Prize car becomes a ‘problem’

The Chicago Auto Show’s benevolent event suffered a blemish April 10 when the Chicago Tribune’s “What’s Your Problem” columnist reported about the inability of the woman who won a Scion at February’s event to learn all the details about her prize.

Christina Pulawski won a 2008 Scion xD at this year’s First Look for Charity. The procedures used to donate vehicles differ among manufacturers, and the Toyota Motor Sales terms were not sufficiently explained to Pulawski.

Under Toyota’s terms, a winner must take delivery of the vehicle that Toyota designated to be the prize. If Pulawski doesn’t want that, see Prize, Page 4.

‘Voice of the People’ submission

The Chicago Auto Show has presented the First Look for Charity gala for 17 years, during which 26 vehicles have been given away—25 without incident.

However, we appreciate the suggestion that we can improve our communications with the vehicle donors and winners (“Winner restless to drive her prize,” April 9).

Each manufacturer and dealer line that supplies the vehicles has a unique delivery procedure, and we certainly need to communicate that better to the winners on the evening of the gala. We will implement a new procedure for our 2009 First Look for Charity.

We hope this incident does not diminish the perception, good will and community involvement of an event that has raised more than $26 million for numerous Chicago area charities. This first misstep hopefully will be the last, and we offer our apologies.

We understand the winner’s new Scion is on its way to her local dealer. And we, too, hope that she will fall in love with it.

Mark Scarpelli
Chairman
2009 Chicago Auto Show

Indiana tax rate 7%, but Illinois limited to collecting 6.25%

The April 7 edition of this newsletter reported that the sales tax rate to charge Indiana dealers who buy a vehicle in Illinois grew April 1 from 6.00 to 6.25 percent.

In fact, the Indiana state sales tax increased that day to 7.00 percent, and therein lies the rub for Illinois dealers handling residents of eight “non-reciprocal” states: The tax is treated as a use tax, and an Illinois statute caps the use tax that can be collected at 6.25 percent.

Indiana won’t title the buyer’s car unless the full 7.00 percent tax has been paid, so Illinois dealers must advise their customers to settle the remaining 0.75 percent tab directly with the Indiana Revenue Department.

An Illinois Revenue Department spokeswoman said that if Illinois dealers attempt to collect the entire 7.00 tax, only 6.25 percent would be applied to the purchase, and the other 0.75 percent would vaporize into other ledgers—and won’t be refunded. The Indiana customer would still be approached by his home state for the outstanding 0.75 percent tax.

She suggested Illinois dealers who are upset by the quirk should appeal to their state legislators to change the statute.

Fore!

Registration is underway for the annual CATA golf outing, June 9 at Cog Hill Golf and Country Club in Lemont. See the flyers in this newsletter for full details. CATA allied members interested in sponsoring an aspect of the event should call the association’s Sandi Potempa at 630-424-6065.
New poster reflects FMLA change

Dealers and other businesses should post an amendment to the Family and Medical Leave Act of 1993 which covers persons related to U.S. military personnel. The poster can be downloaded from the CATA Web site, http://cata.drivechicago.com. Several categories appear along a tan-colored bar at the top of the screen. Click on the rightmost category, Resources, and follow the drop-down menu to Workplace Posters, then “F&ML Act Amendment (Jan. 2008).”

All FMLA-covered employers are required to keep displayed the U.S. Labor Department poster, which summarizes the major provisions of the federal act and instructs employees how to file a complaint. The poster must be displayed in a conspicuous place where employees and applicants for employment can see it. A poster must be displayed at all locations even if there are no eligible employees.

The FMLA amendments, which took effect in late January, permit an eligible employee:

1. Who is the “spouse, son, daughter, parent, or next of kin of a covered service member” to take up to 26 work weeks of leave to care for a “member of the Armed Forces, including a member of the National Guard or Reserves, who is undergoing medical treatment, recuperation, or therapy, is otherwise in outpatient status, or is otherwise on the temporary disability retired list, for a serious injury or illness;” or

2. To take FMLA leave because of “any qualifying exigency (as the Secretary shall, by regulation, determine) arising out of the fact that the spouse, or a son, daughter, or parent of the employee is on active duty (or has been notified of an impending call or order to active duty) in the Armed Forces in support of a contingency operation.”

Northwood scholarship available

High school upperclassmen whose parents or legal guardians work at a CATA-member dealership, or dealership employees considering a Northwood degree, are eligible to compete for a scholastic scholarship of $6,500 a year for four years at Northwood University.

The scholarship, for the 2009-2010 school year, is funded by the Chicago Automobile Trade Association and is offered for full-time study in the university’s automotive marketing curriculum.

Dealers are encouraged to display the related poster included with this newsletter.

Northwood, a private, accredited university specializing in managerial and entrepreneurial education, has three campuses: Midland, Mich.; West Palm Beach, Fla.; and Cedar Hill, Texas.

For consideration, scholarship applicants must have a high school grade point average of at least 2.5 on a 4.0 scale. Continued eligibility is subject to maintaining a 2.5 GPA at Northwood.

For more information on the scholarship, call the CATA’s Dave Sloan at 630-424-6055.

Marketplace

License/Title, Payroll Clerk Experience in financial, strategic planning; business development; project supervision; customer service and staff development. Expert listener, adept with monthly financial statements and with identifying and implementing processes to reduce billing errors. Anonymous. Please contact CATA for résumé.

Office Manager 15+ years’ experience. Self-confident and self-directed; able to communicate findings and make recommendations to facilitate needed changes. Excellent with organization and problem solving. South suburbs/North Indiana area preferred. Jeneane Moinuddin 708-209-8185.

Résumés of all candidates on file at the CATA. But the association does not conduct background checks or confirm any résumé statements. Dealers should conduct their standard confirmation processes.

Congratulations!

Winners of Nissan North America’s 2008 Owner First Award of Excellence include Continental Nissan (Countryside), Gerald Nissan (Naperville), Gerald Nissan of North Aurora, Martin Nissan (Skokie), and Star Nissan (Niles).

Muller Honda in Highland Park and Valley Honda in Aurora are winners of American Honda Motor Co.’s 2007 President’s Award, the automaker’s highest honor.

General Motors’ 2007 Jack Smith Leadership Award recipients include William Hartigan (Heritage Cadillac, Lombard). Michael Gillespie (Gillespie Pontiac, Chicago), and Curtis Pacarella (Phillips Chevrolet, Frankfort).

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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.


Jerry H. Cizek III President, Publisher
Erik K. Higgins Editor, Director of Dealer Affairs
Calculations for evaluating, improving a dealer’s parts mix

Take a good look at the mix of parts in your inventory. Pay close attention to non-seasonal parts whose most recent sales activity happened four to six months ago. They may not have reached their time limit on your shelf, but are they really parts you should stock? Look at those parts as “potential” obsolescence.

A good place to start reviewing your inventory mix is with the fill rate, or level of service, which measures how well you fill your orders or, put another way, how effective your parts department is at meeting your primary customers’ demands. With most dealerships, the primary customers are their own service and body shops, although occasionally a dealer may do more wholesale than internal parts sales. It’s important to maintain a high fill rate (85–95 percent), which is calculated using the demand history in the following equation:

\[
\text{Fill rate} = \frac{\text{total demand} - (\text{emergency purchases} + \text{lost sales})}{\text{total demand}}
\]

Total demand is the total number of customer requests received during a given period. Emergency purchases are orders placed for parts that aren’t available through regular stock orders or special orders. Lost sales are those parts that aren’t in stock when the customer makes the request. Any request for a part, whether or not you have the part in stock, creates a demand history. When a part’s demand history shows a certain number of demands over a given period of time—traditionally, demands in three of the most recent 12 months—that part might be phasing in and should be watched closely. (The number of demands and the time period will vary based on such factors as the type of part and whether it is a seasonal part).

The best way to improve your parts mix is to track customer requests for parts you don’t have in stock, along with the sales activity for the parts you have. Review your fill rate and other tracking information weekly to see which parts are most in demand. You can then improve your parts mix by ordering the needed parts based on their demand history.

The more quickly you recognize the need to get certain parts in stock, the more quickly you’ll improve your parts mix, boost your level of service, and increase your department’s profitability.

Tracking demand can also help reduce or eliminate orders for parts that are likely to become obsolete. The traditional phase-out criteria are no demands during the last six months.

This article is excerpted from “Top 5 Ideas for Managing Parts Department Inventory Performance.” The publication can be ordered online at www.nada.org/mecatalog or by calling NADA at 800-252-NADA, ext. 2.

New NADA ‘Webinar’: ‘Breaking news from IRS on dealer tax issues’

Dealers can get current, practical information on IRS issues affecting retail businesses through an innovative Web-based seminar on May 8, “Breaking News from the IRS on Dealer Tax Issues.”

Terri Harris, motor vehicle technical adviser for the Internal Revenue Service, will present information on breaking tax developments applicable to dealers— including the latest on UNICAP, the new Vehicle Pool Method for LIFO accounting; recent IRS tool plan enforcement; and just-released technical guidance on cost segregation studies.

The seminar is two hours, beginning at 12 p.m. (CDT) May 8. Representatives of the NADA, the seminar host, said about half the time will be devoted to answering dealers’ questions.

Cost of the seminar is $199 per computer connection. An unlimited number of attendees may participate in the seminar using a single computer connection. Registrants will have access to the seminar recording for six months.

Register online at www.nada.org/seminars. To register by phone or for additional information, call NADA at 800.252.6232, ext. 2. Questions can be emailed to seminars@nada.org.

Scam alert

An online scam making the rounds paints itself as an e-mail from subpoena@uscourts.com, advising the recipient that he has been subpoenaed to testify before a federal grand jury or produce documents.

The e-mail includes a link to what is purported to be a copy of the subpoena. But clicking on the link activates a Trojan horse virus which infects the computer or computer network. The virus will search for passwords, credit card numbers, bank account numbers and the like on the network and communicate them back to the scammer. The virus even can be configured to allow involuntary remote access by the scammer. Federal courts do not use e-mail to send subpoenas.
DriveChicago to host free Internet ‘best practices’ seminar May 28

An Internet “best practices” seminar hosted by DriveChicago.com on May 28 will offer an overview of what works in today’s Internet-driven automotive market. The free seminar, at the CATA office in Oakbrook Terrace, runs 9 a.m. to 1 p.m. and includes a continental breakfast and lunch.

“In a nutshell, the mission of DriveChicago is to help generate showroom traffic at the dealerships of CATA members. Right now, it’s critical that dealerships optimize the return on each dollar spent on Internet marketing, be it for a Web site, inventory listings, or search engine marketing,” said DriveChicago General Manager Mark Bilek.

“The goal of this seminar is to inform dealer principals and sales managers of practices that will grow revenue without increasing expenses.”

The seminar will focus on what dealers should be doing to maximize the return on money they spend on Internet marketing and advertising. In addition, it will explain, in laymen’s terms, why it is important to have an overall Internet strategy and why this strategy must be incorporated into a dealership’s business model.

DriveChicago’s technology partners also will give brief presentations. Representatives of Experian Automotive, BlackBook Online, DealerSkins, Dealer Specialties, DataOne Software, and TimeHighway. each will focus on their areas of expertise, explaining why it’s important to include things like vehicle history reports, used-vehicle valuations, and service scheduling on a dealership’s Web site.

For more information or to reserve a seat at the seminar, call Bilek at 630-424-6082.

AIADA conference April 30-May 1

The second annual International Auto Summit and Dealer of the Year award dinner will be assembled by the American International Automobile Dealers Association April 30 and May 1 at the Grand Hyatt Washington in Washington, D.C.

The April 30 award dinner, presented by Newsweek magazine, includes an address by the magazine’s chairman, Rick Smith. The May 1 summit features morning speakers and panels followed by scheduled visits with your members of Congress.

Discussions will focus on the Automobile Arbitration Fairness Act of 2008, growing efforts to impose California fuel economy standards, and the passage of free trade agreements.

Tickets for both events cost $495, or attend just the dinner for $100. For more information and to register, call Jermaine Perry at 800-GO-AIADA.

The sole purpose of the AIADA, established in 1970, is to represent the country’s 11,000 international nameplate franchises and their 500,000 employees. Efforts include fights against protectionist legislation, the promotion of free trade, and support for energy and fuel economy policies that benefit consumers and protect the environment.

Prize car

CONTINUED FROM PAGE 1

very car, she can (1) take delivery, then trade it in to the dealer for something else, or sell it on her own; or (2) forfeit her right to the prize. If she takes delivery, Pulawski would be responsible for the sales tax and license and title fees, payable at delivery; plus income tax later based on the value of the car.

Toyota waits until a winner is identified before building a prize vehicle, so there is an average two-month wait for a Scion prize. The car Pulawski won Feb. 7 is about to reach the local dealer for delivery.

The CATA responded to the Tribune column with a letter to the editor that had not been published by this newsletter’s deadline. It appears in this newsletter.

Besides the 2008 Scion xD, a 2009 Toyota Corolla and a 2008 Hyundai Veracruz were given away at February’s charity event. Neither of the other winners expressed Pulawski’s frustration.

Howard Jump, who won the Corolla, is bound by the same Toyota prize terms as Pulawski. The Veracruz winner, Tom Morton, had collected his new SUV before the auto show ended.

The 2008 edition of First Look for Charity raised nearly $2.7 million for 18 area charitable organizations.

Remember pratfalls that may await when selling vehicles abroad

A weakened U.S. dollar compared to foreign currencies has sparked a hefty increase in the number of foreigners who are contacting dealers to purchase vehicles.

As a reminder, the transaction is exempt from sales tax if the dealer delivers the vehicle to a freight forwarder who will arrange for shipment to the vehicle’s destination. If the purchaser takes delivery in Illinois but pledges that the car will be exported, sales tax must be charged.

Dealers also should remember the limitations imposed on them by their manufacturers for selling new vehicles abroad. Most, if not all, manufacturers prohibit U.S. dealers from selling new vehicles outside the country. When such sales do take place, dealers run the risk of substantial charge backs (loss of rebates and other manufacturer incentives). Manufacturer warranties also might be voided.