CHICAGO AUTOMOBILE TRADE ASSOCIATION
AUTO SHOW

CATA Bulletin

DriveChicago.com
Virtually Every Vehicle In Town!™
official Web site of CATA dealers

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CATA assistance at new Web site, http://cata.drivechicago.com

The information gathered by the CATA and available for its members on the Internet is at a new Web address, to bring the association closer to one of its properties, DriveChicago.

Association-related materials, such as this newsletter's archive, is at http://cata.drivechicago.com/ That makes the CATA site a quick toggle from DriveChicago's home, http://www.drivechicago.com/ In short, to reach the CATA site, substitute the letters "cata" for the more traditional "www" prefix of DriveChicago's Web address.

Want to review the course offerings of CATA Learning University and its upcoming classes? Click the tab, Education/Careers. That tab also contains information about Automotive Youth Educational Systems, and the CATA's efforts to stay ahead of predictions of a technician shortage in the coming years.

Many forms are available for download, such as those necessary when completing a negotiation or transaction in a language other than English; and the year-old Arbitration Agreement developed by the CATA and the Better Business Bureau.

Much more will be posted shortly.

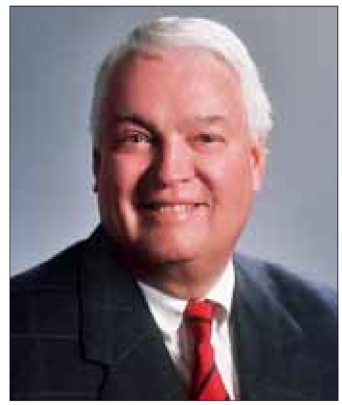
"The new CATA site is a little rough around the edges, but we'll smooth everything out over the next couple weeks," said association President Jerry Cizek. "The transition from the old site, with the redesign, has taken a few months, and we didn't want to leave our members in the dark until we have a 'perfect' site."

"We're very happy about this new synergy with DriveChicago," Cizek added.

The CATA also maintains a separate Web site, www.chicagoautoshow.com, for another of its properties, the Chicago Auto Show.

CATA nominates Hanley Dawson for 2006 Time magazine award

Hanley Dawson III, whose Patrick Dealer Group oversees seven car lines, has been nominated by the CATA for the 2006 Time Magazine Quality Dealer Award.



Hanley Dawson III

Each state and metropolitan dealer association can advance one nominee for the award. Five finalists and one national winner will be named Feb. 10, at the opening of the 2006 NADA convention in Orlando, Fla.

The annual award recognizes new-vehicle dealers in the United States for exceptional performance in their dealerships combined with distinguished community service.

Three of the Patrick franchises rank tops in market share, and all of them consistently achieve above market and national average scores in customer satisfaction for both service and sales.

Patrick is Chicago's third largest dealership in terms of sales, with BMW, Cadillac, Hyundai, Jaguar, Mini, Saab and Volvo franchises.

Dawson has served as board chairman of Loyola Academy in Wilmette and of Regis University in Denver, Colo., and he serves on the board of Catholic Charities of the Archdiocese of Chicago. He supports Cristo Rei Jesuit High School, in Chicago's Pilsen neighborhood; and established a scholarship fund in memory of his father-in-law at Loyola University's Stritch School of Medicine.

The Patrick Dealer Group regularly holds fund-raisers for the Children's Place Association, for children and families affected by HIV and AIDS; the Susan G. Komen Breast Cancer Foundation; and Mercy Home for Boys and Girls.

Automotive News: 2.5% becoming standard dealer finance markup

A 2.5 percentage markups on loan interest rates is becoming a standard in dealership finance, according to an article in the Automotive News.

Dealers wondering where the spate of litigation over dealership F&I practices will settle could consider a markup of 2.5 percent on finance rates as a good benchmark. That markup is becoming a standard in dealership finance, according to an article in Automotive News.

The recently enacted Car Buyers' Bill of Rights in California mandates a 2.5 percentage point ceiling on most dealership markups of wholesale interest rates. Markups of loans longer than 60 months are limited to 2 percentage points under the California law.

And DaimlerChrysler Services agreed to a 2.5 percentage point limit on most markups to settle a class-action lawsuit that alleged bias against minority vehicle buyers.

Last year, GMAC agreed to a 2.5 percentage point limit on dealership markups as part of a legal settlement. Other lenders and automakers' captive finance companies have accepted a 2.5 percentage point ceiling.

Charles Ognibene, a Boston lawyer who represents auto finance companies, says the industry "has done well educating lawmakers and the car-buying public about how credit sales and auto finance really work."

Ognibene said: "Lawmakers have come to understand the legitimate function that a dealer's F&I department performs. The value added by that department is not provided without cost."

Big winner from the summer's record auto sales: Big banks

The thousands of new-car buyers who have responded to the domestic carmakers' employee-price-for-everyone promotions this summer have been a boon to the factories, whose discounts successfully lured shoppers into showrooms.

Reaction to the promotions among dealers has been somewhat mixed. But the real winners in the sizzling U.S. car market are the banks and captive finance companies that put up the money to finance those sales.

Bankers are seeing dramatic increases in auto loans, which can make up to 15 percent of their total loan portfolios, according to a report in the Atlanta Journal Constitution.

Wachovia, for example, reported that auto loan volume rose 28 percent nationwide in June. Officials for Atlanta-based SunTrust Banks, the nation's fourth-largest auto lender among banks, said auto loan volume jumped 30 percent in July, the best showing in 18 months.

An executive at SunTrust said he expects the loan trends to continue even if there is a slowdown in auto sales.

That's because Detroit automakers did away with the zero percent financing that was so popular two years ago.

"One of the key reasons banks are seeing better loan volume is that the big auto companies cannot be aggressive on loan pricing, since they saw credit ratings cut back," said Christopher W. Marinac, a banking analyst with FIG Partners in Atlanta. "Lower credit ratings mean higher cost of debt when Ford and GM issue debt securities. So, the banks are now seeing better volume."

Registration underway to attend '06 NADA convention in Orlando

Advance registration is open through Dec. 19 for the 2006 NADA Convention and Exposition in Orlando, Fla., Feb. 11-14.

To register online, or to download a registration form, go to www.nada.org/convention/ The form also can be retried via fax-on-demand by calling 800-778-7209, or by calling the Convention Department at 703-821-7188.

For those paying by credit card, the completed form can be faxed to 703-883-9480.

Look for more information on the 89th annual NADA convention in the coming weeks, including speakers and programs.

Congratulations!

Ernest Semersky, proprietor of The Porsche Exchange in Highland Park, is one of 22 dealers named as a 2005 Porsche Premier Dealer.

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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**

NADA keeps eyes on legislation, regulations that could impact dealers

By Ray Scarpelli Sr.
Metro Chicago NADA Director

Congress is in summer recess this month, so legislators have returned to their home districts. Now is your chance to schedule a meeting with your representative or senator to discuss legislative issues that affect your business. What have lawmakers (and regulators) been up to recently?

The Federal Communications Commission has **delayed** until Jan. 9, 2006, a rule that would have **required senders of fax ads to obtain a recipient's signed written permission** before sending the fax. The FCC's current fax ad rules, which permit sending fax advertisements to recipients with whom the sender has an established business relationship (EBR), still apply.

The NADA's work with a coalition to obtain congressional passage of legislation to **preserve the EBR** was successful. Under the new legislation, which President Bush signed on July 11:

• Fax ads based on an EBR still must provide notice and a cost-free mechanism for recipients to "**opt out**" of future fax ads from the sender; and

• Senders may continue using fax numbers that were in their possession prior to the date of enactment. **Fax numbers** obtained after July 11 must come directly from the **recipient** or from a **published source**.

The law applies in all 50 states, but any more restrictive state law provisions continue to apply.

The FCC has granted an NADA petition which clarifies that **the National Do-Not-Call rules do not prohibit dealers from calling consumers** to alert them that their vehicles have been recalled due to a product safety or defect concern and to schedule appointments to correct the defect. The clarification applies only **if the defect repair work does not involve any cost to the consumer** and the **dealership does not encourage the purchase of other goods and services** during the phone call.

The Federal Reserve Board has issued an NADA-supported interim rule that extends to dealers and other non-bank creditors a critical exception to the FACT Act's prohibition against obtaining or using medical information for credit eligibility decisions. Dealers now may use **medical information** solely to **evaluate a consumer's credit capacity** (such as when considering medical debt as a component of the consumer's overall debt). The interim rule takes effect March 7, 2006.

It's never too early to prepare for this fall's public outreach programs.

Child Passenger Safety Month The NADA encourages dealers to host child safety seat inspection events at their stores in September. 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 hosting events 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 is also has free materials for 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 October 24-29. NADA is offering 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.

In other NADA news:

• The NADA's efforts to encourage drivers to regularly check the condition of and maintain their tires are ongoing. To join the nearly 1,000 dealers who have signed up for the "Be Tire Smart — Play Your Part" national tire safety campaign, visit www.nada.org, click Newsroom and scroll down to "NADA Joins National Tire Safety Campaign" for a sign-up form.

• According to research by Automotive Retailing Today, **83 percent of women** indicate that their overall dealership **purchase experience was positive**, compared to 80 percent of their male counterparts. Help change negative dealer stereotypes by including this statistic in your organization's communications, including speeches, press releases and media interviews, and on your Web site. For more information, visit www.autoretailing.org/

Sales-wise, this has been one hot summer. Light-vehicle sales, driven by GM's employee pricing promotions, rose some 16 percent in June. GM's sales were up 41 percent over last June, but the incentive boosted some competitors' sales, too, as buyers cross-shopped brands. With GM, Ford and Chrysler all offering similar deals through July, heavy traffic continued.

I hope your summer has been profitable and fun. As always, let me know your ideas and concerns, so that I can meet your needs as your NADA director.

Hybrid buyers score big incentives in Energy, Highway bills . . .

The Highway and Energy bills signed by President Bush last week include numerous treats for hybrid buyers.

According to The Wall Street Journal, included in the Energy bill is a federal tax credit for hybrid buyers that could total as much as $3,400.

And the federal Highway bill, otherwise known as the Transportation Reauthorization Bill, gives states the right to open high-occupancy vehicle lanes to hybrids even if there's only one person in the car.

For consumers, the tax provision replaces a $2,000 deduction, which was a reduction in taxable income, with a tax credit that instead reduces the tax bill itself. The new tax credit also applies to diesel cars, provided that they are engineered to reduce polluting emissions.

But the tax credit comes with a bit of a twist that could benefit domestic brands, which currently lag in the hybrid market. Congress has set a cap of 60,000 on the total number of people who can claim the tax credit from any one automaker between the years of 2006 and 2009.

The result could be that Toyota and Honda—two of the current leading hybrid sellers—may run through their tax credits before 2009, just as domestic manufacturers are gearing up their own hybrid sales.

General Motors and DaimlerChrysler don't have any hybrids now. So, by 2008, shoppers might be able to take a tax credit if they buy a GM hybrid, but not one from Toyota. Ford expects to sell 20,000 Escape SUVs and about 4,000 Mercury Mariner hybrids a year, which means the tax credit might last long enough to cover all its hybrid sales in the 2006-2009 window.

Nonetheless, Toyota is pleased with the tax break.

"We understand the politics of the situation and we understand Congress has a limited budget to work with," said Toyota spokeswoman Martha Voss. "We do think our customers will see a significant benefit."

A provision in the highway bill gives special consideration to Ford and its new Escape hybrid. As originally drafted, the bill required hybrids to get 45 mpg in order to use HOV lanes. Under than rule, the Escape wouldn't have qualified.

But Sen. Jim Talent (R-Mo.), who has an Escape plant in his state, lobbied successfully to allow hybrids to use HOV lanes if they get at least 50 percent better mileage than their conventional counterparts.

. . . yet they maintain 'wait and see' attitude on closing a deal

Consumers are aware of and considering hybrid vehicles, but they may not be 'sold' just yet due to the additional costs associated with the technology, according to a study by the Polk Center for Automotive Studies.

The inaugural public opinion poll from the new division of R. L. Polk & Co. focused on regional and national attitudes and public awareness of hybrid technology in passenger vehicles and possible factors contributing to the adoption and success of this highly-monitored segment in the U.S. auto industry.

"We're seeing some pretty interesting dynamics regarding the whole hybrid vehicle agenda," said Lonnie Miller of Polk. "Input from our recent work shows that more than 97 percent of those we spoke to have heard of a 'hybrid' vehicle. This indicates the industry is doing a great job of getting the word out about this offering in cars and trucks." In addition, 78 percent of those surveyed say they would consider buying a hybrid.

However, dollars and cents are purchasing factors. Sixty-one percent of those who never owned a hybrid vehicle indicate that the mere cost to buy this type of vehicle could be a deterrent to them. Further, nearly 30 percent of respondents believe benefits they would receive from this type of vehicle would not justify the extra investment.

With the premium for a hybrid $4,000 to $9,000 more than a traditionally powered counterpart, selling the added benefits will be crucial. "We see the general desire for these types of vehicles growing," said Polk's Jeff Martini. "However, the compelling argument to actually buy one has to be made more strongly as automakers introduce additional models equipped with this type of technology.

"It's still a 'wait and see' game out there, so with additional launches planned by several OEMs, it's only going to help the ability to prove the value of owning a hybrid vehicle."

Polk's study also found that nearly two-thirds of participants do not agree that hybrid vehicles are a fad.

"This is a good indicator of the market taking automakers seriously as the industry continues to test, improve and launch vehicles with dual sources of power generation," said Miller.

Brand Presence

When asked to identify which manufacturers people believe currently sell a hybrid car or truck today in the U.S., Honda, Toyota and Ford were the three top mentions, respectively. Of those answering, Honda received almost 58 percent recognition, while Toyota received 46 percent of the mentions, followed by Ford receiving 27 percent.