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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, Sept. 22 at 12 p.m. CDT

"Redefining Parts Obsolescence & A Process for Better Control" If the industry standard definition of Parts Obsolescence is not helping to reduce this profit drain and prime example of frozen capital - then maybe it's time to work with a new definition. Simply looking at

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New fund delays license renewals

Annual dealership license renewal notices, typically disseminated by the Illinois Secretary of State each September, have been delayed this year till early October for the office to adapt to a new law that raises the license fee.

The Dealer Recovery Trust Fund, which takes effect Oct. 1, adds $500 to the price of a 2012 dealer license. The proceeds will help consumers and dealers who are harmed by a dealer who goes out of business without settling the liens on his customers' trade-ins.

Since the measure became law in August, secretary of state personnel have been busy assembling paperwork to educate dealers about the fund and how it is to be endowed. Dealers applying for a license now must prepare two checks—one payable to the secretary of state for $1,000, and one for $500 payable to the Dealer Recovery Trust Fund.

The fund will be administered by the Illinois Automobile Dealers Association, something sought by the CATA and the IADA to prevent the General Assembly from using any interest money to shore up the state

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New radio campaign bolsters traffic on www.DriveChicago.com

Traffic on the CATA's DriveChicago.com Web portal increased a whopping 30 percent in August, thanks largely to a new radio campaign that emphasized the portal's redesign and new features.

Pages viewed and time spent on the site by visitors also increased by more than 10 percent.

Featuring an update to the familiar "When you shop for a car . . ." jingle, the new radio spots highlight how easy it is for people to find vehicles on DriveChicago.com and how additional tools on

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License

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budget.

Illinois counts about 900 licensed new-vehicle dealers, 2,800 used-car dealers and 770 motorcycle dealers, meaning the fund will collect more than $2.2 million in its first year. In any year when the fund balance on Aug. 31 is $3.5 million, collection of the fund would be suspended the following year for dealers who did not have a claim paid from the fund; or a suspended or revoked license; or have any civil penalties assessed against them during the previous three years.

Beginning Oct. 1, consumers and dealers can file a claim against the fund if they purchase a vehicle on or after that date from a dealer who goes out of business without satisfying a trade-in lien. A claim could not exceed $35,000.

A three-member Dealer Recovery Trust Board will oversee claims against the fund. Board members will come from the offices of the secretary of state and the attorney general, plus an alternating member from the ranks of new- and used-car dealers. Tim Mooney, the current IADA chairman and proprietor of Tim Mooney Ford in Tuscola, is projected to be the board's first dealer member.

The board will hold its first quarterly meeting Oct. 3.

Webinars

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no-sale after 12 months is just not getting to the center and cause of the problem. Fixed operations expert and speaker Rick Heronime will focus on the causes of obsolescence and on the processes to control each one.

Thursday, Sept. 29 at 12 p.m. CDT

"Strategies and Tools to Shrink WIP and Unapplied Labor" Every time you run payroll, you have purchased an inventory of labor hours that need to be sold/applied. Unapplied labor hours means you either did not sell the time (which of course is now no longer saleable), or the accounting is not tight and efficient. If you have larger than acceptable WIP or Unapplied Labor or those accounts are growing rather than shrinking, then this Webinar is for you. Rob Campbell will share with you his process for identifying the problems, finding the profit leaks and then plugging them.

Among the things you will learn:

• How adjusted costs impact your profitability and gross retention

• All about the five primary causes of a growing WIP account

• How to identify and understand the interaction of all the accounts involved and how they should be functioning to keep these accounts low

• How to get to the bottom of WIP in your dealership and trace the source of errors

Scam alert

An Evanston man reportedly used checks from an account closed nine years ago to try to buy cars at two area dealerships. He took delivery from one of the stores, but returned the car without incident about a week later.

At that dealership, the man told salespeople that he made a wire transfer to the dealership's account on a Saturday, which could not be confirmed because the bank was closed. Store personnel later determined the man actually deposited into the transfer account a $60,000 check, which bounced.

The salesperson conceded that he strayed from policy by delivering the vehicle without confirmation of the wire transfer to the account.

NLRB poster now available

As previously reported, the National Labor Relations Board issued a new mandate requiring all businesses covered by the National Labor Relations Act, including dealerships, to post a notice informing employees of their rights under the act. The poster is now available at https://www.nlrb.gov/poster. Dealerships have until Nov. 14 to post the notice in a place where federal labor posters are normally displayed.

DriveChicago

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the site make selecting the right vehicle easier. The spots also play up the strengths of taking one's vehicle to a new-car dealership for service.

"At the end of the day, driving more traffic to DriveChicago means delivering more leads to our member dealers," said John Hennessy, a CATA director and chairman of the DriveChicago.com Committee. Accordingly, email and telephone leads were up for the month of August.

The spots were produced locally and the message will vary month to month, continually focused on driving leads and service and parts business to the area's new-car dealerships.

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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**

America needs a realistic energy plan

By Jim Smail, AIADA Chairman

For decades there has been a concerted effort in Washington, D.C. to reduce Americans' fuel consumption by requiring automakers to improve their fleet-wide fuel efficiency. Today, we are currently awaiting President Obama's proposal for 60+ mpg by 2025. And recently, some members of the House of Representatives offered H.R. 1687, the "Open Fuel Standard Act of 2011."

The act would effectively require that 95 percent of gasoline-powered light-duty vehicles be tri-fuel vehicles capable of running on gasoline, 85 percent ethanol (E85), and 85 percent methanol (M85), or any combination of the three fuels beginning in model year 2017.

Reducing our dependence on oil is undoubtedly a good thing. So why did the AIADA join with the NADA, the Association of Global Automakers, the Alliance of Automobile Manufacturers, and several other groups to condemn the bill in a letter sent to Capitol Hill?

There are a few reasons. First, H.R. 1687 and other, similar legislation puts the responsibility of solving America's energy challenges squarely on automakers. It absolves the government of any responsibility, and ignores the fact that a comprehensive and lasting energy policy can only be implemented if private industries and the government work as partners and not adversaries.

By removing themselves from the conversation, Washington insiders are working to maintain their popularity among voters while saying to carmakers: "These are the cars you need to build. It doesn't matter how costly they are to build, or how unpopular they are among consumers, just do it."

As a dealer, I can guarantee that such a plan will backfire – big time. Remember, more than 8 million flex fuel vehicles are already on the road (I've sold some of them!) but most use less than a single tankful of E85 a year. Consumers won't be willing to pay the increased cost associated with reconfiguring entire fleets – estimated at more than $1 billion – for cars that use an "alternative" fuel few have access to.

Especially not when gas is still relatively cheap! It is staggeringly hypocritical for members of Congress to push bills like H.R. 1687 even as the Obama administration releases 60 million barrels of oil from the strategic petroleum reserve in order to lower gas prices.

Finally, the AIADA signed that letter because we firmly believe that it is not the responsibility of the United States government to pick winners and losers in the market place. By choosing ethanol and methanol as the "preferred" fuel alternatives in H.R. 1687, they award a huge boon to the manufacturers of those products, and hurt other industries – like battery manufacturers.

True innovation in America has always been driven by the market. If our government genuinely wants to see America's dependence on oil reduced, they must allow the market to decide what will sell. I may not have a crystal ball, but I can pretty confidently predict that as long as gas is cheap, big comfortable trucks and SUVs will continue to fly off lots.

As gas prices go up, so will sales of fuel-sippers and hybrids. Our legislators must stop trying to win votes by keeping gas prices artificially low while at the same time scratching their head over why no one wants to use their (heavily tax payer subsidized) ethanol/methanol option.

The issue of fuel consumption in America is a complicated one. There is no simple solution, and there will be no resolution until the government and automakers can work together to create a coherent, realistic energy plan that makes sense to consumers.

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AIADA introduces new website: www.WhatIsAnAmericanCar.com

For more than 40 years, the American International Automobile Dealers Association has worked in Washington, D.C., to represent the interests of international nameplate auto dealers. Sometimes that means challenging legislation that will impact our bottom line. Sometimes it means bringing dealers to town to meet with their legislators and advocate for their businesses. And sometimes it means looking beyond Capitol Hill and communicating directly to the public about how the international nameplate industry works.

In recent years, the anti-import rhetoric in D.C. has heated up. Economy-damaging "Buy American" language has crept into legislation, and an anti-trade, anti-"import" message is being promulgated by our own elected leaders.

For that reason, the AIADA developed a new website that celebrates the substantial investments international nameplate manufacturers make in the United States. The data, images, and videos it contains will help consumers decide for themselves what makes a car American. WhatIsAnAmericanCar.com spreads a positive message by focusing on the international brand vehicles designed, built, and sold in America.

The future of dealer compensation from retail installment sales contracts

By Elizabeth A. (Liz) Huber

Several things have happened recently that would make you not want to "read the handwriting on the wall"—the future of dealer participation, as a percentage of finance charge generated by a retail installment sale contract, is on the way out.

Not only do we hear about this from anecdotal sources (dealer chat at industry meetings), but we also see what the federal regulators have done to regulate perceived "steering" and to prohibit compensation in the form of yield spread premium in the home mortgage lending business.

Captive finance companies and banks that purchase dealer paper have used, as a primary means of compensating dealers, a split on the finance charge generated by the terms of the retail installment sale contract. In the old days, that split—the amount of the finance charge on the contract over the "buy rate" the captive or bank offered—was earned by the dealer over the life of the contract. As the buyer paid on the contract, the percentage earned by the dealer would be placed in a reserve account to ensure against charge-backs, and at a certain point the dealer would receive a check for the amount over the reserve.

As time went by, dealers who didn't want to wait to be paid would agree to split the mark-up over the "buy rate" and take theirs up-front, with a limited right of charge-back, typically three months of payments on the contract. Such compensation practices encouraged some dealers to charge as much finance charge at the highest annual percentage rate on the contract that the deal would bear, often to the detriment of the most vulnerable buyers. Years of class action litigation tempered the practice somewhat, but did not eradicate it. Disclosures in the contract forms, brought about as a condition of settlement of the litigation, would advise the buyer that "the APR is negotiable" and that the dealer "may retain or receive part of the finance charge." That split was also limited as a condition of settlement of the litigation, and over the years has found its way into buying practices as a custom, but certainly not a safe harbor against potential claims of discrimination.

In the home mortgage lending business, the Federal Reserve Board's Final Rule prohibiting yield spread premium as a method of mortgage broker compensation in connection with closed-end residential mortgage loans became mandatory on April first. The method of lenders paying brokers a portion of the interest generated on a home mortgage loan over the wholesale or "buy rate" has met its demise. The Final Rule is to "protect consumers in the mortgage market from unfair or abusive lending practices that can arise from certain loan originator compensation practices." Public hearings on consumer protection issues in the mortgage market preceded the Final Rule by about four years.

In February, the Federal Reserve announced that it will conduct a Survey of Finance Companies as part of an effort to "paint a complete and continuing picture of the sector in the aftermath of the financial crisis." Chairman Ben Bernanke sent a letter to approximately 2,500 companies urging their participation. While this survey is part of a regular effort to collect data about the non-depository lending industry, other announcements reflect additional oversight is on the way. In April, the Federal Trade Commission began a series of roundtables around the U.S. to gather information on consumers' experiences when buying or leasing motor vehicles. The roundtables are designed to explore consumer protection issues related to the sale, financing, and leasing of cars, SUVs, and light trucks.

The increase in the amount of covered consumer credit transactions is due to go into effect on July 21st. Part of Title X of the Dodd-Frank Wall Street Reform and Consumer Financial Protection Act was to increase the dollar amounts for the Truth in Lending Act and the Consumer Leasing Act, up from $25,000 to $50,000. The Consumer Financial Protection Bureau is authorized to engage in rule-writing and has been actively hiring and staffing lawyers to get going. An avalanche of new federal rules is expected, and one of those is sure to be a limit on the way dealers get paid for originating retail installment sale contracts.

My partner, Tom Hudson, has been expecting "the other shoe to drop" for years. I look down and see one shoe on the pavement, with the sole of the other one about to touch down.

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