



CATA Bulletin

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CDF parameters change; exemption ends next year

Second Division vehicles for which the Commercial Distribution Fee is paid can be exempt from state sales tax only if the vehicles are used for commercial purposes, under a revision by the Illinois Revenue Department that took effect July 1.

In addition, the CDF tax exemption faces outright repeal effective July 1, 2005.

Payment of the Commercial Distribution Fee can exempt from Illinois sales tax certain vehicles that weigh at least 8,000 pounds. However, although the CDF may be imposed and paid, that does not mean the vehicle automatically qualifies for the CDF sales tax exemption.

A copy of the revised Form CDF-7 is included in this newsletter. Purchasers must complete the form, and dealers should retain it; do not submit

it to the secretary of state's office.

Through June 30, 2005, the CDF sales tax exemption can be applied to the purchase of a Second Division motor vehicle if:

1. The manufacturer's gross vehicle weight rating is more than 8,000 pounds;

2. The motor vehicle will be used primarily for commercial purposes; and

3. The CDF administered by the Illinois Secretary of State is paid

- a. when the vehicle or trailer is registered at the time of purchase and

- b. in subsequent registration years.

The Commercial Distribution Fee adds 36 percent to the price of a Class D (8,001-12,000 pounds) vehicle registration fee. That plate fee is \$138 beginning each July 1,

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CATA loses valued employee Buckley



Dennis Buckley

Dennis Buckley, marketing director for the CATA since 1996, died Aug. 7 after a two-year bout with colon cancer. He was 62.

Buckley was immersed in many of the activities of the association, and his optimism was infectious.

"Dennis battled his disease the same way he went about all his business: in an upbeat manner. Even though his trips to the office grew infrequent, Dennis

SEE BUCKLEY, PAGE 3

SOS vehicle registration going electronic

Nearly in time for the 20th century, the Illinois secretary of state's office is set to launch a pilot program to enable dealers to provide registration and renewal services to their customers at their dealerships.

The yearlong Electronic Vehicle Registration pilot program will start in early or mid-September and be coordinated by Computerized Vehicle Registration, a company that helped inaugurate electronic registrations in 16 other states, beginning in Virginia in 1992.

For more information about the pilot program in Illinois and to participate, call 800-333-6995, or visit the company's Web site, www.cvrreg.com/

Dealers will be able to title and

register vehicles, issue and transfer license plates and stickers, renew registrations, and submit inquiries based on a VIN, plate number or title number.

A dealer who sells 10 vehicles a day currently must generate 20 checks—to the secretary of state and the department of revenue—to title a car and pay taxes. That dealer in the pilot program would be able to make a single log entry each day and transfer funds to CVR, which will relay proper payments to the state agencies.

Dealers may charge customers up to \$25 for the service. Like the documentary service fee, all customers must be charged whatever rate the fee is set at.

SEE ELECTRONIC, PAGE 2

Leasing activity rebounds to 20% of new-vehicle activity this year

As strengthening prices of domestic used vehicles prompt automakers to offer attractive deals, auto leasing is regaining popularity after four years of decline.

Leased vehicles accounted for nearly 14 percent of new vehicle sales by Detroit automakers in the second quarter, up from about 8 percent a year ago, according to a July 30 report.

Industry-wide, leases have accounted for 20 percent of new vehicle sales so far this year, up from 18 percent last year but off from a peak of 36 percent in 1999.

"The popularity of leasing is on the rebound as residual values have recently firmed," Merrill Lynch auto analyst John Casesa said in a note to clients.

Vehicles coming off leases at the end of contracts usually are sold at resale auctions. When residual values, or used car prices, fall more than expected, automakers can lose money.

But with the firming of used car prices, which were up 2.7 percent in June from year-ago levels, automakers are expanding their lease offers, said Paul Taylor, chief economist with the National Automobile Dealers Association.

Together with sales to fleet and daily car rental companies, leasing offers another outlet for Detroit's Big Three automakers to cut bulging inventories of unsold vehicles as they try to stem market share losses to Asian rivals.

However, foreign-based car companies are also enticing consumers with attractive lease offers, and the business could become more competitive than ever.

CDF

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then decreases Oct. 1, Jan. 1 and April 1. With rounding, the CDF this quarter is \$50. Therefore, the Commercial Distribution Fee this quarter is \$188.

According to the Illinois Vehicle Code, a Second Division vehicle is one which is designed to carry more than 10 persons; to be used for living quarters; and to pull or carry freight, cargo or implements of husbandry. Also, a remodeled First Division vehicle can gain a Second Division status.

"Used for commercial purposes" means that persons or property are transported as part of a commercial or industrial enterprise, whether for-hire or not.

Illinois residents who purchase a vehicle from an out-of-state dealer must complete Form RUT-25. Check the box in Section D, Line 3, "This item is used as rolling stock"; write CDF sales tax exemption on the line provided for the certificate of authority number; and complete Section E, Lines 1 and 2.

Toyota and Honda, which typically don't offer aggressive consumer incentives, have some of the most lucrative lease programs, said Art Spinella.

Honda offers a three-year lease on its Accord sedan for as little as \$189 a month, half of what the monthly payment would be if a consumer purchases it.

Automakers, which typically use leases to lure consumers into more expensive vehicles with low monthly payments, are also expanding their lease programs to support dealers' growing factory-certified used-cars business, said Spinella, president of CNW Market Research.

Some of the vehicles that are returned at the end of a lease contract are mechanically and cosmetically refurbished and sold to consumers as certified used cars, backed by factory warranties.

"It is very lucrative," Spinella said. "It is a pretty good profit generator for the auto companies."

Manufacturers usually extend factory warranties on late-model vehicles with low mileage and no major damages.

"Consumers pay an average premium of \$900 for a certified used vehicle as compared with a non-certified one," Spinella said.

Electronic

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"It's an optional program; the customer doesn't have to do it," said CVR's Kurt Schmidt. "If they do, they get their [title and license plates] right away. It's something they can see, so it justifies the charge."

Schmidt, who is visiting area dealers to enlist them in the pilot program, said it has been received well. "For many dealers," he said, "the revenue department and the secretary of state are a hassle. This gives them a chance to make money and not deal with them as directly as they currently do."

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Review past editions or search by topic at www.cata.info/

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Reach Out!

By Ray Scarpelli

METRO CHICAGO NADA DIRECTOR

Invite your state and federal legislators to a casual visit at your dealership or to a game of golf. Be sure your legislators hear the Voice of the Dealer before the fall elections.

“Reaching out” is a theme this year, and dealers are encouraged to use this summer to reach out to young people. The NADA just formed a partnership with Junior Achievement Worldwide to teach students in seventh through ninth grades about personal finance. Over the coming months, you’ll hear more about how you can get involved.

Speaking of involvement, the NADA’s 2005 Convention and Exposition registration is open; register at www.nada.org/convention to get favorable rates and preferred hotels.

The Industry Event of the Year, in New Orleans Jan. 29-Feb. 1, features:

- Speeches from NADA Chairman Charley Smith, reviewing his year in office, and the 2005 chairman, Jack Kain, outlining his goals for the year
- Industry keynoter Carlos Ghosn, CEO of Nissan, renowned for bringing the ailing automaker back to profitability in record time
- Exciting, dealer-focused products from hundreds of exhibitors in the huge exposition
- Presentation of the Time Magazine Quality Dealer Award

- Nearly 50 education workshops for you and your employees

- A new women dealers’ networking forum

- Opportunities to share experiences with fellow dealers from all over the world

Before you head out for vacation, visit www.nada.org to:

- Be sure we have your correct information, including your Web site and e-mail addresses, for your free listing and links on NADA’s consumer pages. Click on “Find a Dealer” to check your listing.

- Take advantage of NADA Express for free. Click on NADA Express on the home page.

- Get discount shipping with DHL. Click on “Member Services” and choose DHL Express Discounts.

- Get special NADA-only deals on hardware through NADA’s PC Purchasing program. Click “Technology,” then “PC Purchasing.”

- Enroll key employees as NADA Associates to keep them up-to-date. Click “NADA Associates” on the home page.

And remember to sign up your employees for the fall seminars that best meets their needs. Review them at www.nada.org/seminars.

As always, make sure your NADA dues are up-to-date, and tell me your ideas and concerns so that I can meet your needs as your NADA director.

October is Booster Seat Safety Month: NADA

Jeff Runge, administrator of the National Highway Traffic Safety Administration, on Sept. 23 kicks off a new NADA’s campaign, Booster Seat Safety Month, an expansion of the association’s national “Boost for Safety” movement.

Runge will inspect child seats that day at a Houston-area dealership. Nationwide involvement by dealers is sought, to maximize publicity. Interested dealers could invite public officials to a safety event. The NADA has produced resources to help, including:

- A “how-to” guide to hosting an inspection event, including links to finding technicians, media tips, fact sheets and step-by-step guidance;
- a consumer brochure on proper booster seat use, for handout to customers; and
- a video to show at any event and to local media.

All the materials can be ordered at 703-760-7562, or downloaded at www.nada.org/boostforsafety.

“As dealers and leaders,” said NADA Chairman Charley Smith, “we can play a vital role in making the roads safer for children of all ages. This will not only help save lives, it will also help improve the image of dealers.”

Statistics show auto crashes are the leading killer of children, and that 85 percent of booster-aged children ages 4 to 8 are improperly secured.

Buckley

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still tried to contribute, to lighten the loads of others,” said CATA President Jerry Cizek.

Buckley recognized the sales reach of the Internet, and he served on the board of managers of DriveChicago.com since the entity’s inception in 2000.

He also helped manage the Illinois chapter of Safe Wheels of America, a program that promotes safe driving habits to driver’s education students.

As marketing director, Buckley arranged the various Chicago Auto Show sponsorship deals that help fund the show.

Buckley’s personal ambitions spanned many interests, from earning an airplane pilot’s license to running the Chicago Marathon. He loved fine wines and cooking, and his passion for golf was insatiable.

Buckley is survived by his wife Lauren, daughter Kristin, and two granddaughters. Memorials may be made to the Children’s Medical Research Foundation, P.O. Box 70, Western Springs, IL 60558.

Financing 101: Dealers can teach students

Dealers can help teach young students important aspects of personal finance, as part of an NADA initiative with Junior Achievement Worldwide. Details of the program will be announced this fall.

Under the youth group's Personal Finance initiative, dealers and their staffs would be encouraged to volunteer in middle school classrooms to talk about vehicle financing.

The NADA has fostered a relationship with Junior Achievement Worldwide. In March, the National Automobile Dealers Charitable Foundation gave \$10,000 to JA to help its personal

finance literacy programs. Among them is the Finance Park Program, which introduces middle school students to business and personal finance, including auto financing.

"These innovative programs," said NADA Chairman Charley Smith, "are working to plant the seed in the minds of school kids that financial responsibility and knowledge are vital assets in the important decisions they will make throughout life."

"Buying a car is among those important decisions, and we're committed to helping them better understand that process early on."

Resolving problems a 'moment of truth'

Most loyal customers are those who complain, then have complaints resolved: Maritz study

Auto buyers who complain about their vehicle quality or dealership experience and are happy with the way the dealership handles their complaints are more than 1.5 times as likely to be loyal to the dealership when purchasing their next vehicle than non-complainers, according to a new study by Maritz Automotive Research Group.

The Maritz study found that the majority of people who complained to their dealership about their vehicle or dealership experience were not satisfied with the way their complaint was resolved.

However, when customers' complaints were resolved well, 60 percent returned to the dealership when replacing their vehicle.

That compares to about 38 percent of non-complainers, and only 30 percent of people who complained and were unsatisfied with the complaint resolution, who returned to the dealership to purchase or lease a replacement vehicle.

When looking to repurchase or lease the same make/brand of vehicle, regardless of the dealership, a similar relationship between complaint resolution and loyalty was found, said Maritz's David Ensing

"The ability of the dealership to satisfactorily resolve customers' complaints represents a key moment of truth for the consumer and a large opportunity for dealers. Dealerships are the face of the auto manufacturer.

"Dealerships and vehicle manufacturers need to work together to quickly and painlessly handle legitimate customer complaints. It turns out that, if handled well, complainers can be the most loyal customers."

The five-year tracking study, "Customer Complaints: An Opportunity to Increase or Decrease Customer Loyalty," analyzes 3,104 new-vehicle buyers and lessees who responded to Maritz' 1998 New Vehicle Customer Survey and who were surveyed again in 2003.

BMW, VW tops in dealer poll on financing

BMW Financial Services ranks highest in satisfying dealers with prime retail credit and retail leasing, while Volkswagen Credit Finance ranks highest in floor planning, according to a new J.D. Power and Associates report.

The 2004 Dealer Financing Satisfaction Study, based on responses from more than 4,000 dealer principals, measures satisfaction levels with finance providers in five main areas: prime retail credit, non-prime retail credit, retail leasing, floor planning and account management.

In the area of prime retail credit, BMW Financial Services scored well from dealers in consumer qualification and dealer support. Among retail leasing providers, BMW Financial Services performs well in competitiveness, lease initiation and lease-end support.

In the floor planning area, Volkswagen Credit is rated highly by dealers in the derived diagnostic measures on non-price (MPQ), price (MPP) and overall value rankings (market-perceived value, or MPV).

Overall dealer satisfaction with automotive finance providers continues to improve. According to the study, 75 percent of automotive dealers are satisfied with their lending providers—the highest satisfaction level since the inception of the study in 1994.

The study also found that despite strong consumer incentive programs, dealer F&I profits have increased year-over-year, due in part to strong vehicle service contract penetration. Dealer principals said F&I profits for new vehicles have increased 5.9 percent over 2003, and F&I profits on used vehicles have increased 3.7 percent.

Dealers also continue to adapt their operations to facilitate Internet sales. Dealers said 8 percent of all sales are generated from Internet leads—up from 7.1 percent in 2003.