



CATA Bulletin

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Follow the rules on license plates, White reminds Ill. dealers

When it comes to displaying vehicle TRPs and license plates in Illinois, there's a right way and a wrong way. Secretary of State Jesse White wants to remind dealers—and to have dealers remind their customers—about the right ways.

White raised the matter in June during a periodic meeting with officials of the CATA.

- Temporary Registration Permits must not be covered with any plastic or other transparent film. The permits are designed to wear out after 90 days' use.

- TRPs must be secured to the appropriate area at the rear of a vehicle using four screws or similar fasteners. If the area accommodates only two fasteners, then use two fasteners.

- TRPs and license plates are not to be displayed from behind the front or rear windows of a vehicle; they must be in the designated areas.

- License plates must be displayed from both the front and rear of a vehicle. If a replacement plate is needed, the driver must purchase one.

- License plate renewal stickers must be applied only to the recessed area at the plate's upper right corner.

- License plate frames provided by the dealership must not obscure the renewal sticker. If they do, the dealership must redesign them.

How to properly advertise a manufacturer's offer of a 'matching' down payment

Various matching down-payment offers have been promoted in vehicle manufacturer advertising in recent months. The Illinois attorney general's office and the Better Business Bureau raised concerns about such advertising and asked the CATA and the IADA to remind dealers of the proper means to advertise such offers.

In a situation where a factory offers to match a customer down payment and also allows the customer to use existing rebates as the down payment, dealers and factories may advertise as shown in Box 1, in a clear and conspicuous manner.

Dealers also may advertise as shown in Box 2.

The rebate must be available to all customers. That is, it cannot be limited like a Farm Bureau rebate. The attorney general's office will consider the matching down payment program as a "limited rebate" in the following circumstances:

1. If there is no rebate for that vehicle;
2. If the factory will not permit the rebate to be used as a down payment;
3. If the rebate is less than the matching down payment program maximum (i.e., \$1,000);
4. If 0% financing (or any financing) is advertised as an alternative to the rebate.

Dealers and factories cannot use ad-

Box 1

Save \$4,000 on a year 2003 model

\$3,000 rebate
+\$1,000 matching down payment*
\$4,000 savings

*Factory will match customer's down payment of \$1,000. **Rebate can be used as down payment.**

Box 2

Buy a new 2003 model for \$16,000

\$20,000 MSRP
- \$1,000 matching down payment*
- \$3,000 rebate
\$16,000

*Factory will match customer's down payment of \$1,000. **Rebate can be used as down payment.**

vertisements which lump limited rebates with general rebates, deduct limited rebates from the price of a vehicle, or base credit/lease payments if a limited rebate is factored in. However, dealers still may simply advertise the availability of the matching down-payment program.

Also permitted under the Illinois advertising regulations: "\$1,000 down + \$1,000 matching down payment + \$3,000 rebate = \$5,000 down payment." However, the ad cannot claim

SEE **DOWN PAYMENT**, PAGE 2

Fights heat up over fuel economy

When the Senate resumes debate this month on whether to mandate more fuel-efficient cars and trucks, suspense over the outcome will largely be absent. After a few days of rehashing decades-old arguments, a bipartisan majority of lawmakers, looking out for the interests of automakers and auto workers, will vote to retain the status quo.

But outside the capital beltway and the Motor City, there are growing attempts to raise awareness that the vehicles Americans drive have an impact on the environment.

The war in Iraq renewed interest in weaning the country from foreign oil. At the same time, there is a populist backlash against government attempts to legislate or regulate the kinds of cars people buy.

Celebrities fund ad campaigns that target gas-guzzling SUVs and arrive at the Oscars in hybrid Toyotas. Nuns use shareholder resolutions to push General Motors to reduce greenhouse gas emissions. A minister launches a campaign, "What Would Jesus Drive?" that preaches a gospel of moral transportation.

Meanwhile, conservative talk-show hosts, led by Rush Limbaugh and Sean Hannity, have stepped up defenses of SUVs and warn about the government regulating people's vehicle choices. SUV owners have taken to the Web to rebut environmental groups. There's even a group called the SUV Owners of America.

It remains to be seen how it all will shake out, but one thing is clear: Fuel economy no longer is a private parlor game for auto lobbyists and Washington lawmakers.

There are signs that voters would like to see more fuel-efficient vehicles. The Sierra Club trumpets studies that find voters favor stronger fuel economy standards. But while Americans may prefer fuel-efficient cars in theory, their spending tells a different story.

Through May, sales of SUVs were up 7.2 percent from a year ago, according to a New Jersey-based research firm. The SUV segment is the only vehicle class that has seen a year-to-date increase. Overall, auto sales are down 2.9 percent for the year.

Organizations arguing for greater CAFE standards point to the war in Iraq because of the obvious connection between oil and national security. "We want to reduce the incentives for international conflicts," said Jason Mark, a spokesman for Global Exchange. "Oil is a destabilizing factor."

Others see the issue in more personal terms. Stan Bishop, a 37-year-old small-business owner, said the anti-SUV crowd really is just jealous of a status symbol. It is the very essence of America, he said, to be able to drive the biggest, most powerful vehicle one can afford.

"The anti-SUV thing really comes down to class warfare," Bishop said. "It's an excuse to pick on people who are doing well."

Down Payment

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\$5,000 in savings because the customer's \$1,000 down payment cannot be considered a savings.

This article reviews only the impact of the attorney general's advertising regulations on the latest matching down-payment programs. There are other provisions in the regulations with which such ads also must comply but which this article does not address.

An up-to-date version of the Illinois Motor Vehicle Advertising Regulations is posted on the Web site of the Chicago offices of the BBB. It appears as part of the BBB-CATA Ad Review Program, at www.chicago.bbb.org/cataad.html

Under the ad review program, developed in 1996, the BBB reviews local automobile advertising for compliance with the state's regulations. If a noncompliant ad is not revised nor modified, the matter is forwarded to the attorney general's office for review and possible action.

www.cata.info

Add the Web site to your list of favorites, and you'll have access to oodles of CATA stuff.

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Review past editions or search by topic at www.cata.info/

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How to price service labor

A service manager must establish pricing policies that compete with locally available prices yet still retain adequate profits. Prices should be developed for all the work the service department performs. The many services fall into three broad categories:

1. **Competitive labor** encompasses any services a dealer has chosen to perform competitively. Lube/oil/filter changes, alignments and wheel balances generally fall into this category. Competitive labor is charged at a low hourly rate.

2. **Maintenance labor** consists of any work that the manufacturer recommends or requires. Manufacturer-required maintenance services, automatic transmission services, air conditioning service, and emission-control services are examples. Maintenance labor is charged at a moderate hourly rate, or above the dealer's target rate.

3. **Repair labor** encompasses all other work the service department performs. This labor typically is the

least competitive, involving specialized operations like electronic engine-control diagnosis and adjustments, electrical malfunctions and other wiring-related problems; and accessory repairs and replacements. Repair labor is charged at the most expensive hourly rate.

A dealer has four options for pricing labor:

A. **Clock Hour Rate.** Customer pays an established hourly rate for the actual time spent by each technician.

B. **Flat Rate Hours.** Customer pays a uniform hourly charge for an operation's time standard, according to a flat-rate manual.

C. **Job Pricing.** Customer pays a labor charge based on the prevailing charges for similar operations at competing service facilities.

D. **Variable Labor Rate.** Customer pays one of several hourly rates, based on skill or market category, for an operation's time standard found in a flat-rate manual.

Pricing guidelines by the NADA 20 Group recommend pricing via the

Variable Labor Rate as the key to becoming competitive. Though all options have pros and cons—using variable labor rates requires periodic market surveys is one “con”—pricing by this method allows the dealer to charge based on the complexity of the job.

When the service manager can match technician skills to particular jobs, the labor pool is used efficiently and the department's competitive stance is enhanced.

One caution: Do not charge a lower rate for internal work; a technician's time and the service bay cost the same, regardless of the customer.

This information was excerpted from the study guide to the NADA's video program, “A Perfect Match: Service Department Profit, Productivity and People.”

A copy of the video and an accompanying 28-page study guide can be ordered from the NADA by calling 800-252-6232, ext. 2. Cost is \$189 plus shipping.

NADA foundation doles \$1.03 million from Survivors Relief Fund

The National Automobile Dealers Charitable Foundation this year bestowed \$1.03 million—the foundation's largest single donation ever—to establish the NADCF Survivors Relief Fund Scholarship Program, for educational assistance for people directly affected by the Sept. 11, 2001, terrorist attacks.

The NADCF contribution will be distributed to two funds. The Families of Freedom Scholarship Fund provides scholarships to spouses and children of persons killed or permanently disabled during the attacks. The Families of Freedom 2: Building Futures Through Education Fund provides scholarships

for families who suffered loss of income as a direct result of the destruction or impairment of business in the World Trade Center district.

“We are pleased to play even a small part in helping the victims of the Sept. 11 tragedies get back on their feet,” said NADCF chairman Robert Mallon. “Franchised new-car and -truck dealers nationwide have shown their compassion and commitment to America by making this contribution possible.”

The CATA in late 2001 sent \$200,000 to an NADCF trust to assist in relief efforts following the attacks. Of that amount, \$127,655 came from 50 CATA member companies and their

employees. Directors of the CATA voted unanimously to add \$72,345 to the donations.

The Survivors Relief Fund ultimately raised about \$1.7 million. The recent donation disburses the fund.

In accepting the NADCF donation, Marilyn Rundell of Scholarship America said, “This generous contribution sends an important message to the victims of the Sept. 11 attacks that people care about their futures.”

Scholarship America hopes to collect \$100 million of education support through gifts from corporations, foundations, individuals and fund-raising events.

Ford, Honda move to end leasing in New York beginning this month

Ford Motor Co. and Honda Motor Co. announced they would stop leasing vehicles in New York state starting this month due to a state law that holds leasing companies liable for auto accidents.

The moves mimic previous action in New York by General Motors Corporation.

Honda added it also would suspend new leases in Connecticut and Rhode Island should those state legislatures fail to change their liability laws.

Instead of leases, which account for about 25 percent of all car sales in New York, Ford has said it will shift new leasing customers into so-called "balloon" loans that work like a lease but transfer ownership of the vehicle to the driver.

Automakers as well as some auto leasing companies have threatened to stop leasing in New York unless the "vicarious liability" laws are changed. The laws, created

in the 1920s, were designed to hold owners of chauffeur-driven vehicles liable for accidents.

Since leasing companies are listed as owners on the titles of the vehicles they lease, the laws allow accident victims to pursue leasing companies for damages.

Ford said finance companies, banks and independent auto leasing companies faced billions of dollars in potential payouts involving hundreds of open vicarious liability lawsuits.

A bill to change the law passed the New York state Senate, but the Legislature adjourned without finishing work on the bill.

Leasing is about twice as popular in New York than in the rest of the country, largely because of the tax breaks it offers businesses and the flexibility it gives drivers to have a new vehicle every few years.

Ford officials said they would halt leases beginning July 10; Honda, on July 31.

Truth-in-Lending disclosures need review to avoid potential lawsuits

Attorneys debated nearly two years over how to present Truth in Lending disclosures so that a consumer can meaningfully shop for credit. Ultimately, a Federal Reserve Board amendment and commentary on Regulation Z clarified the matter.

Lawsuits over TILA are fertile ground—they provide for statutory damages for many violations and attorneys fees—and therefore are a favorite of plaintiffs' lawyers who seek quick and expensive settlements in cases involving dealerships.

More often than not, however, TILA lawsuits stem from errors that can be avoided. Dealers periodically should spot-check their retail installment sales contracts and processes.

Lining up a contract. An F&I officer so poorly loaded a contract in his printer that disclosures failed to print on the proper lines. Disclosures must be printed on the proper lines.

"Administrative fees and charges" is the proper term to use when completing RISCs; it sometimes is referred to wrongly as a "document" fee. Plaintiffs' attorneys would quickly argue that a document fee is some other fee for extending credit which should be included in the APR calculation.

Disclosure of official

fees. Finance companies often use different forms with different provisions to disclose and itemize amounts financed. Examine all disclosures to make sure that any charged fees are permitted legally and that they appear on the proper disclosure line of every retail installment contract.

For example, a disclosure of any official fees must be just that. If a contract discloses payment of "official fees" or "government fees," then the amount charged should be what will be paid to the government or what the dealership may be reimbursed. Averaging, guessing or charging a flat fee is not allowed. Any amounts charged should print on the proper lines of the retail installment contract.

Disclosure that the seller may retain a portion of amount charged. Non-government fees (disclosed as amounts paid to others), certain charges such as credit insurance premiums, extended service contract prices, or similar charges should include a disclosure on the RISC that "seller may retain a portion of these amounts."

Failure to include such a disclosure could subject the dealership to charges of misrepresenting the amounts paid to others.

Congratulations!

Phillip Resnick, president of **Schaumburg Toyota**, has been named to Toyota's Customer Service Advisory Board.

General Motors bestowed the President's Travel Award to four area Pontiac/GMC dealerships: **Gillespie Pontiac** in Chicago, **Mike Haggerty Pontiac-GMC** in Oak Lawn, **Schepel Buick-GMC** in Merrillville, Ind., and **Village Pontiac-GMC** in Naperville. The President's Travel Award, a subset of GM's Leaders of Distinction awards, is given based on sales performance as well as strong performance in CSI/RSI.

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