



CATA Bulletin



a biweekly newsletter

Volume 102, No. 13

July 4, 2005

Next AFIP certification tests Aug. 18 and 19

Testing to gain certification by the Association of Finance and Insurance Professionals will next be held at the CATA Aug. 18 and 19. The one-day test poses 150 questions that must be answered in 200 minutes.

The AFIP certification course is a college-level review and instruction on the federal and state regulations that govern the F&I process. Staffers who are AFIP-certified can generate dealership profit and dramatically reduce the chance of legal action in today's litigious environment; they are bound to a code of conduct that holds them accountable for their actions.

The CATA negotiated with the AFIP a tuition of \$500 for all self-study materials and certification testing. For all personnel who earn certification, the CATA will rebate \$250 to the CATA-member dealership, to encourage full participation from every member dealer. The final cost represents a \$420 savings compared to AFIP prices charged by other state and metro dealer associations, and private entities.

Self-study materials include a lengthy booklet and six compact discs that can be listened to at the staffer's pace. The materials are sent upon registration, so register now to afford more study time.

To register, call Resource Automotive, which administers the test, at 847-953-6055.

CATA board monitoring Carfax reports

Lobbyists for several industries convinced Illinois lawmakers not to grant Carfax its desire for access to the state's vehicle accident data, concerned the data is rife with error and would depress values of customer trade-ins.

Carfax has steered similar access into law in several other states. This year's failed legislation was not the first attempt by Carfax to pass a law in Illinois for access to the Transportation Department's vehicle-specific information, and it likely will not be the last.

Directors of the CATA want to begin readying now for the next Carfax

maneuver. They want their fellow dealers to submit to the CATA copies of accurate and inaccurate Carfax reports they have encountered.

Carfax officials have conceded that even after an odometer reading is proven inaccurate, the reading would not be removed from the Carfax report. Monetary damages caused by inaccurate accident reports could be monumental for dealers and their customers.

Send any reports to the CATA in Oakbrook Terrace, so that the association's lobbyists can prepare now for the next battle.

AYES program update

BY JIM BUTCHER
ILLINOIS AYES MANAGER

Mentor/Intern training for Automotive Youth Educational Systems was completed June 25 for 23 student interns from four schools and the students' 15 mentoring technicians. The internships are part of the AYES initiative to improve your service department.

The AYES program seeks to train your entry-level technicians. As part of that goal, we train the student interns how to be successful in your service department. We also train your technicians how to work efficiently with young people.

Mentor/Intern training typically is held on a Friday for the student interns and on Saturday for the mentor technicians. The Chicago Automobile Trade Association pays the technicians to participate in the mentor training program. Therefore, this training costs the dealership nothing and helps improve the working relationships within the service department.

Schools that have completed mentor intern training include Lake County High Schools Technology Campus, Grayslake; Technology Center of DuPage, Addison; Parkland College, Champaign; and

SEE AYES, PAGE 2

DaimlerChrysler wins a round in discrimination suit by area dealer

A federal magistrate judge has recommended that the U.S. District Court in Chicago dismiss a lawsuit filed against DaimlerChrysler brought by a former dealer who charged the factory with racial discrimination.

A dismissal would be a resounding victory in the politically and racially charged dealer-automaker dispute.

The lawsuit was filed in 2003 by Gerald Gorman, who operated the former Dodge of Midlothian and Marquette Chrysler-Jeep in Chicago. Gorman alleged that DaimlerChrysler wouldn't approve loans or fair interest rates to customers of Gorman's dealerships because they were located in neighborhoods with many minorities. Gorman sued, saying the practice ruined his businesses.

Seven of his minority customers also sued, alleging discrimination, and last week settled for \$2,000 each. Under settlement terms, DaimlerChrysler denies all allegations.

DaimlerChrysler maintained that Gorman mismanaged his dealerships and only alleged discrimination when his businesses began suffering.

The magistrate judge did not dispute any of the allegations in the case but found that Gorman "made false statements" that led "Chrysler to suffer additional losses," as it continued to do business with his dealerships, and that Gorman failed to preserve notes and produce evidence that he was required to turn over by the court.

AYES

CONTINUED FROM PAGE 1

Hammond Area Career Center, Hammond, Ind.

To date, we have placed 23 interns in area dealerships. We currently have 20 to 25 additional student interns available for employment. Students are available from the following schools:

- Curie Metropolitan High School, **Chicago**: 5 students available
- Hammond Area Career Center, **Hammond, Ind**: 3 students available
- Porter County Career Center, **Valparaiso, Ind**: 5 students available
- Parkland College, **Champaign**: 4 students available
- Technology Center of DuPage, **Addison**: 10 students available

These students are available and eager to work on either a full-time or part-time basis. For more information on the AYES program, please call me at 630-424-6020.

Wisconsin car dealers face class action lawsuit alleging loan bias

Fifteen car buyers who live in Milwaukee, Wis., or nearby have sued the captive finance arms of Ford, General Motors, Toyota, Honda and Nissan, saying they were racially discriminated. The suit alleges that the lenders allow dealerships to inflate interest rates without telling consumers.

The attorney in the case is seeking class action status for the suits, and believes there may be thousands of people affected in the Milwaukee area. So far, suits have been filed only on behalf of black car buyers, but the lawyer says his firm expects to file similar suits shortly on behalf of Latino clients.

The Milwaukee suits are of a piece with those filed around the country since 1998. Earlier this year, a judge in Tennessee ruled that Ford Motor Credit had discriminated against black customers there. The GMAC, the Nissan Motor Acceptance and American Honda Finance all have settled civil suits concerning discrimination in lending.

Ten franchised dealers are mentioned in the Milwaukee suits, but have not yet been named as defendants. The plaintiffs lawyer, though, said that was a just a strategic decision that will make attaining class action status easier. The dealerships are likely to be added as defendants later.

Listen to "Drive Chicago," the CATA's automotive radio show, 8-9 a.m. Saturdays on WLS-AM NewsTalk 890.

Paul Brian, the CATA's communications director, hosts the program.



The CATA Bulletin is published by the
Chicago Automobile Trade Association
 18W200 Butterfield Road
 Oakbrook Terrace, IL 60181-4810
 630-495-CATA [2282] phone 630-495-2260 fax

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 or search by topic at www.cata.info/

Jerry H. Cizek III President, Publisher
Erik K. Higgins Editor, Director of Dealer Affairs

Internet overtakes print advertising as top used-vehicle shopping source

The Internet now draws more late-model, used-vehicle shoppers to the vehicles they buy than traditional newspaper and magazine classified ads combined, according to a new J.D. Power and Associates study.

“Online advertising, including classified ads, auctions and other leads have overtaken print, and it is very likely to remain that way,” said Dennis Galbraith of J.D. Power. “Shoppers tend to go where the inventory can be found, and advertisers place their inventory where the shoppers can be found. Market share brings a barrier to entry in the used-vehicle classified market.

“It is clear that online classified ad services such as (DriveChicago.com) have broken through those walls by gaining the necessary market share. There is little reason to expect anything but continued growth in online classified services at the expense of print.”

While the percentage of used-vehicle buyers using the Internet in their shopping process has remained relatively flat (53%), the Internet continues to grow in its ability to impact the shopping decisions of those who avail themselves of the medium. Among all buyers, nearly one-fourth (24.3%) are impacted in their seller selection decision by information found online, up from 22.5 percent in 2004.

According to the 2005 Used Autos shopper.com Study, manufacturer Web sites also are becoming increasingly important. While 90 percent of Automotive Internet Users still visit independent sites such as Kelley Blue Book’s kbb.com or Yahoo! Autos, 74 percent visit a manufacturer-sponsored site such as FordVehicles.com or Chevrolet.com to look for used vehicles, up from 70 percent in 2004.

“Manufacturers have a vested interest in making sure their dealers are able to sell pre-owned vehicles quickly, and they are getting increasingly serious about it,” said Galbraith. “The better these vehicles are marketed, the faster the inventory turns and the higher the residual values and the lower the depreciation. This helps new-vehicle buyers with lower lease rates and better trade-in values.”

Dealer sites play a vital role in online shopping. More than one-half (52%) of all shoppers who credit the Internet with leading them to the vehicle they purchased indicate a dealer site as the primary online source. About one-half of these shoppers state that an independent site, manufacturer site or search engine directed them to the dealer’s site where they found the vehicle they purchased.

Internet use is expected to grow as new technology makes shopping online simpler and easier.

FCC grants NADA petition clarifying national do-not-call rules

The Federal Communications Commission clarified in June that the National Do-Not-Call (DNC) rules do not prohibit dealers from calling consumers to alert them that their vehicles have been recalled due to a product safety or defect concern and to schedule appointments to correct the defect.

A petition filed with the FCC earlier this year by the National Automobile Dealers Association sought clear guidance on whether such phone calls are considered telephone solicitations that are subject to the restrictions imposed by the National DNC rules. The NADA argued that, because consumers are neither requested nor required to “purchase” the services necessary to repair the defects (with payment coming instead from the manufacturer of the recalled item), such phone calls do not fit within the definition of telephone solicitation.

The NADA cited the important public policy objective of increasing consumer awareness of, and response to, recall notices and obtained a letter of support from the National Highway Traffic Safety Administration.

In granting NADA’s Petition, the FCC stated: “... We agree with (the) NADA that calls made to consumers for the purpose of informing them of product recalls are not telephone solicitations because such calls are not made for

the ‘purpose of encouraging the purchase or rental of, or investment in, property, goods or services...’ As a result, these rules do not prohibit such calls to consumers that have registered their telephone numbers on the national do-not-call list. . . . We believe this clarification will ensure that consumers are made aware of potential safety concerns involving products that they have purchased and have an opportunity to correct these defects in a timely manner....”

Rules and Regulations Implementing the TCPA of 1991, Docket No. 02-278, NADA Petition for Declaratory Ruling, FCC 05-1667, paras. 5-6.

The clarification applies when the defect repair work involves no cost to the consumer. Calls that encourage the purchase of other goods and services “will be deemed a prohibited telephone solicitation.” The full text of the Ruling is at http://hraunfoss.fcc.gov/edocs_public/attachmatch/DA-05-1667A1.pdf.

The NADA has sent a similar clarification request to the Federal Trade Commission, which also administers the National DNC rules, although its jurisdiction is limited to interstate telephone solicitations. The FCC has jurisdiction over both intrastate and interstate telephone solicitations. A similar interpretation from the FTC (albeit in the form of an informal staff interpretation) is anticipated.

Marketplace

Office Manager/Controller

Strong background in all aspects of accounting. Natural and persuasive communicator, recognized among colleagues for keen ability to energize and inspire individuals to work towards common goal. Linda Bodene, 630-833-1720. Resume on file at the CATA.

Candidate's résumé on file at the CATA.

Congratulations!

Ernest Semersky, president of **The Porsche Exchange** in Highland Park, was named a 2005 Porsche Premier Dealer, for excellence in every phase of customer service.

Phillip Resnick's **Schaumburg Toyota** was named to Toyota's Customer Services Advisory Board, for excelling in handling customers' needs in parts, service and customer satisfaction.

Ford's Customer Service Division named nine area dealers as winners of the 2005 First Quarter Genuine Challenge, for increasing parts and labor sales, achieving first-appointment retention and earning overall service satisfaction.

The dealerships are **Bredemann Ford in Glenview**, **Hawk Lincoln-Mercury** (Oak Lawn), **Paul Heuring Motors** (Hobart, Ind.), **Bill Kay Ford** (Midlothian), **McCarthy Ford** (Chicago), **Al Piemonte Ford Sales** (Melrose Park), **Sycamore Auto Center**, **Terry's Ford-Lincoln-Mercury** (Peotone), and **Wickstrom Ford** (Barrington).

Shopping for a Dealer Management System

Computer costs now represent a dealer's fifth greatest expense. Paying for the best computer system may well be worth the cost, but only if the dealership uses the system to its maximum advantage.

A common misconception is that computer costs are not negotiable; they are. A dealer can shop for competitive Dealer Management Systems, and he can change his DMS if, for instance, existing equipment or connectivity need upgrading, or if the business is expanding.

Regardless of the reason for investigating a new DMS, five questions must be posed to any vendor:

1. Does this proposal or contract represent too much computer—or too little? What features and benefits do I really need or want?
2. What is the true cost of this system and all of the monthly support?
3. What is the best way to pay for this system? Cash? Finance? Lease?
4. What are the terms and conditions of the final contract—the binding document that is the actual legal structure of the acquisition?
5. What negotiating strategy can I employ to achieve the best results? The most challenging aspect of the DMS acquisition is determining the right price to pay for the right system.

A careful evaluation process to answer those questions should include the following:

- Outline the dealership's computer needs, and get a proposal from more than one vendor.
- Ask each vendor to demonstrate products to all key managers.
- Make sure any proposals are detailed, with each item individually priced.
- Get a terminal/PC schematic.
- Don't limit any proposal because you think you can't afford everything on it.
- Include sufficient capacity for future growth.
- Include remote access to the system.
- Check the proposal for omissions of related costs—data archiving, for example, or interfaces for factory communications, parts cataloging, training and the like.
- Identify and explain any update charges.
- Get detailed laser-printer pricing schedules and forms set-up charges.
- Consider training and network rewiring costs.
- Be aware of existing leases and other contractual obligations.
- Know the lease rate or APR.
- Consider data archiving and disaster recovery procedures.
- Set a time limit for the proposal.
- Decide whether to keep any current DMS or acquire a new one.

Each of the points above, and other considerations such as reducing the computer bill, protecting the network and protecting customers, is expanded upon in NADA Management Guide BM26, "A Dealer Guide to Negotiating with Your Computer Vendors."

Dealers can obtain the guide by calling NADA Management Education at 800-252-6232, ext. 2.