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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. 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 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, April 19 at 12 p.m. CDT

"Tax Treatment of Image Programs: Forget Everything You Thought You Knew!" The 2008 tax treatments for Image Program expenses were believed to be beneficial for dealers. Fast-forward to December 2011. Everything changed … retroactively. Get a clean sheet

See **Webinars**, Page 2

Chicago area's 1st digital dealer conference May 9-10 at CATA

A conference providing information on some of the hottest digital marketing topics in the industry—SEO, social media, Internet marketing, leveraging data, tracking, BDC departments, online reviews, chat, mobile apps and more—convenes May 9-10 at the CATA.

The two-day Chicago DigitalCON will gather the industry's best digital subject matter experts from around the country to share the latest online strategies to help dealerships learn ways to enhance their online marketing.

Chicago DigitalCON is free to CATA member dealer principals and sales managers. Additional employees can register for $199 each until April 25; $299 thereafter.

The conference opens May 9 with a keynote address delivered by Chip Perry, chief executive of Autotrader.com. Conference hours are 1-5 p.m. May 9 and 8:30 a.m.-5 p.m. May 10.

See **DigitalCON**, Page 2

NLRB poster required by April 30

All employers covered by the National Labor Relations Act must post a notice by April 30 which informs employees of their rights under the NLRA, including the right to form and join unions. The poster does not inform employees of their right not to join a union or how to seek decertification of a union.

The rule was first scheduled to take effect late last year, but several lawsuits challenging the proposed rule were filed, resulting in two postponements of its effective date. The most serious allegations in the lawsuits challenged the NLRB's authority to adopt the rule.

The NLRB posting rule requires employers to post a translated version of the re-

See **Poster**, Page 2

Dealership merger, acquisition activity jumps 140% in 2011

Merger and acquisition activity by public dealership groups last year jumped 140 percent above the 2010 total, according to the Presidio Group's Automotive Retail M&A Report.

Presidio combed through corporate SEC filings to determine that publicly held dealer groups completed $512 million in acquisitions in 2011. While making a significant year-over-year climb, Presidio acknowledged the total is still well-below the all-time record of more than $1 billion set in 2006.

According to Auto Remarketing, analysts believe the past year's activity represents an accelerating trend in the M&A market. Private buyers are also active, though terms of their purchases of dealerships and dealership groups are not reported.

The Firm believes the industry is still in the early stages of at least a five-year up-cycle and anticipates continued high levels of activity for several years. Alan Haig, managing director and head of Presidio's automotive retail services group, said M&A activity is gaining strength in 2012.

DigitalCON

Continued from Page 1

Other scheduled speakers include Pat Ryan, Founder of FirstLook and MAX Systems; Eric Brown, CEO and co-founder of Dataium; Bobby Gaudreau of IMN; Greg Wells, Senior Partner of Kain Automotive; Rob Mudd, principal of Mudd Advertising; Heather MacKinnon of DealerRater; and a social media panel hosted by Gaurav Shroff, Barry Saltzman, Kirsten Kamerman and Irfan Jafrey.

For full details and to register, go to www.chicagodigitalcon.com. The conference is organized by Automotive Internet Media, Inc., a premier integrated media and lead distribution company.

The Courtyard by Marriott Oakbrook Terrace, which is adjacent to the CATA, is offering discounted hotel rates on May 9. Call (630) 691-1500.

Poster

Continued from Page 1

quired workplace notice if 20 percent or more of the workforce communicate in a language other than English and have trouble understanding written English.

Versions of the poster in English and Spanish are posted on the CATA website, www.cata.info. See the NLRB's website, www.nlrb.gov/poster, to download the poster in other languages, and get a fact sheet regarding the workplace posting requirement and answers to frequently asked questions.

Webinars

Continued from Page 1

of paper and join an important discussion of these changes and how dealers need to adjust and prepare.

If you recently completed your Image Program renovations, or they are still in the planning stages, it is vitally important that you are aware of the changing nature of Federal Tax Regulations concerning the treatment of those expenses. Some dealers have already collected and are now faced with repayment of the benefits already realized. Others have had their plans turned up-side-down! Robert Davis and Wayne Robbins, both CPAs of the Dixon Hughes Goodman Dealer Services Group, will join us for an in-depth discussion of just what happened and how dealers can best position themselves for the best tax treatment possible for costs related to factory-mandated facilities upgrades.

Thursday, April 26 at 12 p.m. CDT

"How to Fine-Tune and Improve Performance in Your Service Department" Dealerships have two basic problems regarding their service departments. The first problem is that those in dealership top management positions have little or no experience in the operations of the fixed departments. The second is that most service managers have not been formally trained in how to excel in this unique environment.

Fixed Ops consultant Don Tipton offers a detailed look at the process he employs when evaluating a service department for improvement. Find out what he looks for, what numbers to study and finally where to find the adjustments that will bring a higher level of customer satisfaction and improved profits to your service department.

You will learn:

• The Inventory Approach to Service: How to measure the available man-hours, and then how to apply inventory management controls to this perishable asset

• What it takes to structure your service department for increased profit

• What you should do daily, weekly and monthly to monitor your performance so you can adequately plan and achieve success in service

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

David E. Sloan — President, Publisher
Erik K. Higgins — Editor, Director of Dealer Affairs

Factory-mandated renovations must be fair, reasonable, flexible

By Mark Scarpelli
Chicago Metro NADA Director

There is great and very understandable angst among dealers over automaker programs that require expensive dealership renovations, especially when they appear arbitrary and do nothing to sell more cars or satisfy customers.

The NADA helped elevate the current national debate over manufacturer-mandated facility upgrades by commissioning the first-ever facility study.

The study was conducted by Glenn Mercer, a former McKinsey and Company partner and industry consultant. Mercer interviewed a broad range of industry participants for his study, which was independent and fact-based. He uncovered three types of store upgrades:

(1) **Expansion** – adding a showroom or service bays to support growth in units in operation, for example. Here the study found that unreasonably high and frequently changing OEM volume forecasts, as well as outdated capacity formulas, can lead to overbuilding and waste. Better, more reasonable forecasting is needed to make expansion investments more tailored and worthy of dealer support.

(2) **Modernization** – upgrading facilities to contemporary standards in tile, furniture, fixtures, etc. The study showed that many dealers are skeptical of the need to invest such large sums of money because there is an absence of clear, quantified return on investment data. The study asks manufacturers for more competition among vendors and more flexibility in OEM design standards, which would benefit automakers and dealers alike.

(3) **Standardization** – designing the interior and exterior look to ensure that every store selling a given brand looks as much like the other stores as possible. This is the most contentious issue, and while highly standardized facilities make sense when customers move around a lot and are looking for their favorite brand—such as hotels or fast-food places—neither condition applies in automotive retailing. Automaker attempts to homogenize the look of dealerships can be counterproductive. The local market, the local culture and the local relations between dealers and their customers are more important than a uniform look. That's why the study strongly recommends that each OEM and its dealers think through the specific links between standardized appearance, car sales and customer satisfaction. This is especially true today, when so many communities are using local zoning authority to push back against such uniform looks.

Manufacturers that have not already done so ought to consider establishing Facility Committees—similar in rigor and requirements to Product Committees—within their dealer council structures. This could help head off facility value cost issues before they are literally cast in concrete.

The NADA has presented the study's findings in face-to-face meetings with a number of manufacturers. Some have indicated they plan to be more flexible. Others say they will do a better job of communicating with their dealers. And still others say they plan to reevaluate their image programs based on the study.

The NADA will continue to stress to the OEMs that any image programs must be fair and reasonable and must have the flexibility to accommodate local conditions and resource constraints. The complete study is available at www.nada.org/facilitystudy.

In other NADA news ...

• **Consult your tax practitioner about the UNICAP Safe Harbors**

On Nov. 9, 2010, the IRS issued Revenue Procedure 2010-44, which created two optional safe harbor methods of accounting for motor vehicle dealerships (including light, medium, and heavy duty truck dealerships). If properly elected and applied, the new safe harbors permit dealers to (i) deduct, instead of capitalize, certain costs related to their inventories, and (ii) significantly simplify their computation of these costs (known as their Uniform Capitalization – or UNICAP – computation).

If qualifying dealers elect the safe harbor methods of accounting for their first or second tax year ending after Nov. 9, 2010, they may do so without having to consider most of the potential restrictions that apply to automatic method of accounting changes. Consequently, for dealers whose tax year corresponds with the calendar year and who did not elect these methods for the 2010 tax year, they should speak with their tax practitioner soon about whether they should elect the UNICAP safe harbors for the 2011 tax year. The election is made on IRS Form 3115.

For more information, consult summaries of the revenue procedure by the IRS Motor Vehicle Technical Advisor and the NADA.

• **Dealership Workforce Study open for participation** The Dealership Workforce Study is now open for participation. The all-new, annual DWS will capture more data and detail than ever before—including retention, tenure, turnover, and hours of operation in addition to compensation. Only NADA and ATD members may participate in the study, which closes May 2. Contact NADA University Customer Service at (800) 557.6232. Visit www.nadaworkforcestudy.com.

AIADA Auto Summit: an annual pilgrimage

By Ray Mungenast
Chairman, AIADA

For 20 years I, along with some of my family members and key managers, have taken an annual pilgrimage to Washington, D.C. We don't go for the cherry blossoms or the free museums. We come for the AIADA's Annual International Auto Industry Summit – and I wouldn't miss it for the world.

Is it convenient to travel halfway across the country for a two-day visit? As the co-owner of a dealership group that employs more than 500 people, I can say absolutely not. But as a dealer whose employees count on me, and as a father and husband who works to provide for his family, I can also say that it is absolutely necessary.

I make room in my schedule for the AIADA summit because, when it comes down to it, the government is my business partner. It influences almost every aspect of what I do – from the taxes I pay to the cars I sell. Ignoring that fact could cost me and my employees everything we have worked for. Traveling to D.C. and establishing a presence among the people who wield so much control over this industry is an essential part of being a successful dealer.

Sometime soon, maybe even this year, Congress or the administration will propose a law that could cripple your business. I have seen it happen a dozen times since I got involved in this business. Maybe it will be an expansion of the Chicken tax or the estate tax or the luxury tax. Maybe it will be new regulations that classify dealers as banks, or hold our manufacturers to pie-in-the-sky standards. Maybe it will be something even more insidious, like televised hearings that attack and degrade our brands without reason.

It all has happened before, and it will happen again. Count on this, though: the AIADA will be on the front lines, pushing back against the legislation and arranging for a public relations campaign to protect our small businesses.

The reason the AIADA is so effective at what it does is, in large part, because of the dealers. A small but active group who attend the summit every year and have built meaningful relationships with their lawmakers. Those relationships are invaluable when a crisis hits.

This year, as AIADA chairman, I ask all dealers to consider making the trip with me to D.C. As the partisanship in Washington becomes more heated, and as the government becomes more entrenched in our industry, it is crucial that our small percentage of active dealers gets a lot larger, and a lot louder.

The AIADA puts together a packed program – this year featuring former Mississippi Gov. Haley Barbour, political analyst Charlie Cook, congressional speakers, and a panel of top executives to answer your questions. The AIADA will also arrange your Capitol Hill visits from start to finish. I promise you, your time in D.C. will be entertaining, educational and, most importantly, an investment in your future.

Register today at www.aiada.org/events. I look forward to seeing you May 23-24 in Washington, D.C.

Poll: Americans think auto bailouts helped economy

About 45 percent of those polled said the federal government's decision to extend more than $77 billion in emergency loans and bankruptcy financing to General Motors and Chrysler in 2009 "helped" the economy, according to an online poll conducted in March by market research firm Harris Interactive.

Harris cautioned that word choice can affect how voters view the government's decisions, with "bailout" generating negative opinions and "saving" or "rescuing" producing positive thoughts. In its questions to respondents, the Harris poll referred to the government's moves as "bailouts."

Sedgwick deflects unemployment claims

One hundred forty-seven CATA dealer members reported a combined 748 unemployment claims during the first quarter of 2012 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 more than $1.4 million 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 250 CATA dealers among its clients.

Claims that can be protested and subsequently denied help minimize an employer's unemployment tax rate. The rate can vary between 0.55 percent and 9.45 percent of each employee's first $13,560 in earnings. The 2012 average unemployment tax rate among Illinois employers is 4.35 percent, or about $590 annually per employee ($480 in 2011).

"With the downturn in the economy, unemployment remains at record highs (9.9 percent in Illinois through August) and a drain on the Illinois Department of Employment Security trust fund, markedly higher tax rates for 2011 and probably for a couple of years after that," said Paul Schardt, a Sedgwick senior vice president.

"The unemployment tax is really the only controllable tax, in that it's experience-driven," Schardt said. 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.