



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, Jan. 12 at 12 p.m. CST

“What’s Ahead in 2012 for Variable Departments & Other Concerns” A discussion of how dealers and top managers can capitalize on the opportunities coming in 2012 while avoiding pitfalls.

The car business has been good lately for most. Will

SEE **WEBINARS**, PAGE 2

CATA wary of TrueCar methods

Dealer associations including the CATA are challenging the recent rise of TrueCar on issues of motor vehicle advertising regulations and suspect use of data in dealers’ DMS systems.

TrueCar, the lead generation service which on Jan. 1 partnered with Yahoo.com for online auto shopping, counts a reported 5,200 dealership franchises in 49 states as clients that pay \$300 to \$400 to TrueCar for any ve-

hicle sale that originates on its website.

But the CATA contended to the Illinois Attorney General’s office that TrueCar’s business model might violate several business practices, including the state’s Consumer Fraud and Deceptive Business Practices Act.

The attorney general’s office is reviewing the matter but has not issued an opinion.

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Form 8300 notice is due Jan. 31

A reminder: Dealers by Jan. 31 must contact any purchaser for whom they were required to file a Form 8300 (Cash Reporting) in 2011, and tell them that the form has been filed with the Internal Revenue Service.

Potential language of the written statement:

“Dear Customer:

We are required by the Internal Revenue Service to report transactions involving more than \$10,000 in cash and “cash equivalents,” under the provisions of 25 U.S.C. 60501. We have filed a Form 8300 with the IRS on (month, day, 2011), indicating that you provided us with (dollar amount) in connection with the purchase of your (year, make, model). We wanted you to know that we have complied with this federal reporting requirement. Again, we thank you for your patronage.”

Dealerships should make sure they are using the most recent Form 8300, revised in November 2011.

NLRB delays poster deadline

The National Labor Relations Board has further postponed, now until April 30, 2012, the requirement that its new employee rights poster be prominently displayed in union and non-union workplaces. The former deadline was Jan. 31, 2012.

The purpose of the delay is resolve legal challenges to the NLRB's authority to impose the mandatory posting requirement.

All dealerships are required to display this poster by the implementation date. The rule has been challenged in federal courts in the District of Columbia and in South Carolina.

The CATA and the NADA are involved in the lawsuit in the District of Columbia through their membership in the Coalition for a

Democratic Workplace.

In another move, the NLRB released its final rule which radically changes the union election procedures for union representation elections. The new rule shortens election time frames, thus greatly limiting employees' opportunities to hear from employers in order to make an informed choice on unionization.

The NADA submitted comments opposing the changes, but the NLRB fast-tracked a reduced version of the amendments without taking further stakeholder input.

Through their Coalition for a Democratic Workplace memberships, the CATA and the NADA are involved in a lawsuit in federal court to block these changes as well.

Webinars

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the improved business and car sales trends of 2011 continue in 2012? What economic issues must car dealers watch closely to both maximize their gains in 2012, while avoiding mistakes that could bring about the opposite results? What strategies can we expect from the manufacturers once the 2011 supply constraints become a thing of the past? Each year is filled with its own opportunities and obstacles. While predicting the future with total accuracy is impossible, there are clues to what will transpire. The key is to be nimble and alert.

Thursday, Jan. 19 at 12 p.m. CST

"How to get to 30% Net-to-Gross: A Plan Based on Dealership Case Studies" Join in a review of how other dealers and dealer groups are achieving and maintaining 30 percent net-to-gross. If they can, you can too! The long-established net-to-gross performance benchmark remains elusive to many dealerships. Gross profit pays the bills, but it doesn't take a financial wizard to understand that the ultimate goal is a healthy bottom line: net profit. Get an action plan that you can employ in your store based on the established success of other dealers.

42nd AIADA meeting is Feb. 6

With a theme, "Legacy of Leaders," dealers and industry leaders are expected to gather Feb. 6 for the American International Automobile Dealers Association's annual meeting and luncheon.

This year's meeting, at The Las Vegas Hotel & Casino, will include keynote remarks from Mark Templin, Group Vice President and General Manager at Lexus.



Templin

"Lexus has proven itself a leader in the U.S. auto market, and Mark Templin has played a central role in making it one of today's most popular luxury brands," said AIADA President Cody Lusk.

"His remarks will provide invaluable perspective for dealers considering how our industry can continue to lead in the U.S."

Tickets are \$80 each, or \$600 for a table of eight. To register, call (800) 462-4232.

The meeting and luncheon also includes the presentation of the David F. Mungenast Lifetime Achievement Award and the passing of AIADA's chairman's gavel to Chairman-Elect Ray Mungenast of Missouri.

Marketplace

Sales/Marketing Self-motivated professional with background as a dealer principal and a complete working knowledge of sales and management. Major strengths include a loyal following and client base, ability to organize and develop a cohesive management and sales team, train and develop inexperienced salespeople into informed and responsive sales professionals. Donald Cranley, (708) 228-9064.

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.

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NADA: 3 factors will lead to 13.9 million new-vehicle sales in 2012

As the U.S. economy continues to improve this year, the National Automobile Dealers Association's chief economist predicts more than 13.9 million new cars and light trucks will be purchased or leased in 2012.

Paul Taylor, who is forecasting sales of 13.945 million new cars and light trucks for 2012 in the U.S., cites three key factors for the increase:

- (1) Aging vehicles,
- (2) Affordable credit, and
- (3) Aggressive incentives

A key factor that will drive new-vehicle sales in 2012, said Taylor, is pent-up demand in the marketplace caused by more consumers shopping out of necessity to replace their aging vehicles.

"With the age of cars and trucks on the road today at nearly 11 years,

consumers can no longer delay purchasing a new or newer vehicle," he said.

An increased availability of affordable credit from competing lending sources for auto loans is another factor that is likely to result in higher auto sales this year.

"Interest rates on new-car loans will remain historically low in 2012 due in part to policy decisions by the Federal Reserve Board to keep rates low and the U.S. economy growing," Taylor said. "As a result, affordable credit will be widely available in 2012, with more automaker finance companies offering low-interest and interest-free loans for up to 60 months."

Taylor said both domestic and international automakers will wage an aggressive battle to capture U.S. market

share in 2012 by rebuilding a diverse selection of vehicle inventory at dealerships, ranging from cars and CUVs to truck-based SUVs.

A decline in gasoline prices, he added, also will lead to car buyers considering a wider range of vehicles in different segments.

"Auto sales typically increase with the exposure given to new vehicles during the auto show season in the first quarter and beyond," Taylor said.

"Lower vehicle costs for car buyers through manufacturer incentives and rebates, combined with low interest rates, will support stronger sales in 2012. And higher prices on used vehicles means higher trade-in prices when shopping for a new car or truck."

As used-car loan lengths increase, so does risk for borrowers, lenders

Following the trend of vehicles staying on the road longer, so too are used-car loan terms getting longer.

That's in part because pre-owned vehicles are in demand today, keeping their residual values strong. They also last longer because of quality improvements in recent years compared with their relatively short-lived predecessors.

And lenders have become more competitive. Five-year loans on 4-year-old cars could come soon "because of high used-car prices and aggressive lenders," said Ricky Beggs, managing editor of Black Book, an auto-pricing guide.

Pre-owned vehicle loans typically are shorter than those for new cars. Financial

institutions can balk at extending payback terms too far out for older vehicles that have been around the block more than a few times.

"Long-term used-vehicle loans are risky propositions," said Jonathan Banks, an auto analyst for the National Automobile Dealers Association. "They are like vehicle leasing; it's a great tool until you go too deep."

Led by banks, financial institutions have accelerated their auto lending, in contrast to putting the brakes on much lending during the financial crisis of 2008-2009.

"They are buying deeper to get greater market share," said John Gray, Experian Automotive's vice president-sales. "They are offering more-aggressive terms and

attractive rates."

The average prime rate on used-car loans is 5.5 percent, compared to 3.7 percent for new vehicles, according to Experian. The subprime rate average for used cars is 13.1 percent and 8.5 percent for new vehicles.

"Banks are going after those longer used-car loans," Banks said at a recent National Remarketing Conference. "They are scooping up as many as they can.

"But if you have a 3-year-old vehicle and push the loan out five years, it's an 8-year-old car by the end of the loan. There is a point where the depreciation becomes rapid."

When that happens, the amount of the outstanding debt becomes substantially

greater than the value of the vehicle. It's a risky proposition for both borrowers and lenders.

Today's long-term lenders depend a lot on the greater reliability of today's cars because major maintenance problems can spark credit defaults, especially by at-risk borrowers. An adage of the business is that if a subprime customer's car stops running, chances are the payments will stop too.

Consumers who opt for longer loan terms tend to have lower credit scores, Gray said.

In the first half 2011, the average credit score for people with a 73- to 84-month auto loan was 709, according to Experian. In 2009, the average score was 730.

Help promote the show!

Materials coming for 2012, Chicago Auto Show

Materials shipped Jan. 6 to all members of the Chicago Automobile Trade Association in good standing, to help them get through the coming year and to help publicize the Chicago Auto Show, Feb. 10-19 at McCormick Place. It's your show; please promote it.

Packages sent via United Parcel Service to dealer principals and company presidents include the following:

- 1 CATA-member 2012 window decal; and
- 1 form to photocopy to order free supplies of odometer statements, used-car buyer's guides, used-car limited warranty statements, and emission control equipment statements.

Also, to promote the 2012 Chicago Auto Show, the shipment includes:

- 4 Chicago Auto Show easel cards;
 - 2 Chicago Auto Show posters;
 - 1 First Look for Charity poster;
 - 2 CATA member tickets good for admission throughout the auto show;
 - 50 Employee Appreciation Day admission tickets, valid Feb. 10 and Feb. 13-17;
- and
- 200 discounted admission vouchers to offer to customers.

Don't forget to **purchase** additional admission tickets to the auto show as well as any First Look for Charity tickets.

Any member who does not receive the UPS shipment by Jan. 16 should notify the CATA. The shipments can be tracked, to help resolve problems.

TrueCar

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The CATA is not involved in any communications that urge dealers to avoid or sever a relationship with TrueCar. But dealers across the country who signed on with TrueCar in 2011 are reconsidering their relationship. Tepid vehicle closings—and in the face of statutory infractions—have led some to walk away.

Shoppers using TrueCar.com choose a vehicle and see information labeled as invoice price and dealer cost. The shopper then specs out a vehicle, and participating dealerships near the shopper's ZIP code offer prices which can be below TrueCar's invoice price. TrueCar says the offer includes all fees but no taxes, and has no expiration date. The dealer pays TrueCar for every completed new-car sale.

One Illinois dealer accuses TrueCar of acting as an intermediary bro-

ker without franchisor or manufacturer standing, and said the certificates TrueCar issues free to customers but sells to dealers amounts to price-fixing and a contract to sell. Other dealers contend that TrueCar adds negative value because it wants to be paid more than what the dealership nets on a sale.

The Illinois AG's office has been asked to examine Internet sales practices that potentially violate state advertising regulations related to coupons and free gifts. If a customer obtains from a lead generating service a certificate to buy a car at a lower price than the price offered to customers who do not use the service, the certificate could violate Section 2J.1 of the Consumer Fraud and Deceptive Business Practices Act (815 ILCS 505/2J.1).

Also, TrueCar enters its car-buying customers into drawings for \$5,000 prizes. That could be a violation of Section 475.590 of the Illinois Motor Vehicle Advertising Regulations, which

prohibits the use of free prizes, gifts, or other incentives in connection with the sale or lease of a vehicle, except as part of a manufacturer or manufacturer-approved advertising association program.

Other concerns focus on TrueCar's access to a dealer's DMS system and what information it extracts. If a third party misuses a dealer's customer data, the business's privacy notice may not sufficiently protect it, and the dealership could face a legal complaint over the misuse of customer data.

In a recent statement about legal issues that various states have with the company's marketing methods, TrueCar said, "We have admittedly seen an increase in dealer cancellations, but we are confident that we can earn these dealers back as our active engagement with regulators, coupled with our current and planned product enhancements, will allow TrueCar's model to conform to the state regulatory schemes."

CATA membership dues up-to-date?

A nice chunk of free and discounted opportunities to attend next month's Chicago Auto Show is being sent to CATA members whose memberships are in good standing.

Like seemingly every other benefit offered by the association, the value far exceeds the \$400 annual membership dues.

Have a question about what all of those benefits are? Call the CATA staff at (630) 495-2282. They'd be happy to identify them.