



Help promote the show!

Materials coming related to new year, auto show

Materials shipped in early January to all members of the Chicago Automobile Trade Association in good standing will help them get through the coming year and help publicize the Chicago Auto Show, Feb. 12-21 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 2010 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 2010 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. 12 and Feb. 15-19; 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 tickets to First Look for Charity, on Feb. 11.

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.

Man convicted of kiting check at Barrington dealership tries same crime again—days after conviction

An area man who in 2008 reportedly kited checks at three dealerships in three weeks was convicted last month for his actions at one of the stores. By late December, he allegedly was at it again.

Police said Nicholas Ruffino, 32, spaced his visits two years ago to the three dealerships by about 40 miles each, first to a Chevrolet dealership in St. Charles, then a Lincoln-Mercury store in Barrington, then a Jaguar retailer in Naperville. The second and third dealers accepted trade-ins obtained from the preceding dealer. Employees at the Jaguar store ultimately sensed a scam because Ruffino wanted to flip his new Navigator so quickly.

Ruffino, said police, made minimum down payments in his attempts to trade up to pricier vehicles. All three vehicles were recovered.

Ruffino was convicted Dec. 16 on a theft charge in conjunction with the Barrington dealership. By late December, an Elgin dealer stopped a deal with Ruffino after an Internet search uncovered a

2008 CATA Bulletin article on Ruffino's actions.

"One of my Internet managers was working heavily with this individual," the Elgin dealer said. "When he wouldn't give us enough info (sic) prior to delivery, we Googled his name.

"He stated that his lease is up and that he is driving his dad's Hummer, but he wants to pay cash for a new vehicle. He states that he works off his Blackberry and is in meetings all day and that e-mail works best for him, so he avoids giving a phone number.

"We did press him and finally got a phone number; it was bad. He also stated that he is closing on a property, so he can't put the vehicle on contract, but he plans on paying cash.

"His business manager is writing a check for the entire amount. He then suggested spotting the vehicle to him on a promissory note."

Ruffino has used his own identity in each of the cases. Police said that if he visits a dealership, personnel should ask him to leave and call their local police.

Reminder: Written notice due Jan. 31 to Form 8300 customers

Don't forget, in assembling year-end paperwork, that a Jan. 31 deadline looms regarding Form 8300, the Internal Revenue Service document used for sales transactions involving cash payments over \$10,000. Form 8300 commonly is referred to as "the \$10,000 cash reporting rule."

No law prohibits a merchant from taking cash, but any sum of \$10,000 or more must be reported. A lump sum exceeding \$10,000, or installment payments that cause the total cash received within one year of the initial payment to total more than \$10,000, dictate that Form 8300 must be filed.

However, a cashier's check, bank draft, traveler's check, or money order is not treated as cash if the funds are the proceeds from a bank loan. For instance, a customer pays for an \$11,500 vehicle using \$2,000 of U.S. currency and a cashier's check for \$9,500 payable to the customer and the dealership.

That it is a cashier's check is obvious because the note includes instructions to have a lien put on the car as security for the loan.

For this reason, the cashier's check is not treated as cash. A Form 8300 would not have to be filed in the transaction.

As a merchant, any dealer who filed a Form 8300 with the IRS in 2009 must notify the related customer in writing by Jan. 31. On-the-spot notification does not relieve merchants of the written obligation. All Form 8300 correspondence be-

tween dealers, customers and the IRS should be documented using certified mail.

A written statement to a customer can be as simple as: "Dear Customer: We are required by the Internal Revenue Service to report all transactions involving more than \$10,000 in cash and cash equivalents, under the provisions of 26 U.S.C. 0501.

"We filed Form 8300 with the IRS on (date, 2009), indicating that you gave us \$(amount) in connection with your purchase of a (make, model, year, VIN). Sincerely, . . ."

A dealer's legal advisor should review the exact wording of the notification.

New technology is No. 1 auto issue this year, executives say

Forget all that talk about cost-cutting and quality improvements. It's the race for new technology that is motivating auto industry leaders around the world this year.

An executive survey released Jan. 7 by management consultants KPMG LLC finds that new-vehicle technologies will be the most important industry issue of 2010. The annual survey of 200 of the world's senior automotive executives reports that technology issues will affect market share, investment and mergers, and acquisition activity.

According to Automotive News, at the heart of that new technology discussion is alternative power systems. The survey is not necessarily an indicator of what will happen. But it does indicate what occupies the minds of global decision-makers as the industry tries to shake off the recession.

KPMG found that 85 percent of those surveyed think new technologies will be the most important issue facing the global auto industry for the next 12 months. The No. 2 issue facing the industry: developing new products to go with the technologies. The heightened technology buzz is noteworthy because it eclipses two of the industry's great management obsessions of the past two decades: cutting costs and improving quality.

In Memoriam

Harry Pauly, founder of the Pauly Automotive Group, died Sept. 18 at the age of 86.

Prior to his automotive career, Mr. Pauly served as a Navy pilot in World War II. He was survived by his wife of 54 years, Sue; sons Michael and Tom; and four grandchildren.

Donations appreciated to Midwest Palliative & Hospice CareCenter, (847) 467-7423; Congregation Bene Shalom of the Deaf, (847) 677-3330; or Cancer Wellness Center, (847) 509-9595.

Maryann Mize, the wife of a former CATA chairman and mother of the current chairman, died Jan. 1.

She was an avid gardener and supported many charities, including the Ray Graham Association for People with Disabilities.

Mrs. Mize's husband of nearly 70 years, Edward, led the association in 1991-1992. Her son Kevin, president of the O'Hare Auto Group, leads the current board of directors. She also is survived by sons Gregory and John; a daughter, Michele; and six grandchildren.

Memorials appreciated to the Ray Graham Association, (630) 620-2222.

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Review past editions dating to 1998 or search by subject at www.cata.info.

David E. Sloan
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Xchanging deflects unemployment claims

One hundred forty-three CATA dealer members reported a combined 949 unemployment claims during the fourth quarter of 2009 to Xchanging, which has been serving CATA dealers under various names since 1979. The company's efforts saved those dealers a total of \$1.2 million in benefits by contesting the claims.

Xchanging monitors any unemployment claims against its clients and contests all unwarranted claims and charges. The company counts about 230 CATA dealers among its clients.

Claims that can be protested and subsequently denied help minimize an employer's unemployment tax rate. The rate can vary between 0.65 percent and 7.250 percent of each employee's first \$12,520 in earnings. The 2010 average unemployment tax rate among Illinois employers is 3.35 percent, or about \$419 annually per employee (\$381 in 2009).

"With the downturn in the economy, unemployment at record highs (10.5 percent in Illinois) and a drain on the Illinois Department of Employment Security trust fund, we can expect markedly higher tax rates for 2010 and probably for a couple of years after that," said Paul Schardt, an Xchanging senior vice president.

"The unemployment tax is really the only controllable tax, in that it's experience-driven," Schardt said. An ex-employee's claim affects the employer's tax rate for three years.

For new enrollees, client fees amount to \$2.20 per employee, per fiscal quarter. For the fee, Xchanging monitors all unemployment claims; files any appeals; prepares employer witnesses for hearings, as necessary; represents the client at any hearings; verifies the benefit charge statements; and confirms the client's unemployment tax rate.

To discuss retaining the company, call Schardt at (847) 824-4325.

GM: 'Hundreds' of dealers could be restored

Hundreds of the 1,350 General Motors dealers who lost their franchises last year could see them restored in a congressionally mandated arbitration process that begins later this month, the company's interim CEO said Jan. 6. Pressed afterward, he walked the number back to about 100.

GM had planned to close the 1,350 dealerships this year, to dump poor performers and better align its dealer base with much lower consumer demand for autos, according to news reports. In many cases, GM had dealerships too close to one another and competing too

much on price, the company said.

Congress passed legislation late last year that forces GM and Chrysler Group LLC, which shed 789 dealers last year, to give dealers a chance to appeal closure decisions. Both companies went through bankruptcy protection in 2009 and are receiving government aid.

Restoring some dealerships could be good because they would sell more cars for GM, interim CEO and Chairman Ed Whitacre Jr. said

But it also could be bad, Whitacre contends, if a "lousy dealer" with a poor storefront gets a franchise back.

Used-car shortage expected to ease in 2010

About 8 million fewer used cars and trucks entered the U.S. market over the past two years, resulting in higher used-vehicle prices every month in 2009, according to the latest AuctionNet data of wholesale transaction prices. AuctionNet is a joint partnership between the N.A.D.A. Official Used Car Guide and the National Auto Auction Association.

"There were several reasons for the decline in used-vehicle inventory: Dramatically lower new-car sales in 2008, as well as fewer trade-ins, off-lease vehicles, and rental-fleet vehicles in 2009," says Paul Taylor, chief economist for the National Automobile Dealers Association.

But Taylor said the popular cash-for-clunkers incentive was not a reason for the increase in used-car prices month-over-month from January through November 2009. December figures were not available at this newsletter's deadline.

"The cash-for-clunkers program removed only 690,000 used vehicles from the marketplace, and these clunker vehicles largely were undesirable anyway," Taylor said. "Even if these vehicles hadn't been recycled under the program, their worth as trade-ins was modest."

With new-vehicle sales expected to

increase some 15 percent in 2010, Taylor estimates an additional 1.1 million used cars and trucks will be traded in at new-car dealerships compared with 2009.

"We'll start to see an ease to the used-car shortage, but it will be several years before the supply returns to the average of the 1998-2007 period of strong new-car sales," said Taylor.

"As 2010 gets underway, the short supply of used vehicles means a narrow spread between new- and used-car prices, so expect new-car sales to be a greater share of the sales mix, and certified and other used cars to be a relatively smaller share, compared to the last decade."

Before 2008, used cars were profitable every year since 1980. In 2008, dealerships saw, on average, a net loss of \$5 per used vehicle retailed as gasoline prices first surged to \$4.11 a gallon nationally, then fell to less than \$2 a gallon later that year.

"Because of whipsaw gasoline prices, used-car and new-car inventories were mismatched to consumer demand in 2008," Taylor said. "Gas prices will be flat or inch up modestly as the economy recovers in 2010, suggesting a more stable mix of used-car and new-car demand."

Franchised New-Car Dealers in the 8-county CATA area as of 1 January 2010

Car Line	Chicago only Ill.	Rest of Cook Cty. Ill.	Lake Cnty. Ill.	DuPage Cnty. Ill.	McHenry Cnty. Ill.	Kane Cnty. Ill.	Will Cnty. Ill.	Lake Cnty. Ind.	Porter Cnty. Ind.	Total [prior] 7/1/2009	Total [present] 1/1/2010
Acura	0	4	2	3	0	0	0	0	0	9	9
Aston Martin	0	0	1	0	0	0	0	0	0	1	1
Audi	1	3	1	2	0	0	0	1	0	8	8
Bentley	0	1	0	1	0	0	0	0	0	2	2
BMW	1	4	1	3	1	0	0	1	0	11	11
Bugatti	1	0	0	0	0	0	0	0	0	1	1
Buick	2	10	3	4	4	1	3	3	2	34	32
Cadillac	1	7	2	2	1	0	1	2	0	17	16
Chevrolet	4	15	6	8	4	5	7	4	2	61	55
Chrysler	3	9	4	3	3	3	3	3	2	27	33
Dodge	4	10	4	4	3	3	3	3	2	29	36
Ferrari	0	0	1	1	0	0	0	0	0	2	2
Ford	3	14	6	7	3	4	5	4	2	49	48
GMC	1	10	2	4	3	1	2	3	2	28	28
Honda	4	10	3	2	1	2	1	2	0	25	25
Hummer	0	2	1	0	0	0	0	1	0	4	4
Hyundai	2	10	3	3	1	1	1	2	0	23	23
Infiniti	1	4	1	1	0	0	0	0	0	6	7
Jaguar	1	3	1	2	0	0	0	1	0	8	8
Jeep	3	8	4	3	2	3	3	3	2	26	31
Kia	1	7	3	4	1	0	1	2	0	16	19
Lamborghini	1	0	0	1	0	0	0	0	0	2	2
Land Rover	1	3	1	2	0	0	0	0	0	7	7
Lexus	1	4	1	2	0	0	0	1	0	9	9
Lincoln	1	8	5	3	1	2	2	1	1	24	24
Lotus	0	0	1	1	0	0	0	0	0	1	2
Maserati	0	0	1	1	0	0	0	0	0	2	2
Maybach	0	1	0	0	0	0	0	0	0	1	1
Mazda	0	7	3	3	1	0	1	1	1	16	17
Mercedes	1	5	1	2	0	1	0	1	0	11	11
Mercury	1	8	5	3	2	2	3	1	2	27	27
Mini	0	1	1	1	0	0	0	0	0	3	3
Mitsubishi	0	3	1	3	1	0	2	1	0	12	11
Nissan	2	12	3	4	1	1	1	2	0	26	26
Panoz	0	0	1	1	0	0	0	0	0	2	2
Pontiac	2	10	2	4	3	1	2	3	2	31	29
Porsche	0	3	1	1	0	0	0	0	0	5	5
Rolls-Royce	0	1	0	0	0	0	0	0	0	1	1
Saab	1	3	2	2	0	0	0	1	0	9	9
Saturn	0	6	2	3	0	1	1	1	0	14	14
Scion	4	11	3	4	1	1	1	2	1	28	28
smart	0	1	1	0	0	0	0	0	0	2	2
Subaru	1	5	2	2	1	1	1	1	1	15	15
Suzuki	0	4	3	2	0	0	1	1	0	11	11
Toyota	4	11	3	4	1	1	1	2	1	28	28
Volkswagen	2	7	3	4	1	0	1	1	0	19	19
Volvo	1	3	2	1	0	0	0	1	0	8	8
# of Car lines	56	248	97	111	40	34	47	56	23	701	712
# of Outlets	32	160	56	81	18	22	28	35	11	446	443

NOTE: The difference between car line and outlet figures is the result of outlets that handle more than one car line.