Upcoming DealersEdge webinars

The Chicago Automobile Trade Association has established a partnership with DealersEdge to provide high-quality training and informational webinars that offer the content to CATA member dealers at a significantly discounted rate.

The rate for CATA members for the weekly presentations is $149, half what is charged to users who do not subscribe to DealersEdge. Webinars premiere on a near-weekly basis.

Even for dealers who hold an annual membership with DealersEdge, the new relationship with the CATA represents a savings because DealersEdge offers its Webinars to its own members for $198. Regular annual membership fees are $397, and normal webinar fees are $298 for non-DealersEdge members.

Once purchased, DealersEdge webinars and accompanying PDF files can be downloaded and viewed later—and repeatedly. No matter how many people watch at your location, each connection costs a CATA member just $149. A telephone connection is not needed; and the fee includes both PowerPoint slides and audio.

To register for any of the DealersEdge webinars, go to www.cata.info. On the tab bar across the top of the screen, click on Education/Careers and follow the dropdown menu to CATA-DealersEdge webinars.

Premiering Thursday, April 16 at 12 p.m. CDT

“Dealership Buy/Sell Marketplace of the Near Future” How will private equity, big money interests, and family offices affect the buy/sell market in the coming year? Is it time sell? Time to buy? Or is it time to hold for a better downstream deal?

In this special presentation Erin & Ryan Kerrigan will

See Webinars, Page 2

Blue law bills to get Senate hearing

Three Illinois bills that would permit Sunday vehicle sales in the state will receive hearings in the Senate Transportation Committee on April 14.

The CATA has advised its members to be prepared to contact senators if and when the bills advance out of committee, although none of the legislation — Senate Bills 1780, 1835 and 1706 — has received much vocal support among Illinois senators. All three bills were introduced by Sen. Jim Oberweis (R-Sugar Grove).

According to the General Assembly’s spring session schedule, the bills would have to win three successive votes in the Senate and pass to the House by April 24. None of the bills has been voted on once yet. The General Assembly is scheduled to adjourn May 31.

SB 1780, the most far-reaching of the proposals, would lift Illinois’s blue law that prohibits new- and used-vehicle sales on Sundays. SB 1835 would allow for the sale of motor vehicles by licensed dealers for not more than two hours on Sundays.

See Sundays, Page 2

Navigating fed regulations maze

By Bill Fox
NADA Chairman

It’s clear by now that new-car dealers are not just responsible for facilitating the complex transactions of vehicle sales to the American public, but also for complying with numerous federal and state regulations on a daily basis. To assist dealers with this ongoing challenge, the National Automobile Dealers Association is providing its members with another essential tool to help navigate the maze of federal regulations. It’s called “A Dealer Guide to Federal Advertising Requirements.”

In January 2014, NADA rolled out a vital resource for its members. The “NADA Fair Credit Compliance Pol-

See Regulations, Page 4
Rise of chip-embedded credit cards will impact dealerships

As credit card companies embrace new technology to make their cards more secure, including chip-embedded security, businesses will be faced with upgrading their point-of-sale equipment or risk potentially facing increased liability for any resulting fraud.

The EMV Coalition, an international, private consortium representing MasterCard and Visa, will change merchant agreements by October 2015 to indicate that if a retailer does not upgrade its point-of-sale equipment to be able to process the chip-embedded cards, the liability for any fraud associated with that transaction will shift to the retailer and from the credit card company or issuing bank.

Commonly used globally in place of magnetic stripe, EMV chip technology drastically reduces card fraud resulting from counterfeit, lost and stolen cards; provides global interoperability; and enables safer and smarter transactions across cards, contactless, mobile, and remote payment channels.

American Express, Discover, MasterCard and Visa all have announced their plans for moving to an EMV-based payments infrastructure in the U.S., with major changes for managing fraud risk taking effect this year.

The chip-embedded cards are issued virtually everywhere in the world except the U.S., and the huge increase in credit card-related fraud has led insurance companies and other interested parties to push hard for increased fraud protection.

Annual costs of credit card fraud in the U.S. alone are estimated at $8.6 billion, and experts believe that figure could rise to $10 billion or higher this year. The explosion in credit card fraud goes hand-in-hand with a simultaneous rise over the past five years of mobile payments.

In 2010, the total gross dollar volume of mobile payments in the U.S. was about $16 billion. That sum is expected to reach $214 billion this year, an astronomical 13-fold increase in just five years.

Sundays

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And SB 1706 would permit Sunday sales of motor vehicles if the licensed dealer is a person who observes religious worship on a day other than Sunday.

Oberweis contends that consumers would appreciate being able to buy a car on Sunday. But 84 percent of new-car purchases involve financing which has to be arranged through lenders that are closed Sundays.

CATA President Dave Sloan said he hasn’t heard from any consumers clamoring to buy a car on Sundays.

Webinars

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discuss the current and near future buy/sell market for auto dealerships, providing critical perspective and understanding of what is driving the buy/sell market for dealerships.

Special emphasis on the changing buy/sell landscape.

Erin is the founder and managing director of Kerrigan Advisors, a national and international dealership buy/sell advisory. Ryan is managing director of Kerrigan Advisors. He leads the firm’s private equity and international advisory business.

You will learn about:
• the economic drivers of today’s high blue sky values
• the new “Big Money” players and how they impact values
• why some franchises are trading for larger premiums than others
• the impact of geography, profitability, facilities and franchise market suitability on blue sky values
• the profile of today’s buyers and what is most important to them
• Erin & Ryan’s predictions of how long the “seller’s market” will last

Premiering Thursday, April 23 at 12 p.m. CDT

“DMS Market Report for 2015: 5 Top Questions from Dealers Answered!” Technology changes constantly and you need to know what works, what is truly beneficial to your business mission, and what is worth the added expense.

Get the inside scoop from Paul Gillrie. You will learn:
• dealer feedback on new products from first- and second-tier vendors
• onsite versus cloud solutions: Which is better and why
• what to buy from DMS vendors and what to source from independent suppliers
• certified DMS interface versus individualized data extraction pros and cons
• latest vendor activities and marketing strategies
• how to make intelligent technology buying decisions for your dealership or group
Direct auto sales could raise car prices, according to analyst

BY LAWRENCE J. SPIVAK

Buying a new car is a major financial investment for consumers.

Fortunately, not only do they have a wide choice of makes and models from which to choose (what economists call “inter-brand” competition), but once they settle on a make and model, consumers can then aggressively shop for the best price from a variety of same-brand dealers (or what economists refer to as “intra-brand” competition). Indeed, in Metro Detroit alone, consumers can shop at 12 Toyota dealerships to buy a Camry.

One way state legislatures have sought to encourage intra-brand price competition is by requiring auto manufacturers to sell their cars through independently owned local dealerships. These franchise rules have been a fundamental cornerstone of automobile retailing in America for years.

Yet, despite the clear benefits of this aggressive intra-brand competition for new cars, there is growing political pressure in several states — including Texas, Arizona and Connecticut — to pass legislation that could severely curtail American consumers’ ability to price shop among competing independent dealers by allowing automotive manufacturers to sell directly to the public.

Allowing manufacturers to bypass local dealers would radically change the way cars are sold today from a model where multiple non-affiliated dealers are forced to compete against another to woo consumers to a model where the auto manufacturer sells cars at a fixed price both online and across the region. (Think Apple stores.)

Is such a change good for consumers? Probably not.

As the Phoenix Center demonstrated in a new econometric analysis, consumers benefit greatly from intra-brand competition for new cars. Using recent data on new-car sales and registrations in Texas for 10 of the most popular models, we found that when multiple dealers within a brand compete for business, prices drop — often substantially.

We found that when you increase the distance between Honda dealers in Texas by 30 miles, the price paid by consumers for the popular Honda Accord increases by $500. For nine of the 10 cars studied, the closer (in miles) the same-brand dealers were, consumers paid lower prices for new cars. Bottom line: More independent dealers competing in a market means lower prices for consumers.

Our study also found that while competition across brands — for example, a Honda competing against a Toyota — reduced the prices paid for new cars, competition within the brand is far more potent. On average, it takes 35 inter-brand competitors to produce the same price effect as bringing two same brand dealers one mile closer to each other.

Accordingly, allowing manufacturer-direct sales — and the potential concurrent reduction of local auto dealers — is not something to be taken lightly. Many analysts believe that repeal of the independent franchise rules would result in substantial industry consolidation, and the emergence of a retail automobile industry with fewer sellers.

For example, in Texas, where there is growing pressure to allow manufacturer-direct sales, Bill Wolters, president of the Texas Automobile Dealers Association, has said that easily two-thirds of Texas car dealerships would be at risk if the law against manufacturer ownership of dealerships is eliminated.

This reduction of independent dealers has consequences, because a fall in new car dealer counts could reduce both inter-brand competition (Toyota versus Ford) and intra-brand competition (Toyota dealer versus a nearby Toyota dealer), thus putting upward pressure on car prices. Intra-brand competition is especially beneficial to consumers since it’s mostly about price.

Competition for new cars is intense, and the auto dealer franchise system has a significant part in making it so. Whether or not it’s time to modify state consumer benefits of the franchise system.

Tesla can sell direct in New Jersey

New Jersey Gov. Chris Christie waited all of 48 hours after the bill reached his desk in March to sign into law the ability for Tesla to bypass the dealer franchise system and sell directly to consumers.

Tesla will be permitted to operate up to four factory stores and at least one factory service center. The legislation provides that Tesla is the only manufacturer that can bypass the franchise system.

New Jersey new-car dealers are frustrated that the state legislature moved on Tesla-backed amendments to motor vehicle franchise laws while dealer-backed franchise law amendments still await a Senate vote. The dealer-backed amendments would strengthen and clarify the rights of franchised new-car dealers and encourage investment in the auto retail sector, which in New Jersey employs 35,000 people.

The Garden State’s network of 500-plus independently owned, neighborhood new-car dealerships promote vigorous price competition, protect the public interest in highway safety by ensuring ready access to warranty and safety recall repair service and generate good-paying local jobs, tax revenues and economic benefits. The dealer-backed amendments to the franchise law would help grow jobs and increase consumer benefits of the franchise system.
Regulations

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icy & Program” serves as an optional tool to help dealers comply with fair credit requirements. Just like auto finance, several important federal requirements govern the field of advertising, and cover everything from credit and lease advertising to prize promotions to green-marketing claims.

To demonstrate its commitment to advertising compliance, the NADA released its comprehensive guide on federal advertising requirements at the 2015 NADA Convention and Expo. This provides a compliance resource in an area that has come under intense scrutiny by the Federal Trade Commission, and that has resulted in a series of enforcement actions against dealers across the country.

This guide — like the fair credit guide — is a pdf that is easily accessible at www.nada.org. It provides dealers and others in the industry with information on 41 federal advertising topics; a series of examples of ‘bad’ and ‘good’

Intra-brand

Continued from Page 3

laws on auto retailing is a complex issue deserving in-depth analysis to identify and quantify the consequences of legislative changes.

What are the effects of allowing direct manufacturer sales on consumer prices for cars?

If the law lowered the number of dealerships, would that in fact be good for consumers?

Michigan recently conducted such an analysis, and rejected calls to allow manufacturer-direct sales. The big question is whether other states will follow Michigan’s example.

Lawrence J. Spiwak is president of the Phoenix Center for Advanced Legal & Economic Public Policy Studies, a 501(c)3 non-profit organization that studies broad public-policy issues related to governance, social and economic conditions, with a particular emphasis on the law and economics of the digital age.

Sedgwick deflects Q1 2015 jobless claims

One hundred sixty-five CATA dealer members reported a combined 633 unemployment claims during the first quarter of 2015 to Sedgwick Claims Management Services, Inc., which has been serving CATA dealers under various names since 1979. The company’s efforts saved those dealers a total of $831,466 in benefits by contesting the claims.

Sedgwick CMS monitors any unemployment claims against its clients and contests all unwarranted claims and charges. The company counts about 265 CATA dealers among its clients.

The number of claimants and affected dealers and benefit amounts were at their lowest numbers in years. Claims that can be protested and subsequently denied help minimize an employer's unemployment tax rate. The rate can vary between .55 percent and 8.15 percent of each employee's first $12,960 in earnings.

The 2015 average unemployment tax rate & new employer rate for Illinois employers is 3.75 percent, or about $486 annually per employee ($512 in 2014). The rate continues to inch down from 2007, as the Illinois economy continues to improve.

“The unemployment tax is really the only controllable tax, in that it’s experience-driven,” said Paul Schardt of Sedgwick. An ex-employee’s claim affects the employer’s tax rate for three years.

For new enrollees, client fees amount to $2.60 per employee, per fiscal quarter. For the fee, Sedgwick 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 (773) 824-4325 or Bruce Kijewski at (773) 824-4322.