Volume 107, No. 21 November 1, 2010

Upcoming DealersEdge Webinars

The Chicago Automobile Trade Association has established a partnership with DealersEdge to provide high-quality training and informational Webinars that offer the content to CATA member dealers at a significantly discounted rate.

The rate for CATA members for the weekly presentations is $149, half what is charged to users who do not subscribe to DealersEdge. Webinars premiere on a near-weekly basis.

Even for dealers who hold an annual membership with DealersEdge, the new relationship with the CATA represents a savings because DealersEdge offers its Webinars to its own members for $198. Regular annual membership fees are $397, and normal Webinar fees are $298 for non-DealersEdge members.

Once purchased, DealersEdge Webinars and accompanying PDF files can be downloaded and viewed later—and repeatedly. No matter how many people watch at your location, each connection costs a CATA member just $149. The fee includes both PowerPoint slides and audio; a telephone connection is not needed.

To register for any of the DealersEdge Webinars, go to www.cata.info. On the tan bar across the top of the screen, click on Education/Careers and follow the drop-down menu to CATA-DealersEdge Webinars.

Coming topics:

Thursday, Nov. 4 at 12 p.m. CDT

"Facebook for Auto Dealers" All dealers have been told they simply MUST have a social media presence, and Facebook clearly is the place to start. "OK," you say, "but how do I start? Just how complicated it this, and how much time does it take?" These questions and more will

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New-vehicles sales rebound continues in October

New-vehicle retail sales in October were building on the strength from September and showing signs of a more pronounced recovery trend, J.D. Power and Associates reported in late October.

The company expected October sales to come in at 756,300 units, which represents a seasonally adjusted annualized rate of 10.2 million units—which would make October this year's first month to reach a 10-million-unit selling rate.

"Unlike July, August and September, which experienced some mid-month weakness, October's robust sales pace continued through the second week," said J.D. Power's Jeff Schuster. "Coming off a strong close to September, October's expected performance marks the first back-to-back months of strength since the spring."

Schuster said consumers are "discounting the negative sentiment" of high unemployment and lower incentive levels.

The J.D. Power revised its 2010 forecast for total sales to 11.5 million units.

Praise, outcry over sticker redesign

The sticker that consumers find on new-car windows is more than 30 years old and focuses on fuel consumption and annual fuel costs. But the miles-per-gallon information isn't an effective measure anymore because some electric models, for example, don't use any gallons of fuel at all.

During a recent public hearing in Chicago, representatives of automakers and auto dealers agreed a new window label was necessary but said assigning a letter grade across vehicle categories would be akin to comparing apples and oranges. And the auto industry has said that a grading system is imbued with school-time

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Sticker

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memories of passing and failing.

The Environmental Protection Agency and the National Highway Traffic Safety Administration are looking at two label designs, both of which would provide additional information on fuel economy and emissions to help consumers compare makes and models, be they electric, plug-in hybrids, gas or diesel.

The EPA wants to feature a new fuel-economy sticker beginning in 2012 model year vehicles. A 60-day window just ended for the public to comment to the EPA on two proposed label designs. Because there are broad differences between the two, Assistant EPA administrator Gina McCarthy said the final design may not be precisely like either of them.

One of the proposed redesigns has environmental groups applauding and the auto industry crying foul because only the most fuel-efficient models, regardless of vehicle category, can score well. The most controversial component of that design is a prominent letter grade ranging from A+ to D that takes up nearly half the label and reflects the vehicle's fuel economy and tailpipe greenhouse gas emissions.

Electric vehicles that get 117 miles per gallon or more would rate the highest A+ under the proposal, while a car like Ferrari's 612 Scaglietti that gets 12 mpg would earn the lowest, a D. Based on the population of new vehicles available in showrooms today, McCarthy said the median score in the proposed new rating system would be a B-.

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be answered by Timothy Martel, of Wikimotive.net - the "rock star of dealership social media."

Thursday, Nov. 11 at 12 p.m. CST

"New Generation DMS Selling Tools: What's New & What's Worth the Cost?" Dealership DMS retail technology is advancing & forcing new decisions on dealers. Wayne Youngs has the information you need to make intelligent decisions about your investment in DMS systems, especially those features that give you a selling advantage.

Thursday, Nov. 18 at 12 p.m. CST

"Chuck Hartle's Parts Inventory Evaluation Tool Nails Down Overall Dept. Performance" Stop concentrating on all the confusing DMS reports and indicators on parts inventory! In most cases, it is pure data overload. Parts guru Chuck Hartle' has developed a simple measurement that can tell quickly whether your inventory management is effective. Chuck's "Purchase-To-Sale Ratio" is a measurement that yields the best data for an evaluation of inventory performance—all in one reporting method.

Correction

An article in the Oct. 18 edition of the CATA Bulletin indicated the deadline for dealers to comply with SPCC rules is Nov. 10. The date is correct, but the year is 2011, not 2010.

The Environmental Protection Agency created a "Tier 1" category that permits eligible facilities to complete a simple, self-certified SPCC plan template, and a link to the template is on the CATA Web site, under Latest News on the site's home page, www.cata.info.

But Phil Troy, president of ComplyNet, a CATA allied member, said few dealerships have employees qualified to self-certify, and he recommends dealers have their first plan written for them because of the liability potential involved in a mistake.

"Even though we've written hundreds of plans," Troy said, "we still have them reviewed and signed off by an engineer before finalizing them. An engineer raises issues just often enough that it's prudent.

"Have the first plan written and certified by an expert and then, at the five-year renewal dates, (dealers could) self-certify the renewals, but only if nothing has changed in the interim."

Nov. 2 is Election Day

All employees who are Illinois residents and who want to vote must give advance notice, then be granted up to two hours' paid leave, if their shifts begin before 8 a.m. or end after 5 p.m. Indiana employees who intend to vote must do so on their own time.

Illinois polls on Nov. 2 are open 6 a.m.-7 p.m. CDT; Indiana polls, 6 a.m.-6 p.m. in the prevailing local time.

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

David E. Sloan **President, Publisher**
Erik K. Higgins **Editor, Director of Dealer Affairs**

Fuel economy goals raise concern for vehicle affordability

By Ray Scarpelli Sr.
Metro Chicago NADA Director

Following the Obama administration's announcement that it will begin looking at stringent fuel economy standards for the 2017-2025 model years, the NADA expressed concern that the cost of implementing new technologies may drive many American consumers out of the car market, citing the need to protect consumer choice and affordability.

The current standard is 27.3 miles per gallon for the 2011 model year. The first phase of the new national Corporate Average Fuel Economy program will raise the fuel economy standard to 35.5 mpg by model year 2016. But the administration could require automakers to more than double the 2009 average fuel economy of their fleets by 2025—to as much as 62 mpg.

"Less than five months ago, the administration issued the most expensive fuel economy mandates ever, estimated to cost industry and consumers more than $50 billion," the NADA wrote in a statement. "Now, before the ink has barely dried on those not-yet-implemented rules, the U.S. Department of Transportation, the Environmental Protection Agency and the State of California have decided to launch a new and far costlier set of fuel economy mandates that would require light-duty cars and trucks to achieve up to 62 mpg on average by 2025. Why the rush? Apparently, California regulators are once again threatening the administration with an unworkable patchwork of state-by-state standards at the expense of one national standard premised on sound analysis."

The NADA also cited the potential effect the administration's proposal could have on the job market, as most Americans rely on affordable transportation to get to and from work.

In other legislative and regulatory news . . .

WASHINGTON – President Obama has signed the **Small Business Jobs Act**. Among other things, the law contains the framework for a new SBA Dealer Floorplan Program. The NADA is working with the SBA to develop the new floorplan program, which is expected to be rolled out this year. Eligible loan amounts will be from $500,000 to $5 million with a 100 percent advance rate, a five-year term, reduced fees and guarantees up to 75 percent. [Other 7(a) loans have guarantees up to 90 percent.] The Act also sets a new maximum alternative size standard of $15 million net worth and $5 million in net income as measured over two years

In response to the federal government's announcement of **revised safety ratings** for 2011 model year vehicles under its enhanced 5-Star Safety Ratings System, the NADA will provide dealers with information on the following key points:

1. The New Car Assessment Program (NCAP) scores for model year (MY) 2011 may be lower than for previous models of the same vehicles, but that does not mean they are less safe.
2. The NCAP scores for MY 2011 and later vehicles should not be compared to those for previous model years.
3. Overall Ratings Scores reflect a weighted average of the three crash test results. All new vehicles are subject to rigorous Federal Motor Vehicle Safety Standards.
4. The NCAP label will not be updated until MY 2012. The best source of NCAP information is www.safercar.gov.
5. Only 50 or so models are NCAP tested in a given model year. Test results are made public as they become available.

In other NADA news . . .

• 2011 Convention & Expo Workshop Program Features New 'Online' Track

Among the 10 different tracks of workshops being offered at the 2011 NADA Convention & Expo is a new, rich "Online Presence" track featuring nine workshops that provide the nuts-and-bolts needed to address a gamut of Internet applications. Workshops will include top speakers from Google, DrivingSales, J.D. Power and Associates, AutoTrader, ActivEngage and more. The workshop program starts Friday, Feb. 4, with sessions at 1:30 p.m. and 3:15 p.m. To register, see nadaconventionandexpo.org

• NADA Co-Sponsors Dealer Day Conference at 2010 SEMA Show

The NADA is co-sponsoring the third annual Dealer Day conference at the 2010 Specialty Equipment Market Association convention in Las Vegas in November. "Sales of specialty-equipment accessories represent a $27 billion-a-year market, and it's growing," says NADA Chairman Ed Tonkin. "This provides a tremendous opportunity for franchised dealers to expand their business operations and better meet the needs of their customers who shop for vehicle accessories." The Dealer Day conference, Nov. 3 at the Las Vegas Hilton, will give attendees the tools and resources they need to expand or build a dealership accessory department. Dealers attending the sessions also receive a free online course from NADA University's Learning Hub, "Accessorizing Your Way to Additional Profits."

For more information and to register, go to www.semashow.com/main/main.aspx?id=70003.

Dealers must get ready for Jan. 1 start of Risk-Based Pricing Rules

Sweeping rules that generally apply to dealers who obtain a consumer's credit report and then enter into a credit transaction with that consumer take effect Jan. 1. The long-awaited Final Risk-Based Pricing Rule was constructed jointly by the Federal Reserve Board and the Federal Trade Commission.

Risk-Based Pricing refers to the practice of setting or adjusting the price and other terms of credit provided to a particular consumer based on the consumer's creditworthiness.

The final FTC/FRB Rule provides creditors with several methods for determining which consumers must receive Risk-Based Pricing Notices (RBPN).

As an alternative to providing risk-based pricing notices, the final Rules permit creditors to provide consumers who apply for credit with a free credit score and information about their score. Today, most consumers must pay a fee to obtain their credit score.

The new rule generally applies to creditors that engage in risk-based pricing and use a credit report to set the terms on which credit is extended to consumers. The rule does not apply to extensions of business credit or to lease transactions.

Dealers and other creditors who use credit reports will have to deliver a RBPN to consumers whom the dealer will extend credit but on "material terms that are materially less favorable than the most favorable terms available to a substantial proportion of consumers from or through that person."

The new Risk-Based Pricing Rule is the latest duty mandated by the Fair and Accurate Credit Transactions Act of 2003. Also, the RBPN requirement is entirely separate from the new Model Privacy Notice that the FTC and the federal banking regulatory agencies issued recently under the FTC Privacy Rule.

The RBPN requirement is intended to improve the accuracy of credit reports by alerting consumers whose credit applications have been approved (but generally on less favorable terms) to the existence of negative information in their credit reports which they can check for accuracy and, if warranted, challenge.

This is meant to "complement" the Fair Credit Reporting Act's adverse action notice requirement, which requires creditors who deny a consumer's credit application based in whole or part on information in a credit report to provide information about credit reports to those consumers.

Because of the difficulty in determining which customers fit into this ill-defined category, the agencies adopted an Exception Notice that dealers and other creditors may issue in lieu of the RBPN.

The criteria for using the Exception Notice and other elements of the Risk-Based Pricing Rule and associated model forms are in the 202-page final rule, posted on the FTC Web site at www.ftc.gov/os/2009/12/R411009riskbasedpricingfrn.pdf.

Revised Gramm-Leach Privacy Act notice takes effect Dec. 31

Dealers have 60 days to ensure safe harbor protection under federal privacy law, which requires dealers to notify consumers about their information-sharing practices and to inform them of their opt-out rights. The FTC and the federal banking agencies produced a new Model Privacy Notice form that makes it easier for consumers to understand how dealers and other financial institutions collect and share consumer information.

Dealers are not required to use the new Model Privacy Notice; it's purely voluntary. But the Model Notice form is the only notice format that will afford dealers safe harbor protection beginning Dec. 31.

There are three Model Privacy Notice forms. The first does not provide an opt-out. The second provides an opt-out by telephone and Internet, and the third provides an opt-out with a mail-in form.

Each Model Privacy Notice form consists of two pages and may be printed either on two separate sheets of paper or on both sides of a single sheet. The notice may extend to a third page if there is a long list of affiliates or additional information that must be disclosed and which exceeds the space available on Page 2.

There are five parts to the first page: (i) The title, (ii) an introductory section called the "key frame," which provides context, (iii) a disclosure table that describes the types of sharing used by dealers, which types of sharing the dealer actually does, and whether the consumer can limit or opt-out of any of the dealer's sharing, (iv) a box titled "To limit our sharing" (if the dealer offers an opt-out), and (v) the dealer's customer service contact information. The dealer will also identify on the first page, the last date the notice was revised. If an opt-out is offered, the opt-out form is included on the first page.

Page 2 consists of: (i) A heading, (ii) certain frequently asked questions ("Who are we?" and "What do we do?"), (iii) key definitions, and (iv) a section entitled "Other Important Information," where required state disclosures or an optional acknowledgment of receipt form can be provided.

The Model Privacy Notice must be printed in an easily readable type font and, except where specifically provided, must be in at least 10-point type. Dealers may include their logo on any of the pages so long as it does not interfere with the readability of the notice or the space constraints of each page.