



CATA Bulletin

DRIVE **CHICAGO** .COM
official Web site of CATA dealers

a biweekly newsletter

Volume 100, No. 15

August 4, 2003

'Vitality Report' on Page 4

The seminannual roll call of the number of dealers in the eight-county area of the Chicago Automobile Trade Association, and the car lines they handle, appears on Page 4 of this newsletter.

Signed statement a must with GAP purchase: new regulation

A customer's written permission must be obtained when selling bank-offered GAP products, according to a new regulation from the Office of the Comptroller of the Currency. The federal office is a bureau of the Treasury Department.

The regulation, which took effect June 16, calls for dealers to obtain "a customer's written affirmative election to purchase a contract" when soliciting and selling a bank's GAP product as part of a deal. Oral disclosures about the terms, conditions and benefits also are required when a bank-offered GAP product is sold.

Important, the regulation is aimed solely at bank-offered GAP products, not those offered through captive finance companies or third-party vendors. Dealers often choose third-party

GAP products because of their profit potential and, in some cases, better terms for customers.

With more customers with impaired credit, banks sometimes urge the sale of a GAP product to reduce their risks in a questionable deal. But the sale of a GAP product cannot be a condition for the consumer to obtain financing through a bank, or to offer better terms such as a longer note or lower rate.

Most dealers and F&I managers understand that GAP products are optional, but the feds appear to have "flagged it as an area that could be abused," said Mark Dubis, a bank vice president.

The new federal regulation gives plaintiffs attorneys another avenue to pursue cases in which they argue that retailers did not make proper disclosures.

Feeny gets nod for 2004 TMQDA

Dan Feeny advanced from among six candidates to become the CATA's nominee for the 2004 Time Magazine Quality Dealer Award. Winners will be announced Jan. 31 at the opening session of the National Automobile Dealers Association convention in Las Vegas.

The TMQDA recognizes new-vehicle dealers in the United States for exceptional performance in their dealerships combined with distinguished community service. Candidates are nominated by state and metro associations, and finalists are chosen by a faculty panel from the University of Michigan.

One Time Magazine Quality Dealer of the Year is named from among the finalists.

Feeny is president of Feeny Chrysler-Jeep in Elgin and Feeny Dodge in Palatine. Both dealerships have maintained Five Star status since DaimlerChrysler instituted the certification program. Feeny served nine years on the CATA board of directors; he was board chairman in 1999-2000.

He has been chairman for



Dan Feeny

10 years of Palatine-based Buehler YMCA's youth activity fund, and he organizes an annual raffle and dinner dance to raise funds to send underprivileged children to summer camp. Feeny's dealerships also sponsor hockey, baseball and soccer youth teams.

Other CATA dealers who were candidates this year based on their achievements at their dealerships and in their communities are Emir Abinion of Landmark Ford of Niles; James Miller of Miller Chevrolet-Oldsmobile in Matteson; Robert Nielsen of Nielsen Buick-Jeep-Subaru in Gary, Ind.; Tom Peck Sr. of Tom Peck Ford of Huntley; and Bob Rohrman of the Rohrman Auto Group.

Northwood University

CATA offers academic scholarship to Northwood

High school seniors whose parents or legal guardians work at a CATA-member dealership, or dealership employees considering a Northwood degree, are eligible to compete for a scholastic scholarship of \$4,000 a year for four years at Northwood University.

The scholarship, funded by the Chicago Automobile Trade Association, is offered for full-time study in the university's automotive marketing curriculum.

Northwood, a private, accredited university specializing in managerial and entrepreneurial education, has three campuses: Midland, Mich., West Palm Beach, Fla., and Cedar Hill, Texas. Tuition and fees for the 2003-2004 school year are \$13,995.

For consideration, scholarship applicants must have a high school grade point average of at least 2.5 on a 4.0 scale. Continued eligibility is subject to maintaining a 2.5 GPA at Northwood.

For more information on the scholarship, call the CATA's Dave Sloan at 630-424-6055.

Northwood accepting names for Dealer Education Award

Dealer principals who have made noteworthy contributions to education—public or private, on any level, inside or outside the industry—could be candidates for a Northwood University Dealer Education Award.

The award is presented annually at the National Automobile Dealers Association convention, which next year is in Las Vegas on Feb. 1.

The nominee must be a dealer principal and should be present to accept the award.

Northwood University President David Fry said award winners "are people of stature. The award is recognition of substantial dedication over a number of years to the educational process and the field of automotive marketing."

Nominations must be returned to Northwood's Midland, Mich., campus, postmarked by Sept. 1.

For a nomination form, contact the CATA's Erik Higgins at 630-495-2282.

Identity theft threat abounds; take cautions to overcome it

Identity theft is the fastest growing crime in the United States. According to the U.S. Justice Department, identity theft refers to "crimes in which someone wrongfully obtains and uses another person's personal data in some way that involves fraud or deception, typically for economic gain."

Dealers must be alert if they suspect that their employees, their customers or even themselves are victims of identity theft. The Federal Trade Commission suggests taking the following steps.

1. Contact the fraud departments of each of the three major credit bureaus, report the theft, ask that a new "fraud alert" be placed on the file and that no new credit be granted without approval.

2. For any accounts that have been fraudulently accessed or opened, contact the security department of the appropriate creditors or financial institutions. Close those accounts and assign new passwords to any new accounts.

3. File a report with the local police or the police where the identity theft occurred. Get the police report number or a copy of the report, in case the bank or other creditor wants proof of the crime.

4. Report the theft to the ID Theft Clearinghouse, toll-free at 877-ID-THEFT. Counselors take complaints and offer advice on how to deal with any credit-related problems that could result from the ID theft.

For more information, visit the FTC's ID Theft Web site, www.consumer.gov/idtheft/

The information is excerpted from a National Automobile Dealers Association management bulletin, "Identity Theft: An Insidious Threat." Order the bulletin at 800-252-6232, ext. 2. Cost is \$2.50 for NADA members, \$5 for non-members, plus shipping. Or, order an electronic version online at www.nada.org/mecatalog/

The CATA Bulletin is published by the
Chicago Automobile Trade Association

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The CATA Bulletin is published and mailed every other Friday except during the Chicago Auto Show, when it is not published.

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

Review past editions at <http://cata.drivechicago.com/>

Jerry H. Cizek III President, Publisher
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Newer cars need less warranty work: J.D. Power

Quality improvements across the automotive industry are reducing the need for warranty repairs at new-vehicle dealerships, in turn transforming the nature of the dealer service business, according to a new J.D. Power and Associates study.

The study finds the balance of work at dealerships is tilting more toward regular scheduled maintenance as opposed to repairs. The mix of routine maintenance business has increased to 57 percent in 2003 from 47 percent in 1999.

But as sales growth outpaces growth in service capacity and accessibility, some customers report frustration getting their vehicles into the dealership in a reasonable and convenient time.

“Dealers who now have more customers are being challenged to find ways to keep their customers flowing efficiently through their service bays,” said Joe Ivers of J.D. Power. “Efficiency problems can also have a negative effect on other unrelated aspects of the service experience, even with regard to a customer’s critique of the vehicle itself.”

The CSI study examines experiences with the dealer service department during the first three years of vehicle ownership, which typically represents the majority of vehicle warranty periods.

Adjust to recent Illinois sales tax law changes

BY JOSEPH P. ROZNAI, PARTNER, AND JUDY MASON, MANAGER
MICHAEL SILVER AND CO.

Effective July 1, there are several changes to the Illinois sales tax law that affect retail vehicle dealers.

Insurance replacement exemption

Under prior law, if an insurance company purchased an automobile to settle a total loss insurance claim, the settlement amount was exempt from sales/use tax. This deduction on Form ST-556 has been repealed. The Illinois Department of Revenue is revising Form ST-556 to incorporate this change. In the interim, you must discontinue taking this deduction. If you have taken this deduction on a sale that occurred on or after July 1, 2003, you should consider amending the return to remove the deduction. Insurance companies no longer need to complete Form RVT-7. This form now is obsolete.

Rolling stock exemption limited

The ability to use the rolling stock exemption for motor vehicles had been substantially restricted. Effective July 1, 2003, the only motor vehicles that qualify for the exemption from sales and use tax are those that make 51 percent or more of their pickups and deliveries across state lines. The statutory language uses the term “trips,” not mileage. Each trip is counted and used in the fractional denominator in determining the percentage of interstate usage. Trips that are between points within Illinois are excluded from the numerator. As a retailer, you need to continue to obtain Form RUT-7 (Rolling Stock Certification) from the purchaser in order to take the rolling stock exemption on Form ST-556.

Commercial Distribution Fee exemption

There is a new fee, the Commercial Distribution Fee, for certain vehicles with a gross weight in excess of 8,000 pounds. The secretary of state administers this fee. Vehicles subject to this fee are exempt from sales/use tax. The exemption is to be taken on Line 5, Box G, of ST-556. The description should read “CDF sales tax exemption.” You must also obtain Form CDF-7: Commercial Distribution Fee Sales Tax Exemption Certification from your customer. This form should be kept in your records as support for the exemption.

Other Law Changes

The state has also made several changes to income tax law that will affect retail dealers. Beginning in 2004, the \$1,000 corporate exemption has been eliminated. The replacement tax credit for the purchase of capital assets, along with the training expense credit, has also been repealed.

The Illinois Revenue Department will run a tax amnesty program Oct. 1-Nov. 15. The program will cover most types of taxes that would have been due from July 1, 1983, through June 30, 2002. All related penalties and interest would be waived. Any tax owed after the amnesty period may be subject to penalties and interest applied at 200 percent.

For more details, call the authors of this article at 847-982-0333.

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Franchised New Car Dealers in the 8-county CATA area as of 1 July 2003

Car Line	Chicago only Ill.	Rest of Cook Cnty. Ill.	Lake Cnty. Ill.	DuPage Cnty. Ill.	McHenry Cnty. Ill.	Kane Cnty. Ill.	Will Cnty. Ill.	Lake Cnty. Ind.	Porter Cnty. Ind.	Total [prior] 1/1/2003	Total [present] 7/1/2003
Acura	0	4	2	3	0	0	0	0	0	9	9
Aston Martin	0	0	1	0	0	0	0	0	0	1	1
Audi	1	3	1	2	0	0	0	1	0	8	8
Avanti	0	1	0	0	0	0	0	0	0	0	1
Bentley	0	1	0	1	0	0	0	0	0	2	2
BMW	1	4	1	3	1	0	0	1	0	11	11
Buick	5	13	5	6	4	1	3	2	2	41	41
Cadillac	1	9	2	2	1	1	1	2	1	20	20
Chevrolet	7	22	7	9	5	5	7	6	2	70	70
Chrysler	7	14	6	4	4	3	3	5	2	48	48
Dodge	5	15	6	4	3	3	3	4	2	45	45
Ferrari	0	0	1	1	0	0	0	0	0	2	2
Ford	8	20	7	9	4	4	6	5	2	65	65
GMC	1	11	3	4	3	1	2	2	2	29	29
Honda	4	10	3	2	1	2	1	2	0	25	25
Hummer	0	2	1	1	0	0	0	1	0	5	5
Hyundai	2	8	3	3	1	0	1	1	0	19	19
Infiniti	1	3	1	1	0	0	0	0	0	6	6
Isuzu	0	7	1	1	1	1	1	1	0	13	12
Jaguar	1	3	1	2	0	0	0	1	0	8	8
Jeep	7	14	4	3	3	3	3	5	2	44	44
Kia	2	7	3	4	1	0	1	2	0	20	20
Lamborghini	0	0	0	1	0	0	0	0	0	1	1
Land Rover	0	2	1	2	0	0	0	0	0	5	5
Lexus	1	4	1	2	0	0	0	0	0	8	8
Lincoln	2	12	5	5	1	1	2	2	1	31	31
Lotus	0	0	0	1	0	0	0	0	0	1	1
Maserati	0	0	0	1	0	0	0	0	0	1	1
Mazda	1	7	4	2	1	1	1	1	1	20	19
Mercedes Benz	1	5	1	2	0	0	0	1	0	10	10
Mercury	2	12	6	5	2	1	3	2	2	35	35
Mini	0	1	1	1	0	0	0	0	0	3	3
Mitsubishi	1	6	1	3	1	0	1	2	0	14	15
Nissan	3	12	3	3	1	2	2	2	1	29	29
Oldsmobile	0	6	2	1	4	2	4	0	2	26	21
Panoz	0	0	1	1	0	0	0	0	0	2	2
Pontiac	4	14	4	4	3	2	2	4	2	39	39
Porsche	1	2	1	1	0	0	0	0	0	5	5
Rolls-Royce	0	1	0	0	0	0	0	0	0	1	1
Saab	1	2	2	2	0	0	0	0	0	6	7
Saturn	1	6	3	2	0	2	1	1	0	15	16
Subaru	1	7	2	1	1	1	1	1	0	15	15
Suzuki	0	5	1	1	1	0	1	1	0	11	10
Toyota	4	12	2	4	1	1	1	2	1	28	28
Volkswagen	2	9	3	2	1	1	1	1	0	20	20
Volvo	1	4	3	1	0	0	0	1	0	10	10
# of Car lines	79	300	106	113	49	38	52	61	25	831	823
# of Outlets	54	216	67	84	24	26	27	43	13	555	554

NOTE: The difference between car line and outlet figures is the result of outlets that handle more than one car line. The measurements show that, over the past six months, the number of outlets is steady but slightly fewer lines are sold.