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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. 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, Nov. 18 at 12 p.m. CDT

“The Key Measurement for believable and accurate inventory performance analysis” Stop concentrating on all the confusing reports and indicators pumped out by your DMS concerning your parts inventory. In most cases, it is pure data overload. All this measurement

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Major win: IRS creates UNICAP safe harbor methods for dealers

In a major victory for car and truck dealers, the Internal Revenue Service has created uniform capitalization “safe harbor” methods of accounting that favorably resolve several contentious and potentially very costly income tax issues that have arisen during IRS audits of franchised dealers over the past five years.

The new UNICAP safe harbor methods, which are set forth in Revenue Procedure 2010-44, generally allow car and truck dealers to

be classified as retailers who are not required to capitalize handling, storage, or production costs incurred at their retail sales facilities.

The IRS’s creation of the new safe harbors represents a dramatic change in the UNICAP approach which the IRS announced in September 2009 (and in the positions it took in many dealer audits), when it issued a field directive that “encouraged” dealers to change their UNICAP methods of accounting

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Year-end sales pitch

Small businesses get tax break on cars bought by Dec. 31

Dealers could close deals with small-business owners by touting soon-to-decrease tax deductions available to them. The maximum deduction for new and used cars bought and placed into business use by Dec. 31 is \$11,060. After then, the cap drops to about \$3,000.

With the end of 2010 quickly approaching, companies likely are thinking about year-end tax planning. Buying a vehicle this year offers some big benefits.

In fact, a new sport-utility vehicle with a loaded weight of more than 6,000 pounds

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Deduction

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that is bought and placed into service in 2010 offers a triple scoop of tax breaks: Up to \$25,000 of the cost can be expensed, half the balance is eligible for bonus depreciation and 20 percent of the remaining cost is recovered through normal depreciation. Assuming 100 percent business use, the total first-year write-off for a \$50,000 new heavy SUV is a whopping \$40,000.

Large pickup trucks fare even better. For a pickup with a loaded vehicle weight of more than 6,000 pounds and a cargo bed (separate from the cab) of at least 6 feet, the full cost is deductible if the vehicle is put to business use by year's end.

Webinars

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is not necessarily bad, but can be confusing and counterproductive. Chuck Hartle' has developed a simple measurement that can tell quickly whether or not your efforts to manage the inventory are effective. Chuck explains his "Purchase-To-Sale Ratio," a measurement that yields the best data for evaluation of your inventory performance—all in one reporting method!

Thursday, Dec. 2 at 12 p.m. CDT

"How to save Big Bucks in 3 specific areas, and how to change your purchasing culture in all expense categories" Get a road map to savings in these three important expense categories, and get a basis for changing the purchasing culture in your dealership so that this type of savings can be achieved in many other expense categories as well. Get the specifics on how you are over-spending on credit cards, telcom and credit reports, and learn the basics of process, training and compliance and how all relate to negotiating for the best competitive price.

Thursday, Dec. 9 at 12 p.m. CDT

"What motivates online car shoppers" Learn how to differentiate your inventory and dealership online to create value in the minds of consumers; as well as best practices for taking photos, writing seller's comments, using video and customer testimonials, and pricing competitively. This workshop will ultimately provide insight into the online messages that motivate consumers to offline action. Seminar led by one of the industry's top experts, Howard Polirer of AutoTrader.com.

41st annual AIADA meeting is Feb. 7, 2011, in San Francisco

Get a glimpse at what the next year holds for the international nameplate industry on Feb. 7, 2011, when the American International Automobile Dealers Association holds its 41st annual meeting in San Francisco.

The meeting theme is "In the Driver's Seat," as international nameplate dealers and industry insiders look to what lies ahead for the U.S. international auto retail industry. With internationally branded vehicles leading the industry in styling, reliability, fuel efficiency, and performance, it is more important than ever that dealers of those brands stay informed on the issues impacting their bottom line. The AIADA monitors those issues, including taxes, trade, and new safety legislation.

The meeting's keynote speaker will be John Mendel, executive vice president of American Honda. Mendel joined Honda in 2004 and was promoted to executive vice president in 2007. In his current role as executive vice president of automobile sales, Mendel is responsible for U.S. sales activities of the Honda and Acura automobile sales divisions, as well as their market representation, customer marketing, dealer business management, and product and sales information. He also oversees the Acura parts and service field operations.

As an executive 'In the Driver's Seat,' Mendel will provide an important perspective to dealers and industry leaders looking to understand the challenges and opportunities facing the industry

In addition to Mendel's remarks, the AIADA's 41st Annual Meeting and Luncheon will include the presentation of the David F. Mungenast Lifetime Achievement Award and the passing of the AIADA's chairman's gavel from current AIADA chairman Rick DeSilva of New Jersey to Chairman-Elect Jim Smail of Pennsylvania.

Tickets purchased in advance are \$80 a piece. Tables of eight can be purchased for \$600. Tickets at the door will be \$95 each.

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Review past editions dating to 1998 or search by subject at www.cata.info.

David E. Sloan
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President, Publisher
Editor, Director of Dealer Affairs



Happy Thanksgiving!

The offices of the Chicago Automobile Trade Association will be closed Nov. 25-26 to commemorate the Thanksgiving holiday.

NADA: Aggressive fuel economy push may be counterproductive

By **RAY SCARPELLI SR.**

METRO CHICAGO NADA DIRECTOR

Ed Tonkin, chairman of the NADA, recently raised some tough questions about proposed new federal fuel economy mandates, including whether consumers will be able to afford new technologies needed to achieve stated goals.

The Environmental Protection Agency and the U.S. Department of Transportation have circulated a proposal to dramatically increase the fuel economy standard to more than 60 miles per gallon by 2025. The timing of the proposal is “a bit of a surprise since the ink is hardly dry on the Obama administration’s last announcement of a 35.5 mpg standard by 2016,” Tonkin said in remarks to the Automotive Press Association in Detroit. And no one knows how much it will cost or whether reaching 60 mpg by 2025 is even technically feasible, he added.

“We would all like to believe consumers would be willing to pay whatever it takes to reach such a worthy goal,” Tonkin said. “But will they? Or is this another example of getting ahead of the consumer, pushing too far, too fast? Will huge numbers of consumers be priced out of the market?”

Tonkin said the consumer is the most important person in the auto industry because “nothing happens without a buyer.” And when it comes to buying cars and trucks, American consumers shop for convenience, predictability and affordability, and that fuel economy is not always a top priority.

Advanced technology must be affordable if we are to keep transportation accessible to all Americans, he added.

“We are cognizant of the ripple effect of higher (vehicle) prices,”

Tonkin said. “The risk is, if these fuel economy regulations are overly aggressive, it will price Americans out of the market.”

NADA Used Car Guide reports strong used market

Overall, the used-car market continues to be strong, the NADA Used Car Guide reports. According to National Auto Auction Association data, prices have improved this year by about 4 percent on top of substantial increases in 2008 to 2009. Stable used-vehicle demand and greater available credit will keep used-vehicle sales and prices strong, says Jonathan Banks, executive automotive analyst for NADA UCG.

The diminished supply of used vehicles also will keep prices firm for the foreseeable future, Banks said. This is supported by September and October auction data, which show moderate seasonal depreciation and continued strength in several truck segments. Depreciation in key segments, such as large pickups, large SUVs and midsize crossovers, has increased recently, which “is surprising this late in the year,” he said.

Car and luxury model prices declined at a slightly faster rate than trucks. But overall, Banks said he expects continued moderate declines the rest of 2010 with prices on similarly aged models showing year-over-year strength.

For more analysis from NADA Used Car Guide, visit www.nada.com/b2b/

In other legislative and regulatory news . . .

At an October hearing, NADA board member Forrest McConnell urged federal regulators to stick with **fuel economy labels** that “won’t confuse the buying public, won’t make new vehicle purchasing decisions more difficult and won’t treat automakers or fuel types unfairly.”

“Fuel economy labels simply should provide useful facts in an easy to understand manner,” said McConnell, chairman of NADA’s Regulatory Affairs Committee and president of McConnell Honda and Acura of Montgomery, Ala.

In 2011 NADA Convention news . . .

• Convention hotels filling fast

Half of the hotels reserved for the 2011 NADA Convention & Expo in San Francisco already are sold out and registration numbers are ahead of last year. “There is increased interest in the NADA convention as the auto industry makes a comeback,” says Jack Caldwell, chairman of the NADA’s convention committee and a dealer from Conway, Ark.

• Convention’s ‘Aftermarket Zone’ sold out

The “Aftermarket Zone” at the Convention & Expo has sold out. It will showcase 15 companies in more than 8,000 square feet of booth space—twice the size of the 2010 display. The companies will highlight products and services to help dealerships grow their businesses in the aftermarket arena. The convention workshop program will also offer a session to show dealers how to incorporate an aftermarket program into their business plan and meet the growing needs of their customers.

• Workshop program features new ‘online’ track

Among the 10 different tracks of workshops being offered at the Convention & Expo is a new, rich “Online Presence” track featuring nine workshops that provide the nuts-and-bolts knowledge needed to address a variety of Internet applications. Workshops will include top speakers from Google, DrivingSales, J.D. Power and Associates, AutoTrader and more.

Rear-view camera vs. stereo? Car buyers rank entertainment over safety

It's the great high-tech showdown: As new technology floods into vehicles, consumers are starting to favor infotainment over safety features in their cars for the first time in recent memory.

Buyers now say they are more likely to spring for features like navigation and high-end audio than for safety-related services like tire-pressure monitoring or collision mitigation, according to the market research firm J.D. Power & Associates. Just a few years ago, safety options reigned supreme.

At some level, consumers must feel they are getting more value from infotainment.

"We started seeing the change about three years ago," said Mike Marshall, director of automotive emerging technologies at J.D. Power and Associates. "The trend was stronger than ever this year."

Sound systems are moving up the list that blind spot detection, rear-view cameras and adaptive headlight systems once dominated, he said.

Many young buyers are driving the trend: A good number of the features are becoming less expensive and more likely to be available in moderately priced vehicles that new buyers can afford. But Marshall said it's basically consumer tastes, not prices, that are responsible for the change.

The shift is moderate so far. No one is expecting the market for features like parallel parking aids or active braking assists, which help slow the vehicle in

an emergency, to disappear, especially from luxury cars. But even small shifts in consumer tastes can be important to an industry struggling to attract customers.

Auto suppliers and manufacturers bet billions on projections of the demand for their innovations. In a way, consumers are betting even more, as it's hard to put a value on the life saved when a feature like electronic stability control kicks into action and prevents a dangerous skid or rollover.

If just one epicenter of the innovation had to be picked, Robert Bosch GmbH in Stuttgart, Germany, would certainly be a candidate. It's a source for everything from clean diesels and turbocharging to navigation systems and emergency braking aids.

Initially, U.S. consumers were lukewarm about built-in navigation, no

doubt due to prices as high as \$2,000. But now their popularity is growing, said Mark Peters, a director of engineering in Bosch's car multimedia division.

"Once people have navigation, once they drive with it, they say they won't have another car without it," he said.

J.D. Power's survey approach makes it possible to tease out how willing consumers really were to spend their money on infotainment versus other, competing features. Researchers first ask respondents whether they are interested in a particular technology without telling them the price, and then they reveal the price when they ask the question a second time. That answer is much closer to the consumer's buying intention.

In this year's study, premium sound systems tended to score ahead of adaptive headlights and rear vision camera systems.

2011 EPA fuel economy guide available

The U.S. Department of Energy and the Environmental Protection Agency have released the 2011 Fuel Economy Guide. The guide provides detailed fuel economy numbers for MY 2011 light-duty vehicles, along with estimated annual fuel costs and other information for prospective purchasers.

The EPA requires dealers to display a copy of the guide and provide copies to customers upon request.

There are two ways dealers can comply:

- Download the guide, save it and print it as necessary. A link to the guide is part of the Latest News section on the home page of the CATA Web site, www.cata.info.
- Order hard copies of the guide by calling the DOE's Information Center at (877) 337-3463 from 8-6 p.m. CDT.

Hard copies will be mailed free of charge in December 2010.

UNICAP

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to conform to an adverse 2007 technical advice memorandum on the topic.

The National Automobile Dealers Association in December 2009 sent a detailed letter to the Treasury Department and to the IRS on that criticized a 2009 field

directive.

The NADA sought to meet with senior IRS officials to explore less burdensome and more simplified compliance alternatives for franchised car and truck dealers. That request prompted meetings between the IRS and a NADA-assembled team of dealers and tax professionals in May, June, and July of

this year and which led to the issuance of Revenue Procedure 2010-44.

It is very important that dealers and their tax consultants understand the scope of Revenue Procedure 2010-44, along with its automatic change procedures and audit protection provisions. The NADA will post a brief summary of Revenue Procedure

2010-44 at www.nada.org/regulations.

In addition, the NADA will host a Webinar on the topic at 12 p.m. CST Nov. 30. Speakers will include IRS Motor Vehicle Technical Advisor Terri Harris and NADA outside tax consultant and former IRS Motor Vehicle Industry Specialist Bob Zwiers.