Volume 112, No. 14 July 20, 2015

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.

Premiering Thursday, July 23 at 12 p.m. CDT

"Keys to Shrinking WIP and Unapplied Labor"

Get practical tips on how to get a firm grip on these troublesome and profit-draining accounts. Shrink the pile!

Unapplied labor hours means you either did not sell the time (which now, of course, is no longer saleable), or the accounting is not tight and efficient.

See **Webinars**, Page 2

Gramm-Leach-Bliley change would let dealers send privacy notices online

The Federal Trade Commission has proposed an amendment to its rules under the Gramm-Leach-Bliley Act to allow auto dealers who finance car purchases or provide car leases to provide online updates to consumers about their privacy policies as opposed to sending yearly updates by mail.

Under the proposed revision, auto dealers would be able to provide consumers with the privacy policy solely online, as long as the company notifies consumers on a yearly basis that the policy is viewable online. The rule change would require this notification to be part of some other legally required document provided to consumers.

The revised rule still would require dealers to provide consumers with a written copy of the notice upon request. In addition, if a dealer's privacy policy has changed since a consumer was last provided a written notice, the consumer must be provided a copy of the new policy in writing.

Dealers who share consumers' personal data with third parties in a way that requires a consumer to have the ability to opt-out would not be allowed to provide their privacy policy only online.

The amendments also include clarifications to the language of the rule to reflect the Commission's authority under the Gramm-Leach-Bliley Act.

The FTC published a full description of the changes in the Federal Register. The proposed changes will be subject to public comment through Aug. 31, after which the Commission will decide whether to make the proposed changes final. Interested parties can submit comments electronically.

The Commission vote to publish the proposed rule changes was 5-0.

Webinars

Continued from Page 1

If you have larger than acceptable WIP or Unapplied Labor or those accounts are growing rather than shrinking, then this Online Workshop is for you.

Speaker Rob Campbell will share 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

• 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 function

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

• What systems are available to help minimize Unapplied Labor

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

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

Premiering Thursday, July 30 at 12 p.m. CDT

"How to Reconcile the Parts Inventory to the General Ledger: Bridging the Troublesome and Often Costly Gap" A "cloud of doubt" hangs over these often divergent accountings for your parts inventory investment. Find out why the gap exists and how to reconcile the two. Failure to do so regularly can hide big losses until it's too late!

Dealers, General Managers and Controllers will compare the General Ledger entry for parts inventory against what the Parts Manager says he actually has on hand. When unexplained differences climb to just small percentages of total inventory, it puts a lot of money into a cloud of doubt.

Reconciling these two measures of the dealership investment in parts is vitally important. A lack of clear understanding of why they are yielding different dollar figures could represent lost profits or even theft.

Visit with Mike Nicholes as he discusses both the importance of this monthly exercise as well as how to achieve the goal of a fully reconciled parts inventory without the usual stress that this process causes.

You will learn:

• The NUMBER ONE cause of inventory disputes between parts and accounting

• The "11th commandment" for resolving inventory discrepancies

• Tips for making necessary adjustments to inventory

• What to do about inventory shortages AND overages

• Use of an inventory reconciliation worksheet that makes your job a lot easier

Lighting efficiency and incentives

This time of year, when the days are longer, lighting efficiency projects probably are not top of mind. With changes in the ComEd Smart Ideas Energy Efficiency program, it makes sense to look more closely at the opportunity if you are considering lighting upgrades this program year.

Challenges to this year's program started in March, when ComEd announced that the PY7 program, which was to operate for one year ending May 31, 2015, had run out of funds before the program year ended. As a way to appease those who were considering upgrades before the end of May, ComEd offered the opportunity to begin reserving funds for lighting efficiency projects with PY8 incentives, paid after June 1, 2015. As a result, half of the funds for PY8 Lighting Efficiency Projects (June 1, 2015 – May 31, 2016) have already been reserved. Forecasters expect that rate to continue and that ComEd to exhaust their funds this year well ahead of the program close next May 31.

Given the situation of available funds for PY8, any CATA member considering indoor or outdoor lighting efficiency upgrades is encouraged to reserve the funds as soon as possible. The reservation process does not obligate a dealer; rather, it reserves funds to proceed with lighting projects.

Connexion, a CATA Member Partner, is available to help dealers considering projects this year provide an assessment or help with the ComEd approval paperwork if they already have an assessment, even if it the assessment wasn't Connexion's. Contact Brian Earl, general manager of energy solutions for Connexion, at brian.earl@connexiones.com or (847) 499-8314.

Congratulations!

Nik Fregia, of **Courtesy Buick-GMC** in Crystal Lake, was named among Automotive News' 40 Under 40 in automotive retailing in 2015.

Nissan of St. Charles was named a winner of Nissan's 2015 "Award of Excellence." (The dealership was mistakenly omitted from a previous list of winners.)

The CATA Bulletin is produced by the
Chicago Automobile Trade Association
18W200 Butterfield Rd. Oakbrook Terrace, IL 60181-4810

The CATA Bulletin is distributed via blast email every other Friday except during the Chicago Auto Show, when it is not produced.

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 www.cata.info/publication/bulletins.

David E. Sloan — President, Publisher
Erik K. Higgins — Editor, Director of Dealer Affairs

Salary floor for overtime exemption could more than double to $970/week

The salary floor to determine if certain workplace managers are exempt from overtime would more than double to $970 a week, or $50,440 a year, under a proposal by President Obama.

The regulation would be the most sweeping policy undertaken by the president to assist the middle class, and the most ambitious intervention in the wage economy in at least a decade. But administration aides warn that it wouldn't always lead to wages going up because in many instances employers would cut back employee hours worked rather than pay the required time-and-a-half.

Even so, they say the additional hires needed to make up for that time could spur growth, and give existing workers either more time with their families or more opportunities to work second jobs and put more money in their pockets.

For years the White House has faced the frustrating reality that despite consistently improving economic numbers, wages have been largely stagnant. Obama's 2014 push to raise the minimum wage struck many middle class voters as not having much to do with them. But the overtime rule would affect workers whose salaries approach the medium household income. The current threshold is $23,660 a year.

The overtime salary threshold has been updated only once since 1975 and now covers a mere 8 percent of salaried workers. Raising the threshold to $50,440 would bring it roughly in line with the 1975 threshold, after inflation. Back then, that covered 62 percent of salaried workers. The Obama administration's proposal would cover a smaller percentage — about 40 percent.

If the proposal is adopted, the potential impact on dealers is murky, said Douglas Greenhaus, chief regulatory counsel for environment, health and safety with the National Automobile Dealers Association.

"We'll take a look at who at dealerships fall between those two numbers and how the pay plans might be impacted," Greenhaus said. "Both the dealer and the employees may be impacted in a negative way."

That's because many dealership employees prefer that a certain percentage of their compensation be salary. The dealer might have to reduce that salary amount to achieve overtime exemption, he said.

"This would impact those who get the majority of their pay from salary," Greenhaus said. "It has nothing to do with the commission-based employee. It has no effect on the salesman, parts man, F&I manager, or mechanic. They are exempt."

Greenhaus said an employee must also meet white-collar definitions to be exempt from overtime pay. That means the employee must be a professional, such as a full-time accountant, or an executive, meaning the person directs a department such as a sales manager, he said. Or the employee must be in an administrative role, definitions of which vary widely, Greenhaus said.

If a dealer is unsure whether an employee qualifies, the NADA advises to treat the employee as if he is eligible for overtime. The NADA offers its members an online guide to fair labor standards to help clarify an employee's status.

The comment period for Obama's proposal ends Sept. 4.

U.S. drivers not much interested in self-driving cars, study confirms

There are two major high-concept ideas in the automobile world today: vehicle automation and connected cars. The two are related, and indeed are linked in some ways. Vehicle automation, a.k.a. self-driving cars, rely on network connections to communicate with other vehicles on the road. But if U.S. drivers have a choice, they will take the connected cars and leave the self-driving vehicles in the garage.

The latest study from researchers Michael Sivak and Brandon Schoettle of the University of Michigan's Transportation Research Institute surveyed drivers' preferences among various levels of vehicle automation, including preferences for interacting with and overall concern about riding in self-driving vehicles. The researchers gathered 505 responses to their survey.

Here are the survey's main findings:

• The most frequent preference for vehicle automation was for no self-driving capability, followed by partially self-driving vehicles, with completely self-driving vehicles being the least preferred choice.

• Concern for riding in self-driving vehicles was higher for completely self-driving vehicles than for partially self-driving vehicles.

• Respondents overwhelmingly want to be able to manually control completely self-driving vehicles when desired.

• Preferences were generally divided between touchscreens or voice commands to input route or destination information for completely self-driving vehicles.

• Most respondents prefer to be notified of the need to take control of a partially self-driving vehicle with a combination of sound, vibration, and visual warnings.

The survey's results match up well with a similar study done by the same team last year. U.S. drivers are not ready yet to give up their time spent creeping along in a miles-long traffic jam with their hands on the wheel, their eyes on the road and their temperatures rising. The day probably will come around though.

NADA seeks CFPB internal memo

The Consumer Financial Protection Bureau has been asked to make public an internal memo which, according to the National Automobile Dealers Association, "plainly undermines the agency's longstanding claims that it is not targeting auto dealers through enforcement actions."

In the June 16, 2015, memo from CFPB officials to bureau Director Richard Cordray, the agency outlined how a proposed settlement agreement with American Honda Finance Corporation would further the agency's "goal" of "significant[ly] limiting dealer discretion."

Paul Metrey, a lead attorney for the NADA, wrote to the CFPB on July 13 to request a copy of the memo. Its existence was first reported by American Banker.

The NADA's news release that accompanied the FOIA request explains that CFPB actions which are intended to regulate auto dealer business practices are prohibited by the Dodd-Frank Act and are contrary to claims made to Congress by Cordray that the CFPB is aware of and respects Congress's decision to exclude dealers engaged in indirect vehicle financing from the CFPB's jurisdiction.

More millennials than others buying CPO

Given their increasing influence on the auto industry, there are several different schools of thought about millennials and their approach (or ambivalence) toward driving and car-buying, many of which have been explored in this publication.

Here's another: They might actually be quite interested in the certified preowned inventory on your lot — in fact, possibly more so than other generations.

"The millennials certainly are not adverse to the CPO programs; (they're) probably more amenable to them than the overall population," said Tom Webb, chief economist at Cox Automotive. "Certainly, they're buying some new vehicles, but I think it's rather illogical to assume that they'll be like my generation where you move out to the suburbs and you put three cars in the garage."

According to a study from Edmunds, if a person age 35 or older bought a car last year, there was a 68 percent likelihood that car was used. But if someone in the millennial generation bought a car last year, the odds that it was used was 78 percent.

The root of this, said Edmunds.com CEO Avi Steinlauf, largely is the price-point. Millennials, he said, were hit the hardest by the recession, and it has been "a little bit tougher for them to rebound," thus making the used vehicle a more attractive option.

But things eventually change.

"As they get older and their incomes increase, they start to mirror the broader population," Steinlauf said.

As for certified pre-owned, the study didn't specifically ask millennials about this segment, but Steinlauf emphasized that the assurance and warranty offered by CPO programs would likely be appealing to those in this crowd that value such certifications.

Along those same lines, quality of the vehicle itself is important to millennials.

What often gets lost in the shuffle in media coverage of this generation and the importance of technology, Steinlauf said, is that millennials aren't just in it for the tech and gadgets.

Granted, many certainly appreciate these features; looking at overall results, four-fifths of Generation Y put a strong emphasis on having smartphone features integrated into the car, and close to two-thirds (62 percent) would spend more if the car was Wi-Fi connected.

But the study found that price, fuel economy and performance rank much higher than in-car technology

Sedgwick deflects Q2 '15 jobless claims

One hundred thirty-two CATA dealer members reported a combined 551 unemployment claims during the second quarter of 2015 to Sedgwick Claims Management Services, Inc., which has been serving CATA dealers under various names since 1979. The company's efforts saved those dealers a total of $772,052 in benefits by contesting the claims.

Sedgwick CMS monitors any unemployment claims against its clients and contests all unwarranted claims and charges. The company counts about 265 CATA dealers among its clients.

Claims that can be protested and subsequently denied help minimize an employer's unemployment tax rate. The rate can vary between .55 percent and 8.15 percent of each employee's first $12,960 in earnings.

The 2015 average unemployment tax rate & new employer rate for Illinois employers is 3.75 percent, or about $486 annually per employee ($512 in 2014). The rate continues to inch down from 2007, as the Illinois economy continues to improve.

"The unemployment tax is really the only controllable tax, in that it's experience-driven," said Paul Schardt of Sedgwick. An ex-employee's claim affects the employer's tax rate for three years.

For new enrollees, client fees amount to $2.60 per employee, per fiscal quarter. For the fee, Sedgwick monitors all unemployment claims; files any appeals; prepares employer witnesses for hearings, as necessary; represents the client at any hearings; verifies the benefit charge statements; and confirms the client's unemployment tax rate.

To discuss retaining the company, call Schardt at (773) 824-4325 or Bruce Kijewski at (773) 824-4322.