



CATA Bulletin



a biweekly newsletter

Volume 102, No. 20

October 10, 2005

Update: ADP sale of dealership data to Carfax

As was reported in recent editions of this newsletter, ADP participated in a trial program with Carfax in which ADP provided certain dealership service records to Carfax for inclusion in Carfax's vehicle history reports.

ADP representatives said they believed the program would benefit dealers because it has been shown that used vehicles with a vehicle history report tend to result in higher retail sale prices, but ADP terminated the program after receiving negative reaction from several dealers.

This program, which ran for a limited time and was terminated in March, was conducted pursuant to the dealership consent provided by Paragraph 9.D. of ADP's Master Services Agreement with its customers.

ADP has advised the CATA that, upon the request of any dealer, ADP will amend Paragraph 9.D. to delete this consent. The key language in the amendment states that "ADP agrees not to access Client data, without Client's consent, except to the extent that such access is required by ADP to provide Client (i) maintenance and support services; (ii) pull information for billing purposes; (iii) electronic transfer of releases and update tapes; and (iv) assistance in day-to-day operations, as requested by Client."

CATA dealers are encouraged to request the amendment from their local ADP sales representative.

ADP officials confirmed that the data contained within a dealers' DMS is the property of the dealership, and this has always been ADP's position with regards to this topic.

Seminar examines practices to recruit, retain best employees

Wendi Venable described one dealer's hiring process thusly: "Run an ad, get 'em in, check for a pulse, hire 'em, watch 'em go in eight weeks."

Turnover stands as "the unspoken white elephant in the automotive industry," said Venable, national director of the automotive program for Wonderlic, Inc., which helps businesses select and retain employees. Venable and a colleague recently presented a CATA seminar, "Solutions for Your Costly Recruiting and Turnover."

Many businesses operate without a structured hiring process, but Venable said the topic is gaining more attention because of the costs involved. She said that if a 15-person sales staff rotates out

SEE RECRUIT, PAGE 3

New bankruptcy law starts Oct. 17; lien perfection time extended

The federal lien perfection provision extends the time creditors have to perfect a lien from 20 days to 30 days, when landmark bankruptcy legislation takes effect Oct. 17.

Under the legislation signed in April by President Bush, dealers are protected under federal bankruptcy law as a secured creditor if the lien is perfected within 30 days of the customer taking possession of the vehicle.

Also under the new law, if a cus-

tomers files for bankruptcy within 90 days, and the dealer does not perfect a loan within 30 days on behalf of a finance company, the dealer might have to absorb the loss.

The provision was advanced by the National Automobile Dealers Association, which argued that delays beyond a dealer's control—customers' misplace titles and out-of-state paperwork—often extended beyond 20 days.

Another dealer provision revises the

"cramdown" procedure that allows bankruptcy judges to reduce the debtor's obligation to reflect interest rates and the market value of a vehicle at the time of bankruptcy.

If a car is purchased within 30 months of a bankruptcy declaration, the secured debt cannot be crammed down under Chapter 13.

Timely lien perfection is vital for both federal and state laws to protect dealers' interest in a motor vehicle.

IRS denies tax-free status to techs' tool reimbursement plan

A particular tool reimbursement plan, the Internal Revenue Department ruled recently, is a "non-accountable plan," meaning that all tool allowances paid to mechanics under the arrangement are taxable income and subject to federal employment taxes.

In its most recent ruling on employer reimbursement for auto mechanics' tools, the IRS held in Revenue Ruling 2005-52 that the reimbursement plan did not meet all three accountable plan requirements to be treated as tax-free. Dealers should review their own plans to insure compliance with IRS regulations.

In order to be tax-exempt, reimbursements for expenses generally must meet three requirements:

- The payments must be reimbursements for expenses that would be allowable as business deductions and are paid in connection with an employee's performance of his duties; and
- The employee must substantiate the actual expense and that it relates to the employer's business; and
- The employee must be required to return to the employer any excess payments within a reasonable period of time.

While the described arrangement did meet the business connection requirement, it failed to meet the substantiation and return of excess payments requirements. The service noted that a reasonable estimate of expenses is no substitute for substantiation of actual expenses.

The plan had reimbursed employees for tools based on a combination of a national survey of average tool expenses combined with the employee's responses to an annual questionnaire.

The full text of Revenue Ruling 2005-52 is available at www.ustreas.gov/press/releases/reports/ruling.pdf

Indiana tax amnesty 'til Nov. 15

A tax amnesty period exists in Indiana through Nov. 15 for businesses and individuals to pay and file past-due listed taxes free of penalty, interest and collection fees and without fear of criminal or civil prosecution.

Taxpayers who are eligible to participate in amnesty but choose not to will be subject to a doubling of penalties, according to the Indiana Revenue Department.

Indiana Gov. Mitch Daniels signed off on House Bill 1004 in May. To review the provisions in detail, see www.in.gov/

Automotive career week Oct. 24-29

Governors in several states proclaimed Oct. 24-29 as Automotive Career Week. During that week, new-car and -truck dealers across the country will host teens in their dealerships to discuss industry jobs and career opportunities.

Seven area dealers have registered with the NADA as participants: **Dralle Chevrolet-Pontiac-Buick**, Watseka; **Jacobs Twin Auto Plaza**, Chicago; **Gary Lang Auto Group**, McHenry; **Mike Mooney Chevrolet-Cadillac**, DeKalb; **Northwest Ford Trucks**, Franklin Park; **Rizza Chevrolet**, Bridgeview; and **Sunrise Chevrolet**, Glendale Heights.

See www.nada.org for more details and to participate.

The NADA has prepared a kit to help dealers prepare for the week, whose theme is "Careers at Auto and Truck Dealerships: Take the Ride of Your Life!" Parts of the kit, such as sample letters, invitations and promotional materials, can be downloaded from the Web site.

Videos include:

- "What's the Deal on Dealerships?" A quick overview of all the jobs at dealerships, plus a kit for school guidance counselors.
- "Training Tomorrow's Technicians Today" Information for parents, teachers and other adults about what a career as an automotive technician is really like, and how AYES can help.
- "Supercharge Your Future" Advises students of the possibilities at a dealership, with an emphasis on technician careers.

Scam alert

Several dealers reported receiving an invoice this month for \$489.95 from New York-based **Market Media** for "Web listing." The invoice does not indicate where the listing appears.

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

Recruit

CONTINUED FROM PAGE 1

every eight weeks, that's 43 hires annually.

And every eight weeks, a departure costs \$7,600, Venable said, noting the time and expense involved in refilling each position.

Employers often grouse of unqualified candidates, or that the right people simply aren't answering the company's ads. But what of those ads?

Classified ads that bark things like "looking for 10 good people!" or "apply 6-9 p.m., dressed for interview" actually scream of turnover or of a loose operation, said Venable. The ads should be more professional.

"We are famous for setting conditions that contribute to our turnover," said Sarah Person, Venable's colleague. "The ad says, 'Auto Sales, \$58,000 to \$105,000 Your First Year!' If I'm not making that in a month, I'm gone."

"Claims that 'We'll train anyone with the right attitude!' also scream of unprofessionalism," Person said. "Anyone can have the right attitude for a one-hour interview. It's tough to maintain that for 30 days."

"And don't discuss pay plans—'\$1,000 signing bonus!'—in ads for sales professionals. Signing bonuses are reserved for high-end executives, not sales professionals," Person said.

She said, "You want to leave the impression that it's tough to get in to your store, not 'need four people.'"

Wonderlic and other recruitment-and-retention firms develop and endorse online applicant tools that help employers find their ideal applicant. Does the employer desire candidates with product knowledge, or who are bilingual, or who will work nights and weekends? Ask those questions online. Candidates without the desirable traits are stopped from continuing the application. The systems cost about \$1,000.

"Use as many tools as you can, and don't waste time with people uncertain how to dress for an interview," said Venable.

Besides newspaper employment ads, she encourages dealers to consider online strategies, industry magazines, job fairs, placement agencies, and word-of-mouth methods like an employee referral program.

Wonderlic has developed automated recruiting systems to collect objective information from candidates via the

Interent. Candidates are measured—"can" he/she (cognitive ability to solve problems), "will" he/she (personality characteristics), and "does" he/she (reliability traits based on past behavior).

The systems also give the business a chance to shine, to present itself as a desirable place to work. As a part of employee benefits, candidates favor companies that indicate they will invest in developing their workforce with training.

"Military people do phenomenally well in the auto industry," especially in sales and service, Venable said, noting their ability to endure conditions of stress, struggle and chaos.

"If I'm from outside the industry, sell me on coming in to 'help change culture,' not just 'sell cars,'" said Venable.

Updated job descriptions can avoid the potential of an employee quitting over misunderstandings that can range from "That's not my job" to "I didn't know I'd have to work Saturdays."

Also important in the interview: The employer should demonstrate to the candidate that the meeting is important enough to stop accepting phone calls or desking deals. Set appointments; don't advertise "any time between 9 a.m. and 7 p.m."

AYES schools to hold B&E Council meetings

Each of the area's AYES schools will host a Fall Business and Education Council meeting. Dealers are encouraged to attend at the nearest school, to help steer the automotive curriculum and equipment purchases, and to develop the potential employees of their service departments.

Dealers who want to attend any of the meetings are asked to RSVP to the automotive instructors, in parentheses:

Curie Metro High School: 2:30 p.m. Oct. 19 (John Polzin, 773-535-2053)

Hammond Area Career Center, 11 a.m. Oct. 12 (Chris Golden, 219-933-2428)

Lake County High Schools Technology Campus, 11 a.m. Oct. 18 (Richard Stevens, 847-543-6049)

Parkland College, 11 a.m. Oct. 28 (Jonathon Ross, 217-351-2209)

Porter County Career Center, 2:30 p.m. Oct. 27 (Ed Herron, 219-531-3170)

Technology Center of DuPage, 2:30 p.m. Nov. 15. Note: meeting is at CATA, not at the school. (Dominic Pacenti, 630-691-7562)

In addition, an AYES program launches at **Streamwood High School** on Oct. 20. The launch meeting at the school will start at 11 a.m., followed by lunch at 12 p.m. (Jim Switalski, 630-213-5500)

For more information about AYES, call Illinois AYES Manager Jim Butcher at 630-424-6020.

As fixed ops increase role as profit centers, some in Congress eye the right to repair

Dealers' service and parts departments represent an ever larger portion of dealers' profits, according to a recent analysis by NADA. Last year, the departments accounted for 48 percent of profits, The Wall Street Journal reported.

The growth could be attributed to the growing complexity of cars and the required advanced diagnostic tools. Fewer independent repair shops can afford the pricier factory diagnostic tools, and shops servicing multiple brands have been hurt most of all because of the high price for multiple lines' repair tools and information.

But the study's results may not be good news for franchised dealers in the long run. A bill currently in Congress would require OEMs to provide independent service shops the same tools and information that they provide for franchised dealers.

Recent statistics about the profitability of franchised dealers' fixed ops could give an extra boost to the bill's supporters, who charge that independent service shops are getting squeezed out of the market by the exclusivity of the factory-franchised dealer connec-

tion.

Also at the heart of the debate: charges that OEMs which do sell information and tools to independent service shops sell the same products to franchised dealers at lower rates, sometimes as much as 10 percent to 15 percent less, according to the Journal.

Manufacturers point out that they have already taken steps to help independent shops. According to the Wall Street Journal, manufacturers "reached an agreement with some in the repair industry in September 2002 in which the factories committed to giving independent shops the same information and training they provide to their dealerships.

A forum also exists for independent shops to complain about inadequate information and receive carmaker responses. While they admit things have gotten better, many repair shops and AAA, the motorist advocacy group, say that information and tools can still be hard to obtain.

Carmakers say they are complying with the existing agreement and have made information and tools available to the independent industry.

New ID theft scam

LaGrange Police Chief Michael Holub reports a new twist used by scammers to commit identity theft: the jury duty scam. Here's how it works:

The scammer calls, claiming to work for the local court, and indicates that the potential victim has failed to report for jury duty, which resulted in the issuance of an arrest warrant.

The victim will often rightly claim that he never received the jury duty notification. The scammer then asks the victim for confidential information for "verification" purposes.

Specifically, the scammer asks for the victim's Social Security number, birth date, and sometimes even for credit card numbers and other private information—exactly what the scammer needs to commit identity theft.

So far, this jury duty scam has been reported in Illinois, Michigan, Ohio, Texas, Arizona, Pennsylvania, Minnesota, Oregon and Washington state.

It's easy to see why this works. The victim clearly is clearly caught off guard and is understandably upset about a warrant haven been issued for his arrest. So, the victim is much less likely to be vigilant about protecting his confidential information.

In reality, court workers would never call to ask for Social Security numbers or other private information. In fact, most courts follow up via snail mail and rarely, if ever, call prospective jurors.

Preventative Action: Never reveal a Social Security number, credit card numbers or other personal, confidential information when contacted by telephone. This jury duty scam is the latest in a series of identity theft scams in which scammers use the phone to try to get people to reveal such details.

It doesn't matter "why" they are calling; all the reasons are just different variants of the same scam.

For more information, see www.scambusters.org/juryduty.html

Congratulations!

Ford Motor Co.'s customer service division named eight area dealerships as winners of the 2005 Second Quarter Genuine Challenge, for high marks in retail parts and labor sales, first service appointment retention, and overall service satisfaction. The dealerships are **Buss Ford Sales**, McHenry; **Fair Oaks Ford**, Naperville; **Paul Heuring Motors**, Hobart, Ind.; **Libertyville Lincoln Mercury**, Libertyville; **McCarthy Ford**, Chicago; **Al Piemonte Ford**, Melrose Park; **Victor Ford**, Wauconda; and **Willowbrook Ford**, Willowbrook.

Marketplace

Parts Manager 25 years' dealership experience with broad responsibilities. Excellent customer relations and supervisory skills, ability to increase parts sales and revenue. Imports and domestics. Bill Krueger, 630-968-5572.