



CATA Bulletin



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a biweekly newsletter

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June 6, 2005

8 candidates on ballot for 6 CATA board seats

Eight candidates, including six incumbents, have been nominated to fill six openings on the board of directors of the Chicago Automobile Trade Association. Each term lasts three years beginning this month.

Election ballots were sent May 26 to all CATA dealer members whose association dues are up-to-date. Completed ballots must be received by 12 p.m. June 9 by the CATA's auditing firm, Crowe Chizek & Co., which will tally the submissions. Results will be announced at the CATA's June 13 golf outing at Cog Hill Golf & Country Club in Lemont.

Five incumbents on the ballot—**Terry D'Arcy** (D'Arcy Buick-GMC, D'Arcy Hyundai-Volkswagen, Joliet), **Lee Drabek** (Gateway Chevrolet, Chicago; Gateway Imports, Des Plaines), **John Guido** (Arlington Heights Ford), **Bill Jacobs** (BMW, Cadillac, Chevrolet, Kia, Land Rover, Mazda, Mini, Mitsubishi, Subaru, and Volkswagen franchises), and **Arthur**

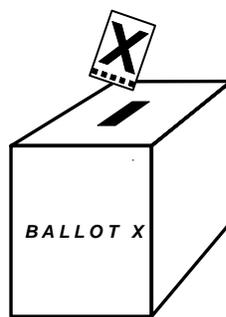
Kelly (Kelly Nissan, Oak Lawn) — are seeking their third and final terms on the board.

A sixth incumbent, **Steve Foley Jr.** (Steve Foley Cadillac-Chevrolet-Bentley-Rolls-Royce, Northbrook), is pursuing his second term.

Additional nominees include **Monty Scher** (Rogers Buick-Chevrolet-Pontiac-GMC-Hyundai, Chicago) and **Kurt Schiele**, president of the Elmhurst Auto Group (BMW, Jaguar, Scion and Toyota).

A committee comprised of former CATA board chairmen met in April to identify candidates for nomination.

The CATA board totals 18 directors. One-third of the terms expire each year. A director may serve a maximum of three, three-year terms.



July 1 changes

Tax rates up, CDF out

Dealers in the six counties of northeast Illinois are affected by a higher Chicago home rule sales tax that takes effect July 1, the same day that the 2-year-old CDF Illinois sales tax exemption expires. Several other taxing bodies also increase their tax rates July 1.

Sales tax on general merchandise purchased in Chicago, and on the autos that city residents purchase anywhere in Illinois, rises 0.25 percent July 1, bringing the total to 9 percent. The Chicago City Council passed the measure. **SEE JULY 1, PAGE 4**

Most dealers to pause July 4 for holiday

The party line in the local retail auto business is to attend the party, according to an informal polling of CATA members on the business hours they plan to keep over 2005's remaining major holidays.

Of 72 dealers who responded to a query in the last edition of the CATA Bulletin, just four said their sales departments would work a full day Monday, July 4. Another eight said their salespeople would work a partial day. All service and other departments would be closed that day.

Intended operating hours by dealers on Labor Day and the Christmas and New Year's holidays will be reported in the next edition of this newsletter.



Limited openings remain to play in the CATA's annual golf outing, June 13 at Cog Hill Golf & Country Club in Lemont. Call the CATA at 630-495-2282 for details. Shotgun play begins at 12 p.m.

GM expands employee discount; be aware of Ill. sales tax implications

By offering all customers the same discount that General Motors employees get, GM gives consumers nationwide thousands of dollars off the price of every 2005 car or truck except the Chevrolet Corvette.

The new program, announced June 1, could help trim high inventories of cars and trucks. That particularly means full-size pickups and sport utility vehicles, sales of which have suffered due to record high gasoline prices, dealers said.

GM executives have said in recent months that they hope to back away from offering large incentives on their vehicles, which analysts said has weakened the strength of some GM brands and hurt the trade-in value of GM vehicles.

With the new program, GM appears to be returning to the tried and true model of keeping incentive programs simple and compelling, the same formula that helped spark sales shortly after the Sept. 11 attacks. And GM dealers generally welcome the program.

But Illinois dealers must remember to determine any tax due based on the sale amount, before the discount.

The Illinois Revenue Department has ruled that money reimbursed by a manufacturer to a dealer in most cases may not be subtracted from the selling price to figure sales tax. Rather, the tax must be calculated on all amounts the dealer receives as gross receipts toward the sale.

For example, if a dealer sells a car for \$20,000, it does not matter whether the customer paid \$20,000 or whether the customer paid \$18,000 and the manufacturer paid \$2,000 to the dealer as part of some type of program. In either case, the dealer's gross receipts from the vehicle sale is \$20,000, and that is the amount subject to tax.

Revenue department auditors regularly rule that dealers who report sales tax based on the selling price minus a manufacturer's rebate or other reimbursements on a specific vehicle would face additional tax, penalty and interest on the amount of the rebate—for each transaction uncovered.

David Healy, an automotive analyst with Burnham Securities, commended GM's new incentive program as "simple," compared to previous, "complicated" programs.

Employers must heed restrictions

16-, 17-year-old employees cannot be too great of a 'driving' force at work

Teen-age workers can be an ambitious and cost effective source to perform various summertime roles at dealerships, but there are plenty of regulations to adhere to, especially for teens who drive in the course of work.

According to the 1998 Drive for Teen Employment Act—an ironic name, for the act effectively limits teen driving—17-year-olds may engage in limited driving on public roads and 16-year-olds may drive only on private property, such as dealership lots, while working.

Employers should consider specifics of the act before allowing a teen to drive in the course of work. A 17-year-old must:

- hold a valid driver's license;
- have completed a state-approved driver education course;
- be instructed that seat belts must be worn; (It's wise to have them sign a statement to this effect upon hire.)
- have no moving violations on record when hired.

Also, the vehicle a 17-year-old drives neither may weigh more than 6,000 pounds gross vehicle weight nor be used for towing. All driving is limited to daylight hours. Supervisors must ensure that there is ample time for 17-year-olds to complete any work trip during daylight.

Also, 17-year-olds may not drive in excess of one-third of one workday and one-fifth of a workweek.

Vehicle occupancy is limited to three passengers, and the transport of people who are not coworkers is limited to two trips a day. Licensed 16-year-olds may not drive on public roads while on the job.

Many states, including Illinois, have invoked graduated licensing laws for teens amid rising concerns that the fatality rate for licensed 16-year-old drivers is double the rate for 17-year-olds and four times the rate for all drivers.

A violation of the Drive for Teen Employment Act is subject to a \$10,000 fine. On-the-job driving by employees 18 and older is not regulated.

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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/

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NADA laden with programs to appeal to young, new drivers

By Ray Scarpelli Sr.

METRO CHICAGO NADA DIRECTOR

The NADA maintains an active dialogue with manufacturers, legislators, regulators, the media, the public and, of course, dealers. Here are some current initiatives to help you reach your audiences, with a focus this month on young people.

The NADA's Industry Relations Department is finishing up its **Dealer Attitude Survey presentations** to manufacturers in preparation for releasing overall results in July. Additionally, in a recent meeting with **General Motors Acceptance Corporation**, the NADA expressed concerns about GMAC's Platinum program.

Both groups committed to continue teaching consumers and opinion leaders about the benefits of dealership financing, and GMAC pledged to reemphasize its negative equity policy to regional and local GMAC offices. John Gibson, president of GMAC North American Operations, told the NADA's GM Industry Relations team that GMAC's Web-based dealer-to-dealer used-car sales program, SmartAuction Direct, reached 60,000 sales in 2004. And 95 percent of dealers eligible for the use of RouteOne software that accelerates the credit-application process are expected to be on board by mid-year.

In Washington, the NADA and dealers continue to focus on Senate legisla-

tion to **permanently repeal the Estate Tax**, following similar approval by the U.S. House. Before any such bill is voted upon, the NADA will host dealer "fly-ins," asking dealers to come to Washington to talk to key senators whose votes are critical to passage. Follow the issue through NADA Weekly and AutoExec and on www.nada.org/

While NADA leadership and staff are busy on your behalf, here are some programs that need your participation to make them work:

Start planning now to host a **Child Passenger Safety Month** event at your dealership in September and help ensure our youngest citizens ride as safely as possible. The NADA's safety seat "tool kit" will be included with the June AutoExec to help guarantee your success. Additional copies are available from

info@nada.org

Spark high school students' interest during **Automotive Career Week**, Oct. 24-29. This year's theme is "Careers at Auto and Truck Dealerships: Take the Ride of Your Life!" The NADA is creating a kit with posters that can be customized, sample news releases, a brochure you can reproduce, videos/DVDs, tips and more. Watch for more information—including how to order a kit—over the coming weeks. Show young people just how rewarding a career at a dealership can be.

If you are going to a school to make a presentation on a Career Day or during Automotive Career Week, the NADA has a sample speech designed for dealers to deliver to middle and high school students. At www.nada.org, scroll down to "Special Features" and click on We're Looking for a Few Good Men and

Women.

The **Be Tire Smart: Do Your PART** program continues. Order your free kit from www.nada.org/ Properly inflated tires are especially important for young and new drivers, so reach out to them now. The NHTSA estimates 120 lives and some fuel could be saved each year if all new vehicles are equipped with TPMS. In related news, the NHTSA issued a final rule requiring all new light vehicles to be equipped with tire pressure monitoring systems by Sept. 1, 2007. Contact NADA Regulatory Affairs at: regulatoryaffairs@nada.org or 703-827-6869.

Stay current on these and other issues with **NADA-TV Online**, at www.nada.org/

The NADA works because we share ideas; share your successes and concerns with me so that together we can strengthen our dynamic industry.

Dealers win important wage and salary court case

SAN FRANCISCO—Automobile dealer finance and insurance managers are exempt from overtime under Section 7(i) of the Fair Labor Standards Act, or the federal wage and hour law, the 9th Circuit Court of Appeals decreed in May.

If the original trial court decision had not been reversed, dealerships across the country would have been faced with multi-million dollar class-action lawsuits seeking back wages for finance and insurance managers.

Since dealers first became subject to the federal wage and hour law, dealers had relied on the Section 7(i) exemption from overtime. Section 7(i) provides that if (1) more than one-half of the employee's earnings are

from commission and (2) the employee earns one and one-half times the minimum wage for all hours worked, the employee is exempt from overtime.

The validity of the Section 7(i) exemption was never questioned until three courts in the Northwest issued decisions holding that auto dealership finance and insurance managers were not selling retail products—and, therefore, not entitled to the exemption. The appeal was pursued by attorneys representing Haselwood Buick-Pontiac in Bremerton, Wash, and by the U.S. Department of Labor, which stated that the decisions of the district courts were absolutely contrary to the federal wage and hour law.

July 1

CONTINUED FROM PAGE 1

sure last December as part of its 2005 budget.

All dealers must collect Chicago's home rule tax on sales of vehicles that will be titled and registered to a Chicago address. On the revised Form ST-556 that the Illinois Revenue Department will issue in July, the new combined rate will be in the rate preprinted below Line 4. Until then, dealers must add the additional 0.25 percent to the rate preprinted below Line 4 on an existing Form ST-556.

The CDF sales tax exemption is repealed effective July 1. When the exemption began two years ago, certain vehicles that weighed more than 8,000 could avoid sales tax if the buyer applied for a "D" through "Z" class license plate and paid a Commercial Distribution Fee annually to the secretary of state. In an amendment one year ago, only vehicles used for commercial purposes qualified for the CDF sales tax exemption.

Since the CDF cost, at most, \$50 a year, the owner would have had to register the truck and pay the fee for decades to make up for the sales tax that the state coffer was forsaking.

Twenty-three units of Illinois government have either imposed or changed their sales tax rate, effective July 1. The new state and local combined rates will be preprinted on Line 4a of the revised Form ST-556.

Seminar on selling to Hispanics is June 10

A 60-minute seminar on marketing to Hispanics will be presented at 9 a.m. June 10 at the CATA by Univision Chicago and Telefutura Chicago. To attend, call Univision's Benjamin Turbow at (312) 467-5807.

Notice in the May 23 edition of this newsletter incorrectly identified the seminar date as June 9.

Latinos constitute 20 percent of adults ages 18-49 in the Chicago market. The group earns an average household income of \$72,470, and represents 76 percent of the market's population growth since 2000.

AYES in the news

Qualified high school seniors and juniors await placement at area dealerships for full-time and part-time technician internships. AYES-certified high schools use stringent criteria to qualify the students; out of 1,000 students in the AYES program, only 55 are qualified to intern at dealerships. To inquire about any students, or for other AYES details, call Jim Butcher, the AYES Illinois state manager, at the CATA office at 630-424-6020.

Jacob Nodarse, an AYES student technician at Laurel BMW in Westmont, won a \$5,000 scholarship from BMW. He will attend Universal Technical Institute in Glendale Heights and, later, the BMW STEP program.

Fourteen scholarships are awarded each year, one for each of the 14 manufacturers that participate in Automotive Youth

Educational Systems.

Nodarse's scholarship is the JFS Scholarship Award, named for Jack F. Smith, the former General Motors chairman and the driving force behind the AYES initiative in 1995.

Nodarse graduates June 10 from Technology Center of DuPage in Addison, one of five AYES high schools in Illinois.

Technology Center of DuPage entered two teams in the Ford/AAA troubleshooting contest, and earned third-place and sixth-place positions in the May 13 state final. The school's contestants also scored highest on the state written exam.

A cache of **Snap-on tools**, focused on Ford products, is available for sale as a set or in pieces, from the widow of a former AYES high school instructor. Many of the tools have never been used; all are in new shape. Inquiries to Jim Butcher, 630-424-6020.

Congratulations!

Eight area Toyota dealers won the automaker's President's Award, for excellence in sales and dedication to their communities. They are **Bredemann Toyota** (Park Ridge), **Elgin Toyota**, **Elmhurst Toyota**, **Evanston Toyota**, **Libertyville Toyota**, **Oak Lawn Toyota**, **Oakbrook Toyota in Westmont**, and **St. Charles Toyota**.

Ford Customer Service Division bestowed four area parts and service professionals with the Medallion Elite Gold Award: service manager **Kenneth Lewis** and service advisor **John Rudny**, both of Bredemann Ford in Glenview; **Richard Austin**, service advisor at Joe Rizza Lincoln-Mercury in Naperville; and **Paul Hoffman**, service advisor at Van Drunen Ford in Homewood.

Continental Audi of Naperville and **Laurel Audi of Westmont** are among 30 dealerships to earn Audi of America's highest honor: Magna Society Dealers for 2004.

Lou Sobh, principal of Saturn of Dundee and Saturn of Schaumburg, is one of 21 winners nationwide of the 2005 Saturn Summit Award.