



CATA Bulletin

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Illinois plugged in to process plates, registrations electronically

Miles Chevrolet in Decatur last week became the first Illinois dealership equipped to provide title and registration and renewal services to its customers at the dealership. Hundreds more are signed up to offer the new services.

Computerized Vehicle Registration counts Illinois as the 19th state it has helped shepherd into the electronic registration era. Officials of CVR touted the new program at presentations across the state last week, including at the CATA on Oct. 7.

John Roeder of CVR described a

program that is all upside: dealers can realize a

new revenue stream from the service, customers get their new license plates immediately, and the offices of the secretary of state and the revenue department get paid quicker.

“Everybody wins with this program,” Roeder said.

Like the state’s documentary service fee, charges for any electronic vehicle registrations cannot exceed certain



amounts: \$25 for title and registration (\$17.75 net profit for dealer) and \$7.25 for registration renewal (\$4.75 net profit for dealer). CVR charges dealers \$7.25 and \$2.50, respectively, for those services, as well as \$2.00 for any inquiries to determine, for instance, if a co-owner is titled on a vehicle or if a lien exists.

Roeder said a dealer who sells 100 cars a month potentially could earn another \$1,775 a month, or \$21,300 a year if all the customers elect to pay for the electronic registration. It is an

SEE **REGISTRATION**, PAGE 3

Business SUV expensing may be slashed

Congress on Oct. 7 moved to reduce from \$100,000 to \$25,000 the amount a small business could expense on an SUV purchase. Chamber votes were expected Thursday and Friday, and President Bush indicated he would sign the bill if it passes Congress.

The threshold rose from \$25,000 to \$100,000 last year. Pickup trucks still would qualify for the \$100,000 deduction, according to AIADA officials who reviewed the legislation.

Any change would take effect upon Bush signing the bill. The CATA Bulletin would review any action in subsequent editions.

BBB continues to see rebate infraction in ads

When an advertisement sets out some component of the purchase price, either by stating a monthly payment and/or a certain percent of savings off the MSRP, the advertisement must clearly and conspicuously disclose the vehicle’s purchase price.

The purchase price is considered a material term which therefore cannot be omitted as a result of the aforementioned.

Steve Bernas, vice president of operations for the Better Business Bureau of Chicago and Northern Illinois, manages a review program of dealer ads for compliance with the state’s motor vehicle advertising regulations. Bernas said the necessary disclosure described above is the most prevalent infraction lately.

Certain manufactures currently offer programs through captive finance companies whereby the consumer can elect to participate with 0 percent interest or a rebate of \$1,500 to \$3,000 rebate—or in some instances, both. However, remember that this rebate is considered limited in scope; not everyone will qualify for that program. The advertisement would have to comply with Section 475.530 of the Illinois Motor Vehicle Advertising Regulations, concerning rebates.

The availability of the rebate can be advertised if the terms and limitations are clearly and conspicuously disclosed. However, it is an unfair or deceptive act for any dealer to advertise

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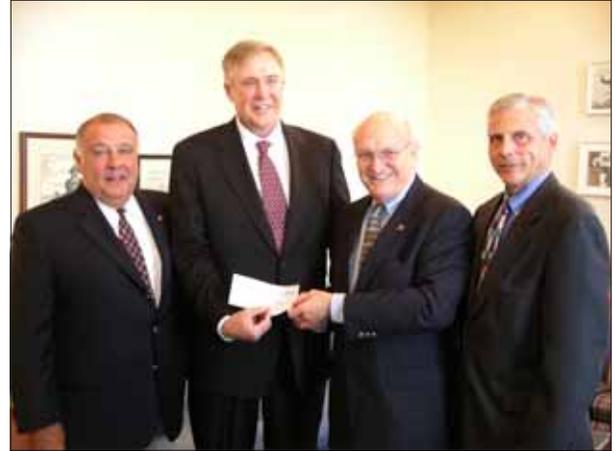
NADA foundation donates \$7,000 scholarships to 2 local universities

Checks for \$7,000 scholarships have been bestowed to two area colleges by the benevolent arm of the NADA, the National Automobile Dealers Charitable Foundation.

Lewis University, in Romeoville, and North Central College, in Naperville, received the funds in Sept. 29 presentations at the campuses.

Ray Scarpelli Sr., the NADA director representing metropolitan Chicago, and CATA President Jerry Cizek attended the presentations.

The NADA foundation is a nonprofit organization that donates CPR training equipment to health and safety organizations, provides grants to private/independent colleges and universities, and helps dealership employees who are harmed by natural disasters.



Ray Scarpelli, Chicago Metro NADA director, (left) and CATA President Jerry Cizek (right) help NADCF Chairman Bob Mallon (inner right) present scholarship money to Lewis University.

Guard against trade-ins that might be damaged by nation's flooding

Florida endured four hurricanes in six weeks recently, but the effects of nature's wrath could extend to the Chicago area in the form of vehicles damaged by flooding. Dealers should be alert for trade-ins that may be flood-damaged.

There is no sure method to test for vehicle flood damage, but the National Automobile Dealers Association offers 10 inspection tips to detect significant water damage. At a minimum, a prospective buyer should:

1. Check the vehicle's title history, which may state whether the vehicle has sustained flood damage.
2. Examine the vehicle interior and the engine compartment for evidence of water and grit from suspected submersion.
3. Check for a recently shampooed carpet.
4. Check under the floorboard carpet for water residue or stain marks from evaporated water not related to air-conditioning pan leaks.
5. Look for rusting on the inside of the car and under interior carpeting, and visually inspect all interior upholstery and door panels for any evidence of fading.
6. Check under the dashboard for dried mud and residue, and note any evidence of mold or a musty odor in the upholstery, carpet or trunk.
7. Check for rust on screws in the console or other areas where the water would normally not reach unless submerged.
8. Check for mud or grit in alternator crevices, behind wiring harnesses and around the small recesses of starter motors, power steering pumps and relays.
9. Complete a detailed inspection of the electrical wiring system, looking for rusted components, water residue

or suspicious corrosion.

10. Inspect the undercarriage of other components for evidence of rust and flaking metal that would not normally be associated with late model vehicles.

While these inspection suggestions will not detect flood damage in every case, they do provide some tips to protect dealers and consumers from purchasing a vehicle damaged by water or flood.

In any event, new-car and -truck dealers accepting a vehicle trade-in normally would require the customer to complete a detailed damage disclosure, to identify any damage from flooding or other, experienced by the vehicle. Dealers should tender a damage disclosure when selling a vehicle to a consumer.

The NADA believes the safest way for customers to protect themselves against purchasing a flooded vehicle is to purchase from a franchised new-car or -truck dealer, who is subject to significant legal scrutiny.

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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 or search by topic at www.cata.info/

Jerry H. Cizek III
Erik K. Higgins

President, Publisher
Editor, Director of Dealer Affairs

Check clearing gets expedited in new 'Check 21' federal law

A law intended to streamline the nation's check clearing processes takes effect Oct. 28. The law, nicknamed Check 21, may benefit dealers in ways they hadn't considered.

The Check Clearing for the 21st Century Act, the law's proper name, allows for the truncation of paper checks.

Checks can be scanned, and an electronic image replacement document (IRD) then becomes the legal substitute for the paper check, which then can be shredded. The law was created to cut down on the need to physically transport billions of checks from one place to another each year.

Why Check 21?

Paper processing is expensive. Trucks and airplanes are much slower than the Internet for transmitting check data, and paper check processing equipment is big and expensive. Check 21 will save banks lots of time

and money. For automobile dealers and other non-bank businesses, Check 21 offers the ability to enter into a written agreement with banks to scan checks at or near the point of sale and transmit deposit information electronically to the bank.

The new law can improve a dealer's bottom line in several ways:

- **Eliminate exposure to fraud and NSF.** Merchants can quickly determine whether a check is fraudulent (written on a closed account) or NSF (written on an account with insufficient funds) by passing the check through account databases.

- **Eliminate trips to the bank** (or courier or armored car expense). Any deposit information is sent electronically.

- **Enhance cash flow.** Information on deposits is sent electronically, so same-day posting and funds availability eventually will be available.

- **Reduce clerical work.**

- a. Electronically prepared deposits eliminate human error and reduce reconciliation time.

- b. No more hand-stamping the endorsements on every check.

- c. Accounts receivable software is updated automatically

- d. Images of checks and attendant paperwork are archived, eliminating the need to file hard copies these documents.

Check 21 works thusly: When a customer writes a check, the person or company receiving it sends it to their bank. That bank, rather than sending the check back to the customer's bank for payment, will have the option of creating an electronic copy and destroying the original. The customer's bank gets that electronic version, and a new paper reproduction is created.

Check 21 means that bank customers will sometimes

receive one of those re-creations with their canceled checks. Checks that are transferred electronically also could clear faster, eliminating some of the "float" enjoyed by people who write checks before actually having money in their account.

But widespread use of electronic checks likely won't happen immediately, said Steve Ward, executive vice president of Fiserve Inc., an information-management company for financial institutions based near Milwaukee.

"Check 21 means a lot of banks are moving from the 'wait' part of 'wait and see' to a little closer to the 'see' part," he said.

Editor's note: John Fancher of Data Financial contributed to this article. Data Financial has served the check and cash-processing needs of its clients for over 20 years. Contact Fancher at 708-369-0096 or jfancher@datafinancial.com

Registration

CONTINUED FROM PAGE 1

optional service, but 90 percent of customers in Wisconsin want that service, he said.

Dealers must use a Windows-based personal computer and a laser printer to operate CVR's software. The software should be compatible with other dealer programs; CVR is owned by Reynolds and Reynolds and ADP.

Charges to dealers in the program include the transaction costs listed above, and a \$500 installation fee and \$50 a month for support. CVR would

install and maintain the user systems, and train and re-train the title clerks and F&I manager.

Dealers would be equipped with a supply of license plates and renewal stickers. That inventory is maintained by the Illinois Automobile Dealers Association, a partner in the program. Supplies can be reordered automatically when inventories are low.

Patrick Tallon, CVR's director of product marketing, said the new program helps overcome many headaches, such as customers who say "I'm buying the car today and I'm leaving the state tomorrow."

State forms VSD-190 and ST-556 are generated automatically and forwarded electronically to the proper agencies, and payment funds are transferred by CVR.

A customer's ST-556 copy would not show information like the retailer's allowance and the transaction's net tax paid.

A downside to the program?

"If the secretary of state," said Tallon, "mis-keys something, they have to correct it. If you mis-key something, be prepared to write a \$65 check to correct it. If you're entering the information, who do you have to blame?"

Increased safety regulations may double air bag demand by 2011

As stricter regulations move vehicle manufacturers toward making vehicles safer in side-impact collisions, the demand for air bags in North America will nearly double by 2011, a new J.D. Power and Associates study found.

According to the 2004 Global Automotive Airbag Market Study, released Oct. 6, much of the growth in the air bag industry is the result of the National Highway Transportation Safety Administration's demand that all vehicles sold in the United States by 2009 must pass a side crash test that measures the impact to head, thorax and pelvis.

The study finds that the

increasing demand for air bags, particularly side-impact airbags, will contribute to an additional 33 million units in North America by 2011. This will result in an extra \$1.17 billion in revenue potential for air bag suppliers.

"A significant increase in demand for air bag modules will be felt both domestically and abroad as a result of more government regulations, consumer demand for safer vehicles, and a general increase in vehicle production volumes," said Anthony Pratt, senior manager forecasting for J.D. Power. "While this creates a tremendous opportunity for growth among airbag suppliers, the

added costs may be passed on to the consumer, increasing the price of vehicles."

The study finds that global demand for air bag modules is expected to increase by 91.9 million units by 2011, resulting in an additional \$2.9 billion in global air bag revenue. While the growth will be greatest in North America, Asia and Europe are close behind with an expected demand increase that will result in an additional \$1 billion and \$763 million in revenue potential for suppliers, respectively, by 2011.

"Unlike North American and European demand, which focuses heavily on an increase in side-impact mod-

ules, more than one-half of the anticipated revenue growth in Asia is taking place in driver and passenger air bag models," said Pratt. This is primarily due to increased vehicle production volumes and an increased demand for safer vehicles in Asian countries outside Japan, where many vehicles still do not include air bags."

The study is based on vehicle forecasts generated by J.D. Power-LMC global forecasting, as well as consumer feedback, contacts within the supplier community and regulation announcements made by governmental safety agencies such as the NHTSA.

Rebate

CONTINUED FROM PAGE 1

a price in which limited rebates have been deducted, or for a manufacturer or a dealer association to total the limited rebate with the general rebate.

Questions or concerns about any current advertising prac-

tices can be directed to Bernas at 312-245-2514 or at sbernas@chicago.bbb.org

Bernas's e-mail address correlates with the Better Business Bureau's Web site, www.chicago.bbb.org, which contains the state's up-to-date advertising regulations. All correspondence remains confidential in accordance with the current BBB/CATA Ad Review Program.

Also make sure to disseminate these BBB tips to all personnel responsible for creating any dealer advertisements.

Marketplace

For Sale 10 light poles with triple lights, 4 light poles with quad lights, 7 above-ground racks, 1 tire balancer, 1 tire machine, 2 compressors, various special tools for GM, Jeep vehicles. Mark Triffler, Triffler Jeep, 388-1700.

For Sale Parts bins & racking for 1,700 sq. ft. storage facility. Cheap. Larry Fohrman, 847-831-2100 ext. 153

Office Manager Excellent organizational skills, work well independently. Developed systems to increase productivity, work quality. Julia Schmidt, 815-347-8231.

Sales Manager Strong F&I Dept. support, proficient with LeaseLink, DealerTrack finance platforms. Adept at training, appraising, wholesaling, phone-ups, follow-ups, closing. Gene Rudd, 847-367-9304.

Management Fixed gross profit and CSI are strong points. Extensive exposure to service operations. Skilled in cost control, federal compliance, budgeting, forecasting. Robert J. Giller, 773-465-4433.

Résumés of all candidates on file at the CATA.