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print editions remain of this newsletter, which resumes electronic-only distribution in 2010. If you don't already receive it via e-mail, send address to editor@cata.info. All addresses held in confidence. Don't be left behind!

Latest 'Chicago Auto Outlook' is online

The Chicago Auto Outlook publication examining the area's new-vehicle sales from July through September can be viewed on the CATA's Web site, www.cata.info.

On the tan bar across the top of the home page, click on Publications and follow the drop-down menu to Chicago Auto Outlook.

Great Ideas Exchange

New CATA campaign promotes idea sharing

A new CATA program that nurtures "best practices" ideas from dealers might prove to be just the ticket—to a free lunch.

Modeled after some 20 Groups, the Great Ideas Exchange will cull from dealers and their employees proven methods that impact the bottom line, like cost-cutting measures and improving employee motivation and morale.

Beneficial ideas about any aspect of the dealership will be evaluated by the Civic and Dealer Relations Committee of the CATA board of directors. The best ideas would be rewarded with \$100 certificates to Lettuce Entertain You restaurants, plaques and recognition in the CATA Bulletin.

Potential categories include:

- Increasing gross on new- and used-car sales
- Improving employee productivity
- Increasing business and profit in the fixed departments

'In times like these, we hope all dealers are willing to share best practices for the benefit of their fellow members.'

CATA Chairman Kevin Mize

- Increasing profits overall
- Improving CSI rating

The program is open to any dealership employee, although principals would be contacted to confirm that ideas from their stores can be shared.

Kevin Mize, CATA chairman, said idea-sharing is an anticipated part of his 20 Group meetings, and he praised the new CATA program.

"In times like these," Mize said, "we hope all dealers are willing to share best practices for the benefit of their fellow members."

Ideas can be submitted to the CATA at greatideas@cata.info.

Dealers sidestep oversight by new federal consumer protection agency

WASHINGTON — The House Financial Services Committee on Oct. 22 approved the Consumer Financial Protection Act but agreed to exempt auto dealers from the agency's new financial watchdog.

Before the final vote, the committee approved an amendment from Rep. John Campbell, (R-Calif.) to exempt dealer transactions from the oversight of the new Consumer Finan-

cial Protection Agency. Instead, dealer lending still would be regulated by the Federal Trade Commission and the Federal Reserve. The committee approved the Campbell amendment on a 47-21 vote.

"It makes sense to exclude dealers. Dealers had absolutely nothing to do with the credit crisis," said David Westcott,

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Fewer dealers would recommend their DSP vendor: biennial study

Dealership satisfaction with Dealer System Provider (DSP) vendors declined seven points from the 2007 survey, the NADA's Information Technology Committee reported Oct. 27. DSP vendors develop and support dealership computer systems that assist dealers in managing their operations.

The 2009 survey shows that 72 percent of dealership personnel are satisfied overall with their DSP vendors, compared to 79 percent in the 2007 survey. Fifty-three percent of dealership personnel in 2009 said they would recommend their DSP vendor to another dealership, about the same as the 55 percent finding in 2007.

Friedman-Swift Associates, an automotive marketing research firm in Cincinnati, oversaw the NADA's 2009 study. The firm conducted phone interviews with 984 dealership personnel including dealers and general managers, sales managers, service managers, parts managers and office managers and controllers. The study's margin of error is +/- 3 percent.

Automakers going green by using more recycled materials

Detroit's automakers are finding new uses for worn-out jeans, discarded plastic bottles and manufacturing rubbish. They're recycling them for use in new vehicle parts.

According to the Detroit News, with the rage over going green hitting the marketplace, auto companies are looking for ways to make their vehicles more sustainable, not just under the hood but behind the wheel. They're incorporating more recycled materials into interiors, upholstery, and moldings, and partnering with suppliers to develop new bio-based products to replace manmade plastics.

For auto companies, it's worth the effort to up their showroom cred with the green-living set. "If we have two parts — one is recycled, the other one is virgin — and they perform and cost the same, why wouldn't you use the recycled one?" asked Lora Herron, a materials engineer for General Motors Co. who leads the company's efforts to green its materials.

Aside from the feel-good benefits of using eco-friendly materials, automakers also see some cost savings in finding greener alternatives for plastics, fibers, and moldings — although not always.

Last year 9 percent of all recycled milk cartons, laundry detergent bottles, and other materials made out of high-density polyethylene were used in automotive parts in the United States. But the automakers' green strategy does not come without challenges. Parts need to perform well but also stand up to the kind of wear-and-tear sustained by vehicles over time.

The survey shows that dealership satisfaction with DSP vendors is driven mainly by:

- **System Functionality** – Key drivers include flexibility of system software to adapt to dealership's business needs and the ability to customize the software for dealership's needs.

- **Customer Service** – Key drivers include satisfaction with overall customer service and the speed of making changes and modifications.

- **Third Party Vendors** – Key integration driver includes satisfaction with the ability of the system to allow third party vendors to share information.

- **Training** – A key driver includes effectiveness of technical training.

"The survey highlights areas that are important to dealers and where there are opportunities for the DSP vendors to improve," said Dick Malaise, NADA vice president and chief information officer.

In Memoriam

Eugene Kowalis, who owned three area dealerships, died unexpectedly Oct. 22 from complications after surgery. He was 80.

Mr. Kowalis joined the U.S. Army Highway Patrol in the 1950s, then embarked in the auto industry as a Cadillac salesman. In 1971, he opened Midlothian Mazda and, later, Midlothian Toyota.

He relocated the Toyota store to Orland Park in 1984, and in 1989 he acquired the Lexus of Orland and Lexus of Merrillville (Ind.) franchises.

Mr. Kowalis is survived by his wife of 54 years, Rosemary; sons Kurt, Jeff and Gene; and six grandchildren. Donations appreciated to St. Coletta's of Illinois Foundation, (708) 342-5246.

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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 <http://cata.drivechicago.com>.

Jerry H. Cizek III
Erik K. Higgins

President, Publisher
Editor, Director of Dealer Affairs

Clunkers program analysis: few extra cars sold, pricey for taxpayers

A total of 690,000 new vehicles were sold under the cash-for-clunkers program last summer, but only 125,000 of those were vehicles that would not have been sold anyway, according to an analysis released Oct. 28 by the automotive Web site Edmunds.com.

Still, auto sales contributed heavily to the economy's expansion in the third quarter, adding 1.7 percentage points to the nation's gross domestic product growth.

The Car Allowance Rebate System, nicknamed the cash-for-clunkers program, gave car buyers rebates of up to \$4,500 if they traded in less fuel-efficient vehicles for new vehicles that met certain fuel economy requirements. A total of \$3 billion was allotted for those rebates.

The average rebate was \$4,000. But the overwhelming majority of sales would have taken place anyway at some time in the last half of 2009, according to Edmunds.com. That means the government ended up

spending about \$24,000 each for those 125,000 additional vehicle sales.

"It is unfortunate that Edmunds.com has had nothing but negative things to say about a wildly successful program that sold nearly 250,000 cars in its first four days alone," said Bill Adams, spokesman for the Department of Transportation. "There can be no doubt that CARS drummed up more business for car dealers at a time when they needed help the most."

In order to determine whether these sales would have happened anyway, Edmunds.com analysts looked at sales of luxury cars and other vehicles not included under the Clunkers program.

Using traditional relationships between sales volumes of those vehicles and the types of vehicles sold under Cash for Clunkers, Edmunds.com projected what sales would normally have been during the cash-for-clunkers period and in the weeks after.

Edmunds.com's estimate of the ultimate sales increase generally matches what industry experts had thought, said

George Pipas, a sales analyst with Ford Motor Co. But, he said, that misses the point.

"The whole purpose of the program was to provide some kind of catalyst to kick-start the economy, and by all accounts the extra production that was added this year was a boost to the economy," he said.

Ford was one of the biggest proponents of the cash-for-clunkers program and several Ford models were among the top sellers under the program.

While auto sales in September were hurt because the program drained auto dealership inventories, October sales were already back on track or better, Pipas said.

"I think the October sales results will show Clunkers is behind us and there's no more payback or inventories issues."

Edmunds.com's projection indicates that, without cash-for-clunkers, October's sales increase would be even higher.

More blown deadlines ahead in government's 'clunkers' program?

How many dealers were reimbursed within 10 days after a CARS deal was approved, as the government program stipulated?

Now comes word that many auto recyclers will fail to crush or shred "cash for clunkers" autos within six months after being transferred from dealerships, another stipulation of the program.

One recycler said he typically dismantles about 100 vehicles a week, but his workload has more than doubled and he has hired 10 more workers to keep up with all the extra work.

"I've got a parking lot of almost 4,000 vehicles right now," said Harry Haluptzok, chief executive of John's Auto Parts in

Blaine, Minn.

Consumers bought nearly 700,000 new vehicles last summer under the Car Allowance Rebate System, which offered up to \$4,500 on trade-ins.

Recyclers say their deadline, even a few months away, will be hard to meet as they try to remove spare parts, drain fluids and eventually flatten the vehicles for scrap.

The American Recyclers Association, a trade group representing auto recyclers, said the six-month deadline to crush the vehicles was developed in line with the initial \$1 billion program, but never took into account the additional vehicles sold when the program was expanded. The association is seeking an additional six months to recycle all the cars.



Inventory up-to-date?

Make sure you're taking full advantage of the Web site on which all CATA dealers—and only CATA dealers—appear. Call (630) 424-6084.

CFPA

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chairman of National Automobile Dealers Association's government affairs committee and a multi-franchise dealer from North Carolina.

The new Consumer Financial Protection Agency is the centerpiece of the Obama administration's proposed overhaul of financial regulations, and perhaps its most controversial provision.

The agency would have the power to write consumer protection rules for a host of activities involving loans or credit, with the ability to ban products and business practices it determined were "unfair, deceptive or abusive." The agency also would have the ability to examine banks and other companies for compliance with the rules and impose penalties for violations.

The legislation has strong support from Democrats and consumer and public interest groups, which blame banking regulators for failing to adequately protect consumers as the financial crisis approached.

But the new agency is adamantly opposed by Republi-

cans and banking and business groups, which say that it actually would hurt consumers by imposing so many new rules that companies would be forced to charge more for loans and credit — or possibly not offer them at all.

There also is a sharp philosophical divide, with Republicans charging that the agency would take choice away from consumers and place it in the hands of unelected officials.

The House committee approved several amendments clarifying that certain activities would not be swept in by the new agency. Stores that sell gift cards, for example, would not be subject to oversight unless they control the terms of the cards.

Democrats and consumer advocates said they were content to see the legislation survive much of the backdoor political wrangling after such an aggressive backlash by businesses. The U.S. Chamber of Commerce led industry opposition with a \$2 million advertising campaign over the summer.

The American Bankers Association said it would continue to try to make its case against the agency as the legislation moves forward in coming weeks.

Xchanging deflects unemployment claims of CATA member dealers

One hundred forty-two CATA dealer members reported a combined 942 unemployment claims during the third quarter of 2009 to Xchanging, which formerly operated as Cambridge Integrated Services Group. The company's efforts saved those dealers a total of \$1.46 million in benefits by contesting the claims.

Xchanging monitors any unemployment claims against its clients and contests all unwarranted claims and charges; and preps employer witnesses for hearings, as necessary. The company counts about 230 CATA dealers among its clients.

Claims that can be protested and subsequently denied help minimize an employer's unemployment tax rate. The rate can vary between 0.6 percent and 6.8 percent of each employee's first \$12,300 in earnings. The 2009 average unemployment tax rate among Illinois employers is 3.1 percent, or about \$381 annually per employee.

"These numbers were based on experience prior to July 2008. With the downturn in the economy, unem-

ployment at record highs (8.5 percent in Illinois) and a drain on the Illinois Department of Employment Security trust fund, we can expect markedly higher tax rates for 2010 and probably for a couple of years after that," said Paul Schardt, an Xchanging senior vice president.

"The unemployment tax is really the only controllable tax, in that it's experience-driven," said Paul Schardt, senior vice president of Cambridge. An ex-employee's claim affects the employer's tax rate for three years.

For new enrollees, client fees amount to \$2.20 per employee, per fiscal quarter. For the fee, Xchanging monitors all unemployment claims; files any appeals; prepares employer witnesses for hearings, as necessary; represents the client at any hearings; verifies the benefit charge statements; and confirms the client's unemployment tax rate.

Xchanging, originally named the Martin Boyer Co., has represented CATA members since 1978. To discuss retaining the company, call Schardt at (847) 824-4325.

Marketplace

Parts Director/Manager 30+ years experience. Competent manager with evidence of success in: maximizing retail, internal, warranty and wholesale gross profit; eBay storefront. Detailed inventory and personnel management. John Guzior, (708) 254-6541.

Controller 30-time recipient of Ford-Lincoln-Mercury District Business Manager Award. A Pilot dealer for the FDSCS system 6000, recently handled installation of FDSCS system 7000. Manage staff of 12, expert in cost reduction. Donald Raimondi, (847) 804-4734.

Résumés of both candidates on file at the CATA.