CHICAGO AUTOMOBILE TRADE ASSOCIATION
AUTO SHOW

CATA Bulletin

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CATA commits up to $125,000 to NADA's Katrina emergency relief

Affected dealership employees to benefit

Contributions by CATA members and their employees to a Hurricane Katrina relief fund will be matched with a donation of up to $125,000 by the association, the CATA board directed at a Sept. 6 special meeting.

The donations must be sent by Oct. 14 to the CATA, which in turn will channel them through the NADCF Emergency Relief Fund established by the National Automobile Dealers Association.

The NADA is rolling out a major campaign to collect funds, including sending solicitations directly to its members.

Some CATA dealers have indicated they would match the amount their employees contribute before submitting the total to the CATA. A subsequent match by the association would transform a $1 employee donation into $4 in disaster relief funding.

Every dollar of the fund will go directly to hurricane victims who are dealership employees; the NADA will assume all administrative costs.

"We have contended for decades that new-car dealers are always the first to raise our hands to volunteer when a charity is in need," said CATA Chairman Terry D'Arcy.

"At this significant moment in our history, we need to collectively raise our hands to help the survivors of this catastrophic natural disaster."

Employees can contribute to the fund-raising effort by credit card or by making a check payable to NADCF Emergency Relief Fund. See the insert in this newsletter. All contributions are tax-deductible as a charitable expense.

Checks can be mailed to the CATA in Oakbrook Terrace, attention: Relief Fund; or they can be sent directly to the NADA at 8400 Westpark Dr., McLean, VA 22102.

The NADA can identify direct donations by CATA members by tracking the ZIP codes of donors.

Employers also can arrange for workers to donate through regular payroll withholding by having an employee sign a consent form authorizing the deduction.

An employer may opt to provide the employee with a letter detailing the contribution amount, as additional

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ADP takes fence-mending steps with dealers over data sales to Carfax

ADP Dealer Services has ceased its brief practice of selling dealership service records to Carfax without dealers' consent, ADP officials said, adding that the procedure is permitted in the vendor contracts dealers signed with ADP.

The company would not disclose how many dealerships were involved in the Carfax program, which took place from December through March of this year.

In the Aug. 29 edition of this newsletter, CATA directors condemned the practice. They said that the information in a dealer's computer database is the property of the dealership, and that the practice of data mining should result in severe penalties in an era of rampant identity theft, mounting privacy lawsuits and stiff privacy regulations.

A chief concern of dealers is liability for any customers' personal information falling into the hands of hackers. Federal law requires dealers to protect such personal data.

But ADP said it sold Carfax only VIN data, which is not protected by federal privacy laws.

Matt Parsons, an ADP vice president of sales and marketing, said the company ceased the practice after feedback from clients. "It was not well received," he said.

Parsons said Carfax was unaware of which dealers were the sources of any

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FTC applies Safeguards Rule to retailer's non-financial activities

The Federal Trade Commission has settled a charge against a large retailer, BJ's Wholesale Club, that the company failed to appropriately safeguard sensitive credit and debit card information that it received from thousands of its customers.

Because the alleged security violation did not involve finance or lease activity by the retailer, the FTC did not allege a violation of the FTC Safeguards Rule. Instead, it alleged that the retailer's inadequate security procedures constituted an *unfair practice* under the Federal Trade Commission Act.

That distinction aside, the FTC's proposed consent order requires BJ's to establish and maintain a comprehensive written information security program that contains most elements required by the Safeguards Rule.

Thus, even though the alleged security failure did not involve *significant financial activity* that triggers Safeguards Rule compliance, the FTC nonetheless imposed Safeguards Rule requirements on the retailer's non-financial activity based on its FTC Act authority.

In a news release explaining the action, FTC Chairman Deborah Platt Majoras said: "Consumers must have the confidence that companies that possess their confidential information will handle it with due care and appropriately provide for its security. . . . This case demonstrates our intention to challenge companies that fail to protect adequately consumers' sensitive information."

The development underscores the need for dealers to adequately safeguard customer information received in all parts of the dealership, not jut those involving finance and lease activity.

Expanding customer information safeguards also should help to reduce future compliance burdens that likely will result from anti-identity theft legislation currently being considered on Capitol Hill.

BJ's Wholsesale Club agreed to settle the FTC charges that its failure to take appropriate security measures to protect the sensitive information of thousands of its customers led to an unauthorized person or persons to make millions of dollars of fraudulent purchases.

The FTC charged that BJ's engaged in a number of practices which, taken together, did not provide reasonable security for sensitive customer information. Specifically, the agency charged that BJ's:

• Failed to encrypt consumer information when it was transmitted or stored on computers in BJ's stores;

• Created unnecessary risks to the information by storing it for up to 30 days, in violation of bank security rules, even when it no longer needed the information;

• Stored the information in files that could be accessed using commonly known default user IDs and passwords;

• Failed to use readily available security measures to prevent unauthorized wireless connections to its networks; and

• Failed to use measures sufficient to detect unauthorized access to the networks or to conduct security investigations.

The FTC's complaint charged that the fraudulent purchases were made using counterfeit copies of credit and debit cards used at BJ's stores, and that the counterfeit cards contained the same personal information BJ's had collected from the magnetic stripes of the cards.

After the fraud was discovered, banks cancelled and reissued thousands of credit and debit cards, and consumers experienced inconvenience, worry, and time loss dealing with the affected cards. Since then, banks and credit unions have filed lawsuits against BJ's and pursued bank procedures seeking the return millions of dollars in fraudulent purchases and operating expenses.

According to BJ's SEC filings, as of May 2005, the amount of outstanding claims was approximately $13 million.

The settlement also requires BJ's to obtain audits by an independent third party security professional every other year for 20 years.

Next AFIP certification testing at CATA scheduled for Nov. 17, 18

Testing to gain certification by the Association of Finance and Insurance Professionals will next be held at the CATA Nov. 17 and 18. The one-day test poses 150 questions plus 25 questions specifically about ethics, all which must be answered in 20 minutes.

Self-study materials are included in the registration fee. See the flyers included in this newsletter for more details and to register.

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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 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**

Autumn brings flurry of activity for NADA members

By Ray Scarpelli Sr.
METRO CHICAGO NADA DIRECTOR

NADA dealers are expected to be very busy over the next two months. First, there's Child Passenger Safety Month in September. Dealers across the country will promote children's safety by hosting child-seat checks and installations. Also in September, hundreds of dealers will attend NADA's Washington Conference, where they'll meet with their representatives and senators to discuss dealer concerns. And during Automotive Career Week, Oct. 24-29, dealers will introduce local teenagers to the ever-changing, lucrative world of dealership work.

In legislative and regulatory news:

• After months of intense lobbying, an NADA-led industry coalition has secured passage of an amendment to the Internal Revenue Code that exempts from the retail federal excise tax highway tractors that are Class 5 (19,500 lb. GVW) and below if their gross combined weight with a towed vehicle does not exceed 33,000 lbs. The provision is effective for vehicles sold after Sept. 30, 2005, and should permit dealers to rely on the gross combined weight rating established by the manufacturer. It is part of the highway transportation bill, H.R. 3, signed in August by President Bush.

• The aftermath of Hurricane Katrina has delayed until October any Senate vote to permanently repeal the estate tax. The body was first expected to take action this month. The NADA has flown dealers and ATAEs to Washington to meet with senators whose votes are essential to permanent repeal. The association encourages dealers to continue to contact their senators to urge them to support permanent estate tax repeal.

• California Gov. Arnold Schwarzenegger signed a "Car Buyers' Bill of Rights" that will take effect in that state July 1, 2006. The law imposes caps on dealer markups of wholesale interest rates on vehicle loans (2.5 percent markup will be allowed for loans of 60 months or less; 2.0 percent on longer loans). It also allows the consumer to purchase a contract cancellation option from the dealership that would permit the a buyer to return a used vehicle sold for less than $40,000 to the dealership within two days of the sale. California dealers will also need to separate costs of additional products and services.

• The Federal Trade Commission issued a final rule that 1) increases the National Do-Not-Call registration fee from $40 per area code to $56 per area code, and 2) continues to exempt the first five registered area codes from the fee requirement. The fee increase took effect Sept. 1. Accordingly, dealers that register six or more area codes must pay the revised fee when they renew their current subscription accounts. Full text is at http://a257.g.akamaitech.net/7/257/2422/01jan20051800/edocket.access.gpo.gov/2005/pdf/05-14905.pdf/

• The new FTC rule specifying the "format, type size and manner" of opt-out disclosures accompanying pre-approved offers of credit (a.k.a. prescreened solicitations) took effect Aug.1. Both a short-form and long-form opt-out notice must accompany the solicitation. Samples of notices, plus additional information, are at www.nada.org/factact (requires NADA member log-in).

It's not too late to prepare for this fall's public outreach programs.

The NADA encourages dealers to host child safety seat inspection events at their stores in September, which is Child Passenger Safety Month. Dealers who held events last year reported large turnouts and positive community feedback.

• An NADA tool kit with step-by-step guidance on hosting a child safety seat event, "Building Child Passenger Safety Awareness in Your Community," was mailed with the June issue of NADA's AutoExec magazine. To view the tool kit and other NADA materials online, please visit www.nada.org/boostforsafety/

• The NADA has teamed up with the safety group I'm Safe! to offer dealers discounted branded booster seat safety materials for kids. Visit http://www.imsafe.com/nada/nada.htm or call 877/669-7233 for more information or to order.

• The NADA also offers free materials for use at your child safety seat event, including postcard-sized guides to proper child seat use, consumer brochures on booster seat use and a video for showroom display. To order any of these materials, e-mail rwhite@nada.org

• Want to get teens in your community excited about dealership careers—and interested in working for you? Automotive Career Week is Oct. 24-29. The NADA has a free kit to help you reach out to middle- and high-school students. Order forms were mailed with the July issue of NADA's AutoExec. For more career resources or to order a kit online, visit www.nada.org/careers or call 800/252-6232, Ext. 2.

In other NADA news:

• It's time to register for the dealer event of the year, the 2006 NADA convention and exposition, Feb. 11-14 in Orlando. William Bradshaw, the 2006 NADA chairman, will take office, and you'll hear from 2005 chairman Jack Kain, BMW's U.S. chairman and CEO, Tom Purves, and former secretary of state Colin Powell. There will be spectacular exhibits and dozens of workshops. Register online at www.nada.org/convention/ Advance registration ends Dec. 19; after that, attendees must register onsite.

Cost of dialing

FTC ups rates again for phone lists

Businesses that conduct telemarketing campaigns across more than five area codes found those campaigns costlier effective Sept. 1, following action by the Federal Trade Commission.

Access to telephone numbers in five area codes continues to be free to registered telemarketers. But under a revised FTC fee structure, the annual fee to obtain numbers in additional area codes increased from $40 to $56 each.

Telemarketers and sellers are required to search the National Do-Not-Call Registry at least once every 31 days and to drop from their call lists the phone numbers of consumers who have registered.

Businesses that conduct telemarketing must register as a telemarketer with the federal registry. That is accomplished online at https://telemarketing.donotcall.gov/ Afterwards, a business can gain access to the various phone numbers.

A telephone number that appears on the registry still may be called if (a) the consumer has made a purchase from the dealership in the past 18 months, (b) the consumer has contacted the dealership with an inquiry in the past 90 days, or (c) the consumer has provided written consent—in advance of any call—to permit such calling. The consent form, according to the FCC, must be clear and conspicuous as to its intent.

Under Illinois law, telemarketers are permitted for just 30 days to call a consumer after that consumer contacts a business with an inquiry.

When the federal registry was instituted in 2003, it cost $25 to obtain phone numbers in a sixth area code.

Marketplace

Office Manager 20 years' dealership experience. Financial statement preparation, payroll, insurance and taxes. Strong record of reducing expenses on services, supplies. Maintain company computer network, telephone system, and e-mail administration. Mary Henderson, 630-802-7230.

Congratulations!

Sam Baldassano of Larry Roesch Chevrolet graduated recently from the NADA's General Dealership Management program, training to prepare key managers to operate a new-car or –truck dealership.

ADP

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information, so the GLB Act was not violated. "But it became a trust issue," he said.

Parsons referred to Section 9d of ADP's vendor contract, which permits the company to move encrypted data to third-party vendors. ADP relied on a subsidiary, Digital Motorworks (DMi) to transfer the repair and maintenance records.

Parsons said a contract addendum has been drafted that would forbid ADP from mining any dealership data without the dealer's written consent. Dealers should call their ADP representative to discuss the addendum.

Dealers also can call ADP at 847-485-4888, or Carfax at 800-561-5496, ext. 4255, to demand that Carfax purge service histories from its vehicle reports.

Kevin Henahan, ADP's senior vice president of marketing, said ADP meant to help dealers and consumers by selling the records to Carfax.

The information, Henahan said, could help dealers evaluate trade-ins and help used-vehicle buyers make informed purchases.

But Parsons conceded, "There has certainly been some relationship damage that has occurred."

Katrina

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support for personal income tax returns.

Some CATA dealers have indicated they would match the amount their employees contribute before submitting the total to the CATA. A subsequent match by the association would transform a $1 employee donation into $4 in disaster relief funding.

Hurricane Katrina likely damaged more than 200 dealerships in Louisiana, Mississippi and Alabama, according to estimates by dealer associations in those states. One week after the Aug. 28 hurricane, dealers in the affected region still could not communicate with many of their employees or with the automakers whose vehicles they sell.

Bill Lehman, president of the Mississippi Automobile Dealers Association, said half of the state's 242 new-vehicle dealerships are between Jackson, Miss., and the gulf Coast.

That is the area "where the greatest devastation has taken place," Lehman said. By Sept. 2, Lehman said he had heard from only four dealerships near the Gulf Coast, "and three of the four are total losses."

The NADCF, established in 1992, is a tax-exempt nonprofit public foundation that raises and distributes funds from franchised new-car and –truck dealers and friends for emergency medical and economic educational organizations and private-sector colleges and universities.

For more information on the NADCF, call 703-821-7102.