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Table set for Chicago Auto Show

With optimism observed at the recent auto shows in Los Angeles and Detroit, there's every reason to think the positive vibe will continue in Chicago, when the nation's largest auto show opens its doors Feb. 12 for a 10-day run.

The automotive industry is in flux, but it also is in a perpetual state of looking forward and bringing new products, new technology and new vision to consumers who buy new cars and trucks.

"Whether it's cars, tech or fashion, the public has an ongoing desire to see 'what's new,' " said John Phelan, chairman of the 2010 Chicago Auto Show. "Here, they'll be able to see all three of those elements merged into one.

"We have to remember, though, that vehicles that were introduced in other places over the past few

months may already have been seen by the media, but not the general consumer. For the show-going consumer, everything is new."

Phelan added: "I'd suggest that an auto show's real success is measured by how it helps to market brands and vehicles to customers, how it motivates them to leave pumped up to visit a dealership, and how it rekindles the American love affair with the car.

"If we do that, then our show is an unqualified success. And that's precisely what we're aiming to do."

Mobile marketing

Text messaging today exceeds old fashioned telephone calls as the preferred form of communication for cellular phone users.

Recognizing this shift in consumer behavior, and cap-



CATA: Working for you

Association staff have identified the Illinois lawmakers in districts where area dealerships are located. The names will be shared with CATA lobbyists, who interact with elected officials on state, county and local levels to enact legislation that benefits dealers.



With the new year, dealers have new state legislation to monitor

Spring is approaching. Some lawns will sprout Kentucky Bluegrass; some will sprout crabgrass. Which brings us to the Illinois General Assembly.

State lawmakers in the early days of the latest legislative session introduced myriad bills, several of which concern dealers and motorists. Among them:

- Drive-away permits issued to out-of-state purchasers would be valid for 30 days, up from the current seven days, under House Bill

4796. Introduced Jan. 12, the bill quickly shuttled to the chamber's Rules Committee, a sort of elephant graveyard where legislation often is sent to die. No action on the matter has been taken since.

- Hitching a wagon to Green mania, House Bill 4717 asks lawmakers to consider amending the Illinois Vehicle Code to allow the owner of a motor vehicle of the second division, which weighs up to 8,000 pounds and which is propelled by an

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Dealers must take steps to shield the business from fraud

The opportunity to commit fraud, plainly stated, is a weakness in a company's internal controls that has been exploited by the fraudster.

Whenever fraud occurs, there are three aspects prevalent: the incentive to commit fraud, the rationalization of one's actions, and the opportunity to commit fraud.

While incentive and rationalization are difficult to control, management can prevent many opportunities for fraud by monitoring and updating its system of internal controls.

Preventive controls are put in place before a transaction is entered into the company's books, and include:

- **Segregation of Duties** Ensure no one individual has complete control over any one process.
- **Policies and Procedures** Address appropriate behavior, expectations, and consequences.
- **Spending Limits** Assign based on the individual's role within the company. Thresholds for a second or third reviewer should be defined in company

policies and procedures.

- **Preapprovals/Required Approvals** Outline the circumstances under which purchases and/or decisions are approved in advance.

- **Budgets** Establish and prepare on a department-by-department basis.

- **Passwords** Should never be shared or written down; should be of appropriate length and consist of a combination of letters, numbers, and special characters. Passwords should be changed periodically—typically every 90 days.

- **Document Control Numbers** Pre-number invoices and receipts and account for every number.

- **Computer Backups** Back up data on a regular basis and periodically verify the reliability of the backup.

- **Job Rotation** Rotate jobs periodically to ensure adequate coverage in the event of employee turnover, as well as to change who is handling sensitive information on a regular basis.

- **Drug Testing** Conduct before an individual is hired, upon promotion, or on a random basis. An individual with a

drug problem will need money to purchase drugs.

- **Credit Check** Conduct before an individual is hired or promoted into a more sensitive position. If hiring for a financial position, be wary of hiring an individual with bad credit—he/she will be coming into the company with incentive to commit fraud.

If you implement one new control, let it be the perception of increased detection and the assurance that the company is willing to impose consequences appropriate to the situation, up to and including prosecution.

This article is adapted from "A Dealer Guide to Preventing and Detecting Fraud," the first publication to be delivered to members online, upon this month's launch of NADA University.

Available only through NADA University's Resource Toolbox, all publications will include an executive summary, electronic routing to any appropriate dealership staff, and online tracking to ensure the material was reviewed and understood.

Chicago ranks high as EV-ready

Scandinavian electric vehicle maker Think rates Chicago third among U.S. cities as most likely to begin and benefit from the transition to electric vehicles, or EVs.

Think chief executive Richard Canny said his company's EV-Ready Cities Index, released Jan. 21, "reflects the available government support, consumer acceptance, and the opportunity for EVs to provide the maximum benefits possible from electric drive."

New York City tied Chicago for third place, behind Los Angeles and San Francisco in the first-of-its kind study.

Canny said that since EVs are a unique solution for congested urban environments, Think compared cities rather than analyze a national or state-by-state approach to EV compatibility.

The Think EV-Ready Cities Index examines account purchase and usage incentives—such as HOV lane access and infrastructure support—for electric vehicles as well as market fit, which includes factors such as hybrid sales, traffic congestion, EPA non-attainment zone status (air quality), and potential lower-carbon energy sources for vehicle recharging.

Think's EV, named Think City, goes on sale this year.

AIADA to mark 40th anniversary

The American International Automobile Dealers Association celebrates 40 years and looks to tomorrow's challenges at its Annual Meeting Luncheon, Feb. 15 in Orlando, Fla. John Krafcik, president and CEO of Hyundai Motor America, will present the keynote address.

Tickets are \$75 each. To register, go to www.aiada.org/events. The gathering coincides with the annual convention of the National Automobile Dealers Association.

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Review past editions dating to 1998 or search by subject at www.cata.info.

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Understanding your electric options

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The deregulation of the electric market has led to many benefits for consumers, including lower rates and options to meet diverse budget needs. It has also, however, led to some confusion. Faced with a marketplace that has changed several times over the past few years and continues to change, coupled with an influx of suppliers, many of which offer different options and recommendations, it would be surprising if consumers were not confused. The good news is that once you understand a few basic concepts, the market and your choices are not so confusing. One of the most important factors you should understand is what you are being billed for.

If you review your electric invoice, you'll notice that you are billed for quite a few charges. The majority of these charges are set by Com Ed and are not negotiable. Com Ed charges the same rates regardless of what supplier you select. The only charge that can be negotiated is your electricity, or supply charge. This rate is set by the supplier you select. Based on many factors, the rate offered by suppliers will vary. Prior to entering into an agreement with a supplier, it's important to understand how the supply charge and Com Ed pass through charges will be billed and under what conditions they can be changed. Depending on the program you are being offered and current market conditions, both options may offer benefits. Please make sure you clearly understand your options as well as the terms and conditions of your agreement. Doing so may help avoid future surprises.

Suppliers generally offer either an energy only product or an all-inclusive rate. Under the energy only product, the energy charge is negotiated and billed as a separate line item. Your energy charge will be billed as either a fixed or variable rate, depending on which option you selected. Com Ed's

pass through charges should be billed as separate line items with no mark up. It is important that your agreement define how these charges will be billed. Not doing so can give your supplier the option to increase your rates.

Under the all-inclusive option, your energy charge and most, if not all Com Ed pass through charges are billed as one line item. Before you make the decision to lock those rates, it's important to understand that often those rates are not guaranteed. When locking charges other than the energy charge, suppliers are most likely locking rates they can not control. This gives them 2 options. Their first option is to insert a clause in their agreement allowing them to increase the rate they offered you in the event Com Ed raises their rate. This clause is often called a "Change in Law" clause. Their other option is to offer a rate that is truly locked, but hedge themselves against possible rate increases by increasing the amount they charge you for those pass through charges. Since it is unlikely a responsible, experienced supplier will place themselves in the position of charging you less than they are being billed by Com Ed for those pass through charges, it's important to understand that you have guaranteed yourself a maximum rate increase.

Customers are often confused as to whether their rates are guaranteed and under what conditions they may be changed. Please review your agreement closely, as the agreement, not the proposal or the word of a sales representative is binding. If an agreement does not explain your charges in unambiguous language, we recommend having the supplier clarify the language prior to signing the agreement. If they will not do so, we recommend considering another supplier.

Editor's note: The CATA encourages its members to explore the natural gas and electricity rate structures of Utility Management Group, a licensed Illinois energy broker. The company's Elmhurst office is (630) 279-0117.

Legislation

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electric engine and does not use motor fuel, to register the motor vehicle for a fee not to exceed \$35 for a 2-year registration period.

Second division vehicles carry more than 10 persons and are designed or used for living quarters or for hauling freight. Since 1999, First Division electric motor vehicles, which carry up to 10 passengers, already qualify for the \$35 two-year fee.

- Vehicle head lamps or daytime running lights would be required at all times under House Bill 4701's amendment to the Illinois Vehicle Code. But law enforcement agencies acting in their official capacity would be exempt from the provision.

- House Bill 4778 would strike the extra \$15 charged to those who seek a Korean War veteran license plate. Of the current fee, \$13 is deposited in to the Secretary of State Special License Plate Fund, and \$2 is deposited into the Korean War Memorial Construction

Fund.

- Senate Bill 2849 amends Illinois Vehicle Code language on certificates of title to define an "owner" as a person who holds legal document of ownership of a vehicle, limited to a certificate of origin, certificate of title, salvage certificate, or junking certificate.

But if a vehicle is the subject of a sale or lease, or in the event a mortgagor of such vehicle is entitled to possession, then such conditional vendee or lessee or mortgagor shall be deemed the owner.

Toyota accelerator pedal recall forces all dealers to hit the brakes

Toyota's Jan. 21 recall of 2.3 million vehicles impacts more than just Toyota dealers. Any dealer with used Toyotas that are part of the recall are strongly advised NOT to sell affected Toyota vehicles unless or until the recall work has been completed.

The recall involves fixing accelerator pedals in certain Toyota Division vehicles; Lexus Division and Scion vehicles are not part of the recall. Toyota engineers developed a reinforcement to the pedal assembly that eliminates the excess friction that caused some pedals to stick. Toyota also developed an effective solution for vehicles in production.

Parts to reinforce the ped-

als are being shipped to Toyota dealers, and dealer training is under way.

The federal Motor Vehicle Safety Act does not specifically prohibit the sale of a used vehicle that is subject to a manufacturer's recall. But a dealer who sells a used vehicle with an uncorrected recall defect runs the risk of significant liability, in the event of personal injury involving an accident related to the uncorrected defect.

Dealers in such cases can be sued for negligence for selling the vehicle with a defect they knew (or should have known) was subject to a manufacturer's recall.

The National Highway Traffic Safety Administration

has advised manufacturers to "encourage" their dealers to ensure that used vehicles subject to a manufacturer's recall have all applicable recall work completed before selling such vehicles to the public.

Under Illinois law, the sale of a used vehicle without disclosure to a consumer of a "material defect"—such as an uncorrected manufacturer's recall—may constitute consumer fraud.

However, if a dealer nonetheless chooses to sell a used vehicle subject to the recall, the CATA strongly suggests the dealer have the customer sign a Disclosure Form to acknowledge they have been advised of Toyota's recall

to correct the defect. The dealer also should have the consumer sign a waiver or release document that includes a covenant not to sue the dealership.

It should be clear, however, that while such a waiver or release may protect a dealer from a civil suit arising out of a consumer fraud claim, it cannot protect a dealer from potential personal injury claims arising from an accident caused by an uncorrected defect subject to a manufacturer's recall.

The CATA strongly advises dealers NOT to sell any Toyota models (new or used) subject to the manufacturer's recall unless or until the recall defect has been remedied.

Auto Show

CONTINUED FROM PAGE 1

italizing on last year's efforts of using SMS Texting with the auto show, the Chicago Automobile Trade Association has partnered with Text2Drive to harness the power of this communication channel.

The show is incorporating the Text2Drive Mobile Marketing platform to collect opt-in mobile numbers through campaigns in advance of the show. The efforts intend to create a buzz around special events, featured vehicles and show promotions.

"The best part about Text2Drive is that it provides multiple benefits for our attendees and exhibitors," said CATA President Dave Sloan. "Not only can we leverage this technology to help us promote the show and use it throughout the show for marketing, our exhibi-

tors can use it to uniquely promote their brands.

"Imagine someone at the show looking at the new Chevy Camaro and wanting more information. Using Text2Drive, they can immediately receive pictures and all the important information about the vehicle right to their phone."

3-D auto show via the Web

Visitors to www.chicagoautoshow.com can experience an interactive walk-through tour of the show floor, using the patent-pending WebWalk technology of NeuStep.

From the Web site, users can navigate and explore the auto show floor and visit individual exhibits. Clickable icons, or hotspots, can provide further product information through video, audio, high-resolution images, links and other embedded media.

"By using new technologies like

WebWalk, we can reach a larger audience and thus bring more value to our customers," show chairman Phelan said.

Blogging, Facebook, Twitter

Tune to www.chicagoautoshow.com/multimedia/blog/index.asp for the official 2010 Chicago Auto Show blog.

Also, sign up for the Chicago Auto Show fan page on Facebook. Registered users can post their thoughts instantaneously (some might think too instantaneously, but that's another story) and enter contests, get up-to-date information, enter photo caption contests for prizes and, in short, share the experience.

On Twitter, follow @ChiAutoShow and use the hashtag #CAS10 in any show-related tweets for second-by-second coverage from show management and everybody else in the Twitter-sphere.

Gone fishin' . . .

This newsletter takes a one-issue break on Feb. 19, in deference to the 2010 Chicago Auto Show. The next edition is March 8.