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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, Aug. 23 at 12 p.m. CDT

"Strategies and Tools to Shrink WIP and Unapplied Labor" A Practical Discussion of both the Accounting issues as well as how service managers can help eliminate WIP and Unapplied Labor in the first place!

Every time you run payroll, you have purchased an

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BBB faults negative equity claims in some local dealer advertising

Some local dealer ads that reference negative equity need to be clearer in their disclosures, said the Chicago office of the Better Business Bureau, which monitors all such advertising.

"Dealers have been under the belief that they can say, 'We will pay off your trade, no matter what you owe,' or similar language, while adding the negative equity disclosure," said Patricia Kelly, the BBB office's senior counsel. "However, the claim that a dealer will 'pay off' a consumer's trade in loan is false.

"The dealer may write a check during the course of a transaction but the dealer does not pay off the consumer's loan with dealer money. The consumer actually pays off his or her own loan by refinancing the amount left on the trade in loan.

"Use of the negative equity disclosure in this context does not cure the fact that

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Illinois joins new auto caucus

Illinois Gov. Pat Quinn has joined three other governors of states with large automotive plants in creating the National Governors Auto Caucus, a bipartisan group to address topics that impact the auto industry.

Fellow Democrat Jay Nixon of Missouri and Republicans Rick Snyder of Michigan and Bill Haslam of Tennessee joined Quinn as founding members.

The group announced the new caucus at the Center for Automotive Research conference in Traverse City, Mich., on Aug. 7, according to the Detroit Free Press.

According to the Alliance of Automobile Manufacturers, the governors formed the caucus to "support a robust auto manufacturing sector that is vital to the U.S. economy."

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Webinars

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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.

Presenter Rob Campbell will share with you his process for identifying the problems, finding the profit leaks and then plugging them. 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

• What systems are available to help minimize your Unapplied Labor adjustments

• How to make the right decisions on WIP write-offs, reductions and other corrective changes.

• How to whittle the WIP and Unapplied Labor problems down to size and save the bottom line.

Tuesday, Aug. 28 at 12 p.m. CDT

"The Best Practices of the Very Best Parts Advisors"

The best parts advisors provide necessary assistance toward these goals: Improved cooperation between the service and parts departments; improved efficiency & profitability of both parts and service; improved levels of service to the customer, which results in … retention of the customer for future profit opportunities.

This webinar is an eye-opener and a reminder for current parts advisors, but also an excellent "new-hire" training and orientation session. You will learn:

• The common goals of a profitable Parts Department and the Parts Advisor's role in achieving maximum profits from the opportunities presented each day

• The prime reasons for service dissatisfaction and how the Parts Advisor can contribute to the solutions rather than the causes of that dissatisfaction

• How to eliminate wasted time at the parts counter and deliver great service to both your internal and external customers

• How to play an important role in effective and accurate perpetual inventory management

• How to improve the department's "Level of Service" and "Off-the-Shelf Fill Rate"

• How to improve relationships with the service department in general and service technicians in particular

Caucus

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Generally, states compete against each other to draw auto plants, and leaders give large tax breaks to companies that come to their state.

The governors' formation has prompted questions about how state leaders will both cooperate and compete.

Bill Visnic, Edmunds.com senior analyst, said it seems, at least partially, like an effort to avoid giving huge tax incentives to auto plants.

"It will be interesting to see the auto industry's eventual posture on this development," he said. "While being billed as an effort to develop guidelines for the competitive process of vying for large manufacturing investments, auto companies could interpret the National Governors Auto Caucus as little more than collusion to cap the incentives states can offer to win those investments."

Michael Finney, president of the Michigan Economic Development Corp., told the Detroit Free Press that his state isn't playing the divisive incentive game.

"That's a zero-sum game for the U.S. if you take the pie, slice and dice it and give away millions of dollars in incentives to lure companies from one state to another," he told the newspaper. "Everybody loses. Even the companies who get the incentives may lose by focusing their attention on the wrong things."

In 2008, the Chattanooga Times Free Press reported that the state's incentives to get Volkswagen to Tennessee could be as much as $400 million over 20 years.

Visnic said the VW incentives were big, but there have been bigger.

The organizing governors hope that others join the caucus, which will explore policy frameworks, provide a forum for discussion of "noncontroversial issues" and examine other initiatives that impact the auto industry, according to the Alliance of Automobile Manufacturers.

Labor Day hours

A recent survey of 62 CATA dealers found 23 showrooms would be closed Sept. 3, 34 would hold an abbreviated day, and five would hold regular hours. All service departments but one would be closed.

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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

Head count of U.S. dealerships up in 2011

The number of U.S. car dealerships is rising again after thousands of closures during the recession.

It's another sign of strength for the car industry, which has been seeing steady sales increases over the last few years despite the wobbly recovery. It's also good news for the economy, since new-car dealerships typically employ about 53 people, according to the National Auto Dealers Association.

There were 17,767 U.S. dealerships at the end of 2011, or 108 more than at the end of 2010, according to a report released Aug. 15 by Urban Science, a consulting firm. In a typical year, the number of dealerships falls by 2 percent because of retirements and downsizing, so a rise is fairly significant.

The two largest contributors to the increase were Fiat, which added 135 dealerships, and Chrysler, which added 50. California saw the most dealership openings, with 31. New Jersey was next with 10.

It's a reversal from the downturn, when General Motors and Chrysler filed for bankruptcy protection and shuttered hundreds of dealerships as part of the process. Some Ford Motor Co. dealers also were forced to close when Ford stopped selling its Mercury brand. Other dealers closed because banks froze up and they couldn't get financing. Urban Science said 3,306 dealers closed from 2008 to 2010.

"We have a stabilized, right-sized dealership network that has increased year-over-year for only the second time since we started this census," John Frith, the vice president of Urban Science, said in a statement. "Automakers and dealers are in a good, profitable position."

U.S. dealers are on track to have a record number of sales per dealership this year, Urban Science said. Sales per dealership increased 10 percent to 719 in 2011, close to the 2005 record of 784.

Fight flat fees for auto financing, lawyer says

By Michael Charapp

Industry publications are writing with increasing frequency about the potential demise of so-called dealer markups, the percentage-point fees dealers charge for acting as middlemen for consumer auto loans.

Proponents of flat fees say the "markups" are unfair and are urging regulators, such as the federal Consumer Financial Protection Bureau and the Federal Trade Commission, to take action.

What effect would a flat-fee requirement have? Like any mandated change in the way an entire industry operates, it is hard to predict the impact clearly. But that is the problem. No one knows the ultimate outcome, and bad results with real damage to the car-retailing business are likely.

To begin, "markup" is an incorrect and derogatory label based on the false assumption that wholesale loan rates available to dealers because of their relationships with finance sources are available to consumers without the work of dealer personnel.

We really are discussing dealer reserve, a term that derives from the early practice of finance sources depositing dealer profit on financing into an account to be released as loans were paid off. Today, payments to dealers simply are advances against those reserve accounts.

So what are the risks from elimination of the reserve system?

The present system gives dealership finance and insurance representatives incentives to fight for the lowest wholesale rate qualification for a customer so that the quoted dealer rate will be more favorable.

A flat fee is just that: a fixed amount, regardless of the rate the customer pays, and it may reduce an F&I manager's incentive to fight for the lowest wholesale rate for a customer. That could cause higher consumer finance rates, with a negative impact on sales.

Reduced incentives to work to qualify a customer for financing actually could make it harder for credit-challenged buyers to purchase cars. That affects not only those buyers, but also dealers, auto makers and lenders.

The case against "mark-up" is built on the false premise that dealers act like home-loan brokers, who bear much of the blame for the recent financial meltdown. But a home-loan broker works to sell the loan itself.

Once that loan is assigned to a lender, the broker walks away with no further responsibilities. Dealers sell vehicles, and they offer indirect financing to facilitate those sales.

Dealers are accountable for how they sell and finance vehicles for years after the transactions, so they are nothing like home-loan brokers. Ironically, however, flat fees that may make it easier to sell car financing over the phone or online could lead to the type of brokering that was so detrimental to the mortgage market.

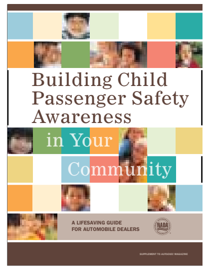
But what about discrimination and other problems consumer advocates have complained about for years? Like other parades of horrors offered by dealer detractors, the problems of the reserve system are anecdotal and based on outdated information that no longer is accurate because of finance-source limits and improved desking and selling practices.

If a change to the system is so potentially problematic, wouldn't finance providers and others defend the system? Don't expect that. Finance sources can live with flat fees because they may make compliance with non-discrimination testing easier. And finance sources like the ability to set customer rates.

Auto makers may seek to protect their captive financing units that have the same interests as other finance sources.

The author is a lawyer who represents auto dealers. Based in McLean, Va., he is at (703) 564-0220 or mike.charapp@cwattorneys.com.

Child Safety Month a chance for dealers to host seat-inspection events



September is National Child Safety Month, and dealers are encouraged to participate by hosting child seat safety inspections at their stores.

Through a partnership between the National Automobile Dealers Association and the National Highway Traffic Safety Administration, Child Passenger Safety Month is a nationwide effort to educate parents about the importance of properly securing children in approved car seats and booster seats, or with seat belts when traveling.

Since the campaign began in 2003, dealerships have inspected more than 1 million seats. They reportedly found nine out of 10 seats that either were improperly installed or in need of replacement.

The NADA produced a 40-page booklet with step-by-step directions to help dealers plan a seat-inspection event, including tips on generating local media coverage about the community service.

According to the NHTSA, more than 40,000 child passengers under age 4 are injured or killed in car crashes annually, and more than 50,000 children between ages 4 and 8 are injured or killed each year while riding in cars.

Experts estimate that four out of five child safety seats are installed incorrectly, and that about 40 percent of children under age 8 who are injured in car crashes are completely unbelted. Oftentimes, the injuries are fatal.

The NADA also offers free consumer handouts for distribution at inspection events. Information to help dealers plan and host a child safety seat inspection event is available on the association's website, www.nada.org.

Dealers who intend to host an inspection event should complete the online questionnaire so that the NADA can help publicize the dealership's efforts for maximum publicity. A list of participating dealers will be posted on www.nada.org/boostforsafety.

House passes bill to repeal NHTSA booklet

The U.S. House of Representatives passed a resolution to repeal a requirement that dealers make available a National Highway Traffic Safety Administration booklet about insurance costs.

House Resolution 5859 was backed by the NADA, and it gained bipartisan support in the House. Under current law, auto dealers are required to provide upon request to prospective purchasers the NHTSA-produced booklet "Relative Collision Insurance Cost Information" or face penalties of $1,000 per violation.

The Senate continues its August recess until Sept. 13, when the chamber's Committee on Commerce, Science, and Transportation will consider companion legislation.

The NADA will continue to identify and work to repeal this regulation and other outdated and burdensome mandates.

Dealers can offer suggestions regarding mandates they believe are no longer applicable to day-to-day operations by contacting the NADA Legislative Affairs office at legislative@nada.org or (202) 547-5500.

Ads

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the dealer is claiming to pay off a loan when the consumer is actually paying off the loan, not the dealer."

Kelly said that in her office's discussions with many dealers who ask for pre-publication review of their ads, the BBB indicated that such language cannot be used because it is untrue.

The negative equity disclosure is useful in the context of a dealer making a savings claim while offering new financing on a new vehicle, she said.

"Here the dealer suggests to consumers that they can save on monthly payments by trading in and purchasing a new vehicle," Kelly said. "This can be absolutely true in terms of monthly savings.

"However, while saving money monthly, consumers are also taking on bigger debt when they still owe on the trade-in loan and that amount is worked into the new loan. The negative-equity disclosure serves to complete the picture.

"While monthly savings do happen, more money is ultimately owed, and consumers who see the negative-equity disclosure understand this point."

In Memoriam

Frank E. Shaver, 99, a second-generation Pontiac dealer in northwest Indiana, died July 30.

Mr. Shaver opened Frank Shaver Pontiac in 1948 in East Chicago, Ind. After the death of his father, E.L. Shaver, in the early 1960s, Frank Shaver consolidated his store with his father's store in Hammond, Ind., and called the store Frank Shaver Pontiac. In 1976, he moved the dealership from Hammond to Highland, Ind. In 1978, Frank Shaver sold the store and retired to California.

Mr. Shaver is survived by his daughter, Judi; sons Peter, Michael and Dwight; 16 grandchildren; and 22 great grandchildren. His wife of 67 years, Marjorie, died in 2006.