

Consumer News & Views

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Tesla Quality Issues Concern Consumers.

Investment bank UBS has concluded that Tesla's Model 3 sedan is riddled with quality issues, including inconsistent gaps and flushness throughout the car, missing bolts, loose tolerances, and uneven and misaligned spot welds.

Based on the results of its dissection, UBS concluded that Tesla would not be able to make any money from the \$35,000 base trim of the electric sedan.

"The car scored 'below average' on the fit & finish quality audit which looked at >1, 500 gap measurements," UBS analyst Colin Langan wrote in note to clients. "The team also found the body/wind noise was 'borderline acceptable.'"

"The results confirm media reports of quality issues & are disappointing for a \$49k car," UBS said.



Contrasts earlier findings:

The findings stand in stark contrast to a teardown of the vehicle performed in May by analyst Sandy Munro of Munro & Associates. At the time, Munro admitted that he was "eating some crow" after initially being skeptical of the vehicle due to its fit and finish.

The firm's research and teardown of the Model 3 revealed over [30 percent profitability](#). UBS' report claims that Tesla would be losing about \$5,900 for every \$35,000 Standard trim Model 3 it sells.

"Beyond the build quality issues, the serviceability of the Tesla Model 3 comes into question as well," said UBS. "Many

aspects of the vehicle are inaccessible to even experienced mechanics and the containment of the battery pack makes fixes complex and expensive.”

"In general, the car has fewer components, which are often more advanced than previous generations, but each component is more complex, expensive, and harder to service or replace," UBS said.

Tesla owners have reported problems:

UBS' findings are reflective of the experiences of at least a dozen Tesla owners. Customers who [spoke to Business Insider](#) reported experiencing problems before, during, and after receiving their vehicles. Problems included delayed deliveries, broken door handles, and internal computer systems crashing that allegedly left cars inoperable.

Although UBS has given Tesla a "Sell" rating, the firm also highlighted the "next-gen, military-grade tech" that puts the company years ahead of its electric competition from Chevrolet and BMW.

In independent surveys, Tesla's vehicles have received high customer satisfaction scores.

Consumer Debt Approaching \$4 Trillion by End of 2018.

Americans are in a borrowing mood, and their total tab for consumer debt could reach a record \$4 trillion by the end of 2018. Lorie Konish, a reporter covering personal finance at CNBC.com, tells us that according to LendingTree, a loan comparison website, which analyzed data from the Federal Reserve on non-mortgage debts including credit cards, auto, personal and student loans.

Americans owe more than 26 percent of their annual income to this debt. That's up from 22 percent in 2010. It's also higher than debt levels during the mid-2000s when credit availability soared.

Debts on auto loans and credit cards are climbing by more than 7 percent annually, while housing debt is rising at a little more than 2 percent. Consumer credit has been rising by 5 percent to 6 percent for about two years.

LendingTree projects total consumer debt will top \$4 trillion by the end of 2018. That kind of growth is not surprising, according to LendingTree chief economist Tendayi Kapfidze, and is in keeping with the growth of consumer debt that has been happening since 2012.

At these levels, consumers are spending about 10 percent of their income paying these debts each month, Kapfidze said. From 2000 to 2008, that averaged about 12 percent to 13 percent, he said.

Still, credit card delinquency rates, which are at 2.4 percent, are low. "It's a level of debt that's pretty manageable for consumers on aggregate," Kapfidze said. But there are some things you should consider if you find your personal debts rising.

Know where your money is going:

While paying 10 percent of your income per month toward nonmortgage debts is "not necessarily a danger zone," you should watch how those debts are allocated, said Roger Ma, a certified financial planner and founder of Lifelaidout.

High interest credit card debt that continues to climb every month is concerning, while lower interest rate debt on auto loans or student loans may not have the same cause for worry, Ma said.

What will happen to interest rates:

The Federal Reserve plans to raise interest rates several times this year, which will inevitably make consumers' debt burden more expensive.

"Consumers should probably consider refinancing some of their debts," Kapfidze said. That could mean moving credit card debt at a 16 percent annual percentage rate to a personal loan that offers 6 percent to 8 percent. It could also mean refinancing your student loans at a fixed rate to guard against those rate hikes.

What's in your budget:

Regardless of your personal debt levels, you should have a good sense of how much money you have coming in and going out, according to Ma. If you find you're spending beyond your means, cut unnecessary subscriptions, reduce your bank fees and scale back on shopping.

If your credit card debt is growing, switch to using your debit card only, Ma said. From there, you can whittle down your debts by attacking the balances with the highest rates first. If you have small balances, you may want to knock those off first.

"Paying that off sooner will allow a person to decrease the number of obligations and also give them a nice short-term win," Ma said.

ACC's Friend of the Consumer Award Recognizes Outstanding Businesses.

Is your business consumer-friendly? Does your business deserve greater recognition for its service to consumers? If so, you should apply for the American Consumer Council's Friend of the Consumer Award. Now is the time to apply!

Throughout the year, ACC presents its "Friend of the Consumer" Awards. This prestigious award recognizes manufacturers, retailers, and other businesses that produce or sell products in the United States that meet or exceed federally-mandated standards and are touted by consumers as "consumer friendly."

Each year, ACC awards numerous "Friend of the Consumer" Awards to deserving companies and organizations because they have "demonstrated a commitment to American consumers by providing a specific product or service that fosters consumer confidence and market acceptance."



To apply for the "Friend of the Consumer" Award, complete the online application and return it to ACC with the application fee. Applicants will be notified within 5 days of receipt of their application. Thereafter, a panel of independent judges will review your application and make a formal recommendation within 20 days of receipt of your award application.

For more information, visit: <http://www.americanconsumercouncil.org/awards.asp>

Green CSM Certification Accepting Applications for 2018 Cycle:

If your company or organization would like to increase its credibility with consumers, you should consider applying for the **Green CSM Certification**. Applications for the 2018 cycle are now being accepted through December 31, 2018.

It's a proven fact that consumers want to do business with companies that are eco-friendly and practice Corporate Social Responsibility (CSR). The process is straight-forward and all applicants are recognized by ACC and the Green USA Institute.

All applicants complete the criteria and submit their responses to ACC's Green Consumer Council for review, assessment and feedback. Program details and the **Green CSM Certification** criteria can be viewed at ACC's website located at: <http://americanconsumercouncil.org/greenc.asp>

