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## Dealer BBQs net $155K for USO

About 100 are dealerships raised a combined $155,000 this summer for USO of Illinois programs and services for local troops and their families. An official check presentation was made Aug. 17 at a USO event.

Over five Barbecue for the Troops campaigns, the dealerships have collected more than $570,000 for USO of Illinois causes.

Ray Scarpelli Jr., the CATA chairman, said: "Even beyond the funds raised, which is unequivocally important, each year the dealers pour their hearts, souls and personal resources into making each individual community event unique and special.

"Past events have included everything from patriotic ceremonies including a 21-gun salute, classic car shows involving local car clubs, live bands and other musical entertainment, giant inflatable bounce houses for kids, face painting, balloon-making, dog washes and, of course, barbecues — all to draw the interest of the community and bring crowds out on a summer Saturday to support the USO of Illinois."

The agency serves more than 318,000 active duty guard and reserve military, and military family members each year via three program areas: USO centers, military family programs, and community connection programs.

"I believe this is the year that we've reached the tipping point," Scarpelli added. "More and more, people recognize that new-car dealers are the pillars of their communities and are well-positioned to bring together their neighbors in support of this

See **BBQs**, Page 2


**USO of Illinois President Alison Ruble, center, is surrounded by CATA directors at the Aug. 17 check presentation.**

## Did senior who bought car display signs of 'cognitive issues'?

A Chicago Tribune headline this summer blared that an area new-car dealership "duped" an elderly woman into buying a car she didn't want. A subsequent lawsuit contends the woman didn't understand the documents she signed to buy it.

The woman returned to the dealership the follow day with her son, who told employees that his mother was "having cognitive issues" and shouldn't be doing much driving. Nevertheless, the dealership declined to unwind the deal and the car ultimately was repossessed.

The situation can make dealerships cautious about selling to senior citizens because any such lawsuit always plays big in the media. Illinois Attorney General Lisa Madigan herself has indicated that selling anything to someone with cognitive impairment is "a big deal," even if the consumer displays no such signs.

But how well versed must a dealership employee be to determine the cognitive ability of an older client?

The number of people who will be

See **Impaired**, Page 2

# As NAFTA talks open, U.S. fails to detail request on auto rules of origin

In the opening session of talks to rework the North American Free Trade Agreement, the United States did not give precise details of how much it wanted to boost North American content for autos, a source directly familiar with the negotiations said.

Robert Lighthizer, President Donald Trump's top trade adviser, said Aug. 19 that Washington wanted tougher rules of origin for autos, which determine how much of a vehicle must be built in the three NAFTA nations.

He also said the United States was seeking new measures to ensure "substantial U.S. content" for autos.

Companies wishing to take advantage of free trade in goods guaranteed by NAFTA currently must meet the 62.5 percent North American content requirement for autos and 60 percent for components.

But during the opening four-hour round of talks on rules of origin on Aug. 18, the U.S. delegation did not give details of how much it wanted the requirements to be lifted by.

It also did not give a specific figure for what substantial U.S. content for autos could mean, said the source, who asked not to be identified because of the sensitivity of the matter.

U.S. officials said they could not confirm the source's account.

Agreement on a revised NAFTA agreement could pivot on the autos sector, given its weight in trade.

The United States had autos and auto parts trade deficits of $74 billion with Mexico and $5.6 billion with Canada last year, both major components of overall U.S. goods trade deficits with its North American neighbors.

The United States, Canada and Mexico on Aug. 16 opened talks in Washington to modernize NAFTA, which was signed in 1994. Trump has denounced NAFTA as a "disaster" that encouraged firms to shift production to Mexico.

Administration officials said strengthening the rules of origin for autos will help boost well-paid jobs in the United States as well as cut the trade deficit with Mexico, another key Trump goal.

Auto industry groups from Canada, Mexico and the United States are pushing back against the demand for higher U.S. automotive content, saying it would be too complex.

According to a schedule seen by Reuters, negotiators were due to continue discussing rules of origin.

Mexican Economy Minister Ildefonso Guajardo and Canadian Foreign Minister Chrystia Freeland both said they were not in favor of specific national rules of origin within NAFTA.

"In the world of international trade, there is not a single precedent (for that), not in a bilateral or multilateral agreement," said Guajardo.

# BBQs

Continued from Page 1

amazing cause like few can. We're thrilled with the participation and support this year, and we look forward to partnering with the USO of Illinois for many years to come."

USO of Illinois President and CEO Alison Ruble said the funding will enable the agency to remain "the 'force behind the forces' by keeping our service members connected to family, home and country throughout their service to the nation.

With heightened dealer participation and community awareness, the CATA and the USO of Illinois already are gearing up for 2018. Next summer's official Barbecue for the Troops will be at local dealerships on Saturday, July 14.

## Congratulations!

**Al Piemonte Nissan** (Melrose Park) and **Woodfield Nissan** (Hoffman Estates) are 2017 winners of the Nissan Global Award.

The two dealerships also won Nissan's 2017 Award of Excellence, as did **Glendale Nissan** (Glendale Heights), **Hawkinson Nissan** (Matteson), and **Nissan of St. Charles**.

# Impaired

Continued from Page 1

diagnosed with a form of dementia is expected to triple by 2050, so the issue of cognitive ability is only going to become more relevant to retailers. The causes of mild cognitive impairment are not yet completely understood. Experts believe that many cases — but not all — result from brain changes occurring in the very early stages of Alzheimer's disease or other dementias.

Dealerships should start educating themselves now to avoid the legal hazard of selling a vehicle to a senior who may not totally comprehend the transaction.

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# A good relationship is a two-way street

**By Mark Scarpelli**
2017 NADA Chairman

I'm proud to be an auto dealer. I'm proud to work with the manufacturers that make the great products we sell every day. And I'm proud of the gains we have made — for more than 100 years — based on a symbiotic relationship between retailers and OEMs.

And if we intend to keep serving our customers efficiently, safely and cost-effectively, we need to preserve that symbiosis, with dealers and OEMs working together, not against one another.

I am holding strong to the stance that if factory efforts such as stair-step incentive programs run afoul of everything we and our customers care about, including fairness and transparency, then we are obliged to tell our factory partners that the stairs are merely steps leading directly to the basement. The ongoing proliferation of market strategies such as indiscriminate price coupons are complicated and deflating for both dealers and consumers.

The same can be said of factory efforts within a dealer's fixed operations, namely our service centers, where we're hampered by oil/tire programs, service programs and much more. I am seeing that, more often, the ends do not justify the means.

I have spoken with hundreds of my fellow dealers who agree that the No. 1 disadvantage is that many of these factory programs are not available to everyone. Dealerships of different sizes — or those in more rural and less populated locations — are on vastly different footing compared to those that are able to utilize these programs.

Dealers are, at their most basic, entrepreneurs and change-makers. We are tough and resilient even in the harshest conditions. We are not asking for a handout; we simply expect equal footing.

I've said this before, but it bears repeating: To remain the booming economic engine our industry has been for this country, we need to remain profitable. To remain profitable, we need to be on the same page. Dealers and manufacturers should have the same goal: to sell our inventory in large volume and at competitive prices while maintaining the integrity of the brand and creating a great customer experience.

There is a problem when dealers are carrying the latest and greatest models in their inventory, but still lack the opportunity to be profitable and satisfy their customers. There is a problem when the OEM mandates are many, but the realistic objectives are few.

I'd like to remind all stakeholders of our great industry that the next few decades will bring rapid change.

In his study, "The Dealership of Tomorrow: 2025," Glenn Mercer announced critical findings from his research, including the fact that the current dealership model — the franchise system — will remain dominant. His research also postulates that dealerships will become more alike, with dealers adopting prescribed features of factory stores.

Our numbers may also fluctuate over the next few years, with the number of dealerships shrinking slightly to an estimated 16,500 stores by 2025. While slow consolidation of store ownership will continue, private ownership will still dominate.

What does this tell us?

All in all, chances are the "Joe Smith" family-owned and operated, local dealership in Everywhere Township will stand the test of time. Dealers are doing all they can to adapt, pivot and remain flexible through the challenges ahead. We ask that our manufacturers are with us too.

Every good relationship is a two-way street. OEMs and dealers have but one option: repave ours, smooth out the bumps and restore that street to its full glory.

*Mark Scarpelli operates Chevrolet and Kia franchises in Antioch.*

# New Jersey enacts law to regulate the sale of GAP waivers

A New Jersey law that takes effect Nov. 11 will regulate the sale of guaranteed asset protection (GAP) waivers sold by the state's motor vehicle dealers. GAP waivers usually are offered at the time of the purchase or lease of a vehicle and classified as addenda to vehicle financing agreements.

Since GAP waivers once were considered to be solely a matter of private contract between vehicle purchasers and dealers, there previously were no statutes or regulations that specifically applied to a dealer selling them. On the other hand, "GAP insurance," referred to in the state's applicable laws as "automobile dealer gap insurance," is an insurance product that a dealer obtains through a third party (i.e. not the lender or lease funding source) and sells to a consumer.

The coming New Jersey law specifically defines GAP waivers provided by a lender or lease funding source in a manner so that they are not to be considered insurance policies subject to New Jersey's insurance laws. Additionally, the law requires motor vehicle dealers to provide a Notice to all borrowers that the extension of credit, finance, sale, or lease may not be conditioned upon the purchase of a GAP waiver or insurance.

# Used-car depreciation surges amid rising incentives, leasing, repos

The used-vehicle depreciation rate has doubled since 2014 as new vehicles continue to flood the market, a record number of off-lease vehicles cause oversupply, and repossessions tick up, according to the latest report from Black Book.

The average used car lost 17 percent of its value in the past 12 months, bringing the average cost to $15,300, down from $18,400, the Aug. 22 report stated.

The cause is three-fold: First, manufacturers continue to promote incentives to push the extra supply off car lots. Average discounts per vehicle rose 5 percent to about $3,600 in July, compared with the same period in 2016, according to Kelley Blue Book. Additionally, average interest rates on new-vehicle loans hit its lowest level in six months as zero-financing offers made a resurgence, according to Edmunds.com.

Second, rising incentives were coupled with the continued issue of lease penetration. In 2014, 3.6 million vehicles were leased and the majority of those three-year term contracts are coming back to market this year, according to Edmunds data. The problem will only grow in the next two years as a record 4 million and 4.3 million vehicles, respectively, come back to dealerships.

Finally, KAR Auctions is seeing a rising number of repossessions, Bloomberg reported. The company anticipates nearly 2 million vehicles will be repossessed by lenders this year, which is nearly double the 1.1 million seizures lenders handled at the height of the financial crisis.

Of course, used-vehicle depreciation is bad for lenders concerned about residual values, but it's also bad for indebted consumers who now owe more on their loan than the asset is worth.

Americans are collectively working to pay off 108 million auto loans, which is roughly half of all licensed drivers, according to Federal Reserve data. As vehicle values decline, those consumers are at more risk of becoming upside down on their loan.

Among those who have more debts than assets — roughly 14 percent of all Americans — the Federal Reserve said auto loans make up between 10 percent and 23 percent of their total financial obligations.

# Chicago lawmakers consider tough regulations on self-driving cars

Chicago aldermen went "into the future" on Aug. 21, calling for tight regulations on driverless cars and envisioning a time when the automated vehicles could be hacked and used as weapons or cost thousands of residents their jobs.

Southwest Side Ald. Edward Burke, 14th Ward, played a clip in in the city council chambers of the film "Back to the Future" — though he referred to it as "Into the Future" — in a bid to illustrate the potential dangers of computer-driven cars now being developed by Google and other companies.

Burke warned that someone like Christopher Lloyd's "crazy professor" character from the hit movie could do something reckless on the streets of Chicago with such untested technology.

A previous proposed City Council ban on computer-driven vehicles was scrapped because a measure being considered in Springfield would prohibit municipalities from completely outlawing them from city streets, Burke said.
Instead, Burke and Far South Side Ald. Anthony Beale, 9th Ward, held a hearing on a plan to limit the cars to test programs run by manufacturers. Under their ordinance, companies that develop the cars would have to pay $500 for each permit for such a car in Chicago, and only employees or contractors of the companies would be allowed to operate them.

Aldermen debated the proposal but did not vote on it Aug. 21, saying they want to get more information about the technology. A spokeswoman for Mayor Rahm Emanuel declined to comment about whether the administration supports the regulations.

Burke said the rules are needed in part to make sure "these robot vehicles" cannot be controlled remotely by people with ill intent.

"Malicious trickery, vandalism and the more deadly threat of driverless cars falling into the hands of terrorists that could crash it into a crowded urban center, a building, an outdoor market or a festival, raises serious concerns," he said.

And Burke said tests of autonomous vehicles have shown human drivers needing to take over the steering wheel to prevent crashes because the technology still has problems.

Beale raised economic concerns, predicting self-driving cars could cost Chicagoans "hundreds of thousands of jobs" in many industries, among them package delivery firms and ride-sharing companies such as Uber and Lyft that could go to a self-driving fleet.

"I think this is just the beginning," Beale said. "So if this is the beginning, let's make sure we do it in a professional manner, make sure we do it in a manner where public safety is at the front of this technology."

But Chan Lieu, an attorney who testified on behalf of national pro-driverless car lobbying organization The Self-Driving Coalition for Safer Streets — which counts Ford, Uber and Lyft among its members — argued during testimony that the technology will make roads safer. He said more than 90 percent of car crashes are caused by human error, which the computerized vehicles would help eliminate.