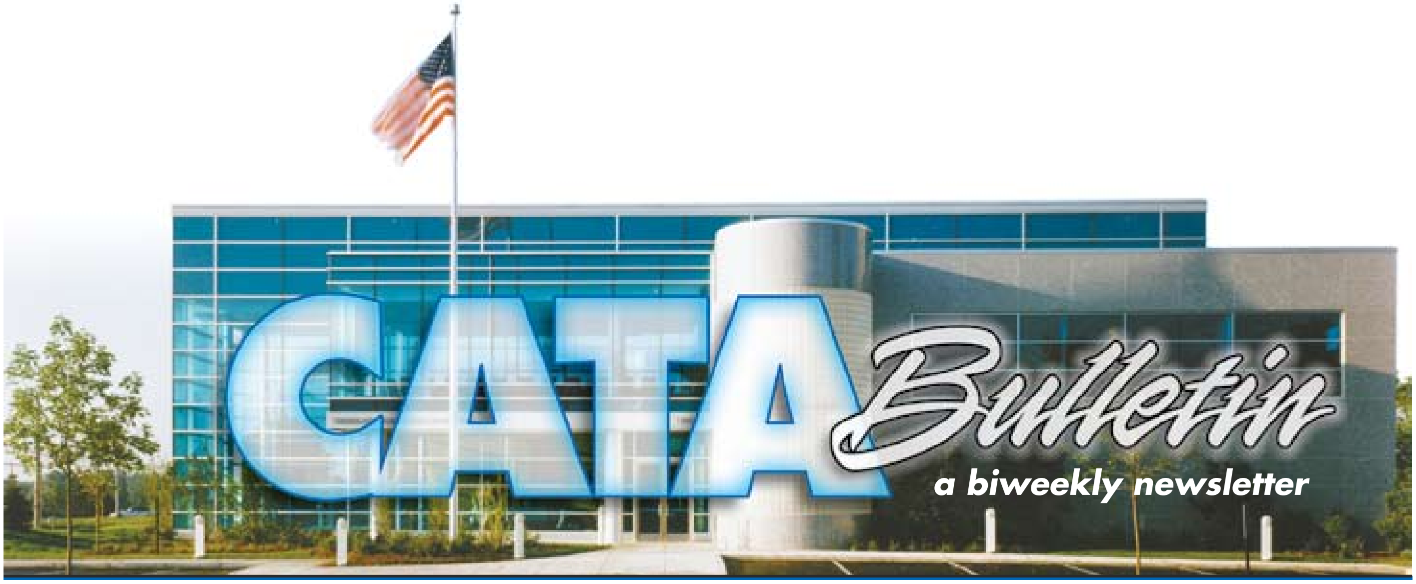

Volume 106, No. 15 **August 10, 2009**

$2 billion funding extension could carry CARS program to Labor Day

Congress on Thursday passed a $2 billion expansion of the "cash for clunkers" program. Officials said the supplement would last until Labor Day. Without it, the program would have been suspended Friday.

The wildly popular Car Allowance Rebate System, or CARS, burned through its initial $1 billion allotment in less than two weeks. The government said Aug. 5 that more than $775 million of the original $1 billion fund had been spent, with many more claims waiting to be processed. The $3,500 or $4,500 vouchers were awarded for about 185,000 clunker trade-ins.

Some dealers have complained about the government's administration of the program, saying they've had trouble processing paperwork and getting their reimbursements for trade-ins.

Transportation Secretary Ray LaHood said the agency has fixed problems with its Web site, www.cars.gov. He added that Citigroup, which is helping manage the clunker program, also beefed up its staff on the project to 300 workers from 100.

Four of the five top-selling new cars in the CARS program are made by foreign automakers, according to transportation department data, and more than 80 percent of the vehicles turned in were trucks and sport-utility vehicles.

The top-selling new car is the Ford Focus, followed by the Toyota Corolla, Honda Civic, Toyota Prius and Toyota Camry.

The new vehicles on average get 25.4 miles per gallon, compared with an average of 15.8 mpg for the trade-ins. The predominant transaction so far has been to trade in a pickup, SUV or van for a sedan, with the result that the new vehicles go 61 percent farther on a gallon than the old vehicles did.

The jolt in sales left some dealers with dwindling inventory. Other dealers don't consider the program to be the silver bullet that will turn the industry's fortunes, but rather as helping to jump-start consumer confidence to shop.

Eric Fedewa, an analyst with the consulting firm CSM Worldwide, said the CARS program is a hit because it is stimulating demand for all vehicles—foreign and domestic.

"In dealerships nationwide, the showroom traf-

SEE **CARS**, PAGE 4

Remember: CARS payments are tax-free to customers, taxable to dealers

Language in the new Car Allowance Rebate System, or CARS, specifically states that the $3,500 or $4,500 government trade-in credits are not income to the consumer. Not so for the dealer.

The program does not address the taxability of the credit amount to the dealership or the deductibility of any expenses incurred by the dealership participating in the program. But gross income generally means all income from whatever source derived unless specifically excluded by law.

Under CARS, the credit and ultimate payment to the dealership by the National Highway Traffic Safety Administration is included in the dealership's gross receipts from the new-vehicle sale. Any scrap value derived from the customer's trade-in also is considered income for the dealer.

The dealership is allowed to offset gross income by the cost of goods sold. If the dealership incurs any ordinary and necessary expenses in disposing of the trade-in vehicle, an additional deduction might be allowable.

Dealers should maintain careful records of CARS transactions, including the gross receipts from the new-vehicle sale, the CARS payment amount, and any expenses incurred to dispose of the trade-in.

New 4-year deal with unionized technicians includes 3-year pay freeze

Auto Mechanics Union, Local 701, the union that represents journeyman, apprentice, semi-skilled and lube rack technicians, agreed in late July to a new four-year contract with about 150 Chicago area dealerships that employ the technicians. The contract took effect Aug. 1.

The new Standard Automotive Agreement (SAA) generally imposes a three-year wage freeze for all classifications and wage increases in the fourth year. Different rates apply for new and recent hires.

Many non-union CATA members maintain wages and benefits that at least meet and, more often, exceed those provided by the SAA. For that reason, key financial provisions of the 2009-2013 SAA are summarized here.

Wages

The current Apprentice progression remains in place for all four years of the contract. In addition, the minimum pay rate for Lube Rack Technicians increased to $8.25 on Aug. 1, 2009, to account for last month's increase in the Illinois minimum wage.

Except for new/recent hires and Apprentices, the SAA contains the following wage schedule for the four-year term. New years below all begin Aug. 1:

	2008	2009	2010	2011	2012
Journeyman	$29.25	$29.25	$29.25	$29.25	$30.00 (+$0.75)
Semi-Skilled	$15.85	$15.85	15.85	$15.85	$16.10 (+$0.25)
Lube Rack/ Semi-Skilled Body Shop	$8.25	$8.25	$8.25	$8.25	$8.25 min. (+$0.25)
Weekly Guarantee (34 Hours) (Incentive Jrny)	$994.50	-0-	-0-	-0-	$1,020

Wage rates for all classifications year are subject to adjustment in the third and fourth year if certain conditions are met. CATA dealers will be updated as warranted.

Benefits

The current dealership weekly contribution to the Local 701 Health and Welfare Fund remains frozen for all four years of the SAA. The current contribution rate is $215 a week.

Dealership weekly contributions to the Local 701 Pension Fund increase $10 (from $89 to $99) effective Aug. 1, 2009. The contribution rate further increases $10 each contract year ($109 effective Aug. 1, 2010; $119 effective Aug. 1, 2011; and $129 effective Aug. 1, 2013).

Other Terms

Other key terms of the new SAA:

• Mandatory A.S.E. testing and certification requirements;

• Right to reclassify apprentices within first 60 days, and within first 2 years if employee does not pass required tests;

• Increased frequency of customer specials;

• Free multi-point inspection in conjunction with other repair work; and

• New Year's Eve holiday converted to a floating day.

The unionized dealers negotiated the contract as the New Car Dealer Committee, a multi-employer bargaining association.

Questions or requests for more details about the terms of the new SAA should be directed Dave Radelet, the CATA's employee relations counsel, at Franczek Radelet P.C., (312) 986-0300.

Copies of the contract will be sent soon to affected dealers.

Marketplace

Controller/Office Manager Seasoned accountant with 20+ yrs. experience offers path to profitability in your accounting department. Ford, GM, and Nissan trained. ADP, R&R, and UCS proficient. Peter Schwarz, (708) 388-8606.

CFO/Controller Responsible for all accounting functions, over 25 years' experience. Planned and executed start-ups, expansions of major dealerships. Flexible, able to motivate organization to achieve corporate objectives. Berny Fitzgerald, (773) 209-8150.

Both résumés 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**
Erik K. Higgins — **Editor, Director of Dealer Affairs**

Dealer-targeted bill shelved in favor of broader legislation

By Ray Scarpelli Sr.
Metro Chicago NADA Director

The Consumer Credit and Debt Protection Act (House Resolution 2309), introduced by Rep. Bobby Rush (D-Ill.) would give the Federal Trade Commission expedited rule-making authority over dealer credit practices. But the bill has been put on the back burner.

Staff of the NADA worked with the House Energy and Commerce Committee to increase consumer protection and maintain dealer viability. But now, House Financial Services Committee chairman Barney Frank (D-Mass.), has introduced H.R. 3126, the Consumer Financial Protection Agency Act, which would create another federal agency to regulate financial services, with jurisdiction over any business offering credit.

Although the Frank bill doesn't single out dealerships, it duplicates Federal Reserve Board auto financing regulations, which are enforced by the FTC. The NADA is working to ensure that dealers aren't subject to two sets of overlapping and conflicting regulations.

In other legislative and regulatory news . . .

The NADA continues to meet with the Fed, Ratings Agencies on **floor plan securitization**. Throughout the summer, the NADA has met with the Federal Reserve and credit ratings agencies to urge the office that oversees the Term Asset-backed securities Loan Facility (TALF) program to lift the obstacles preventing funding of floor plan asset-backed securities (ABS). The ABS market, which produces much-needed credit for many floor plan lenders, ground to a halt in 2008 and has not returned.

The TALF is designed to provide investors with low-cost, non-recourse government loans to encourage them to purchase the bundled floor-plan lines of credit that finance sources sell as securitized bonds to obtain funds for continued floor-plan lending. The NADA explained how TALF loans may be made to floor plan ABS investors in a manner that protects the FRB's balance sheet.

The Environmental Protection Agency releases a **new SPCC compliance deadline**.

Dealers have until Nov. 10, 2010, to comply with the EPA's Spill Prevention, Control, and Countermeasure (SPCC) rules, which were released last year. Under those rules, the EPA would allow most dealerships to complete a self-certified template in lieu of a complex written SPCC plan that needs to be certified by a professional engineer.

"Tier 1" qualified facilities, which may complete a self-certified SPCC plan template, have 10,000 or fewer gallons in aggregate above ground oil storage capacity and a maximum individual oil storage container capacity of 5,000 gallons, and, for the three years preceding SPCC plan certification, no single discharge of oil to navigable waters exceeding 1,000 gallons, or two discharges of oil to navigable waters each exceeding 42 gallons within any 12-month period.

NADA Regulatory Affairs intends to provide updates on the rules and to publish the SPCC template when it's finalized later this year.

LIFO fact sheet available The loss of LIFO (Last In First Out) for valuing inventory, either because of federal legislation or dealership termination, makes it imperative that dealers stay informed about potential changes and plan ahead. A LIFO fact sheet, prepared for the NADA, is available by going to www.nada.org/regulations.

In NADA news . . .

The NADA extends membership eligibility to **dealers in transition**.

NADA members who recently relinquished or lost one or more new-vehicle franchises but continue to operate as used-vehicle dealerships and meet other eligibility criteria can continue their memberships under a new "Sustaining Member" program.

With this new category, the NADA recognizes that these members have been part of the association for many years and wants them to continue to be part of the NADA despite franchise terminations and the current decline in auto sales.

"Our objective has always been—and will always be—to advance U.S. auto retailing and serve as the voice of the dealer," says NADA President Phil Brady. "By creating this sustaining member category, we're ensuring that some of our most loyal members can continue with us as we look to better days ahead."

Interested dealers should contact Susan Wase at (703) 821-7211 or swase@nada.org for additional eligibility criteria and other information about the sustaining member program.

2010 Convention and Expo registration underway. The coming convention, Feb. 13-15 at the Orange County Convention Center in Orlando, Fla., offers attendees some new ways to save money while enhancing their experience and expanding their knowledge:

• Early Bird registration fees are offered until Sept. 15, along with several moderately priced hotel choices to ease your pocketbook.

• The format will be three days, concluding at 5 p.m. Monday, to save dealers a night's hotel stay and return them to their dealerships sooner.

CARS

Continued from Page 1

fic is unbelievable right now," Fedewa said. "Even if people don't qualify, they are still being enticed to go look at vehicles."

The annual selling rate extrapolated from July deals came to 11.2 million vehicles, the first month this year that measurement exceeded the depressed 10-million pace. Three companies—Ford, Hyundai and Subaru—reported actual sales increases from a year ago.

The program offered a shot in the arm for the auto industry, which through June was running roughly 30 percent below its 2008 sales numbers.

Dealer requirements loosened

Responding to numerous dealer concerns, the National Highway Traffic Safety Administration made two changes to the CARS program:

• Dealers now can disable the clunker's engine after they receive payment from the government for the credit, rather than before submitting a reimbursement claim. However, until the engine is disabled, the dealer must store the vehicle at a location under the control of the dealership.

Dealers must disable the engine within seven calendar days after receiving reimbursement. The certifications on the Summary of Sale form and the electronic form submitted by the dealer have been amended.

• The NHTSA no longer requires proof of insurance from Wisconsin and New Hampshire residents because those states do not require insurance.

CARS also boosts used-car sales

Used-vehicle sales are hitching a ride on the Cash for Clunkers bandwagon, some dealers say. But others caution that the program will hurt the used-vehicle market down the road.

Automotive News reported that some consumers who find that their vehicles don't qualify for the government program are instead driving away in a used vehicle.

BBB now rating businesses with letter grades

The Better Business Bureau, one of the first organizations to rate businesses on their honesty and fairness to customers, has changed its rating system to rate companies on letter grades A+ through F, replacing the previous "satisfactory" or "unsatisfactory" ratings.

The new system, the BBB contends, provides more specific information for businesses to find trustworthy suppliers and vendors, and provide a more precise guide to improving operations.

The new letter grades are displayed on individual company profiles called "BBB Reliability Reports." All are free and accessible online at www.bbb.org.

Computers automatically calculate the new letter grade ratings. On each company's Reliability Report page, a box states "Click Here to Update Your Company Information." Companies can update the information used to calculate their ratings by going to chicago.bbb.org/updatecompany.

The proprietary BBB ratings formula considers 17 weighted factors, using objective information and actual incidences of a business's behavior that are verified and evaluated by BBB professionals. Specific issues affecting a business's rating are described in detail in BBB Reliability Reports. Ratings factors include:

• The business's overall complaint history with the BBB, including the number and severity of complaints from customers to the BBB;

• Whether complaints have been resolved in a timely manner or the business has demonstrated a good faith effort to resolve them;

• How long the business has been operating and whether it meets appropriate competency licensing;

• Government actions against the business related to marketplace activities;

• Advertising issues evaluated by the BBB; and

• Whether the business is a BBB Accredited Business and committed to BBB standards.

Steve Bernas, president of the BBB-Chicago, said his agency has seen more and more businesses use complaints as a tool for evaluating their own business operations and determining where changes are necessary.

"Nobody likes to get complaints but when they are used as improvement tools, they become valuable," he said.

It is critically important that all businesses in northern Illinois provide the latest information to the BBB at www.chicago.bbb.org/updatecompany.

The information will remain confidential and is the basis of providing an accurate grade under the new ratings system.

Begun in northern Illinois in 1926, the BBB reports on more than 4 million U.S. and Canadian businesses

In Memoriam

Joseph S. Bidro, a longtime Ford dealer and chairman of the 1983 Chicago Auto Show, died July 27 at age 91.

Mr. Bidro operated Villa Park Ford from 1955 to 1988, and in the early 1980s ascended to president of the Chicago Automobile Trade Association. He also was a member for many years of the Defense Orientation Conference Association, a nonprofit agency that works on matters involving national defense.

Survivors include sons Joseph and James; a daughter, Sandra; nine grandchildren; and nine great-grandchildren. Memorials appreciated to Hope Hospice in Fort Myers, Fla., (239) 482-4673.