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## 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. The fee includes both PowerPoint slides and audio; a telephone connection is not needed.

To register for any of the DealersEdge Webinars, go to [www.cata.info](http://www.cata.info). On the tan bar across the top of the screen, click on Education/Careers and follow the drop-down menu to CATA-DealersEdge Webinars.

Coming topics:

Thursday, Dec. 16 at 12 p.m. CST

**“How to stop losing service work due to price comparisons”** Service managers say overcoming price pressure, especially from aftermarket service providers, is their No. 1 problem. And as long as dealership service managers and advisers continue to fail at closing sales

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## 2011 Illinois DOC fee maximum expected Dec. 15

The CATA will issue a special notice following an announcement by the Illinois attorney general's office, expected Dec. 15, on the maximum documentary service fee that can be charged in 2011.

Annual adjustments to the DOC fee are based on changes in the federal Consumer Price Index.

## CATA re-launches Web site

The CATA is proud to announce the re-launch of its Web home, [www.CATA.info](http://www.CATA.info). The site, loaded with information for association members, was designed in-house and is being hosted by AmericanEagle.com, which is located in Park Ridge.

According to CATA President Dave Sloan: “The main focus of the site redesign was twofold. The first goal was to provide easy online access to all the services that CATA offers to its members. Secondly, we wanted to provide better search ability to the CATA's authoritative bi-weekly bulletins.”

The new CATA site provides members easy one-click access to all of the ser-

vices the CATA offers, such as forms, publications, legal and legislative changes, and education programs.

In addition, the home page features two timely sections, one identifying important upcoming dates and the other listing recent publications and news items.

As always, the CATA Web site is the online home to the association's bulletin. But added functionality makes the search function return “Google-like” results that are much more useful when browsing for a specific topic.

The new site also will feature a section highlighting unique benefits and special discount offers provided exclusively to CATA members.

## Chicago Auto Show Web site kicks into high gear

Just two months before the curtains are raised on the 2011 Chicago Auto Show, ChicagoAutoShow.com is ramping up to meet public demand.

Over the past month, online ticketing for North America's largest auto show went live at [www.drivechicago.com](http://www.drivechicago.com), and First Look for Charity ticketing went live at [www.ChicagoAutoShow.com](http://www.ChicagoAutoShow.com).

First Look for Charity is the black-tie benevolent event held the evening before the auto show opens its 10-day run. It is expected to raise \$2 million

for 18 significant Chicago-area organizations.

"We're very excited to offer a show within a show with our online presence," said CATA Internet Director Mark Bilek. "The auto show Web site promotes our signature event like no other, and gives it a life beyond the February run. We offer photos, videos, a timely blog and news updates.

"Once the show kicks off, we'll have webcams, virtual tours, and professionally-hosted video."

Expanding the show's reach to social networkers is another key focus this year. The Chicago Auto Show Facebook page has more than 3,000 fans, and the show's Twitter account is rapidly approaching 1,500 followers.

Integrating social networking with the conventional marketing campaign will help the show reach millions of potential new customers this year.

As the calendar continues toward February, stay tuned for more exciting news on the show's official Web site.

## Webinars

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before customers drive down the street, the aftermarket will continue to win at the pricing game. Learn to sell value over cut-rate competition, using a value-selling process that works and results in more service customers realizing the true value of dealership service department repairs.

Thursday, Jan. 6 at 12 p.m. CST

**"Dealership Internet Online Reputation Update Developing and Protecting Your Online Rep: A Practical 'How To' Guide"** In today's hypersonic speed of information-sharing, unhappy customers do not have to spend a lot of money or even time to grab a megaphone and start to convince your customers to go elsewhere. But this negative PR machine can be managed from your desk or, more specifically, from your laptop. Learn strategies and tactics to blunt negative reviews and proactively build your online reputation. You can fight back when unfair reviews are posted online, but you can also use these opportunities to demonstrate and show off your customer satisfaction halo as well.

Thursday, Jan. 13 at 12 p.m. CST

**"New ways to manage and motivate in Service & Parts"** Using creative pay plans to help manage, motivate and measure the professional performance of dealership employees is nothing new. But there are new ideas on how to use this basic motivational tool more effectively. Review new ideas in compensation plans for your key service and parts employees. Is there a new application of the "flat rate" pay system for techs? What about service advisers- can your dealership use the adviser's pay plan to get the desired results on the service drive? How can you use pay plans to motivate performance and profits in parts? Visit with us on January 16th and pick up some new pay plan idea for fixed ops.

## House: No letter grade on new cars

Dozens of House lawmakers are putting a big red "F" on a government plan to put letter grades on the window stickers of new cars and trucks to rate a vehicle's fuel efficiency.

Fifty-three House members said in a Dec. 10 letter to the Environmental Protection Agency and the Transportation Department that a proposal to add letter grades to the stickers was biased in favor of electric cars and would hurt sales of sport utility vehicles and trucks. Consumers use the stickers to compare vehicles when shopping for a new vehicle.

"Changing this system to a letter grade would cause consumer confusion and tip the scales unfairly against many fuel efficient SUVs and trucks, relegating them to a C or C+ grade," said Rep. Dale Kildee (D-Mich.). The letter was signed by 17 Democrats and 36 Republicans.

The Obama administration said in August it was considering adding grades ranging from A+ for the most fuel-efficient to D for the least fuel-efficient to the stickers. Environmentalists have said the changes will make it easier for consumers to compare vehicles and save money at the gas pump.

But the lawmakers said the plan was "biased in favor of certain types of vehicles" and only electric cars and plug-in hybrid electric vehicles could earn an A or A+.

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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 [www.cata.info](http://www.cata.info).

**David E. Sloan**  
**Erik K. Higgins**

**President, Publisher**  
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## NADA advocacy leads to significant UNICAP tax ruling

### *Dramatic IRS turnaround a 'huge victory' for dealers*

By **RAY SCARPELLI SR.**

METRO CHICAGO NADA DIRECTOR

McLEAN, Va. – Advocacy by the NADA has led to a significant UNICAP tax ruling, resolving several contentious and potentially very costly income tax issues that have arisen over the past five years. The IRS ruling simplifies uniform capitalization methods of accounting, and the dramatic turnaround by the IRS is a huge victory for dealers.

The new accounting methods, outlined in IRS Revenue Procedure 2010-44, generally authorize car and truck dealers to treat their main sales facility as a “retail” facility and therefore permit them to forego having to capitalize (instead of expense) certain costs associated with their inventories.

“Effectively, activities that occur at the dealer’s main sales facility where they conduct on-site retail sales will be considered retail in nature,” says Paul Metrey, NADA chief regulatory counsel (Financial Services, Privacy, and Tax). “Because of these new “safe harbors,” dealers who change to the new methods will not have to capitalize handling and storage costs related to those activities.”

Forrest McConnell, chairman of the NADA’s Regulatory Affairs committee, called the revenue procedure a “dramatic change” in the way the IRS had applied the UNICAP rules to franchised dealers in recent years, when many audited dealers saw the IRS propose a significant and unexpected increase to their taxable income.

“Because of the availability of these new accounting methods, dealers no longer will be exposed to burdensome income tax requirements that have arisen during IRS audits of dealerships over the past five years,”

McConnell said. “The NADA’s extraordinary engagement on this issue benefits all franchised car and truck dealers by making it easier – and potentially much less costly – to comply.”

NADA advocacy on behalf of dealers started in early 2006, when IRS auditors began to take the position that dealers were undercapitalizing their inventory costs, despite the fact that numerous dealers had received prior IRS approval of their inventory accounting methods. In September 2007, the IRS issued a technical advice memorandum to a franchised dealer that supported many of the new positions being taken by IRS auditors. Two years later, the IRS issued a field directive that “encouraged” dealers to change their UNICAP accounting methods to conform to the TAM by Dec. 31, 2010.

During this time, the NADA engaged the IRS and Treasury on a number of fronts. This included sending a Dec. 1, 2009, letter to senior Treasury and IRS officials that criticized the 2009 field directive and requested a meeting to explore a less burdensome and simpler UNICAP approach for franchised dealers. The NADA request prompted three meetings with the IRS and Treasury between May and July 2010 in which a NADA-assembled group of dealers, accountants, and attorneys advanced the need for safe harbor accounting methods for dealers.

This effort ultimately led to the IRS’s creation of the safe harbor accounting methods in Revenue Procedure 2010-44.

Metrey urges dealers to consult their tax professionals concerning the new revenue procedure. Furthermore, NADA has posted a helpful set of frequently asked questions about the new UNICAP “safe harbor” methods at [www.nada.org/regulations](http://www.nada.org/regulations).

**Strong Used Market Boosts No-**

**vember Sales**

A strong market for used cars and trucks boosted sales for a number of large dealer groups in November, according to data compiled by NADA Guide Book.

Data suggest consumers are gravitating toward more affordable used vehicles when replacing their worn out cars and trucks, and the tight supply of late-model used models is keeping prices high.

“This has also stimulated more interest from dealerships in retailing older, high-mileage vehicles that previously would have been sent to auctions,” said Jonathan Banks, executive auto analyst for NADA Guide Book.

However, Banks predicts the heightened prices dealers are fetching for used vehicles may eventually push many consumers to consider buying new. And with production of many new models ramping up, manufacturers may be tempted to introduce incentives.

Still, several indicators in October pointed to a healthy auto industry going into 2011. New-car sales in October rose to an annualized rate of 12.2 million units, helped by a 16 percent increase in retail sales year-over-year. National unemployment remains a concern, Banks said, but that could change as the economy improves over the coming months.

“Manufacturers are posting strong profits and starting to commit to investments that will bring back jobs and diversify vehicle offerings,” Banks says. “Moreover, we’re seeing manufacturers embrace flexible production schedules to ensure that production stays in line with demand.”

Since 1933, the NADA Guide Book has been the leading provider of market-reflective vehicle valuation products, services and information.

## More auto loans going to subprime buyers

Consumers with less than stellar credit are getting car loans again as lenders loosen their standards, and the trend is likely to continue as more lenders get into the business.

The percentage of loans going to subprime buyers rose 8 percent in the third quarter, the first such year-over-year increase since 2007, according to a report issued Dec. 7 by Experian, a credit reporting agency. For new cars, the percentage of loans going to subprime buyers rose 13 percent over the July-September period in 2009. The increase for used cars was 3 percent.

The majority of loans, 63 percent, still go to buyers with prime credit scores, which is defined as a 680 or above. But even that is settling into a more normal pattern. Before the recession, when credit was very loose, just 51 percent of loans were going to prime buyers, according to Melinda Zabritski, director of automotive credit at Experian. Last fall, when credit was tight, 66 percent of loans went to prime buyers.

Another sign that the credit market is thawing: The loans people are getting are covering larger amounts and have longer terms. The average amount financed for new cars rose \$2,530, to \$25,273, over the third quarter of last year, while the average amount financed for used cars grew \$977 to \$16,706. The average terms rose by about a month, although the lowest tier buyers—those with scores of 550 or less—saw their terms rise by nearly four months.

Zabritski said the loosening in auto lending is likely to continue to grow in the near term. General Motors Co. on Oct. 1 finalized its purchase of AmeriCredit Inc., a Texas-based company that specializes in subprime lenders and has a \$9 billion portfolio of subprime loans. AmeriCredit had already been helping GM with subprime loans, which amount to 4 percent of the automaker's sales. But GM now expects that to grow by a percent or two, a significant number considering that GM is on pace to sell more than 2 million cars and trucks in the U.S. this year.

Banks and auto financing companies feel they can afford to take bigger risks because consumers are being more cautious with their money and savings rates are up. The percentage of loans that were delinquent for 30 days fell 8 percent in the third quarter, to 3 percent, while the percentage of loans delinquent for 60 days fell 17 percent, to less than 1 percent.

Zabritski said that last quarter was the first time Experian reported a decrease in delinquencies since 2007. "It was down for all lenders, which is a very positive sign," she said.

Used-car prices also have been strong, so lenders can assume they won't be stuck with a vehicle they can't get rid of.

Experian collects information on all open auto loans in any given quarter, and also gathers data on new loans from state motor vehicle registries.

## Back-up cameras to be required for cars?

The National Highway Traffic Safety Administration this month proposed a new auto safety regulation that essentially would require rearview back-up cameras in all new cars, pickups and SUVs by 2014.

Based on the proposal, drivers must be able to see directly behind the vehicle whenever the vehicle is shifted into reverse. The rule would be phased in over the next four years, starting with 10 percent of new cars sold expected to comply with the mandate by Sept. 2012; 40 percent by Sept. 2013 and 100 percent by Sept. 2014.

The rule was demanded by legislation passed in 2007, called the Cameron Gulbransen Kids Transportation Safety Act. The act was named after a 2-year-old boy who was killed when his father accidentally backed over him in the family's driveway.

"There is no more tragic accident than for a parent or caregiver to back out of a garage or driveway, and kill or injure an undetected child playing behind the vehicle," Transportation Secretary Ray LaHood said in a statement. "The changes we are proposing will help drivers see into those blind zones directly behind vehicles, to make sure it is safe to back up."

Rear-view cameras are a common feature on new luxury vehicles, especially SUVs. They are available as options on many other vehicles as well, usually as part of an option package including other features such as navigation.

According to NHTSA, this "blind spot" regulation could save 95 to 112 lives per year, and prevent 7,000 to 8,000 or more injuries.

The agency estimates that the addition of rearview camera equipment would cost \$159 to \$203 on a car, or \$88 to \$158 on vehicles already equipped with some sort of display screen, such as one used for navigation.

### Marketplace

**System Administrator/Office Manager** Maintain, reconcile accounts receivable/payable and petty cash; process payroll and related taxes; control expenses. Also conduct inventory control with manufacturers and perform computer backups and update downloads. Judy Ann Myers, (847) 201-1056.

**The office of the Chicago Automobile Trade Association will be closed Friday, Dec. 24 to mark the Christmas holiday.**