



Volume 115, No. 15

July 30, 2018



The donations are still being counted, but at the 109 area new-car dealerships that hosted a July 14 fundraiser — the most dealerships in the event's six years—optimism reigns that 2019 will mark a record sum raised for the USO of Illinois.

All proceeds collected will be donated to USO programs that support deployed troops, military families, wounded, ill and injured troops and their caregivers, and families of the fallen.

The official tally will be announced Aug. 16 at a USO event in Chicago, Clark After Dark.

Poor grades in FTC compliance sweep on recently amended Used-Car Rule

Dealer violation fines up to \$41,484

Just 14 of 94 dealerships inspected by the Federal Trade Commission and local partners in 20 cities — including Chicago — from April through June had proper buyers guides displayed on the windshields of all used vehicles for sale, the agency reported this month.

Under the Used-Car Rule that took effect Jan. 28, dealerships must display updated window stickers, which contain warranty and other important information for consumers, on each used vehicle for sale.

Inspectors found buyers guides on 70 percent of the more than 2,300 vehicles checked, with almost half of those display-

ing the revised stickers. Thirty-three dealerships had the revised buyers guide on more than half their vehicles.

It was the first compliance sweep under the new Used Car Rule. The FTC, which made the change in November 2016, said it sent letters to each dealership detailing results of the inspection

SEE **FTC**, PAGE 2

NADA to Trump: Fix trade imbalance concerns without auto tariffs

In testimony before the U.S. Department of Commerce, Peter Welch, the National Automobile Dealers Association president and CEO, urged the Trump Administration on July 19 to find ways to address “genuine trade concerns” without imposing auto tariffs that would only hurt American consumers and small businesses.

“The NADA recognizes the importance to the United States of leveling the trade playing field, eliminating unfair trade practices, and keeping America’s automotive industry strong,” Welch

said during a Department of Commerce hearing to examine potential tariffs on automobiles and auto parts. “But a 25 percent tariff applied to all imports would hurt auto manufacturers, dealers, consumers and the economy as a whole. And the hardest hit would be our customers.”

As part of his testimony, Welch announced the findings of a new study by the Center for Automotive Research (CAR) — commissioned by the NADA — showing dramatic increases in vehicle prices and significant economic con-

sequences arising from new auto tariffs, including a possible 25 percent tariff on all imported vehicles and auto parts.

The CAR study found that under a 25 percent tariff on all imports and parts, “consumers would see the price of the typical vehicle sold in the United States rise by \$4,400. Prices of U.S.-assembled vehicles rise due to an increase in the cost of imported vehicle parts, adding \$2,270 to the price. For the typical imported vehicle, these tariffs raise consumer prices by \$6,875 per vehicle.”

SEE **TARIFFS**, PAGE 4

Principal Financial Group prepared to help dealers find solutions

The Principal Financial Group has been a proud partner of the CATA for more than five years, and is seriously committed to helping members make or save money through various financial solutions. The group's CATA partnership has given them the opportunity to develop solid, long-term relationships with numerous dealerships throughout the area. They are familiar with the challenges of retaining key employees and offer an effective solution.

Here's why Principal's solution works:

1. Tax-advantaged solutions for owners and key employees.
2. Ability to align incentives with corporate goals & objectives.
3. Alternative to granting equity to key team members.
4. Flexibility to discriminate in a non-mandatory, completely discretionary manner, and without ongoing obligation in terms of who participates and to what level (separate from a 401k). This

program grants 100 percent control of employer contributions determined solely by ownership.

The Principal Financial Group looks forward to the opportunity to share more with dealers about how the group can help dealers retain the employees who matter most to their businesses and their bottom lines.

Contact Tim Pieropoulos, (630) 874-6771, or John Notorangelo, (630) 874-6753, for more information.

Leasing boosts new-car sales to Millennials, Edmunds report finds

Twenty-one percent of millennial car purchases through May were for new vehicles — up from 18 percent last year — and more than a third of those young consumers turned to leasing to complete the purchase, according to a new Edmunds report.

The lease penetration rate for millenni-

als this year is 35 percent, compared with 30 percent for the overall population, said Jeremy Acevedo, Edmunds manager of industry analysis.

"[Millennials] are a bit more inclined than the rest of the nation to lease," Acevedo said. "I know that's an avenue that a lot of millennials like to pursue, and it does re-

quire good credit, but it is the cheapest way to move into new vehicles."

Despite this focus on low cost, OEMs are targeting the age group with a growing number of lease-like subscription services that start at more than \$1,000 per month.

"[Subscription services] are definitely speaking to a millen-

nial base," Acevedo said. "The one thing that it shows, though, is a disconnect on the pricing."

According to the report, a three-year subscription for a Porsche 718 Boxster through Porsche Passport would cost \$72,500, whereas a traditional three-year lease on the same vehicle would cost

\$49,481.

However, some subscription services can save consumers money. For example, a three-year Care by Volvo subscription would cost \$1,589 less than a traditional lease for the vehicle over the same term. There also are used-car programs such as Fair that offer lower monthly rates.

FTC

CONTINUED FROM PAGE 1

and providing advice on how to fully comply.

The revised Buyers Guide:

- Changes the description of an "As Is" sale;
- Places boxes on the face of the Buyers Guide that dealers can check to indicate whether a vehicle is covered by a third-party warranty and whether a service contract may be available;
- Provides a box that dealers can check to indicate that an unexpired manufacturer's warranty applies;
- Adds air bags and catalytic converters to the Buyers Guide's list of major defects that may occur in used vehicles;
- Adds a statement that directs consumers to obtain a vehicle history report and to check for open recalls;
- Adds a statement, in Spanish, to the English-language Buyers Guide, advising Spanish-speaking consumers to ask for the Buyers Guide in Spanish if the dealer is conducting the sale in Spanish; and

- Provides a Spanish translation of the statement that dealers may use to obtain a consumer's acknowledgement of receipt of the Buyers Guide.

The dealerships, which were not named, will receive follow-up inspections in the coming weeks to make sure they have posted the new stickers. Under the FTC Act, dealers who fail to comply face penalties of up to \$41,484 per violation.

The CATA Bulletin is produced by the
Chicago Automobile Trade Association
18W200 Butterfield Rd. Oakbrook Terrace, IL 60181-4810

The CATA Bulletin is distributed via blast email every other Friday except during the Chicago Auto Show, when it is not produced.

Listings of items for sale are subject to the approval of the CATA. Candidates for employment must submit a full resume to the Editor.

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

David E. Sloan
Erik K. Higgins

President, Publisher
Editor, Director of Dealer Affairs

2 DuPage charities are beneficiaries of Chicagoland Dealers Care

Via its Chicagoland Dealers Care program, the Chicago Automobile Trade Association this month donated to two nonprofits that are supported by dealerships in Naperville. DuPagePads and the Inside Out Club each received \$1,500.

The CATA created Chicagoland Dealers Care in 2008 to build upon the charitable efforts of the association's dealer members in their communities.

Continental Acura of Naperville has been a supporter of **DuPagePads** for nearly a decade, and dealer Principal Joel Weinberger is personally involved with the charity, having recently completed a six-year term on its board, where he spearheaded an annual fundraising event called the Drive for 95.

"Local dealers are where organizations and people turn when they need assistance because they know dealers are the pillars of their communities," said Tony Guido, CATA chairman. "As chairman of the CATA, I'm fortunate to witness all of the goodwill put forth by dealer owners and employees."

DuPagePads strives to end homelessness in the community, starting with housing. Beyond providing shelter and food, the charity also offers support services to help individuals work toward becoming self-sufficient, with case management, life coaching



Above: CATA Chairman Tony Guido, left, with Janelle Barcelona, vice president, development of DuPage Pads, and Joel Weinberger, principal of Continental Mazda and Continental Acura in Naperville. Below: Guido and Weinberger flank Marion Ruthig, founder and executive director of the Inside Out Club.



and employment support.

Weinberger turned his passion for cars into the Drive for 95 fundraiser, a four-hour karting event held at the Autobahn Country Club in Joliet, where 15 teams compete to raise funds for the charity. The goal of the event was to raise \$95,000, but this year's event — now in its eighth year — generated \$127,000 for DuPagePads, bringing the haul to more than \$800,000 since its inception.

"The Drive for 95 fundraiser began as Drive for 25, with the goal of raising \$25,000. We have to keep raising the bar over the years!" said DuPagePads Vice President of Development Janelle Barcelona. "We're very fortunate to

have someone like Joel [Weinberger] on our board and to have the ongoing support of his dealerships."

"It's a good feeling to know you're helping people right within your community," said Weinberger.

Continental Acura of Naperville recently contributed \$25,000 to the charity.

The **Inside Out Club**, formerly named isupport-community.org, is supported by Continental Mazda of Naperville, which recently contributed \$5,000 to the nonprofit.

"The CATA applauds Continental Mazda of Naperville for their support of the Inside Out Club, among other charities," said Guido. "This is a perfect example of the vital role that dealers

play to help those in need — right within their local communities."

The Inside Out Club's mission is to develop children ages 3 to 12 with character inside and out by teaching empathy, kindness and acceptance skills through programs in local schools. The Inside Out Club has grown from one elementary school with 25 students to 29 schools reaching more than 1,450 students. The organization also hosts 20 weekend events a year in DuPage County.

"Continental's support has been instrumental in helping us achieve this growth," said Marion Ruthig, founder and executive director of the Inside Out Club.

The CATA has been a longtime supporter of local nonprofit organizations. Since its inception, the Chicagoland Dealers Care program has donated more than \$100,000 to local charitable organizations supported by new-car dealers.

Additionally, since 1992, the association has raised \$50 million for significant Chicago-area charities through the annual First Look for Charity black-tie event, held in conjunction with the Chicago Auto Show.

For more on DuPagePads, visit <https://dupagepads.org>. For more on Inside Out Club, see www.insideoutclub.org.

Auto tariffs could create a roadblock for subprime car shoppers

If a 25 percent tariff on imported vehicles is imposed by President Donald Trump, cost-sensitive subprime borrowers are the most likely to get squeezed out of the new-car market, spelling trouble for the likes of the Nissan Sentra, Kia Forte and Hyundai Elantra.

Those compact cars, which are imported from Mexico and South Korea, were among the top-sellers among subprime consumers in the year ended June 30, according to Cox Automotive. The researcher estimates retail prices on those models would jump about 10 percent if vehicle tariffs are applied broadly.

Automakers and dealers are furiously trying to dissuade the Trump administration from imposing tariffs. General Motors and others have warned that an

import tax would do the most harm to those consumers who have the toughest time affording a new car.

“This impacts lower-income and lower-credit consumers — the consumer who’s already struggling with higher prices, higher gas prices, higher interest rates, you name it,” said Jonathan Smoke, chief economist at Cox. “At the percentages being discussed, it would push new vehicles out of consideration.”

Bigger-ticket purchases are already challenging for buyers with blemishes on their credit reports. Subprime buyers had to pay about 16 percent interest on average for popular new vehicles, according to Cox.

Auto lenders have been tightening standards for borrowers with credit scores below 620, Cox said. The aver-

age interest rate charged to subprime borrowers has increased slightly, but less than bond rates or advertised rates, signaling that automakers are subsidizing the loans to keep payments affordable.

The Commerce Department is investigating whether imported cars are a national security threat, and Trump is said to be considering tariffs of as much as 25 percent. GM, the largest U.S. automaker, submitted comments to the department that cautioned a variety of negative consequences.

“Some of the vehicles that will be hardest hit by tariff-driven price increases — in the thousands of dollars — are often purchased by customers who can least afford to absorb a higher vehicle price point,” the Detroit-based company said.

Tariffs

CONTINUED FROM PAGE 1

The CAR study, “Consumer Impact of Potential U.S. Section 232 Tariffs and Quotas on Imported Automobiles & Automotive Parts,” also found that a 25 percent tariff would result in:

- 2 million fewer new vehicles sold annually.
- Total U.S. employment losses of nearly 714,700, and GDP losses of \$59.2 billion.
- A loss of 117,500 of the 1.1 million U.S. new-car deal-

ership jobs — 11 percent — with the average franchised dealership losing seven jobs.

- An increase in used car prices due to heightened demand and constricted supply.
- Increases in the cost of vehicle maintenance and repair due to higher automotive parts prices, “so even holding on to an existing vehicle will become more expensive.”

Welch asked the Administration to “fully and carefully consider not only the new study we are submitting with my testimony, but all the data and analysis provided to the

Department during this investigation.”

“The average price of a new car already hovers around \$35,000,” Welch said. “According to Edmunds, in the past year interest rates on new car loans have risen 86 basis points and now average 5.82 percent — with more increases on the horizon.

“The average monthly car payment for a new vehicle now stands at \$533 per month with an average loan term of 69 months. Our customers are already strapped

to make those payments. A \$4,400 tariff on top of that would increase new car payments to \$611 per month, and put the purchase of a new car out of the reach of many Americans.”

Welch added: “New tariffs or quotas would also reduce competition and consumer choice, increase the cost of used vehicles, and raise the cost of getting vehicles serviced and repaired. As a nation, we can and should work together to address genuine trade concerns, without hurting American consumers and

Tune in ...

... to “Drive Chicago,” the CATA’s automotive radio show, 8-9 a.m. Saturdays on WLS-AM 890.

