CHICAGO AUTOMOBILE TRADE ASSOCIATION
AUTO SHOW

CATA Bulletin

DriveChicago.com
Virtually Every Vehicle In Town!™
official Web site of CATA dealers

a biweekly newsletter

Volume 103, No. 20 October 9, 2006

Sign-ups underway for coming Service Management Bootcamps

Two openings remain for the Nov. 7-10 Service Management Bootcamp at the CATA. The subsequent four-day Bootcamp is in January, and the CATA intends to hold future fixed ops training programs quarterly.

The initial Bootcamp, in September, was greeted with positive reviews by the 15 service managers who attended. Those service managers now advance to a Service Manager 20 Group that will meet three times annually over the next three years, beginning Nov. 14-15.

The Bootcamp lead instructor is Lloyd Schiller, who in 1983 formed Dealer Service Corporation. DSC now is a company of NCM Associates, which founded NADA 20 Groups.

"A lot of training seems the same, like you know what to expect," said D'Arcy Buick-Pontiac-GMC Service Manager Mark Holzapfel. "But Lloyd does a great job by adding new twists.

"Lloyd really knows how to get a point across. He gets the group involved. It's not just sitting behind a desk for eight hours."

The CATA is significantly underwriting the tuition for the new instruction for fixed ops personnel. Enrollment in similar continuing education programs through other dealer associations typically costs $2,800 for the Bootcamp, plus $250 a month over the three-year 20 Group. Special CATA member prices are $1,000 for the Bootcamp and $160 a month for 20 Group tuition.

SEE **BOOTCAMP**, PAGE 4

CATA Learning U's next AFIP certification testing Nov. 16, 17

The next round of one-day AFIP-certification tests at the CATA are Nov. 16 and 17. Self-study materials are issued upon registration, so earlier registrants will have the most time to study.

To register, call the Association of Finance and Insurance Professionals at 817-428-2434. Tuition is $500, but CATA dealers get reimbursed 50 percent upon an employee's successful completion of the course. That offer exists for all CATA Learning University coursework.

Certification by the AFIP implies a technical competence and ethical conduct, and is considered "the MBA of the F&I profession."

The AFIP certification course is a college-level review and instruction on the federal and state regulations that govern the F&I process. Staffers who are AFIP-certified can generate dealership profit and dramatically reduce the chance of legal action in today's litigious environment; they are bound to a code of conduct that holds them accountable for their actions.

"F&I is one of those unique occupations where

SEE **AFIP**, PAGE 4

DOC fees surging across country

Most states don't cap increases

Documentary service fees are as high as $900 in the roughly 30 states without set fees or caps on fees, with the paperwork processing charges an average $400 to $700 in those states, The Wall Street Journal reported Oct. 3.

In Illinois, the original fee in 1992 was $40, and annual increases have been tied to the federal Consumer Price Index, as measured by the U.S. Labor Department. The maximum DOC fee in Illinois for 2006 is $57.33. Indiana dealers may charge a DOC fee that reflects expenses actually incurred in preparing any documents.

A new law in Ohio lets dealers charge as much as $250 for doing the paperwork, up from the previous limit of $100. In California, a law that takes effect Jan. 1 raises the limit to $55 from $45 for dealers in the state. Many dealers in the Las Vegas area charge processing fees of about $400, compared with area fees of about $200 a decade ago.

Consumers and lawmakers in some cases are fighting the fees. But dealers in the states without fee caps say they have charged more

SEE **DOC FEE**, PAGE 4

Gas mileage an increasing deal-killer for new-car buyers

Even with a recent abatement in gasoline prices, a vehicle's fuel efficiency has climbed to become the third leading reason for new-vehicle shoppers to keep shopping, a new J.D. Power and Associates study found.

The 2006 Escaped Shopper Study, which examines why consumers consider a model but ultimately purchase a different make or model, finds that nearly 17 percent of new-vehicle shoppers cite gas mileage as a reason for vehicle rejection, up from 13 percent in 2002. That reasoning trails only "total price too high" and "total monthly payment too high," respectively.

"Although gas prices have begun to recede, new-vehicle buyers are likely to continue to be wary of volatile gas prices," said Jeff Zupancic of J.D. Power. "Considering that fuel prices did not increase significantly overnight, consumer demand for more fuel efficient vehicles has also been gradual. This is especially evident across certain vehicle segments."

In particular, heavier models with poor fuel economy, such as utility vehicles and pickup trucks, have the highest rejection levels due to gas mileage. Utility vehicle shoppers who reject a vehicle due to gas mileage will typically purchase a smaller utility vehicle that is similar in configuration to the larger vehicle they rejected.

For example, nearly one-half of all shoppers who consider a vehicle in the compact utility segment (EPA average fuel economy of 18 MPG) end up purchasing a vehicle from the compact CUV (crossover utility vehicle) segment (24 MPG average fuel economy).

"In the long term, vehicle models that offer a choice of engines, such as fuel efficient four-cylinders for those more sensitive to fuel prices, as well as more powerful six-cylinder engines for those seeking power, will have a distinct advantage in the market place," said Zupancic.

"Manufacturers have responded to these consumer needs by introducing CUVs as replacements for, or alternatives to, their truck-based utilities. These CUVs combine the high-seating position and passenger/cargo carrying capacity of utility vehicles with a car-like ride and better fuel-economy."

Price continues to be the most cited reason for vehicle rejection, with 36 percent of shoppers rejecting because the "price is too high." Despite the common perception that premium shoppers are less concerned with the cost of their vehicle, both premium and non-premium brands are rejected due to price at a similar rate—59 percent and 58 percent, respectively.

The J.D. Power study is based on responses from 30,719 new-vehicle owners who were surveyed in May and July 2006.

Texas revamps 'liar's affidavit'

In tax collector offices throughout Texas, they were known as "liar affidavits," signed statements that a buyer paid a certain price, often far below market value, for a used car.

That all changed Oct. 1, when the state began relying on a used vehicle's "book value" to calculate how much sales tax a person pays when buying from a private party.

Used-vehicle buyers who have been understating sales prices are expected to pay more in taxes on purchases from private parties, thus raising their overall costs.

"The form was commonly referred to as 'the liar's affidavit,' said Paul Bettencourt, a county tax assessor-collector. "This shuts the fraud off."

In a special session earlier this year, the Texas state legislature changed the method of collecting sales taxes on used-car sales between private parties. The change is expected to add an additional $72 million into state coffers in 2007 and 2008.

Texas has mandated that "the standard presumptive value" of a vehicle be used in calculating sales taxes. So-called book prices are set by a company picked by the state, and take into account mileage.

A sales tax of 6.25 percent is paid on 80 percent of the standard presumptive value.

Buyers who think the standard presumptive value is too high can pay a used-car dealer or an insurance company adjuster to provide a certified appraised value. If that is lower than the standard presumptive value, the buyer can be refunded any sales tax overpayment.

The CATA Bulletin is published by the
Chicago Automobile Trade Association
18W200 Butterfield Rd. Oakbrook Terrace, IL 60181-4810
630-495-CATA [2282] phone 630-495-2260 fax

The CATA Bulletin is published and mailed every other Friday except during the Chicago Auto Show, when it is not published.

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

Jerry H. Cizek III **President, Publisher**
Erik K. Higgins **Editor, Director of Dealer Affairs**

Can total-loss legislation for flooded vehicles be resuscitated?

Aspirants to Congress are busily campaigning in their home districts, but the incumbents departed Washington, D.C., with a pile of unfinished work, including a bill to give consumers greater access to passenger vehicle-loss data held by insurance companies.

No action on Senate Bill 3707 has occurred since it was introduced July 20. It is uncertain the bill will be considered when Congress returns for a lame duck session after the Nov. 7 elections.

But as the country's hurricane season continues, insurance companies total many of the vehicles that are flooded or destroyed by the storms. Unscrupulous rebuilders and resellers sometimes overhaul the cars, scrub the titles, and resell them to unsuspecting customers.

The legislation would require insurance companies to red-flag problematic vehicles, by making publicly available the VINs of totaled cars.

Such information would give purchasers—consumers and dealers—more complete vehicle histories prior to the sale, to help judge a used vehicle's safety and fair market value.

Titling hurricane-damaged vehicles

In response to issues regarding vehicles damaged by last year's hurricanes, the Illinois secretary of state's office established new procedures to obtain a clean Illinois Certificate of Title—if the vehicle's surrender title comes from Louisiana, Alabama or Mississippi.

The procedures were developed by the Illinois Secretary of State Police and General Counsel's office and are consistent with procedures used by the Louisiana Department of Motor Vehicles.

• Each application for a clean Illinois title will be reviewed to determine if the vehicle is listed in the NICB (National Insurance Crime Bureau) database of known hurricane-damaged vehicles. Dealers can search www.nicb.org to determine if trade-in/auction vehicles were in the hurricane area. Click on the "Theft and Fraud Awareness" link, then the "Flood Vehicle Database" link. From there simply enter the VIN. The site is free.

• If the vehicle is not in that database, the application will be further reviewed to determine if it was registered in a flood county.

• If the vehicle appears in the NICB database, the vehicle will be issued an Illinois Flood Title only (regardless of whether or not a branding appears on the surrender title).

• If the vehicle is not in the NICB database but was registered in a flood county, a Hurricane Disclosure Statement must be completed in order to obtain a clean Illinois title. The statement must be signed by the registered owner and his insurance agent at the time of the hurricane. Any applicant unable or unwilling to supply the signed form will receive an Illinois Flood Title only (regardless of whether or not a branding appears on the surrender title).

• Vehicles with clean surrender titles from these states that do not appear in the NICB database and were not registered in a flood county will receive clean Illinois titles.

• Vehicles coming to Illinois with a title branded from one of these states will be treated the same as previous policy and receive a similar Illinois branding.

• If an applicant wishes to receive an Illinois Flood Title from a clean Louisiana, Alabama or Mississippi surrender title they need not complete the Hurricane Disclosure Statement.

Telltale signs of flood damage

• Check all dashboard gauges for signs of water and to make sure they're accurate.

• Test the lights, windshield wipers, turn signals, cigarette lighter, radio, heater and air conditioner several times to make sure they work.

• Flex wires under the dashboard to see if they bend or crack. Wet wires become brittle upon drying and can crack or fail at any time.

• Check the trunk and glove compartment and beneath the seats and dash for signs of mud, rust or water damage.

• Look for discolored, faded or stained upholstery and carpeting.

• Look for carpeting that has been replaced. It may fit too loosely or may not match the interior color.

• Check for a well-defined line, or watermark, and for musty odors resulting from mildew.

• Examine the engine compartment for evidence of water and grit from suspected submission in water.

Top 10 must-haves for a car?

Americans spend increasing time in their cars, between carpooling with the kids, running everyday errands, and loitering in those inevitable traffic jams. The effect, say representatives of American Map, maker of a road atlas: people don't just drive their cars, they seemingly live in them.

With all that time spent behind the wheel, American Map suggests certain must-have items for every auto. No. 1 on its list, natch: a road atlas. Others:

2. Umbrella. Murphy's Law assures that it will rain on the day of an important client meeting.
3. Pen. Most everyone does business and takes messages in the car.
4. Flashlight. Don't be left in the dark when driving at night.
5. First Aid Kit. The need for a band aid is not a planned event.
6. Tire Gauge. In this time of skyrocketing gas prices, correct tire pressure will increase gas mileage.
7. Sunglasses. Two words: sun glare.
8. Lip Balm. OK, maybe not essential, but it's nice to have in the glove compartment.
9. Air Freshener. Whether takeout food or hockey equipment, few want their cars smelling like the stuff they transport.
10. Candy Bar. Sometimes a quick snack is needed as drivers traverse from point "A" to point "B" and they don't want to stop.

Bootcamp

Continued from Page 1

In addition, for service directors and managers who complete the 20 Groups, the CATA will rebate to their dealers 50 percent of the first year's tuition, 75 percent of the second year's tuition, and 100 percent of the final year's tuition.

"Lloyd," said Holzapfel, "does a great with the financials, for instance, explaining what a difference it would make to raise your hours per RO by one-tenth or two-tenths. In many cases, it is the difference between making money and losing money."

Woodfield Chevrolet Service Manager Jim Domino added that the Bootcamp equipped him with many strategies, "things that are applicable, not just theory."

For more information about the training and to register, call Jim Butcher at the CATA at 630-424-6020.

http://cata.drivechicago.com

Phase-outs begin for Toyota, Lexus hybrid tax credits

The tax credit available for purchasing a qualified Toyota or Lexus hybrid vehicle was reduced by 50 percent for vehicles purchased after Oct. 1.

Beginning April 1, 2007, only 25 percent of the credit amount will be available. And after Oct. 1, 2007, the tax credit will no longer be available for Toyota or Lexus hybrid vehicles.

The clean-fuel vehicle tax deduction that was available to consumers in 2004 and 2005 was replaced in 2006 with a tax credit for the purchase of hybrid vehicles and advance lean burn technology vehicles.

Unlike the former deduction, the tax credit amount varies among qualified vehicles and phase-out begins two calendar-year quarters after the quarter when a manufacturer's cumulative sales of qualified vehicles to dealers reach 60,000 vehicles.

The IRS said that Toyota reached that threshold in the second quarter of 2006 and, therefore, triggered the tax credit phase-out.

DOC fee

Continued from Page 1

because new federal and state rules have led to more paperwork requirements over the last five years.

The Gramm-Leach-Bliley Act privacy requirements and national-security measures mandated by law—like checking customers against federal lists of people suspected of supporting terrorist activities, then documenting that the check was performed—are examples of newer federal hurdles that add to the paperwork.

In many states without set caps, there is little regulation of the fees besides statutes or attorney general opinions specifying that the fees are allowed or should be disclosed in sales contracts and advertising as separate from government fees and as a separate line item.

AFIP

Continued from Page 1

stupidity will get you into as much trouble as dishonesty," said AFIP Executive Director David Robertson. "Knowledge of the rules is essential."

The process of applying to each deal the various customer conversion techniques and an in-depth knowledge of the products is the ultimate determinant of whether all the requisites of a successful F&I transaction have been satisfied, said Robertson.

On Nov. 16 and 17, the morning will consist of a review of the test material, followed by tests in the afternoon.

The test poses 150 questions that must be answered in 200 minutes.