Volume 109, No. 15 August 6, 2012

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, Aug. 9 at 12 p.m. CDT

"How to Fine-Tune a Dealership Body Shop for Maximum Growth and Profit" While many dealers spent the last decade running away from the body shop business, a few dealers actually embraced the collision repair business and are reaping big-time profits. Learn

See **Webinars**, Page 2

New wage rates for unionized techs

Many union-free dealers track the technician labor rates paid by their unionized counterparts, to be higher or at least equal to the latter rates. The union rates changed Aug. 1, but not by the amounts a quick glance at the current contract suggests.

The current Standard Automotive Agreement (SAA) between certain Chicago-area dealers and IAM Local 701 has a clause stating that if dealers were required to pay a pension surcharge at any time from Aug. 1, 2011, to and including July 31, 2013, then "the wage rates scheduled to take effect Aug. 1, 2012, for all employees will be reduced by twenty-five cents ($0.25)."

Indeed, dealers who are party to the SAA have been required to pay such a pension surcharge. Accordingly, the wage rates originally scheduled to take effect Aug. 1 for all employees are reduced 25 cents from the wage rates listed in the SAA.

The following chart reflects (in the rightmost row)

See **Wages**, Page 3

IRS Form 8300 recently updated

The Internal Revenue Service on July 8 revised Form 8300 for reporting receipt of cash in excess of $10,000. The revisions do not appear to affect the two pages of the form that are completed by a dealer.

The changes appear to be limited to minor editorial revisions and revisions to the instructions concerning taxpayer identification numbers.

The form does, however, mandate that it is the version to be used for transactions after June 30, 2011. Consequently, dealers should discard any hard copies of IRS Form 8300 that are not the June 2011 revision.

Go online to www.irs.gov and access the online Form 8300. It can be filled in online. And by using that method, you will know you are using the most current form.

Webinars

Continued from Page 1

how they are getting it done to either grow your Body Shop or get back into the business

During the last downturn, dealers with profitable Body Shops were very glad they decided to stick with the profit center. For those dealers, the Body Shop became a hedge against the ups and downs of the new car business. The collision repair business has a side benefit by bringing in prospects who might otherwise never visit your dealership. But it does not manage itself.

This webinar focuses on cost controls and common-sense marketing to help you make a lot money in a recession-proof business. The ideas presented will help you improve your body shop operations regardless of your shop's size or current performance. It also can provide a blueprint for those looking at re-entering the business.

Thursday, Aug. 16 at 12 p.m. CDT

"How to Safeguard Your DMS: FTC Enforces Against Georgia Dealer Because of "P2P" Software-Exposed Consumer Data" "Peer-to-Peer" software, often installed by unwitting employees, is central to the breach and enforcement. Learn what you can do to protect against similar enforcement and to protect your customer's privacy and data.

Federal laws and regulations aimed at safeguarding critical consumer data have been around a few years. Newer to the scene is the growth of P2P, file sharing, software applications. A Georgia dealer recently in the news was found to have P2P software on dealership work stations and this led to having private customer information for 95,000 consumers unknowingly available online. The critical data made available included names, addresses, Social Security numbers, birthdates and driver's license numbers. Ouch!

Erik Nachbahr is an expert on system security in general, and on how to implement these protections for dealership systems in particular. He joins us for this important webinar to discuss the recent FTC enforcement and what you can do now to prevent the same happening in your stores. You will learn:

• The importance of "locking down" your PCs so that P2P software applications cannot be installed

• How a "Smartfilter""can limit access to the Internet and prevent access to known "bad" sites

• The importance of having the right "firewall" in place to prevent unauthorized access to your system

• The value of "P2P Blocking Applications" - Symnatec has ID'd over 50 suspect P2P software applications that should be blocked

• Why limiting local admin access should be part of your compliance program

• The danger of having employees bring their own devices for use on the dealership's system

New-car fuel efficiency at new high

The fuel efficiency of new cars on U.S. roads hit an all-time high in the first half of this year, according to research released July 26 by an auto industry analysis firm.

The average rate was 23.8 mpg, up 1.1 mpg over the same period in 2011, said Alan Baum, principal of Baum & Associates in West Bloomfield, Mich.

Baum attributed the improvement to several factors. First, there are more hybrids and plug-in hybrid vehicles. Second, many new gas-powered vehicles are powered by smaller engines than the models they replaced.

Third, the industry is motivated by the government's standard that will require automakers to achieve a laboratory average of 35.5 mpg by 2016.

"In the past, the way the fuel economy of the cars sold increased was by people reducing the size of their vehicles and in this case, we got a 1.1 mpg increase. That's a lot in one year, and the primary reason was there was improvement in miles per gallon across the board," Baum said.

Larger vehicles are getting more efficient at a similar rate of improvement as compact and subcompact cars. Higher mpg benefits consumers concerned about the environment or what they spend on gas. Automakers also are responding to changing consumer tastes.

"Automakers have signed on to the new fuel economy requirements, not because they're good guys but because it's good for business," Baum said.

Luke Tonachel, senior vehicles analyst at the Natural Resources Defense Council, which sponsored the analysis, sees the benefits of better fuel efficiency extending even beyond that. "The standards provide a pathway for innovation that brings more choices for consumers," Tonachel said. "It brings more jobs to build the technology, and it's reducing the pain at the pump as well as our nation's dependence on oil."

But automotive consultant Jim Hall of 2953 Analytics in Birmingham, Mich., isn't impressed. "We're living in a time of increased fuel costs and increased sensitivity to fuel costs," he said. "Common sense tells you fuel economy will be (a higher) consideration."

The CATA Bulletin is produced 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

Wages

CONTINUED

the revised rates implemented Aug. 1 for all area unionized technicians. But the wage rates involve some important points:

1. The wage chart applies only for dealers who are party to the SAA that expires July 31, 2013. Dealers who are party to a contract with IAM Local 701 that is different than the SAA, or to a contract that expires on a date other than July 31, 2013, should consult with legal counsel to determine appropriate wage rates and timing.

2. The adjusted wage rates apply only to dealers who have a contract with IAM Local 701 which includes the pension surcharge language quoted above.

Direct questions to legal counsel.

Chicago-area Auto Dealers IAM Local 701 Standard Automotive Agreement Aug. 1, 2012, Wage Rates

Classification	8/1/11 Rate	Original 8/1/12 Rate	Revised 8/1/12 Rate
Journeyman Techs (1-40 booked hours)	$29.25	$30.00	$29.75
Journeyman Techs (>40 booked hours)	$30.25	$31.00	$30.75
Body Shop Techs (booked hours)	$20.15	$20.90	$20.65
Body Shop Techs (frame hours)	$24.15	$24.90	$24.65
Journeyman and Body Shop Techs (holiday, vacation)	$29.25	$30.00	$29.75 8 hr. holiday = $238.00 10 hr. holiday = $297.50
Weekly Base Pay (34 hours) (JTs and BSTs)	$994.50	$1,020.00	$1,011.50
Semi-Skilled (legacy)	$15.85	$16.10	$15.85
Semi-Skilled (body shop)	$8.25	$8.25 start rate *$0.25 increase 8/1/12 for those hired before that date.	$8.25 (not reduced due to minimum wage) *<u>No</u> $0.25 increase on 8/1/12 for those hired before that date.
*Semi-Skilled (newer hires)	Start: $11.80 6 mo: $12.30 12 mo: $12.80	Start: $11.80 6 mo: $12.30 12 mo: $12.80 *$0.25 increase 8/1/12 if complete 12 months service by that date	Start: $11.55 6 mo: $12.05 12 mo: $12.55 *<u>No</u> $0.25 increase on 8/1/12 for those who have completed 12 months service by that date
*Apprentices (hired after 8/1/05)	1st 6 mo: $13.36 2nd 6 mo: $14.48 Next 12 mo: $15.59 Next 12 mo: $16.70 Next 12 mo: $17.82	1st 6 mo: $13.36 2nd 6 mo: $14.48 Next 12 mo: $15.59 Next 12 mo: $16.70 Next 12 mo: $17.82	1st 6 mo: $13.11 2nd 6 mo: $14.23 Next 12 mo: $15.34 Next 12 mo: $16.45 Next 12 mo: $17.57
*Apprentices (hired before 8/1/05)	1st 6 mo: $13.36 2nd 6 mo: $14.48 3rd 6 mo: $15.59 4th 6 mo: $16.70 5th 6 mo: $17.82 6th 6 mo: $18.93 7th 6 mo: $20.04 8th 6 mo: $21.16	1st 6 mo: $13.36 2nd 6 mo: $14.48 3rd 6 mo: $15.59 4th 6 mo: $16.70 5th 6 mo: $17.82 6th 6 mo: $18.93 7th 6 mo: $20.04 8th 6 mo: $21.16	1st 6 mo: $13.11 2nd 6 mo: $14.23 3rd 6 mo: $15.34 4th 6 mo: $16.45 5th 6 mo: $17.57 6th 6 mo: $18.68 7th 6 mo: $19.79 8th 6 mo: $20.91
Lube Rack Tech	$8.25	$8.25 start rate *$0.25 increase 8/1/12 for those hired before that date	$8.25 (not reduced due to minimum wage) *<u>No</u> $0.25 increase on 8/1/12 for those hired before that date

***Employees who are hired before 8/1/12 into a job classification with a wage progression (semi-skilled techs — newer hires and apprentices of any hire date) will not have their wages reduced from its current level on 8/1/12, but the wage at the next progression step will be reduced by $0.25. Employees who are hired into such classifications on or after 8/1/12 will be hired at a start rate that is $0.25 lower, as listed in the chart above (third column).**

Subprime car loans return to favor with lenders

Consumers without top-tier credit are finding it easier to get new car loans, as banks and other lenders are lowering the scores needed to qualify.

While that means additional sales for automakers, and enables more motorists to get into new cars and trucks, it raises questions as to whether lenders are falling into the same risky lending practices they followed before the recession.

"There are a lot of lenders now that are into the subprime business," said one dealership sales manager. "What used to be a good score at a 650 or 700, now 550 is a good score."

During the first quarter of this year, total U.S. car loans totaled $52.5 billion. That's 49 percent higher than the same period in 2009 — the recession's low point — according to Equifax's National Consumer Credit Trends Report. Also during the first quarter, the average amount financed on new vehicles rose by $589, to $25,995, and for used cars by $411, to $17,050.

Furthermore, buyers are stretching out payments for longer terms: The average length of new- and used-vehicle loans jumped a full month during the first three months of this year, to 64 and 59 months, respectively.

More loans and looser lending restrictions have helped boost new-car and -truck sales to levels not seen in four years. Estimates call for 14 million to 15 million vehicles to be sold in the U.S. this year, about 30 percent higher than in 2009.

"We've certainly seen the market loosen up for subprime," said Melinda Zabritski, director of Automotive Credit at Experian, a consumer and business credit reporting firm.

"We're seeing it very close to what it was in pre-recession levels, but those days we probably will not return to. I think you'll still see the loans themselves a little more conservative."

Bank risk professionals expect a lending increase to borrowers with less desirable credit. The analytics company FICO polled 192 risk managers at banks throughout the United States last month and found that half predict growth in subprime auto loans will lead all other sectors for 2012.

It's easier for banks to loan money when interest rates are low and the rate at which banks loan money to one another is close to zero percent. That's one reason subprime auto lending is already on the rise.

Room for subprime to grow

Subprime consumers generally have credit scores of 640 and below, though cutoffs vary by lender. Scores range from 300 to 850; people with scores above 720 are generally given favorable interest rates, because they are seen as more likely to pay their bills.

The average credit score for people financing a new vehicle remained substantially higher than subprime during the first quarter, but it dropped six points, to 760; for used vehicles, the average credit score dropped four points, to 659, analysis by Experian found.

Experian, one of the major credit reporting firms, expects the average credit score for new-car buyers could fall as low as 750. That estimate is comparable to credit scores during the first quarter of 2008 — just before the collapse of the economy and auto industry — when credit scores averaged 753 for new-car buyers and 653 for used-car buyers.

The subprime category typically comprises about one-quarter of the new-vehicle finance market, Zabritski said. That explains why the average credit score for new-car loans is still higher than the subprime average. But there's still room for the subprime category to grow.

The number of vehicle loans made to people with less-than-desirable credit jumped 11.4 percent this year. Lenders not only are loosening their leashes, but more subprime customers are also seeking out auto loans.

New law helps dealers get car titles quicker

Dealers soon can obtain a lien release certificate of title from the Illinois secretary of state's office for $20, under a law signed July 20 by Illinois Gov. Pat Quinn. The matter cleared both chambers of the Illinois General Assembly without a dissenting vote.

The new law attempts to accelerate the process because some lienholders do not act quickly to release titles of trade-ins after dealers pay off the loans. Some dealers have been ticketed for not having titles for all the vehicles on their lots, and current laws subject those dealers to having their licenses to sell suspended or revoked.

While lienholders are required to release a title within 20 days after a loan balance is settled—10 days if it is settled with cash—banks increasingly ignore the deadlines, citing far-flung centralized locations where all payments must be routed and other reasons.

The new lien release certificate of title will dramatically speed up the turnaround of traded-in vehicles. With the governor's signing of this legislation, the secretary of state's office is programming its computer systems and preparing forms and procedures to implement this legislation. Dealers should expect to be able to take advantage of the lien release certificate of title beginning in mid-September.

The new law also changes the criminal provision for violators of the Illinois Vehicle Code, giving secretary of state investigators the discretion to issue an administrative citation rather than subject dealers to criminal penalties.

June Auto Outlook

The latest edition of the monthly Chicago Auto Outlook tracks June sales of new and used vehicles in the eight-county CATA area. Follow the dropdown menu under Publications at www.cata.info.