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License/title fees not part of Sept. 1 tax hikes

A staggered rollout of tax and fee increases beginning Sept. 1 left some Illinois dealerships confused about when the changes affect them.

The price increases effective Sept. 1 are on carbonated drinks, candy made without flour and alcohol. Fees related to owning and driving a car increase at the end of this year.

Beginning Jan. 1, Illinoisans will face the following rate hikes impacting motor vehicle title fees (Certificate of Title & Transfer of Registration); and other fees related to owning and operating a vehicle:

• Certificate of Title fees increase from $65 to $105

• Transfer of registration fees increase from $15 to $30

• License Plate Fees (Motor Vehicle Registration)

• Passenger and Truck B registration fees increase from $79 to $99

• Also, tripling the cost for new and renewed driver's licenses, from $10 to $30, will generate an estimated $30 million annually.

The tax and fee increases, combined with state debt and federal and local matching funds, reportedly fund the $31 billion Illinois Jobs Now! plan.

It is the first statewide capital construction effort to become law in over a decade.

CARS audit staff up 9-fold, but payouts still lag

CARS
car allowance rebate system

The original staff of 225 workers assigned to review dealer invoices under the CARS program has been bolstered to 2,000, but reimbursements to the dealers continue at a snail's pace.

The government does not release reimbursement data. But a survey by the National Automobile Dealers Association on Aug. 27, two days after the submission deadline, found that dealers had been paid on just 5.7 percent of their claims, and that 83.7 percent of the applications are still under review.

The National Highway Traffic Safety Administration, which manages the CARS program, held a ninth Webinar on the topic on Sept. 2. Officials said the presentations are helpful for them to disseminate program updates and to get a feel for dealer concerns, from among more than 1,000 questions submitted during each presentation.

Among other impressions, it appears that while the NHTSA favors documents to be submitted in a pdf format, a number of the staffers who are reviewing the submissions are not familiar with Adobe Reader.

Frank Borris of the NHTSA said daily training sessions for the reviewers now emphasize Adobe Reader's zoom feature so that a document can be viewed more clearly. That has reduced rejections, he said.

Reviewers also have been coached to look for subsequent pages in documents. Many submissions have been rejected for missing signatures and the like, even though the information is included somewhere after a document's first page.

The CARS program's intention of treating submissions on a first-in, first-out basis has not been fulfilled, with many dealers saying their July transactions still have not been treated.

"We apologize," said the NHTSA's Dan Smith. "From now forward, our plan is to do that. Within a couple weeks, that is an issue you won't see. We're moving faster every day."

Smith said as many as 650,000 submissions remain in the system, and the NHTSA is processing thousands daily, "when system stability permits. We'd like to ramp that up to tens of thousands per day, but we're not there yet."

Dave Billion, a South Dakota dealer, said he is waiting for $3.2 million from the government. Billion said one submission was rejected for multiple reasons. "We didn't see anything wrong with it," he said, "so we resubmitted it.

"They rejected, we resubmitted it. They rejected it, seven times and finally they paid it, and we never changed a single thing on it."

Miles per gallon an accurate measure of new hybrids' efficiency?

General Motors promises its forthcoming Volt hybrid electric car will push fuel-economy levels to new heights. It also could spark an overhaul of the miles-per-gallon standard, a number that doesn't tell consumers enough about the next generation of vehicles.

In recent weeks, GM has touted the Chevrolet Volt's expected 230 mpg fuel economy in city driving. The big number dwarfs the mileage of any car on dealer lots.

Yet high mileage claims for the Volt and other planned plug-in automobiles highlight what the Wall Street Journal contends is a deep flaw with the mpg standard: As automobiles increasingly rely on multiple fuel sources, or on electricity alone, gauging their efficiency in terms of gasoline risks giving consumers inaccurate information about the financial and environmental costs of driving.

Reporter Carl Bialik wrote Aug. 26 that, in hybrid vehicles, one problem is that mileage variation could be extreme, depending on which fuel source is being used.

In addition, the Environmental Protection Agency hasn't finalized rules for how it will measure fuel economy on the Volt or other cars that can be plugged into an electrical outlet. Until then, manufacturers' claims won't be fully comparable.

For instance, the 230-mpg figure for the Volt, which will be able to run on both electricity and gasoline, doesn't incorporate the use of electricity. The Volt's mpg claim also is based only on city driving—a standard that favors electric cars.

Different drivers "will get wildly different numbers for the exact same vehicles," since some drivers will rely more on gasoline, says Jon Lauckner, GM's vice president of global product planning. "That's why the EPA needs to develop a robust methodology."

Calculating the Volt's fuel economy is complicated because of its two power sources. The Volt's battery, when fully charged, can power trips of about 40 miles, according to GM.

Battery-fueled trips won't use any gasoline, although they will require electricity. Once the battery runs out, the engine begins drawing on gasoline.

So drivers who use the Volt only for short trips, relying only on electricity, in theory could enjoy infinite fuel economy. Meanwhile, drivers who routinely use the Volt for long journeys, where gasoline power would be necessary, would see a far lower fuel economy than the 230 mpg advertised.

GM's Mr. Lauckner says the company based its numbers on EPA draft regulations. An EPA spokeswoman says the agency doesn't have a draft available for public consumption.

In Memoriam

Philip Pascarella, who founded Phillip's Chevrolet in Frankfort in 1968, died Sept. 1 at age 81.

Mr. Pascarella, a U.S. Army veteran, also owned Ford, Chrysler, Plymouth, Buick, Pontiac, Mitsubishi and Isuzu franchises until he retired in 1994 after a 40-year career. His son Curtis now presides over Phillip's Chevrolet.

He also was a member of several Frankfort institutions: St. Anthony's Church, the Moose Lodge, and the Lions and Kiwanis Clubs.

Mr. Pascarella is survived by his wife, Shirley; another son, Philip; and a daughter, Denise. Memorials appreciated by the American Heart Association, (312) 346-4675.

Latest Chicago Auto Outlook examines used-vehicle sales

The new Chicago Auto Outlook newsletter reports that the drop in retail used-vehicle registrations was less less than half that for new-vehicle sales during the first seven months of this year versus the same period a year earlier.

Read the full edition at www.cata.info, under "Publication."

Marketplace

GM/GSM Highly motivated, experienced, accomplished in 20+ years successful dealership management. Extensive knowledge of all facets of retail automotive industry. Responsibilities have ranged from personnel recruitment/development to process evaluation and design; business plan development, forecasting and budgeting to marketing and advertising; inventory control to customer and employee relations. James Borchers, 847-846-2652.

Résumé on file at the CATA.

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Review past editions dating to 1998 or search by subject at http://cata.drivechicago.com.

Jerry H. Cizek III **President, Publisher**
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CF revises its new 'Reserve Account' payment policy

By Ray Scarpelli Sr.
Metro Chicago NADA Director

When Chrysler Financial (CF) exited the floor plan market, many Chrysler dealers had to find a new floor plan finance source. At the same time, CF sent Chrysler dealers (including those not floored with CF) demands for sizable payments to fund a "Reserve Account" to cover certain contingent chargeback obligations related to outstanding retail paper purchased by CF.

Unless dealers made these payments, CF refused to terminate the Uniform Commercial Code (UCC) financing statements. Chrysler dealers had numerous concerns about these payments, but in many cases, they felt constrained to pay them as they generally could not obtain alternate floor plan financing without the release of the UCC liens.

After receiving dealer complaints about the policy, NADA Regulatory Affairs carefully analyzed the relevant documents and identified several legal concerns relating to the payment demand and the basis for the payment calculation. NADA outlined these concerns in a detailed, strongly worded letter to CF and in communications to the Presidential Auto Task Force.

While continuing to defend the legal sufficiency of its Reserve Account payment policy, CF responded by announcing a major policy change that took effect immediately. In short, Chrysler dealers now have two options: (1) they can still make a one-time (substantially lower) payment to settle all such contingent liabilities, or (2) they can continue to pay the chargeback liabilities on a monthly "pay-as-you-go" basis.

Importantly, CF has confirmed that, under either option, CF will terminate the UCC filings upon payment of the dealer's outstanding loans with CF. Dealers who already had paid under the original program will be able to make the same choice and obtain any refund in the difference of the amount due.

The NADA would like to acknowledge NADA Director and Chrysler Industry Relations Chairman Chuck Eddy, several other dealers, and ATAEs for their input and assistance with this issue.

The NADA has communicated the policy revision to Chrysler dealers.

Text with caution

With the use of texting soaring, the popularity of this communication tool may invite scrutiny from regulators. So, before texting, dealers need to consider the applicable federal regulations.

A text message can be deemed a phone call, an e-mail, or both under federal law. The Federal Communications Commission considers texts to be phone calls under the Telephone Consumer Protection Act. That means you can't send a text "solicitation" to a phone number on your company-specific "do not call" (DNC) list or to one on the national DNC list (subject to the "established business relationship" and other exceptions).

Also, you can't send any text to a cell phone number when using an "automated dialer system"—regardless of the nature or whether it's on a DNC list—unless you have the person's "prior express consent." That means any messages sent via computer—even if service reminders or communications with current customers—are prohibited unless dealers have the recipient's consent.

Likewise, a text sent as e-mail—sent to an Internet domain with the "@" symbol—is subject to CAN-SPAM rules, which prohibit the sending of any commercial e-mail messages to wireless devices unless dealers have "express prior authorization." In some cases, text messages fall into both categories and are subject to both sets of regulations. For more on how to comply, visit www.nada.org/regulations.

In other legislative and regulatory news . . .

Many dealers have asked how they should treat "clunkers" credits. The CARS act doesn't specify the tax treatment of "clunkers," but **the Internal Revenue Service now weighs in**.

In a recent automotive alert, the IRS states that under CARS, the credit is not taxable as income to the car buyer. The law does not address the taxability of the credit to dealers or the deductibility of any expenses incurred by participating dealerships.

In general, credits are part of dealers' gross receipts and counted as income in the year the vehicle is sold. Dealerships are allowed to offset gross income by the cost of goods sold. The IRS urges dealers to maintain proper records of CARS-related transactions, including any expenses incurred. For more info, visit www.nada.org/regulations.

The IRS is urging dealers to post flyers about the **sales and excise tax deduction**, pushed for by dealers and included in the American Recovery and Reinvestment Act (ARRA) earlier this year. The agency suggests posting flyers in high-customer-traffic areas of their stores.

The deduction applies to sales and excise taxes on the purchase

See Scarpelli, Page 4

Contract finalized with area's unionized technicians

Several lingering matters have been settled related to the new four-year collective bargaining agreement with area technicians organized by the Automobile Mechanics' Local 701 union.

Technicians ratified the tentative agreement in late July; the agreement took effect Aug. 1.

David Radelet, a partner in Franczek Radelet, PC, summarized the final points in the contract to be settled:

Contract Finalization and Distribution. Negotiators have completed the process of converting the language of the tentative agreements into the new contract, reviewing the proofs and finalizing the contract. The contract is at the printer, and Radelet said the new contract booklet would be finished by mid-September.

The Union will distribute the new contract to all dealers together with the new participation agreements for the benefit funds, collecting dealer signatures as they do so. Radelet has prepared a cover memo for the Union to use in this process so that the dealers all know it's OK to sign.

Side Agreements. Thirty-seven dealers identified side agreements of various types that they wanted to renegotiate with the Union. This process started once the Standard Agreement was finalized.

Twenty-one of the 37 dealers ultimately decided not to proceed with negotiations on those issues, electing instead to keep their side deals in place. Of the remaining 16 dealers, 15 have been resolved, and the vast majority of those were resolved in favor of the dealerships.

Certifications and Training One of the highlights of the new contract is that the dealers' negotiators finally broke through on the issue of requiring certifications (ASE and other) and training for the techs.

One requirement of the new contract is that current techs (service, body shop, and apprentices) must be notified in writing of the certification requirements (not training requirements, as that would be too cumbersome) "within 60 working days of the effective date of the new agreement." To ensure that all dealers are taking full advantage of these new rights, Franczek Radelet prepared a recommended notice form which the firm will send to all dealers this month.

Body Shop Techs Incentive Percentage Pay. Certain body shop techs are paid on an incentive percentage basis. The new agreement provides that any dealer who pays body shop techs incentive percentage pay which exceeds 60/40 (60 for the dealership) has the right to vote that issue separately.

Radelet said his firm has communicated with all the dealers who he knows have body shop techs and none of them are taking advantage of this opportunity.

This probably is because the vast majority of body shop techs are paid either hourly or on a different percentage basis that is more favorable to the dealers, said Radelet.

Joliet and Chicago Heights Negotiations. These negotiations technically are outside the "jurisdiction" of the CATA's New-Car Dealer Committee. But Radelet said he discussed them several times during NCDC meetings, and they do relate directly to the Standard Agreement negotiations, so he wanted to provide an update.

Those negotiations have now been finalized at all dealerships except one, and new agreements have been voted and ratified at all locations.

This year's negotiations improved over the process in 2005, when negotiations stretched into December before being resolved.

Also, the dealers agreed to change the expiration date of their contracts to July 31; therefore, in the future, these dealerships will be on the same bargaining cycle as the bigger group and the need for separate negotiations will be eliminated.

The negotiations at these locations were focused exclusively on bringing those agreements in line with the Standard Agreement to the greatest extent possible. Although a few differences remain (e.g., a couple of those dealerships participate in the National IAM Pension Plan as well as the 701 Pension Plan), those differences will be treated as "side agreements" in future negotiations.

Scarpelli

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of new vehicles bought through Dec. 31, 2009; buyers can deduct these on their 2009 returns. New-vehicle buyers in states that lack sales taxes have other means of obtaining the deduction.

For more information and to download a copy of the flyer, go to http://www.nada.org/legislativeaffairs/tax/auto-sales-tax-deduction/StimulusLaw.htm.

In NADA news . . .

Recent events in the automotive industry—the bankruptcies, CARS, credit crisis, challenges to state franchise law, and more—illustrate more than ever the importance of the NADA's proactive engagement in forcefully communicating dealer views and concerns to all branches of the federal government, to manufacturers, and to the public.

This core mission of NADA is proven out minute-by-minute in today's volatile industry. **The NADA's effectiveness** in protecting and enhancing the franchise system starts with you—the dealer. To learn more about the value proposition you cannot afford to be without, contact the Membership Department at (703) 821-7113 or visit www.nada.org/membership.