Volume 108, No. 17 September 5, 2011

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. A telephone connection is not needed; and the fee includes both PowerPoint slides and audio.

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, Sept. 8 at 12 p.m. CDT

"New Trends in Compensation - Getting Past "Percentage of the Gross" What are the new compensation alternatives? What motivates Gen "Y"? What if they don't like your lollipops? Is there possible friction between Gen "Y" and current Gen "X" managers?

SEE **WEBINARS**, PAGE 2

2012 dealer licenses to cost $500 more to help unpaid lien victims

The Dealer Recovery Trust Fund takes effect Oct. 1, in time to assess 2012 dealer licenses an extra $500, after Illinois Gov. Pat Quinn signed the measure into law on Aug. 22.

The trust fund will be endowed by adding $500 to the price of an annual license for a dealer's established place of business and $50 for each additional place of business. The secretary of state's office currently counts 895 new-vehicle dealers, 2,831 used-car dealers, and 771 motorcycle dealers, meaning the fund would collect more than $2.2 million in its first year.

The new law provides that when the fund balance reaches $3.5 million as of Aug. 31, collection of the fee will be suspended the following year for dealers who did not have a claim paid from the fund; or a suspended or revoked license; or have any civil penalties assessed against them during the previous three years.

Beginning Oct. 1, consumers and dealers are eligible to file a claim against the fund if they purchase a vehicle on or after that date from a dealer who goes out of business without satisfying a trade-in lien. A claim cannot exceed $35,000.

The fund was sought by the Illinois attorney general's office, after being contacted by a number of consumers in recent years who were harmed by the unpaid liens. Assistant Attorney General Greg Grzeskiewicz described consumers who subsequently saw their credit scores damaged while they were saddled with two vehicle loan payments. Grzeskiewicz said Illinois was the only state without a recovery fund or a bonding mechanism to help those consumers.

Dealers from the CATA and the IADA involved in shaping the legislation were able to steer endowment of the recovery fund toward a

SEE **TRUST**, PAGE 4

NLRB issues new poster rule

The National Labor Relations Board on Aug. 30 published a new mandate requiring all businesses covered by the National Labor Relations Act—including dealerships—to post a notice informing employees of their rights under the Act.

Businesses have until Nov. 14 to post the notice in a place where federal labor posters normally are displayed. The notice must be posted in English and in another language if at least 20 percent of employees are not proficient in English and speak the other language.

The NLRB's Chicago Regional Office, at (312) 353-7570, can provide the poster to employers in Cook, Lake, DuPage, Will and Kane Counties in northeast Illinois; and Lake County, Indiana. Businesses in McHenry County must call the Peoria Office at (309) 671-7080, and those in Porter County, Ind., should call the Indianapolis Office at (317) 226-7381.

Dealerships that also post such notices on an employee webpage must display the new NLRB notice there as well. On or about Nov. 1, the 11-by-17 notice will be on the NLRB's website and available from NLRB regional offices.

Failure to display the poster likely will be deemed an unfair labor practice by the NLRB.

Along with a broad spectrum of other employer organizations, the National Automobile Dealers Association actively and strongly objected to this new poster as being, among other things, outside of the NLRB's statutory authority.

Questions can be directed to NADA Regulatory Affairs at (703) 821-7040 or regulatoryaffairs@nada.org.

Webinars

Continued from Page 1

With 70 million Gen "Y" in the workforce, their seemingly quirky attitudes and expectations cry out for a "new way" to pay and manage your managers and your sales staff. Join a discussion of the kinds of pay plan changes that successful, forward-thinking dealers are bringing into play.

Thursday, Sept. 15 at 12 p.m. CDT

"How to Maximize the Value of Your Dealership or Dealer Group" What can you do right now to maximize the value of your dealership or dealer group five, 10 or 15 years into the future? After surviving the hell that has been the retail car business over the last several years, most dealers now have their sights set on growing their businesses with a long-term goal of creating as much owner-value as possible. Somewhere down the line, at least the possibility of selling the business may arise. If it does, smart dealers will have prepared themselves well by positioning their business to have maximum value in the eyes of a potential buyer. What can you do right now to help maximize the value of your dealership business and secure your financial goals?

In Memoriam

Gerald "Jerry" Gleason, who owned Chevrolet, Dodge and Ford franchises, died as a result of pulmonary disease on Aug. 27, one day before his 82nd birthday.

Jerry Gleason Chevrolet operated on Roosevelt Road in Forest Park beginning in 1975. He later opened Jerry Gleason Dodge, 7340 S. Western Ave., Chicago; and Jerry Gleason Golf Mill Ford, 9401 N. Milwaukee Ave., Niles. He sold his dealerships in 1999.

Mr. Gleason is survived by his wife Kay; daughters Sue, Linda, Diane and Peggy; sons Mike, Pat, and Pete; 16 grandchildren and 14 great-grandchildren.

Donations would be happily received by Miserecordia, Heart of Mercy, (773) 973-6300; The Mercy Home for Boys and Girls, (312) 738-7560; or a local chapter of Alcoholics Anonymous.

David Ostrow, a longtime Dodge dealer in Chicago and a former CATA president, died Aug. 21 after a lengthy illness. He was 86.

Ostrow Dodge operated at 3030 W. Lawrence Ave. since at least 1949, CATA records show. He later moved the store to 330 W. Irving Park Rd. and renamed it Ostrow Motors.

Mr. Ostrow served on the CATA board of directors from 1966 to 1975, and was the 1973-1974 board president. He also was chairman of the 1975 Chicago Auto Show.

Mr. Ostrow sold his dealership in 1988, and he relocated to San Juan Capistrano, Calif., with his wife, Dee Dee. She is his sole survivor.

Marketplace

Used-Vehicle Sales 40 years' dealership experience, including 25 years as a used-vehicle sales manager. Anonymous. Inquiries to CATA, (630) 495-2282.

The CATA Bulletin is published by the
Chicago Automobile Trade Association
18W200 Butterfield Rd. Oakbrook Terrace, IL 60181-4810

The CATA Bulletin is distributed via blast e-mail every other Friday except during the Chicago Auto Show, when it is not produced.

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 www.cata.info.

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

Economy is flat, but Americans still need cars and trucks

By Mark Scarpelli
Chicago Metro NADA Director

If you've been paying attention to the news lately you have every reason to be more than a little confused.

One day the headlines tell us our economic recovery has hit a rough patch, causing consumers to pull back on "big ticket" purchases like cars and trucks. And the next day we're hearing the auto industry is driving our nation's economic revival, as manufacturers ramp up production and dealers start reinvesting in their facilities and hiring more employees.

President Obama is even looking to the auto industry for advice on how to spur hiring in other industries. He recently called Ford CEO Alan Mulally to discuss supply chain disruptions caused by the earthquake and tsunami in Japan and ways to stimulate exports and create jobs.

And just when we thought the stock market's roller coaster ride was going to rattle consumer confidence even more, the Commerce Department reported that orders for autos and auto parts jumped 11.5 percent in July, the most in eight years.

In other words, the economy might be sputtering along, but Americans still need cars and trucks to get to work. And with the average age of cars and light trucks at 10.6 years, manufacturer incentives increasing this fall and more available inventory, new-car sales should only increase in the last four months of the year, says NADA chief economist Paul Taylor.

"When consumers discover that the economy is still growing in the United States and Europe, although slowly, consumer confidence will improve," Taylor said.

Unlike several analysts who reduced their sales forecasts for 2011 as a result of economic conditions, the NADA is sticking to its projection of 12.9 million light-vehicle sales nationally by year's end, which would put us about 12 percent above the 11.5 million units we sold in 2010.

Taylor expects new-vehicle inventories to return to reasonable levels in September, which will provide car shoppers with more choices. "Auto loan rates for new cars will remain attractive this fall as a result of meager economic growth," Taylor said. And depending on what happens on Wall Street, luxury car sales will either increase or decrease in the coming months.

In times of economic uncertainty, it's best to take the longer view. That's what the NADA does with its sales forecasts despite the "sky-is-falling" headlines.

In legislative and regulatory news . . .

The Federal Trade Commission recently issued an "Alert" reminding consumers of several issues in connection with **automobile warranties**. The Alert explains what a warranty is and provides guidelines to consumers about warranty repairs, including a reminder that a consumer is not required to "use the dealer" for warranty repairs. The Alert also provides links for consumers to obtain further information. To read the FTC Consumer Alert, visit www.nada.org/regulations.

Now Playing on **NADA-TV**:

• "AutoFocus with David Hyatt" Brad Miller, NADA assistant director of Legal and Regulatory Affairs, discusses the recent changes to **Adverse Action Notice Requirements**.

• "Benefits of Indirect Lending" The NADA and the American Financial Services Association meet in Washington to discuss educating regulators about the **indirect financing** model and other current issues.

To view these videos, visit the NADA-TV channel on NADAFrontPage.com by clicking on the link in the upper right corner of the home page.

In other NADA news . . .

• The U.S. Chamber of Commerce is seeking nominations for its first **"Hiring Our Heroes" award** from businesses across the country—including new-car dealerships—that are taking active leadership roles in employing U.S. military veterans and their spouses.

To apply for the award a dealership must currently employ at least one person who is a veteran. There are five award categories: 1) Veteran and Military Spouse Employment (General Award); 2) Veteran and Military Spouse Employment (Small Business Award); 3) Wounded Warrior Transition Assistance; 4) Providing Employment or Internships for Post 9-11 Veterans; and 5) Women Veteran Employment. Award finalists and winners will be recognized at the Chamber's fourth annual "Hiring our Heroes" event and awards dinner in Washington on Nov. 10. Nominations are due Sept. 23 by 11 a.m. CDT. For more information, visit www.nada.org or email vets@uschamber.com.

• There now are more ways than ever to "connect" with the **2012 NADA/ATD Convention and Expo**, Feb. 3-6 in Las Vegas. "Like" the convention's Facebook page and follow us on Twitter to receive instant updates on speakers, registration, exhibitors, hotels and more. Plus, stay tuned for the NADA's new smart phone app, coming this fall, which will put the entire convention at your fingertips. And MyNADAPlannercan help you to select workshops, note times of franchise meetings, and more. Convention registration is underway at www.nadaconventionandexpo.org.

Lenders' subprime car loans increasing: report

Lenders are making more subprime auto loans again, reversing the cautious approach they adopted after the credit crisis, an industry research firm said Aug. 30.

The portion of car loans made to subprime borrowers rose to 40.8 percent in the second quarter from 37.2 percent a year earlier, according to Experian Automotive, a unit of credit bureau and research firm Experian Plc.

The data shows how keen lenders are to boost their loan books amid a sluggish U.S. economy. Car loans are seen by lenders as relatively safe, because they are collateralized and repossessing cars is easier than foreclosing on homes.

Average credit scores for borrowers declined and the average term for their loans extended by one month to 63 months on new cars and 59 months on used cars.

"We are continuing to see growth in subprime, both new and used, and loans are becoming looser," Melinda Zabritski, director of automotive credit for Experian said in an interview.

In mid 2007, loans to subprime borrowers made up 46.2 percent of the total. That easy lending led to a surge in delinquency rates before lenders turned conservative.

Tighter underwriting has resulted in fewer loans going bad. Loans delinquent by 30 days fell to 2.59 percent of those outstanding in the second quarter of this year, down from 2.89 percent a year earlier, Experian reported.

"Even though we have growth in subprime of late, our delinquency rates right now are extremely low," said Zabritski. "We have an overall stable market because we did have a lot of conservative lending in 2009 and 2010."

Repossessions have declined, too, with the percentage of car loans ending in repossession falling to 0.59 percent from 0.62 percent.

In a measure of market share tracked by Experian, the five most frequent lenders and their portions of the number of loans of all kinds made during the quarter were: Ally Financial, 6.93 percent; Wells Fargo, 5.79 percent; Toyota, 4.84 percent; JPMorgan Chase, 4.75 percent; and Honda, 3.92 percent.

New-car dealerships increase in U.S.

The national head count of new-vehicle dealers registered its first uptick in a decade in the first half of 2011, with 66 more joining the race.

The increase—to 17,725, or 0.4 percent more—represents the end of a series of precipitous declines in dealers in recent years after the bankruptcies of two U.S. automakers and the shedding of numerous brands. The United States had 20,000 new-vehicle dealers in 2008.

Metropolitan-area dealers increased their number by 0.7 percent, while dealerships in rural areas fell by 0.5 percent. About 13,500 of the dealers are in metropolitan or urban areas, with 4,200 in rural areas, according to a report by Detroit-based Urban Science.

"The small but unusual bump in the number of dealerships can be attributed to market corrections as the automakers rearrange stores following a couple tumultuous years of network consolidation and dealership bankruptcies," said Urban Science's John Frith.

The report also reported an increase in average sales per dealer, suggesting dealers are in financially stronger positions than they were at the close of 2010, from an average 656 sales reported last December to 711 units now.

Automakers have reported that a higher percentage of their dealers are profitable.

Trust

Continued from Page 1

hike in dealer licenses and away from more costly surety bonds. Former CATA Chairman Steve Foley Jr. also succeeded at widening the circle of those who could be compensated by the fund to include dealers, who similarly can be harmed by unpaid liens on dealer trades.

"I know in my 30-plus years in the car business we have been burned three times on dealer trade checks going bad," Foley said. "If you look at it logically, we have a payoff on floorplan just like a consumer does on a consumer loan. Since the fund is endowed entirely by dealers, it should also benefit dealers."

Also, dealers managed to steer the proceeds held in the fund away from the state treasury and to a separate account that will be administered by the IADA, thus preventing the General Assembly from using any interest money to shore up the state budget.

"For a lot of reasons, I also like the idea of the IADA having control of the money," said Foley. "Other than the state sweeping the money for other uses, we need to know firsthand when it is sufficiently funded so we no longer have to contribute.

"Remember the promise of the tollway was that as the road was paid for, there would be no more tolls. We know how that turned out."

Grzeskiewicz said his office estimates unpaid liens of $5 million statewide and is suing seven closed dealers to recoup some of that. He counts 60 dealerships that closed in the last eight years without paying off traded-in vehicles. He said a "typical" dealership closes without settling 10 trade-ins totaling $250,000.