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AUTO SHOW

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New Illinois law expands damage disclosure exemption items

Damage to video and telephonic components in new vehicles may be repaired without triggering disclosure to the purchaser, under a state bill signed into law Aug. 2 by Illinois Gov. George Ryan.

A dealer must disclose in writing any damage, of which he has actual knowledge, that exceeds 6 percent of the vehicle's MSRP. Likewise, the manufacturer is obligated to disclose to a dealer all damage sustained by the vehicle—when it exceeds 6 percent of the MSRP—before the dealer accepts delivery.

This month's amendment to the Illinois Motor Vehicle Franchise Act expands the list of items that can be repaired with OEM equipment without triggering disclosure. Other items, exempt since 1995: glass, tires, bumpers and in-dash audio equipment. The latest exemptions would include video and telephonic components such as navigation equipment.

Sens. Thomas Walsh (R-LaGrange) and James DeLeo (D-Chicago) sponsored the legislation, which was supported unanimously in the General Assembly last spring.

Two other dealer-related bills await action by Ryan. One would make it illegal for anyone to install or reinstall in a vehicle any object in lieu of an air bag which is designed specifically for the make, model and year of that vehicle, according to federal safety regulations. Another bill would make the driver's insurer primarily responsible in incidents with a loaner vehicle. The dealer's insurer would be the secondary insurer on loaners and would remain primary on test drives.

Ryan must sign or veto both bills by the end of August. The CATA will notify the membership upon any action.

Privacy notice required annually for ongoing financial relationships

Dealers, under the Gramm-Leach-Bliley Act, must provide an annual privacy notice to each noncommercial account customer with whom a financial relationship is ongoing.

Examples include open accounts in service/parts; buy-here, pay-here plans; and in-house leases.

Open accounts in service/parts

Noncommercial customers (i.e., customers servicing their personal, family or household vehicles) must receive an annual notice for accounts that remain active 12 months or longer, including for accounts that accrued a $0 balance since the last notice was issued. This does not apply to open business accounts that buy service/parts for business purposes.

Buy-here, pay-here

Annual privacy notices must be provided to customers under the credit sale contracts that are held by the dealer. Be alert for situations where dealers have been unable to assign a contract for some reason but still hold it 12 months after it was first signed.

In-house leases

The customer relationship lasts until the dealer sells or assigns a contract to another financial institution or, if the dealer holds the lease, until the lease ends or is terminated.

Content and timing of annual notices

The annual privacy notice should explain

• The type of consumer information a dealership collects and where it comes from;

• Whether the dealership shares any consumer information, and with whom;

• The dealership's practices for protecting the confidentiality and security of the consumer information; and

• If applicable, the rights of the consumer to opt out of a disclosure of nonpublic personal information.

The FTC prepared "How to Comply with the Privacy of Consumer Financial Information Rule of the Gramm-Leach-Bliley Act," a guide for small businesses. That publication and another, "Frequently Asked Questions for the Privacy Regulation," are posted on the FTC Web site, www.ftc.gov

Measuring controllable expenses in the used-car department

How can a dealer determine if his used-vehicle operation is pulling its weight? Does it contribute to the overall health of the dealership?

By measuring expenses, a dealer can determine an average gross profit per used vehicle retail (PUVR). An awareness of expenses creates an attitude of (1) controlling those expenses, (2) maintaining a higher gross PUVR, and (3) increasing volume.

The first line of defense is to increase the volume of retail used-vehicle sales. In so doing, the expenses are spread over a greater number of units, automatically reducing expenses PUVR.

A formula devised by the National Automobile Dealers Association can help measure controllable expenses. The formula was excerpted from "A Second Look: Profit-centering the Used-Vehicle Department," available from the NADA in videotape, diskette and workbook set formats.

The management guide can be ordered by calling 800-252-6232, ext. 2. Cost to NADA members is $189 for the 35-minute video, one diskette and one 36-page study guide, plus shipping. Additional guides are $10 each.

CONTROLLABLE EXPENSES

Used-vehicle department expenses	**Current month**
Salesperson compensation	__________
Personnel	+ __________
Total Personnel	= __________
Floor Plan Expense	+ __________
Advertising Expense	+ __________
Total	= __________
Number of Units Retail	÷ __________
Major Expenses PUVR	= __________
Comparison	
Average Gross Profit PUVR	____________

CATA's employment law counselors review Supreme Court decisions

Franczek Sullivan P.C., the CATA's law firm for labor and employment issues, has summarized the U.S. Supreme Court's 2001-2002 session on the firm's Web site, at www.franczek.com/publications/memo/SCReview.html

The Court's 2001-2002 session, which concluded June 30, featured an unusually high number of labor and employment decisions. The decisions spanned a wide range of areas, including employee benefits and union organizing.

The Court returned to several themes from last year's landmark cases, including mandatory arbitration agreements and state immunity under the 11th Amendment. In other areas, the Court carved new paths, such as in its first decision arising under the Family and Medical Leave Act.

In a series of cases, the Court resolved several questions related to procedural aspects of litigating employment claims. Finally, to the surprise of most observers, the Court declined to render decisions in two highly anticipated cases.

Ultimately, the term might be remembered in the words of Justice Sandra Day O'Connor as the "disabilities act term," because of the significance of three decisions relating to the Americans with Disabilities Act of 1990.

In the span of three cases, the Court narrowed the scope of the ADA by more specifically defining those who qualify as "disabled" under the statute, by limiting the accommodations required for disabled employees, and by permitting employers to refuse to hire disabled individuals for positions that would be a threat to their safety.

It's 9 a.m. Saturday . . .

Is your radio tuned to WLS-AM 890? Then you're listening to "Drive Chicago," the CATA's own radio show!

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Review past editions at http://cata.drivechicago.com/

Jerry H. Cizek III **President, Publisher**
Erik K. Higgins **Editor, Director of Dealer Affairs**

said.

Automotive loyalty leaders at 2002's midpoint announced by Polk

General Motors Corporation, the leader in overall manufacturer loyalty in 2001, retained that rank through the first half of the '02 model year, and Ford Motor Co. kept its lead in the overall make category, according to the midyear Polk Automotive Loyalty Award rankings.

Of the 14 winners of the R.L. Polk & Co.'s award in 2001, 11 remain leaders at midyear '02. New leaders emerged in three categories:

• Threatening two-time winner Subaru Forester, the Honda CRV is the midyear leader in the compact SUV segment, 11 percentage points higher than the overall category average.

• The Buick Century, winner in the midsize car segment from 1998 through 2000 model years, reclaimed its lead. So far, the Century's loyalty rate is 10 percentage points above the segment average.

• The Cadillac Escalade leads the full-size SUV segment with a seven percent lead over the second ranked Chevrolet Suburban, the winner of the Polk Automotive Loyalty Award in its segment the past two model years.

2002 Model Year: Midyear Loyalty Rankings, October '01-March '02

Category	Leader	Loyalty %	Avg. Industry Loyalty %
Overall Categories			
Manufacturer Loyalty	Genral Motors*	68.5%	54.6%
Make Loyalty	Ford Division*	56.8%	43.6%
Model Categories			
Small Car	Ford Focus*	22.2%	14.9%
Midsize Car	Buick Century	29.4%	19.1%
Large Car	Buick LeSabre*	39.2%	25.3%
Luxury Car	Cadillac DeVille*	39.7%	19.0%
Prestige Luxury Car	Lexus LS 430*	25.8%	17.0%
Sports Car	Porsche 911*	25.2%	12.1%
Minivan	Chrysler Town & Country*	28.3%	16.2%
Compact Pickup Truck	Ford Ranger*	19.7%	15.6%
Full-size Pickup Truck	Ford F-series*	39.6%	34.8%
Compact SUV	Honda CRV	26.0%	15.0%
Regular SUV	Mercury Mountaineer*	29.9%	18.4%
Full-size SUV	Cadillac Escalade	33.6%	17.7%

*2001 Polk Automotive Loyalty Award winner

In 2001, all the midyear leaders in the overall manufacturer and overall make categories remained atop Polk's rankings at the end of the model year. In contrast, just over half of the midyear leaders in the 12 model segments in 2001 won the award when the model year ended.

"Various incentive and extended warranty programs offered by manufacturers during the last half of 2002 will play a key role in determining the final winners of the Polk awards, which will be presented in January," said Melissa Mullen of Polk.

"Building a strong base of loyal customers is a core foundation for success in the automotive industry," she said. "The ability to continually measure and monitor customer loyalty provides automotive manufacturers with a powerful means for gaining a strong competitive advantage."

The Polk Automotive Loyalty Awards recognize manufacturers for superior owner loyalty performance during each model year. "Loyalty" occurs when a household that owns a new vehicle purchases another new vehicle of the same model, make or manufacturer.

New CATA directory: It's in the mail

One complimentary copy of the 2003 CATA annual report and directory was mailed Aug. 16 to every member of the Chicago Automobile Trade Association. The publication is chock-full of useful information, including a listing of all members—dealers and allied—and their addresses and phone numbers.

Members may purchase additional copies of the directory for $10 each to defray printing and mailing costs. Advance payment is required.

The directory is not available to nonmembers.

Automakers ease e-commerce expansion

It's back to basics: turning out vehicles

Long ago, in 1999, carmakers were fixated by the seemingly limitless possibilities of the Internet and electronic commerce. They created new divisions, hired executives to run them and poured millions of dollars into the new world of online enterprise. They thought they had hit upon a new way of making money beyond their traditional method of building and selling vehicles.

Dealerships would fade away, shoppers would order direct from the factory, and drivers would pay automakers fees to download their e-mail or surf Yahoo! while driving home from work.

Three years later, Detroit's domestic automotive companies have throttled back those dreams and returned to their fundamental business basics: designing and building vehicles.

Today, e-commerce initiatives must be proven before being launched, prices are more competitive and—perhaps the biggest change—the auto industry is telling Silicon Valley what it needs, not the other way around.

"Somebody once asked me why I don't go to Silicon Valley," said Ralph Szygenda, chief information officer for General Motors. "Why should I go to Silicon Valley when Silicon Valley is coming to Detroit?"

Looking back, industry experts say carmakers were just like everybody else when it came to the electronic commerce hype. It was so big and so believable, no one could escape.

Karen Francis, Ford's former e-commerce chief, said there was a fear that the automakers would be left behind.

"You didn't know what you didn't know. You had to get in," she said. "You had to place a bet because the initial hype was such that this was going to provide unprecedented fill-in-the-blank, and no company wanted to be caught with their competitors having an unprecedented advantage."

Francis said the auto industry was flush with money, so executives were hired and divisions developed even though e-commerce was still a fuzzy concept.

In many ways, Francis' tenure in automotive e-commerce, which ended at Ford this month, illustrates the trajectory of the entire industry. She joined Ford last year while the automaker was making a big move into e-commerce. Just over a year later, with e-commerce becoming more an integral part of the company, her division was eliminated and most of its 350 workers folded into other divisions.

Ford invested $50 million to buy 462,962 shares of Internet Capital Group in December 1999, launched a free computer giveaway and subsidized Internet service program for employees, and touted putting e-mail, wireless telephone service and the Internet in millions of new vehicles by 2004.

Former Ford Chief Executive Jacques Nasser even introduced Internet concept cars at the 2000 Detroit Auto Show. The dashboards were connected to the Internet so drivers could access e-mail. "In the same way Henry Ford put the world on wheels, Ford is going to put the Internet on wheels," Nasser declared.

Two years later, the Internet Capital Group investment was written off as a loss. The stock now trades below 25 cents. The computer giveaway was halted, there's less talk about Internet dashboards and Nasser is gone.

For the next few years, GM's Szygenda said, the auto industry will be one of the major forces driving technology development.

"Speed, efficiency, global growth and vehicles . . . . You are not going to find too many industries where all four are going on at the same time with the same intensity."

'03 NADA convention lands William Ford Jr., Giuliani as speakers

William Clay Ford Jr., president and chief executive of Ford Motor Co., and former New York City Mayor Rudolph Giuliani will be among the speakers at the National Automobile Dealers Association's 2003 convention and exposition, Feb. 1-4 in San Francisco.

Ford will present his views on the future of his company and its relations with dealers at the convention's opening general session on Feb. 1.

Giuliani, selected as Time magazine's 2001 "Person of the Year" for his leadership in the wake of the Sept. 11 terrorist attacks, will offer his views on domestic and world events at the convention's general session on Feb. 3.

Registration for the convention and for housing can be completed using the NADA Web site, www.nada.org/ The site also lists the schedule of events for the four-day convention. Advance registration ends Dec. 6.

NADA, AYES promote auto careers for minorities

To raise awareness of automotive career opportunities for minorities, leaders of the NADA and Automotive Youth Educational Systems this month addressed a convention of the National Association of Minority Automobile Dealers.

NADA Vice Chairman Alan Starling noted that 26 percent of AYES students are minorities. AYES is a partnership among dealers, manufacturers and schools to recruit and train young people for careers as automobile technicians.

Donald Gray, AYES president and chief executive, added, "Our program can be a valuable asset for minority dealers."