



CATA Bulletin



a biweekly newsletter

Volume 104, No. 5

March 12, 2007

Businesses gird against Blagojevich's gross-receipts tax plan

Illinois Gov. Rod Blagojevich's proposed 2008 budget seeks \$32 billion in new revenue, including \$6 billion from a gross-receipts tax on all business transactions, regardless of profitability.

The governor unveiled his proposal in a March 7 speech combining his annual budget plan and State of the State address. Other new revenue would

come from raising \$16 billion in bonds to pay off pension debt and \$10 billion by leasing the state lottery.

No Illinois governor has sought to generate so much new revenue in so short a time. Critics of the new gross-receipts levy have been gearing up to fight it in the legislature.

A political science professor at the University of Illinois at Springfield,

Charles Wheeler, said a gross-receipts tax is alluring politically because estimates show it would "bring in a ton of money" through essentially "hidden taxes" eventually paid by most consumers.

"Under our current law, you pay a sales tax at the actual final point of sale," Wheeler said. "But the intermediate sale of materials used in production generally aren't subject to the sales tax."

"Whereas the gross-receipts tax, at every stage, at every step of the process, the company involved would have to pay a gross-receipts tax."

The gross-receipts tax would be an alternative to the state's current corporate income tax, which many large businesses do not pay. Confidants of the governor said the plan would impose a sliding scale of tax rates—with a maximum of almost 2 percent—based on the type of business and the amount of gross receipts.

Businesses in several categories, including those with less than \$1 million in revenues, would be exempt from the gross-receipts tax.

The new levies represent Blagojevich's way of raising billions of dollars to keep the state government afloat while adhering to his campaign pledge not to raise personal, sales or income taxes.

Blagojevich frames the spending side of the ledger as "investing in Illi-

Bill would boost Illinois DOC fee to \$150

Illinois legislators are considering raising to \$150 the base documentary fee that dealers could charge on the sale of new and used vehicles beginning Jan. 1, 2008.

The base DOC fee was \$40 when it was established in 1992. Annual adjustments tied to the Consumer Price Index have increased to \$58.48 the maximum DOC fee that can be charged this year. The fee is assessed to complete and store necessary paperwork and provide copies to purchasers.

But the array of federal and state regulations with which dealers must comply when selling vehicles has escalated more than the CPI. Dealers in at least 30 states are permitted to charge \$400 to \$900 in DOC fees.

Since 2001, for instance, new federal regulations with which dealers must comply include the Privacy Act and the related Safeguards Rule, to curb identity theft; the Patriot Act, to combat terrorism; and the Federal Trade

Commission's National Do-Not-Call or -Fax Registries, which regulate telemarketing.

Illinois House Bill 1657 was introduced Feb. 22 by Rep. Daniel J. Burke (D-Chicago), and it passed its first reading on the House floor that day. The House Financial Institutions Committee voted 12-7 to approve the measure March 6, returning it to the House floor for a second reading. The March 6 vote followed party lines, gaining the support of committee Democrats but not Republicans.

Legislation must pass three readings on the floor of each chamber of the General Assembly before being delivered to the governor.

Dealers are encouraged to contact their state representatives and senators to enlist support for the bill. Lobbyists for the CATA and the Illinois Automobile Dealers Association, likewise, are pressing legislators for their support of HB 1657.

Cash flow shortfalls doom API

Automobile Professionals, Inc., the Schaumburg-based supplier of vehicle service contracts, has gone into assignment, leaving its dealer clients "looking for the money."

In a Feb. 12 memo to all API agents, James Hawk said that after an extended period of drastically declining production volume, API management "determined that it has no choice but to make an assignment for the benefit of API's creditors."

"This has been a difficult decision made under the burden of severe cash flow shortfalls from reduced service contract production and steady strong GPR activity," Hawk said in his memo.

"We are actively working with our insurance carriers to determine the status of their programs and the possibility that one of them may be willing to move forward with a new program for your dealers."

Calls to API, at 847-519-4550, were not immediately returned; and the company's Web site, www.apiwarranty.com, has been deactivated. Word of the bankruptcy reached dealers across the country.

"This is so new right now," said one Texas dealer. "We're trying to figure it out ourselves. We're pulling original dealer agreements, trying to figure out what's changed."

"What are we going to do with people we have coming in every single day, wanting to get things authorized? We're on high alert, and that's putting it mildly."

First Colonial Insurance Co. and Northbrook Indemnity Co., wholly owned subsidiaries of The Allstate Corporation, have underwritten API's vehicle service contract program since 2005. Prior to that, Marathon Financial Insurance was API's underwriter.

A Marathon spokeswoman said the company's attorneys are working with the liquidator handling API and said that customers—both dealers and end-users—are being given the liquidator's telephone number. She also said an e-mail account has been set up so that claims and other questions would be forwarded to the liquidators. Similar plans by Allstate were not immediately announced.

Automotive Professionals, Inc., was founded in 1984. The company indicated in 2005 that Allstate selected API because of its solid foundation. Now API joins names like WPC Associates, Inc., which closed in 2006; and Warranty Services Co., which the Better Business Bureau reported has disconnected its lines.

"At the moment, we're on hold," said one F&I director from a dealership in East Haven, Conn. "Right now we're not in a situation where we have customers coming to us with claims. It's too early at this point to know what's going to happen."

Marketplace

Parts Manager 26 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.

Office Manager Extensive automotive training and experience, including hiring and training of all office personnel. Experience with payroll, billing, license and title, monthly closings, more. Anonymous, please call the CATA for contact information.

Assistant Office Manager/Biller More than 25 years' dealership experience with increasing responsibilities. Various managerial duties including daily deposit, inventory schedules, floor plan, payoffs and overseeing office staff. Cheryl Sisco, 773-247-7802.

Résumés of all candidates on file at the CATA.

Congratulations!

Libertyville Toyota, Schaumburg Toyota and Toyota of Naperville were named 2006 Platinum Award winners by Toyota Financial Services, for their commitment to providing customer-focused insurance solutions.

Fox Valley Suzuki is among 54 dealers named a Wells Fargo Auto Finance 2006 Dealer of the Year.

Honda Financial Services bestowed its 2006 Council of Excellence award upon the following area dealerships: **Acura of Libertyville, Carrs Honda Center** (Chicago), **Community Honda of Orland Park, McGrath Acura of Westmont, Muller Honda** (Highland Park), **Muller's Woodfield Acura** (Hoffman Estates), **Pauly Honda** (Libertyville), **Planet Honda** (Matteson), **Joe Rizza Acura** (Orland Park), and **Valley Honda** (Aurora). Planet Honda is a five-time winner of the award.

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

Dealers must use all means to enhance performance, profitability: Willey

By Ray Scarpelli Sr.

METRO CHICAGO NADA DIRECTOR

In his remarks at the recent NADA Exposition and Convention, 2007 Chairman Dale Willey urged dealers to use all resources available to continue to enhance their performance and profitability, including the NADA's programs and services.

Noting the association's important role in his own growth and success as a dealer through the years, Willey said: "The NADA can help every dealer become more profitable. It helped me and it can help you."

Among the NADA programs Willey referenced was the "Lifeline to Profits" workshop series, which offers dealers expert advice by 20 Group consultants and Dealer Academy instructors. "This is a talented and knowledgeable group," he said.

Willey also highlighted the importance of the NADA's active dialogue with manufacturers, legislators and regulators.

"We need to make certain that our manufacturers never forget that dealers are one of their most important assets," he said. "When dealers succeed, manufacturers succeed."

On the legislative front, Willey cited congressional movement on vehicle

total-loss disclosure as an example of the effectiveness of NADA's government relations programs.

And in the regulatory arena, he noted that dealers have to comply with 114 federal regulations, underscoring the value of the NADA's guidance and communications to help dealers navigate in a complex business landscape.

Pressed on fuel economy

At a recent hearing of the Senate's Energy and Natural Resources Committee, senators pushed General Motors, Honda and others from the transportation sector to increase fuel economy standards for cars and light trucks. Senators also hinted that efforts by manufacturers to produce greener vehicles will boost their bottom line.

"Maybe we need to help you help yourself by pushing these standards," said Sen. Gordon Smith (R-Ore).

With global climate change high on the agenda for the newly elected Democrat majority, this was the first hearing to call for tougher miles-per-gallon gasoline standards, more research funding, and further development of biofuels.

American Honda even went so far as to urge the federal government to increase vehicle mileage requirements.

Dealers are urged to remind the representatives in Congress that the

NADA continues to support efforts by automakers and regulators to improve fuel efficiency but opposes legislative fuel economy mandates that would significantly raise standards without strong consideration to consumer choice, affordability, or passenger safety.

NADA Official Used-Car Guide renamed

After 74 years, the N.A.D.A. Official Used Car Guide Co. has changed its name. The company henceforth is the NADA Analytical Services Group (NADA ASG). As part of the rebranding, the logo has been redesigned and NADA ASG has spiffed up its corporate Web site, stationery design, and marketing pieces. A new tag line, "Accelerating Vehicle Information," ties into the company's new analytical products being launched at the convention.

"This new logo and name, and the tag line, better reflect our positioning as an end-to-end solutions provider for our customers," said Mike Stanton, vice president and chief operating office of NADA ASG.

"Everybody recognizes the little yellow book, and I want to make it clear that the yellow book does not change—and our core competency doesn't change [either]."

Gross-receipts tax

CONTINUED FROM PAGE 1

nois families." In addition to education, health care and pensions, the governor contends that requiring more of businesses is a matter of "tax fairness" compared with the burden borne by individuals.

But business interests say the cost of the new gross-receipts tax would be passed along to consumers. "This will be the largest tax increase on the Illinois population since the implementation of the Illinois income tax in 1970," said Greg Baise, president of the Illinois Manufacturing Association. "No matter what (Blagojevich) tries to say, these costs will be passed on, whether in manufacturing or services."

All revenue from the bond sale and the lottery lease would be devoted to the state's woefully underfunded public employee pension systems, reducing the liability from \$40 billion to \$15 billion and easing pressure on future state budgets.

Businesses also are expected to rail against a new payroll tax on employers who don't offer health insurance or who offer minimal coverage. The business tax equivalent of 3 percent of payroll would generate up to \$1 billion.

Senate President Emil Jones (D-Chicago) has already indicated support for new tax levies on businesses, but House Speaker Michael Madigan (D-Chicago) has said little about the proposed business taxes, with his spokesman saying to "wait for the fine print." Madigan has questioned the wisdom of leasing the lottery.

Openings exist in CATA's next fixed ops Bootcamp, April 23-26

Registration continues for the next four-day Bootcamp for service directors and managers, April 23-26 at the CATA. Call Jim Butcher at 630-424-6020 to register.

The new training, begun by the CATA in 2006 for fixed ops personnel, has been widely praised by those who enrolled in the Bootcamp and subsequent 3-year 20 Groups.

The Bootcamp lead instructor is Lloyd Schiller, who formed Dealer Service Corporation. DSC now is a company of NCM Associates, which conducts the CATA 20 Groups.

Mark Holzapfel, service manager for D'Arcy Buick-Pontiac-GMC in Joliet, completed Bootcamp last September.

"A lot of training seems the same, like you know what to expect. But Lloyd did a great job by adding new twists," Holzapfel said.

"Lloyd really knows how to get a point across. He gets the group involved. It's not just sitting behind a desk for eight hours."

Schiller said Bootcamp attendees have reported net profit increases up to \$20,000 a month after the training, and their CSI scores increased to top factory award status. Technician ef-

iciency also jumped up to 50 percent.

Enrollment through other dealer associations typically costs \$2,800 for the Bootcamp plus \$250 a month over the three-year 20 Group. Special CATA prices are \$1,000 for the Bootcamp and \$160 a month for 20 Group tuition.

In addition, for service directors and managers who complete the 20 Groups, the CATA will rebate to their dealers 50 percent of the first year's tuition, 75 percent of the second year's tuition, and 100 percent of the final year's tuition.

A traditional 20 Group agenda includes comparing dealership financial statements with similar-sized, same-make dealerships from different markets. The CATA's 20 Groups deliberately include representatives from various makes.

Important, attendees do not share their financial information with counterparts, but instead compare that data against manufacturer-specific averages and benchmarks.

The 20 Groups operate autonomously and create their own bylaws and discussion topics, and even have chat rooms on an NCM Web site.

Hammond AYES school advances to national event in New York

AYES student technicians from Hammond Area (Ind.) Career Center advanced recently to compete in the 2007 national finals of the National Automotive Technology Competition, April 10-11 at the New York International Automobile Show.

The National Automotive Technology Competition is a test of skill, a measure of knowledge, and a race against the clock—all rolled into one. It features 75 of the nation's best high school automotive education students from across the country competing for the title of "The Nation's Best Automotive Technician."

This year more than \$3 million in prizes and scholarships will be awarded to participating students and schools thanks to the generous support of almost every major automaker, industry suppliers and dealer associations.

The CATA-sponsored school will service a 2007 Mercedes-Benz C280 during its two-day competition against 36 other schools also sponsored by a state or metropolitan dealer association.

The student competition was developed in 1990 by the Greater New York Automobile Dealers Association to help curb the shortage of qualified automotive technicians and raise the level of vocational education standards in the public school system. The Hammond Area Career Center team advanced after winning a state analyses contest.

Contest nuts and bolts

Each two-person student team must diagnose and repair a number of pre-assigned problems under a car's hood within an allotted amount of time. Each "bug" correctly repaired is worth a number of points, depending on the level of difficulty. In addition, the student's overall knowledge is tested through a written test prepared by ASE work stations.

Students also will perform on system stations, including starting and charging systems, braking systems, electrical systems and more.

To prepare for the competition, students train with their high school instructors as well as with certified technicians at local franchised automobile dealerships.

The area's other AYES participating schools are

Currie Metro High School (near Midway Airport)

Lake County High Schools Technology Campus, Grayslake

Parkland College, Champaign

Streamwood High School, Streamwood

Technology Center of DuPage, Addison

Beginning this fall: **Joliet Township High School**.

To discuss retaining an AYES student technician, call Jim Butcher, the Illinois AYES manager, at 630-424-6020.

DC traffic report tracks viewer searches

The flyer in this newsletter recaps aggregate traffic on the DriveChicago.com portal during February. Dealers are e-mailed reports with traffic specific to their store(s).