



Volume 106, No. 1

January 12, 2009

GM, Chrysler begin concessions talks

In a series of historic talks expected to be tense and sweeping at times, General Motors and Chrysler have embarked on formal negotiations with the United Auto Workers, bondholders, dealers and others to transform the automaker into a smaller, viable company.

GM has pledged to revamp labor contracts, reduce debt and shrink the number and type of vehicles it produces to satisfy conditions imposed after the federal government granted the automaker and Chrysler \$17.4 billion in emergency federal loans. The loans will ensure the companies survive through March, but each automaker must develop plans by Feb. 17 to ensure long-term viability.

A key element in GM's restructuring plan submitted to Congress last month is its plan to cut about 27 percent of its 6,400 dealers in the next three years and close, shrink or sell Pontiac, Saab, Hum-

SEE CONCESSIONS, PAGE 4

Help promote the show!

Materials shipped for auto show, 2009 concerns

All members of the Chicago Automobile Trade Association in good standing were sent materials Jan. 7 to help them get through the coming year and to help publicize the Chicago Auto Show, Feb. 13-22 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 2009 window decal;
- 1 three-ring 2009 CATA Bulletin binder; 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 2009 Chicago Auto Show, the shipment includes:

- 4 Chicago Auto Show easel cards;
- 2 Chicago Auto Show posters;
- 1 First Look for Charity poster;
- 2 VIP tickets good for repeated admission throughout the auto show;
- 50 Employee Appreciation Day admission tickets, valid Feb. 13 and Feb. 16-20; 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 First Look for Charity tickets.

Any member who does not receive the UPS shipment by Jan. 14 should notify the CATA. The shipments are trackable, to help resolve problems.

Chevrolet Camaro, Kia Borrego are '09 First Look for Charity prizes

Eighteen Chicago area charities will benefit from more than \$2 million expected to be raised by a black-tie gala held in conjunction with the 2009 Chicago Auto Show. Now in its 18th year, First Look for Charity is held the evening before the auto show opens to the public.

The coming "First Look" event, on Feb. 12, gives benefactors the chance to see nearly 1,000 new vehicles on display amid an elegance not present when the multitude converge on McCormick Place during the auto show's 10-day consumer run, Feb. 13-22.

Benefactors in attendance also have

the chance to win a 2010 Chevrolet Camaro or a 2009 Kia Borrego.

About 10,000 attendees at the charity gala will be treated to hors d'oeuvres; champagne, wine, beer and soft drinks; and special entertainment presented by the automakers in their displays. First

SEE FIRST LOOK, PAGE 4

Consider 'adopting' a school to attend 2009 Chicago Auto Show

Dealerships can plant a benevolent seed with students by sponsoring a school group's visit to the 2009 Chicago Auto Show. The measure can be a community relations plum and establish customer loyalty with young consumers.

Under the Adopt-A-School Program, a dealer can purchase tickets at \$5 each for students in a group. There is no minimum or maximum potential group size. See the flyer in this newsletter for full details and to register.

High schoolers at or near driving age are logical students for a dealership to pair itself with. There are hundreds and hundreds of high schools in the Chicago area, probably more than one within each dealer's relevant market area.

Bill Stasek, proprietor of Bill Stasek Chevrolet in Wheeling, last year sponsored more than 100 students each from nearby Buffalo Grove High School, John Hersey High School in Arlington Heights, and Vanguard School in Wheeling. Accompanying chaperones are admitted at no charge.

"The schools look forward to the auto show so much, and they wouldn't be able to go without this program," Stasek said. "They really appreciate it, so it creates a lot of goodwill with the schools."

In the program, dealers contact a school's principal or assistant principal to arrange the weekday field trip. Stasek met the groups at McCormick Place and even popped for lunches for everyone.

Dealers interested in "adopting" a school should contact the CATA's Donna Young for more details, at 630-424-6045.

Invitation:

Service Manager 20 Groups

The next meetings of the CATA's 20 Group for Service Managers are Jan. 13-14 for Group 1 and Jan. 15-16 for Group 2.

Any area service manager wishing to attend either group for a complimentary preview of 20 Group activities should contact Jim Butcher at (630) 424-6020.

Each session meets 9 a.m.-5 p.m. on the first day and 9 a.m.-1 p.m. on the second day. The sessions are at the CATA office in Oakbrook Terrace. Breakfast and lunch are provided by the CATA.

Under the CATA program, service managers first complete a four-day Bootcamp, then are assigned to a 20 Group that meets three times a year for three years. Tuition is heavily rebated by the CATA to dealers whose service managers complete the program.

NADA convention to focus on future of the industry for dealers

Economic turmoil and uncertainty form the backdrop to the National Automobile Dealers Association's 2009 convention and exposition, Jan. 24-27 in New Orleans.

"This is a must-attend convention if ever there was one," said Steve Pitt, NADA vice president of conventions and expositions. "The fate of the industry is hanging in the balance. All of the top manufacturer executives will be there. And we are providing new ideas and information and a series of workshops designed to help dealers get through these tough times."

The NADA gathering offers more than 40 workshops, many designed to tackle today's tough economic issues head-on—like maintaining dealer profitability, improving cash flow, surviving the credit crunch and driving customers back to dealerships.

"Convention participants will learn what they need to do back home at their dealerships for the good of their businesses," said Pitt. "The convention will help dealers prepare for an upcoming year of uncertainty."

Advance registration ended Jan. 5. Dealers and others can take their registration fees to the convention and register on-site at the New Orleans Morial Convention Center. Hotels should be contacted directly for any housing needs, but the special NADA convention rate likely will not be offered.

For the first time ever at an NADA convention, two former U.S. presidents will take center stage. Former Presidents George H.W. Bush and Bill Clinton will deliver remarks during the general session. Ford Motor Co. President and CEO Alan Mulally will deliver the industry keynote address.

Inspirational speakers Archie Manning, former quarterback of the New Orleans Saints and the NFL's Most Valuable Player in 1978; and Christopher Gardner, the inspiration for the movie, "The Pursuit of Happiness," will offer motivational talks. Nearly all of the automakers' CEOs and presidents also reportedly plan to attend the meetings.

The CATA Bulletin is published by the
Chicago Automobile Trade Association
 18W200 Butterfield Rd. Oakbrook Terrace, IL 60181-4810

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 resume to the Editor.

Review past editions dating to 1998 or search by subject at <http://cata.drivechicago.com>.

Jerry H. Cizek III
Erik K. Higgins

President, Publisher
Editor, Director of Dealer Affairs

Automakers secure bridge loans, TALF extended to floor plan

By **RAY SCARPELLI SR.**

METRO CHICAGO NADA DIRECTOR

As part of the \$17.4 in bridge loans to GM and Chrysler from the Troubled Asset Relief Fund, announced Dec. 19, the automakers will have to submit restructuring plans to the White House, including conditions that were part of the legislation negotiated between the White House and congressional Democrats.

GM and Chrysler must also include in their plans targets for the companies as proposed by Sen. Bob Corker (R-Tenn.). The automakers have a March 31 deadline to provide their financial viability, or they must immediately pay back the government loans.

While the plans do not preempt state franchise laws or mandate the trimming of dealer networks, the NADA will defend those fundamental principles during the restructuring process. The NADA also will continue to educate members of Congress, officials of the executive branch, and the media on the value of the dealer and the role of state franchise laws in maintaining a competitive marketplace. Please stress these points locally with your elected officials and the media.

In a related action on Dec. 19, the Federal Reserve Board issued changes to the Term Asset-Backed Securities Loan Facility (TALF), to explicitly include securities backed by automobile floorplans in that facility. This move addresses a key NADA request for greater liquidity in the market. The NADA actively encouraged the Fed to make this change, including at a Dec. 18 meeting with the Fed.

In addition to confirming the eligibility of securities backed by floorplans, the Fed also extended the term of TALF loans from one year to three years, and provided that TALF loans could have fixed or floating interest rates. These changes will make it easier for auto finance companies to use the TALF to issue floorplan securitizations.

Praise for Bush

NADA Chairman Annette Sykora said President Bush's decision to provide domestic automakers with short-term loans gives "the shot in the arm we need to lead the economic recovery."

"This is the first step toward restoring consumer confidence," Sykora said in a Dec. 19 written statement after automakers secured the short-term loans and time to restructure. "When you have the government declaring its confidence and commitment to U.S. auto manufacturers, it helps reassure the American public that domestic automakers will be around for the long-term. This sends a clear message: Consumers can now consider any car from any

manufacturer with confidence."

In other legislative news . . .

- New-car and -truck dealers from across the country visited Washington early last month—before the bridge loans were announced on Dec. 19—to meet with members of Congress and urge support for financial assistance for struggling automakers. The dealers helped **put a local face** on the issue, emphasizing that they are part of the solution, not the problem. While in Washington, dealers called on Congress to pass legislation (S. 3684 and H.R. 7273) to provide tax incentives to boost auto sales and stimulate the economy. "Allowing consumers to deduct the interest on their car loans, as well as state sales taxes, from their personal income taxes would help bring consumers back to the showrooms and get the economy back on track," NADA Chairman Annette Sykora said.

During their visits, dealers also talked with their representatives about supporting an auto dealer loan guarantee initiative that the NADA is working on with the Small Business Administration. Modeled after a program put together under similar economic conditions in 1980, the initiative would give dealers access to the working capital they need to keep their businesses open and their workforces employed.

In NADA news . . .

- In response to the challenges facing dealers, the NADA is offering a presentation featuring two speakers who can explain the options and detail the steps dealers need to take to **protect their businesses**. "Tough Times, Tougher Dealers: Saving Your Dealership's Assets" will be offered as a virtual seminar, 1-3 p.m. Jan. 13. It also will be a workshop at the 2009 NADA Convention & Exposition in New Orleans.

The presentation, by attorney Michael Charapp of Charapp & Weiss, LLP; and CPA Bradley Nicklin, of Beers + Cutler, focuses on the issues facing almost every dealer today, such as cash management, expense control, and franchise rights. Participants also will learn how to deal with bankruptcy—both at the manufacturer and dealership levels—as well as franchise terminations, brand terminations, and the legal ramifications of reducing a workforce. The registration fee for the virtual seminar is \$50 per computer connection. For more information or to register, visit www.nada.org/seminars.

The "Tough Times, Tougher Dealers" convention workshop will be held twice—11 a.m. Saturday, Jan. 24, and 8:30 a.m. Monday, Jan. 26. In addition, the convention will

SEE **SCARPELLI**, PAGE 4

First Look

CONTINUED FROM PAGE 1

Look for Charity has become one of the special events on the winter schedules of Chicago socialites and car buffs.

“The Chicago Auto Show is uniformly regarded as the finest auto show in the country, but the charitable cause demonstrates that this auto show is about more than just vehicles and accessories,” said Mark Scarpelli, chairman of the 2009 show. “It’s also about giving something to the charities of our community.”

The 18 organizations participating in this year’s First Look for Charity predominantly are children-oriented. Some operate on a global level; others, locally. The charities receive all the proceeds from the event, and all those proceeds are used in their efforts in the Chicago

area, Scarpelli said.

All the benefiting charities involved in this year’s First Look for Charity are listed in the pamphlet included with this newsletter and on the Chicago Auto Show Web site, www.chicagoautoshow.com. Benefactors should indicate which charity or charities they want their ticket purchase to benefit.

Tickets are \$225 each and can be ordered using the enclosed pamphlet; on the auto show Web site; or by calling 708-237-6444. Of each ticket, \$183 is tax-deductible as a charitable contribution.

Favorable tuxedo rental rates have been secured through area Men’s Wearhouse and MW Tux outlets. Prices start at \$69.99 for a jacket, shirt, vest and tie, pants, shoes and jewelry. Mention First Look for Charity when ordering.

ing address ensure that they will continue to receive important and timely updates from the NADA. The new online verification process also allows members to easily change contact information. Members also can visit www.nada.org/subscribe to manage their subscriptions to NADA member newsletters, including the daily e-newsletter NADA Headlines.

In regulatory news . . .

- The fall 2008 NADA Regulatory Review is available at www.nada.org/Publications/Regulatory+Review/default.htm. This issue contains a number of active links so that you can view relevant regulations and other materials just by clicking on them.



Attendees to the 2009 First Look for Charity can win a 2010 Chevrolet Camaro (above) or a 2009 Kia Borrego (below).



Scarpelli

CONTINUED FROM PAGE 3

offer more than 40 other workshops, many of which are designed to tackle today’s tough economic issues head-on, such as maintaining dealer profitability, improving cash flow, surviving the credit crunch and driving customers back to dealerships. For more, visit www.nada.org/convention.

- The NADA membership department urges association members to verify their contact information through a new online process available at www.nada.org/membership.

Members who maintain a current e-mail and mail-

Concessions

CONTINUED FROM PAGE 1

mer and Saturn.

Dealerships are protected by state franchise laws, complicating any plans to downsize. The sharp decline in new car and truck sales has accelerated the shutdown of GM dealerships nationwide, and the sale of the Hummer and Saab brands would further thin their ranks.

The National Automobile Dealers Association expects about 700 dealerships to close this year.

“GM has been and will continue with efforts on streamlining its dealer network through channeling, consolidation and natural

attrition,” said GM spokeswoman Susan Garontakos.

Offering dealers cash to merge or close is a costly undertaking, one analyst said. GM spent more than \$1 billion in settlements with dealers when it eliminated the Oldsmobile brand in 2001.

GM has not shared with dealers its plans for Saturn, where sales dropped more than 21 percent last year.

“If they’re fair with us, we’ll be fair with them,” said Rick Galles, a New Mexico Chevrolet dealer who also owns one of the original Saturn dealerships. “If they become combative and say, ‘This is the way it’s going to be, obviously we’ll take a whole different look at it.’”