



# CATA Bulletin

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## Assembly passes dealer bill to Ryan

Sure, the elusive task of plugging a \$1.3 billion state budget deficit grabbed all the headlines, but Illinois lawmakers recently forwarded another dealer-related bill to Gov. George Ryan, to be signed or vetoed. A previous bill affecting dealers was sent to Ryan in early May.

Legislators on May 31 approved House Bill 4353, which makes it illegal for anyone to install or reinstall in a vehicle any object in lieu of an air bag which is designed specifically for the make, model and year of that vehicle, according to federal safety regulations.

Another bill before Ryan, Senate Bill 1851, would expand the list of components on a new vehicle which can be repaired without triggering damage disclosure.

Dealers now must disclose new-vehicle damage when the cost to repair the damage exceeds 6 percent of the MSRP.

However, damage to glass, tires, bumpers and in-dash audio equipment can be replaced with OEM equipment without triggering disclosure. The pending law adds video and telephonic elements to that list.

Dealers should contact the governor (217-782-6830) to support the bills.

## Include deadlines for advertised prices to avoid confusion: AG

Action by the Illinois attorney general's office is pending against a Chicago Chevrolet dealer accused of selling an advertised car for more than the price indicated for that vehicle in print advertising.

When a dealer advertises a specific price for a specific vehicle, the dealer is bound to sell the vehicle at that price, attorneys contend. A solution: Include a date in the ad when the special pricing expires. Until that date, however, the vehicle may not be sold for more than the advertised price.

Unless an end date is indicated, a perception exists that the advertised price is valid indefinitely, lawyers

said at a recent meeting of the Attorney General's Automobile Dealers Advisory Council.

Patricia Kelly, chief of the attorney general's consumer protection division, said recent consumer complaints point to advertised vehicles, identified by stock number, that are not available when customers see the ad.

Dealers pointed out that specific cars can be sold in the time between the deadline to submit advertising and the date the advertising appears.

But state lawyers referred to cars "not available" when an ad appears, but which are featured again in later advertising.

## General Motors, Ford warn dealers on autos funneled from Canada

Officials at General Motors and Ford are warning dealers to stay out of the "gray market" trade of funneling low-price Canadian vehicles back into the U.S. market.

But the two largest automakers said they have so far ruled out following DaimlerChrysler AG, which last week moved to cancel the warranties on the

affected vehicles.

Instead, GM and Ford have ordered their franchised dealers to stop the traffic or face losing out on the supply of popular models. The dealers could also face demands from the companies for incentive money repayments.

GM estimates that 6,000 to 7,000 of its new cars intended for Canadians

were funneled back into the United States last year. Ford said 5,800 of its vehicles returned to the United States this way. DaimlerChrysler has significantly higher estimates than Ford and GM.

The automakers acknowledge the trade, which is legal, would be hard to stop because of the fat profits involved.

## What's a service advisor worth?

A service advisor often is the chief influence on the public's image of a dealership. The position critically affects both dealership and departmental customer retention and profit goals, leading some authorities to label the service advisor as a dealership's single most important employee.

A formula devised by the National Automobile Dealers

Association can help identify the value of a service advisor. Using financial statement figures, calculate the gross profit that is generated by each service advisor.

Total ROs for one day for one service advisor	_____	
Number of working days in the month	x _____	
Total ROs for the month	= _____	
Average hours per RO	x _____	
Hours sold for the month	= _____	
Overall effective labor rate	x \$ _____	
Labor sales for the month	= \$ _____ (A)	
Service department gross profit percentage	x _____ %	
Labor gross for the month	= _____ (B)	
Labor sales for the month (use "A," above)	\$ _____	
Parts to labor rate	x \$ _____	
Parts sales	= _____	
Parts departmental gross profit percentage (RO and warranty)	x _____	
Parts gross for the month	= \$ _____ (C)	
Labor gross for the month (use "B," above)	\$ _____	
Parts gross for the month (use "C," above)	\$ _____	
Potential gross profit per service advisor per month	= \$ _____	

The findings should indicate they become more valuable as their sales increase.

The formula was excerpted from "The Three Ps of Effective Service Management: Profit, Productivity, Personnel," an NADA management guide.

Order the guide from the National Autom-

obile Dealers Association at 800-252-6232, ext. 2. Copies cost \$25 for NADA members, \$50 for nonmembers, plus shipping.

## Marketplace

**Controller** CPA with expertise in dealership financial management, forecasting, reporting, analysis, cash management, internal/external auditing, cost reduction, HR and benefits administration, inventory control, more. Thomas P. McNicholas, 630-904-0774.

**Business Manager** Fifteen years in industry. Strong closer, good rapport with lenders. Experience with secondary financing, sale of aftermarket items, ADP,

Reynolds & Reynolds, LeaseLink. Denise Kukulski, 815-485-1447.

**GSM/GM** Excellent team-building skills, versatile on corporate business plans, strong CSI history, proficient at auction buying and selling, adept at placing print and electronic advertising at or below market rates. Jim Minogue, 630-469-4043.

Résumés of all candidates on file at the CATA.

## Seminar by ¡Exito! to examine area's Hispanic auto market

Officials of the Tribune Co.'s Spanish language newspaper ¡Exito! will advise dealers, advertisers and media planners how to tap the \$17 billion buying power of the Chicago area's Hispanics, at a June 25 seminar at the CATA offices in Oakbrook Terrace.

A continental breakfast at 8:30 a.m. precedes the hourlong presentation at 9 a.m. To attend, call ¡Exito! at 312-654-5530 by June 21.

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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 at <http://cata.drivechicago.com/>

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## AIADA function draws 500

### Dealers descend on Capitol to lobby on trade, fuel economy, estate tax

More than 500 automobile dealers from across the United States met for the 25<sup>th</sup> annual American International Automotive Congress, May 21-22 in Washington, D.C. The industry's largest grassroots lobbying event joins dealers and executives for briefings and speeches.

"Once again, the Automotive Congress came at a crucial time and our voices were heard," said Jamie Auffman, chairman of the American International Automobile Dealers Association. The AIADA sponsors

the Automotive Congress.

Top issues at this year's event included (1) an appeal to make permanent the estate tax repeal, (2) opposition to attempts to raise the Corporate Average Fuel Economy, and (3) insistence against protectionist amendments that would impact Asian imports.

Intense lobbying resulted in last year's legislation to phase out the federal estate tax by 2010. However, due to congressional budget rules, the tax would be reinstated in 2011—at the pre-

phaseout tax level of 55 percent. A permanent end to the tax is the AIADA's top legislative priority this year.

The House of Representatives has approved a permanent repeal of the tax. Debate in the Senate is expected to begin June 28.

A national Energy Bill that was passed this year excluded any tinkering with CAFE. The AIADA continues to lobby for any CAFE action to be left to the National Highway Traffic Safety Administration, not Congress.

Shortly after the Automotive Congress concluded, the Senate was expected to consider a bill on trade promotion authority.

The topic enabled dealers to reiterate to lawmakers the importance of an open automotive market in the United States and the many benefits such a marketplace brings to the nation's economy and its consumers.

The AIADA has lobbied against potential protectionist amendments that would affect automotive imports from Japan and Korea.

## Are in-car computers headed for a dead end?

Ford Motor Co. said last week it is pulling the plug on Wingcast LLC, its joint venture with Qualcomm Inc. to produce telematics services in vehicles. Ford's decision means Wingcast will be dissolved.

Unless other manufacturers revamp current business plans, pessimists charge, the car of the future will include an outdated, malfunctioning jumble of incompatible electronic gadgets.

Experts gathered in May at Telematics Detroit 2002, a trade show for people who engineer and manufacture dashboard electronics such as wireless devices, navigation tools and passenger entertainment systems—an emerging industry known as telematics.

The two-day conference proved a stark contrast to the euphoria that surrounded in-vehicle computing just one year ago.

Many experts urged automakers,

especially General Motors and its 7-year-old OnStar division, to cede the young market to wireless providers and technology start-ups, lest they lose focus on their core business of designing and manufacturing vehicles. Most automakers try to develop telematics standards internally.

"Automakers need to appreciate the fact that telematics is a subsegment of the great wireless market and not a separate market," said Andrew Cole, keynote speaker and wireless practice leader at London-based strategy consulting firm Adventis.

"We believe that the current attempt by automakers to become service providers must go away. The wireless manufacturers will be the deliverers, and the automakers will be the enablers, based on the irrefutable view that the cell phone is king."

Criticism surfaces even from within the ranks of the auto industry.

Several automakers, including DaimlerChrysler, have decided to surrender to technology companies some of the \$20 billion in worldwide telematics revenue expected in 2010. Executives who have crunched the numbers say no automaker sees profits in the sector anytime soon.

"We had some hubris and thought we could figure out a business model for the industry six or seven years ago," said Jim Geschke, vice president of electronics integration for Milwaukee-based Johnson Controls, which partners with DaimlerChrysler and plans to launch wireless electronics in vehicles in mid-2003. "But we couldn't. So we recoiled and reinvented our approach.

"We shifted paradigms and realized this was the key," Geschke said, triumphantly whipping out a cell phone from his suit jacket. "This is the mobile brick."

# Thanks, Sponsors!

Many allied members of the CATA are on board as sponsors of the association's annual meeting and golf outing, to help offset costs and keep participation at 1994 prices. Please express your thanks to the sponsors at the June 10 outing, and give them your consideration when doing business throughout the year.

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