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CATA, NADA run ads to defend dealers against forced closings

Full-page ads purchased by the CATA and the NADA in the May 13 editions of the Chicago Tribune and Chicago Sun-Times questioned the reasoning behind the looming “rejection” of countless Chrysler and GM dealerships.

Examples of both ads are included with this newsletter. The Daily Herald also supported dealers in a May 12 editorial.

After the ads appeared, CATA Chairman John Phelan was asked to appear on that day’s “Chicago Tonight” show.

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CATA June 8 golf outing postponed

The industry is in the midst of difficult times, and the CATA has immediate issues to address on behalf of its dealer and allied members. As a result, the CATA Board of Directors on May 11 decided to postpone the annual Golf Outing until 2010. Any payments submitted for tickets or sponsorships will be returned or refunded.

Bankruptcy roulette

The atmosphere at Chrysler and GM dealerships in early May reminded of a draft lottery, as those dealers awaited the fate of their franchises.

Closed Chrysler dealers can appeal to Fiat

Twenty-two area dealerships are among 789 Chrysler, Dodge and Jeep stores targeted to be eliminated by June 9, according to a May 14 bankruptcy filing by Chrysler LLC.

Ultimately, though, Fiat SpA and not Chrysler would decide which dealers will be brought along to the new company to be formed under the U.S. automaker’s bankruptcy process, people familiar with the situation said days earlier.

Nothing is final for the 789 dealer-

ships until the bankruptcy judge signs off on the filing. Some dealers may be restored, said people who didn’t want to be identified because the discussions were not yet public.

Trimming Chrysler’s 3,188 retail outlets would be among the first management actions by Turin, Italy-based Fiat affecting the U.S. automaker. Chrysler wants fewer dealers so those remaining will be more profitable. It had a plan last year to trim the number in major

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GM announcing retained, rejected dealers

In a race to restructure the company and its debt by June 1 or else file for bankruptcy protection, General Motors Corp. said it would begin identifying the fate of its franchised dealers by about May 14, this newsletter’s deadline.

GM intends to chop its dealer network by 42 percent, to 3,605 stores, by the end of 2010. GM CEO Fritz Henderson, GM’s chief executive, said the company plans to have an “orderly wind-down” of inventory and work with dealers that will not receive new GM product in the future.

“This is something that will take place over a reasonable amount of time,” he said.

Henderson stressed it wouldn’t be a one- or two-month process but something that will be worked on through 2009. “We’re going to try to do the right thing for our customers,” he said.

GM reportedly intended to notify 1,100 dealers that it would not renew their franchise agreements when they expire in September 2010.

Some GM dealers are organizing

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Chicagoland Dealers Care matches dealer's charitable contribution

Arlington Heights Toyota dealer Gary Vicari was inspired by the dedication of one of his employees to a Chicago area charity, so when a flier from the Chicago Automobile Trade Association crossed his desk with an offer to match the charitable donations of its dealer members, he jumped at the chance.

Vicari applied to the CATA to match his \$1,000 donation to Maot Chitim, an agency that furnishes meals for needy families during specific Jewish holidays.

"My employee always impressed me with the time he gives to this organization," said Vicari. "We like to support organizations that are important to our employees and customers."

That same spirit was the motivation for the Chicagoland Dealers Care program, which enables the association to support causes important to its dealer members. "Our dealer members are the caring arms of this program," said Mike Ettleson, a CATA officer. "They tell us where our donations will do the most good."

Maot Chitim refers to the custom of gathering wheat to

'Red Flags' enforcement date extended again, now to Aug. 1

The Federal Trade Commission on April 30 announced a second delay in enforcement of the new "Red Flags Rule." Creditors and financial institutions now have until Aug. 1, 2009, to develop and implement written identity theft prevention programs.

"Given the ongoing debate about whether Congress wrote this provision too broadly, delaying enforcement of the Red Flags Rule will allow industries and associations to share guidance with their members, provide low-risk entities an opportunity to use the template in developing their programs, and give Congress time to consider the issue further," FTC Chairman Jon Leibowitz said.

The Fair and Accurate Credit Transactions Act of 2003 (FACTA) directed financial regulatory agencies, including the FTC, to develop rules requiring "creditors" and "financial institutions" with covered accounts to implement programs to identify, detect, and respond to patterns, practices, or specific activities that could indicate identity theft.

FACTA's definition of "creditor" applies to any entity that regularly extends or renews credit - or arranges for others to do so - and includes all entities that regularly permit deferred payments for goods or services.

The FTC offers more resources to help covered entities design and implement identity theft prevention programs. Go to the agency's Web site, www.ftc.gov/redflagrule.



Maot Chitim Executive Director Audrey Lane Schiff (from left), CATA Treasurer Mike Ettleson, Maot Chitim Executive Vice President Herb Roskin, and Arlington Heights Toyota President Gary Vicari.

provide the poor with the makings of matzo for Passover. Nearly a century ago, rabbis set up card tables in front of their synagogues and distributed a few dollars to the poor for holy day meals.

Today, Maot Chitim of Greater Chicago has evolved into a year-round volunteer effort searching for the best and most reasonably priced Kosher products, organizing an army of volunteers, setting up a warehouse, locating recipients through social service agencies, packing the products, coordinating an orderly delivery system, delivering the packages and finally closing up and beginning the plans for the next holiday.

With only one paid staff member, Maot Chitim knows how to make that most of the donations that come its way.

"We rely heavily on the generosity of our donors and the selfless giving of time and effort by our volunteers," said Audrey Lane Schiff, the agency's executive director.

Maot Chitim volunteers represent city and suburbanites, all religious denominations and secular Jews, ages ranging from children to seniors. Family, friends, clubs and school classes come together for hard work and a pleasurable experience.

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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 <http://cata.drivetchicago.com>.

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NADA pushes on all fronts to correct credit situation, stabilize industry

By **RAY SCARPELLI SR.**

METRO CHICAGO NADA DIRECTOR

Throughout April, the NADA continued to push on numerous fronts to shore up the wholesale and retail auto credit situation and to help stabilize the industry. In mid-April, the NADA met with GM's Fritz Henderson and Mark LaNeve and in late April, association leaders met with President Obama's autos task force.

During that meeting, representatives of the administration said they were considering ways to help dealers access money to buy vehicles for inventory through the Small Business Administration. Dealers told the task force that increasing the business-size standards and shifting to an employee-based size standard would help.

Currently, the SBA's loan guaranty program caps eligibility at \$29 million in annual gross receipts, an amount that most dealers surpass. "The mechanism they choose doesn't account for the fact that cars have gotten more expensive over time, but the returns don't get larger," says Andrew Koblenz, vice-president of NADA Legal and Regulatory Affairs.

A group of 35 senators, led by Sen. Jeanne Shaheen (D-N.H.) also asked the Obama administration to quickly expand dealers' eligibility for SBA loans and to restore liquidity for retail auto and floor-plan lending. The letter was initiated by the NADA.

Dealers encounter two major stumbling blocks when trying to push policymakers and legislators on liquidity restoration. One is the lack of familiarity with the dealership business model. Most legislators don't know that dealers, not automakers, pay to keep inventory, hence the great need for floor-planning credit.

The other is that securitized floor-plan loans don't tend to experience defaults the way mortgages do. Among other types of collateral, dealers' personal and business assets

back the loans. This is one point Koblenz made to a group of more than 20 capital and asset management firms in New York City this month.

"Cash for Clunkers" compromise near

A potential bright spot on the retail side of the business is the nearing compromise on a "cash for clunkers" bill in Congress. Details such as total budget, program duration, the age of older vehicles, criteria for new vehicles, and specific incentive amounts have not been resolved.

The NADA recognizes the significant economic benefit for dealers and their communities that could result from passage of a "cash for clunkers" program, and NADA lobbyists are meeting with Congressional leaders to ensure that dealers are paid promptly by the federal government and that any incentive program is available for all automobile manufacturers. Once passed by the House, the bill would have to pass the Senate before going to President Obama to be signed into law.

In other legislative and regulatory news . . .

"Card Check" has stalled in the 111th Congress.

The Employee Free Choice Act (H.R. 1409 and S. 560) would allow a majority of employees to be represented by a union by signing a card instead of a traditional election, with secret ballot, overseen by the National Labor Relations Board. The legislation has fewer cosponsors this time around, showing weakening support.

In late March, Sen. Arlen Specter (D-Pa.) said he would not support closure of debate on the legislation, which put its fate in jeopardy. Sen. Blanche Lincoln (D-Ark.) made a similar announcement in early April. Even so, dealers and ATAEs should urge Members of Congress not to cosponsor the legislation and to oppose a compromise measure. Senators should be urged to vote "no" on any cloture motion on the bill.

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Service directors can earn SIUC degree at Chicago's Truman College

Southern Illinois University-Carbondale offers a bachelor degree program in Automotive Technology at the campus of Harry S. Truman College in Chicago.

The classes are offered in an alternating weekend format and are taught by SIUC faculty and industry professionals. The program focuses on areas of advanced automotive technology and

automotive business/management.

Topics include alternative fuel vehicles, vehicle stability systems, warranty administration and customer relations, and fixed financial operations. The major course work can be completed in as little as one year.

Anyone with an Associate of Applied Sciences degree in automotive technology and experience in the automotive

industry is eligible to enroll. SIUC will consider credit for industry work experience.

An enticement: The Truman program is local; there is no need to travel to the SIU-Carbondale campus.

For more information about the program, contact the onsite Program Advisor, Christina Matuschka at 773-907-3997 or chris1@siu.edu.

Illinois dealer franchise bill 1 step from governor

Illinois senators were scheduled May 14 to consider a House amendment to their bill to give more protection to dealers under the state's motor vehicle franchise act.

Senate Bill 1417 passed a third reading in the House one day earlier. If senators approve the House amendment, the bill would go to Gov. Pat Quinn's

desk.

Among other things, SB 1417 would force manufacturers that discontinue a brand to prove good cause before the Illinois Motor Vehicle Review Board before terminating any dealers. Also, such a manufacturer must buy back new vehicles, parts and equipment from franchised dealers.

GM

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to fight back. But so far it is unclear how much power they will have to save themselves, especially if GM follows Chrysler into bankruptcy court.

In a May 13 television interview, NADA Chairman John McEleney argued against the rapid dissolution of dealerships.

"We're not saying that there shouldn't be consolidation. We have dealers . . . closing every day. (But) the plan General Motors submitted [to the auto task force] was very aggressive," McEleney said.

The NADA chairman said accelerating the timetable for dealer cuts does nothing for the viability of manufacturers. "It just does not make sense," McEleney said. "GM's expenses will not be cut. In fact, it reduces revenue. It's counterproductive to what they are trying to accomplish."

Scarpelli

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If you're hiring, you must now use the revised I-9 **Employment Eligibility Verification form**. The new form took effect April 3. The main changes to the form involve documents acceptable for identity and/or employment authorization. For example, all documents must now be unexpired; the Form I-688 Temporary Resident Card and Forms I-688A and I-688B, Employment Authorization cards, no longer are acceptable; and foreign pass-

ports with certain machine-readable immigrant visas are acceptable. For faster employment eligibility checks, employers are encouraged to use the Homeland Security Department's E-Verify program at www.dhs.gov/E-Verify. For more information, go to www.nada.org/regulations.

The American Recovery and Reinvestment Act of 2009 provides a number of **tax incentives** for businesses. For a summary of incentives, go to www.nada.org and click on "Tax Provisions – Stimulus Law" in the left-hand column.

Print edition returns

Eight weeks after riding into the sunset, the print edition of this newsletter is back indefinitely. During the tumult facing Chrysler and GM dealers and others with whom they do business, the CATA wants to make certain all important news reaches them.

The print issue augments the digital newsletter that members and others can receive via targeted blast e-mail. To be added to the e-mail list, contact the editor at ehiggins@cata.info. Those members who want only the electronic version also can contact the editor and opt out of the print version, to help the CATA save printing and postage costs.

Ads

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However, the appearance was scuttled when producers of the WTTW-TV program could not find a counterpoint to Phelan, to argue in favor of the dealership closings. Other Phelan interviews were broadcast on several Chicago and network television and radio stations.

Phelan said the Obama administration's autos task force needs to recognize that the reduction of franchised new-car dealers only hurts local economies. It clearly does not help to remove job-intensive businesses.

Chrysler

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metro areas by as much as 50 percent.

Chrysler President Jim Press described the 25 percent total reduction as not "a huge catastrophic number."

Chrysler gets 90 percent of its sales from 50 percent of its dealers, according to bankruptcy documents.

Fiat would manage the new company that plans to buy most of the assets of Chrysler. The U.S. Treasury's bankruptcy loan to Chrysler requires the company to complete an asset sale to Fiat or close a comparable deal in less than 60 days. Chrysler will have an auction for its assets on May 27.