at the federal level," Jessica Caldwell, Edmunds' executive director of industry analysis, said in a press release. "The Fed rate hikes directly affect unsubsidized loan rates offered by third-party lending institutions such as credit unions and banks, and as a result, we're seeing loans that were formerly between 2 percent and 3 percent being pushed up into higher APR brackets."

Approved

Continued from Page 1

believes that all dealer members can benefit from the expertise and services the selected organizations provide. CATA Recommended Consultants are independent organizations not tied to the sales process of any individual product or service and have agreed to offer special pricing to CATA member dealers. Recommended Consultants and contacts can be found at www.cata.info/resources/cata_recommended_consultants/)

- **Austin Consulting Group** – Risk Management and Insurance Consulting
- **Hireology** – Recruiting and Hiring Solution
- **The Paul Gillrie Institute** – Dealership Management Systems
- **Leading Edge Solutions** – Computer and Networking Services
- **Shartega Systems** – Information Technology Management

CATA Approved Member Partners and Recommended Consultants are thoroughly reviewed by the Member Benefits Committee and have a proven track record of benefitting CATA member dealers. The vendors work with the CATA to offer these programs to our entire membership. Remuneration to the CATA may also be part of these agreements.

701 union funds must be remitted electronically

As a reminder, dealers with unionized technicians must register by June 1 to remit contributions electronically to the fund office of Automobile Mechanics Local 701.

Since the electronic method debuted in 2016, dealers who use it say it is simple and efficient. However, dealer enrollment to participate continues to lag.

The ISSi-Remit system (Innovative Software Solutions, Inc.) accurately captures, manages and transfers remittance data electronically, allowing employers to submit reports and make payments online. The method eliminates duplicate entry of remittance data and saves time and money for both the employer and the 701 Fund.

Dealers who aren't already using the electronic remittance process should contact Lisa Conner, (708) 588-8112, or Nicole Kerkstra, (708) 588-8111. They can provide dealers with a username, password and instruction manual. The manual also can be downloaded under the Employers tab at www.mech701-benefits.org.

The ISSi system is user-friendly, prompting the employer through each entry and maintaining running totals for the reporting template. Employers can upload payroll files; and dynamic tables give employers the flexibility to sort, search, and display information as needed.

Sue Jucius, who works at Shirey Cadillac, in Oak Lawn, said she remitted union contributions manually for 20 years before the dealership switched to electronic remittance last year.

"I don't know why anyone wouldn't want to be on (electronic remittance)," she said. Jucius added that if a dealership is experiencing cash-flow issues, the remittance can be done the day the funds are due, without concern of factoring the time it takes to mail the payment.

Diana Tobey, the office manager at Apple Chevrolet, in Tinley Park, said, "I'm a fan because it kind of organizes your life a little."

Tobey said electronic remittance improves accuracy because the software automatically adds sums for the dealer.

"It's the way to go, I think," added Gina Nichols, who oversees payroll and human resources at Apple Chevrolet.

US drops auto-content proposal in NAFTA talks

The U.S. government has dropped a demand that all vehicles made in Canada and Mexico for export to the United States contain at least 50 percent U.S. content, observers of the negotiations said March 20.

President Donald Trump's administration dropped the demand during the North American Free Trade Agreement negotiations in Washington in mid-March, which included talks between Canada's Foreign Minister Chrystia Freeland and U.S. Trade Representative Robert Lighthizer.

Freeland's chief spokesman declined to comment on the report and said Canada and United States continued to work well together.

Trump appeared to be "enthusiastic" about coming to an agreement on NAFTA.

The quotas for U.S. content in autos have been a major bone of contention for Mexico, Canada and many companies.

The Trump administration had been seeking to raise the amount of NAFTA content in autos to 85 percent from 62.5 percent and secure 50 percent of the total for the United States.

Recalls hit 4-year low in 2017 but still exceed units sold

It seems that hardly a week went by during 2017 without a vehicular recall campaign being initiated for safety related issues. The first recalls — from Honda and Land Rover — were issued on Jan. 3, while the final campaign of the year – of Alfa Romeo models – was announced on Dec. 28.

Automotive recalls fell to 30.7 million units last year, the fewest number of models taken back by their makers for needed inspections and repairs since 2013, according to the National Highway Traffic Safety Administration.

By comparison, 17.6 million new vehicles were sold during 2017, which means the industry still recalled about 74 percent more cars and trucks than it delivered to consumers.

Still, that represents a considerable drop over 2016's campaigns, when a record 53 million models were affected, with a large number of them credited to the ongoing Takata airbag debacle.

A website operated by the NHTSA, SaferCar.gov, tracks any open recalls for particular vehicles by year, make, and model — searchable by vehicle identification number.

Save the date!
June 12

The annual CATA golf outing is June 12 at Cog Hill Golf & Country Club in Lemont. It's a great occasion to interact with fellow association members!

More details in a coming edition of this newsletter.