CHICAGO AUTOMOBILE TRADE ASSOCIATION
AUTO SHOW

# CATA Bulletin

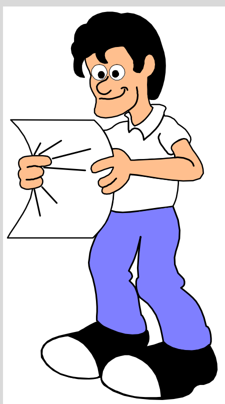
DRIVECHICAGO.COM
official Web site of CATA dealers

a biweekly newsletter

Volume 99, No. 2

January 21, 2002

## Index of 2001 CATA Bulletin articles enclosed



Look in this issue for a pullout index of all items that appeared in last year's editions of this newsletter.

Keep the index in your CATA-issued three-ring binder for 2001, as a handy reference.

Issues of the CATA Bulletin also appear on the association's Web portal, DriveChicago.com/ Go to http://cata.drivechicago.com and click on "Bulletins." Review entire editions, or use the keyword search for topic-specific articles.

## IRS issues new dealer cash reporting form

Effective immediately, dealers must file any IRS Form 8300 cash reports on a new form named "IRS Form 8300/ FinCEN Form 8300." The new form is virtually identical to its predecessor, except for the added designation, Fin/ CEN Form 8300.

The new form is available in an Adobe portable document format (pdf) on the Web site of the Internal Revenue Service, at http://ftp.fedworld.gov/pub/ irs-pdf/f8300.pdf/ The file consists of the two-page form and two pages of instructions to complete the form.

The IRS change stems from a new law, the USA Patriot Act, which requires in part that persons engaged in a trade or business who receive more than $10,000 in cash in a single transaction (or two or more related transactions) must file a report with the Financial Crimes Enforcement Network, or FinCEN.

FinCEN, which is part of the U.S. Treasury Department, has issued an Interim Rule which states that persons may satisfy the IRS cash reporting rules—both former and new—by filing a single joint IRS/FinCEN cash re-

SEE **FORM 8300**, PAGE 2

## Jacobs nominated for All-Star Dealer Award

Bill Jacobs, proprietor of several local dealerships, has been nominated for the 2002 AIADA All-Star Dealer Award. The award, created by the American International Automobile Dealers Association, heralds the contributions of the nation's import dealers as businessmen and as citizens dedicated to community service and the betterment of the industry and the country.

SEE **JACOBS**, PAGE 3

## Vehicle damage disclosure: When is it required, and by whom?

Failure to disclose damage to new and used vehicles continues to be a fertile area for litigation, the general counsel of the Chicago Automobile Trade Association, Dennis O'Keefe, said recently.

According to a 1995 Illinois law, a manufacturer is required to disclose in writing to a dealer, before delivery, all in-transit, post-manufacturer or other damage to a vehicle that was sustained at any time before it is delivered to the dealer.

In turn, O'Keefe said dealers must disclose in writing to the purchaser, before delivery, any damage to a new vehicle which they are aware of having occurred between the end of the manufacturing process and the time of customer delivery.

The threshold for disclosure is 6 percent of the vehicle's MSRP.

Disclosure is not required when the cost to repair does not exceed 6 percent of the MSRP. Further, damage to glass, tires, bumpers and in-dash audio equipment is not consid-

SEE **DAMAGE**, PAGE 2

# Damage

CONTINUED FROM PAGE 1

ered as damage, if replaced with OEM equipment.

No Illinois statute concerns damage disclosure to used vehicles. However, O'Keefe said "the theory of common law misrepresentation provides for dealer liability for an intentional misrepresentation of a material fact relied on by the customer to his detriment.

"In this context, intentional means the dealer 'knew or should have known' of the damage. Accordingly, it is time well spent to investigate a vehicle's history.

"In addition, one can document due diligence in trying to determine the history and present condition of a vehicle by having the customer fill out and sign a disclosure form."

Such a disclosure form could include:

1. Customer's name
2. Year, make and VIN
3. Declaration by seller that vehicle is NOT a salvage or former police, fire or taxi vehicle
4. Statement verifying odometer mileage and that the odometer is in good working order
5. Certification that none of the following conditions are present:
   - welded or bent frame;
   - welded or bent chassis;
   - motor or cylinder head(s) cracked, welded or repaired;
   - air bag has been deployed;
   - if air bag was replaced, it was OEM equipment;
   - emissions or exhaust systems modified or removed;
   - prior damage from accident, hail, theft, vandalism or other causes.
6. Statement accepting financial responsibility for undisclosed liens, incorrect payoff information or hidden deficiencies.

Finally, there is no substitute for a thorough inspection of the vehicle by a qualified person. Look for obvious prior damage and signs of most noticeable damage.

"Remember," O'Keefe said, "a dealer is regarded as a 'car expert' and may be held responsible for disclosing all prior damage, whether the dealer had direct knowledge or not.

Dealers can obtain vehicle history reports from Experían, through DriveChicago.com/ Call 847-806-4270.

# Steps exist to reduce credit theft, identity theft, if only they're taken

Stories regularly recount consumers horrified about fraud committed against their names, addresses, Social Security numbers, credit cards and other sensitive information. One man said recently that, within one week of having his wallet stolen, thieves ordered an expensive portable telephone monthly package, applied for a Visa card and secured a credit line to buy a personal computer. The man even received notice at home from the department of motor vehicles about an on-line request to change his driver's information.

Damages from identity theft can be controlled. A rote instruction is to cancel all existing credit cards. A key to that, of course, is to have the toll-free numbers and all credit card account numbers handy so that the proper steps can be taken.

Experts advise victims to file a police report immediately in the jurisdiction where any theft occurred. Such action demonstrates a diligence to credit providers, and it is an important first step in an investigation, if ever there is one.

Most important: Call the three national credit reporting organizations at once to place a fraud alert on your name and Social Security number. In light of such an alert, any company that checks your credit knows your information was stolen. The company would have to contact you by telephone to obtain authorization for any new credit lines.

The reporting agencies and their toll-free numbers are:

Equifax, 800-525-6285; Experían (formerly TRW), 888-397-3742; Trans Union, 800-680-7289; Social Security Adminstration fraud line, 800-269-0271.

# Form 8300

CONTINUED FROM PAGE 1

porting form with the IRS.

Dealers do not have to file a copy of the form with FinCEN.

Further details of the new law are forthcoming from the Treasury Department. The CATA will report them as details are released.

The CATA Bulletin is published by the
**Chicago Automobile Trade Association**
18W200 Butterfield Road
Oakbrook Terrace, IL 60181-4810
630-495-CATA [2282] phone 630-495-2260 fax

The CATA Bulletin is published and mailed every other Friday except during the Chicago Auto Show, when it is not published.

Listings of items for sale are subject to the approval of the CATA. Candidates for employment must submit a full résumé to the Editor.

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

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

## Consumers in study identify distastes with new vehicles

High prices, bland styling and a lack of incentives are some of the key factors for new-vehicle shoppers to reject models they initially considered, a new J.D. Power study found.

The 2001 Escaped Shopper and Owner Loyalty Study, released this month, sought to determine what causes people to reject one vehicle model in favor of another.

It also provides a comprehensive look at consumer perceptions of brands and specific models, as well as how brand loyalty and the salesperson influence consumer decision making.

"While many of our studies focus on what consumers think of a vehicle they've already purchased, this new study taps into the reasons why new-vehicle buyers ultimately cross certain vehicles off their shopping lists," said Chris Denove of J.D. Power.

Overall, price is the most frequently mentioned reason for rejecting a particular model. Vehicles with the highest closing ratios tend to be priced lower than the direct competition and/or offer large incentives (rebates, low-interest-rate financing, etc.).

Incentives are a key factor for many shoppers when they decide which vehicle to purchase. For example, 79 percent of Isuzu Rodeo buyers rejected another vehicle because it did not offer low-interest-rate financing like they found on the Rodeo.

"Incentives are mentioned more frequently than most vehicle-specific attributes such as ride, handling or performance," said Denove. "Manufacturers have painted themselves into a very expensive corner with zero-percent financing. Whoever is able to hold on the longest will certainly gain market share, but at a cost that may make them wish no one ever thought up interest-free financing in the first place."

Other consumers, defined in the study as "passionate buyers," are drawn to a vehicle primarily for its style or image. These buyers did not seriously consider any other model and said they chose their model because they "fell in love with it."

Sports cars, as a group, have the most passionate buyers, but the study found that even practical cars like the Chrysler PT Cruiser can attract very passionate buyers if they offer unique styling that makes an owner want to show off his vehicle. Bold styling, however, is a hit or miss proposition.

Although the Pontiac Aztek ranked as most appealing in its segment among actual owners, the J.D. Power study determined more than half of all Aztek shoppers rejected the model because of its exterior styling. Exterior styling was one of the most frequently mentioned reasons for deciding not to purchase a model.

Sixteen percent of survey respondents said they opted not to purchase a model because they didn't feel the dealership staff acted professionally. The study shows that when a shopper rejects a dealership because of poor customer service, both the dealer and the brand suffer.

"Most people aren't completely committed to buying one specific model, so when they reject a dealership because of poor customer treatment, they are likely to walk across the street to buy a different brand, not drive across town to another dealer that sells the same brand," said Denove.

## Jacobs

Continued from Page 1

The AIADA touts the All-Star Dealer Award as "the industry's most prestigious award for America's retailers of international nameplate automobiles."

An independent panel of graduate business school deans will evaluate all nominations, and five winners and one national winner will be named in May at the AIADA's Automotive Congress in Washington, D.C.

Jacobs's international nameplate franchises include BMW, Daewoo, Kia, Land Rover, Mitsubishi and Volkswagen.

## Automakers eye fuel cells

With the Bush administration's pledge this month to support hydrogen-based fuel cell technology, the Big Three automakers are expected by 2004 to introduce so-called hybrid vehicles that use gasoline-electric engines.

Toyota and Honda, which did not share in subsidies of the Clinton-era's idea of high-mileage gasoline-fueled vehicles, already have hybrids getting at least 40 miles a gallon.

The auto industry has steadily resisted government-mandated increases in fuel economy, with some carmakers arguing that such requirements would divert investment from fuel-cell research.

None of the Big Three came close to commercial production of an 80-mile-a-gallon car. In fact, the average fuel economy of cars and trucks for sale in the United States has dropped steadily.

This year's fleet of cars and trucks, with its growing proportion of SUVs, got the worst gas mileage in 21 years, according to the government.

# Industry job cuts may top 1 million worldwide

Automakers and their suppliers may cut more than 1 million jobs, as much as one-tenth of the total workforce, as the global economic slowdown forces plant closures, an auto industry research group said.

The forecast comes after Ford Motor Co. said Jan. 11 it will cut 23,000 jobs and close five factories, after shedding 12,000 workers last year. The second-largest automaker posted its first annual loss in nine years as it lost market share to Japanese rivals such as Toyota Motor Corporation and Honda Motor Co.

Other carmakers, with the exception of Japanese companies that have benefited from a weak yen, are expected to follow with similar cuts.

Overcapacity has led to low returns, said Scotland-based Autopolis. Suppliers will follow with their own cuts, bringing the total auto industry staff cuts to 8 percent to 10 percent. The reorganization may last more than 18 months, said Graeme Maxton of Autopolis.

"Ford is the first of all others, all of whom have similar problems, apart from Toyota," Maxton said in an interview. "Most of the cuts will be in the United States and Europe, where the drop in sales, in volume terms, will be the biggest and where the industry has the biggest overcapacity problem."

DaimlerChrysler AG, the No. 5 carmaker, intends to shut six plants through 2003 and has axed more than 26,000 workers to save money at unprofitable Chrysler. Isuzu Motors Ltd., a Tokyo-based truckmaker part-owned by General Motors Corporation, is shedding one-third of its 37,000 workers by March 2004.

The auto industry may have 20-30 percent overcapacity in its factories, Maxton estimates. In the United States, Ford made 3.6 million vehicles last year, though its factories could have produced 5.7 million units, or 37 percent more, he said.

All three U.S. automakers expect 2002 sales to be lower than last year's 17.2 million cars and light trucks. While 2001 sales rose with interest-free loans after the Sept. 11 attacks, automakers either lost money or had thinner margins, Maxton said.

Maxton expects U.S. vehicle sales to fall at least 10 percent this year, whereas automakers are likely to sell 8 percent fewer vehicles in Europe. Asian sales probably will be in line with last year, with rising sales in China compensating for declines in Southeast Asia and Taiwan, he said.

Sales in Japan and India will be little changed, Maxton said.

## In Memoriam

Clarence W. "Rube" Marquardt, a former Oldsmobile dealer who served as the 1971-72 president of the Chicago Automobile Trade Association, died Jan. 5. He was 82.

Marquardt became proprietor of Montgomery Motor Sales Co. in Morton Grove in 1951. He later moved the dealership to Park City and renamed it Marquardt Motor Sales. He also owned dealerships in Wisconsin and Indiana.

Marquardt is survived by his wife, Barbara; sons William and Michael; daughter Kathryn and Mary Beth; and eight grandchildren.

Memorials may be made to Sr. Paulanne's Needy Family Fund, c/o Our Lady of Perpetual Help Church or Cristo Rey Jesui H.S., 1852 W. 22nd Place, Chicago 60608.

## *The ABCs of 'Y'*

Some 63 million youths, alternately called Generation Y, the Millennials or Echo-Boomers, are or soon will be reaching driving age and will have a major influence on the automobile industry. The prospect is causing a lot of hand wringing among the 40- and 50-year-olds who run big car companies.

Manufacturers are somewhat baffled on how to appeal to a generation whose tastes in everything from music to clothes change with the seasons. One answer proffered at last week's Detroit Auto Show by Mitsubishi: a rear seat that is a sofa.

Mitsubishi officials called their concept cars "leap frogs," with design elements that may not enter production for years, if ever. But concepts offer important clues to the design direction of an automaker, and many concepts are aimed squarely at Generation Y.

The response? Design students from Detroit's College for Creative Studies who toured the Mitsubishi display were momentarily speechless. Then they dismissed the concepts.

Despite such negative feedback and the auto industry's current financial woes, executives say they will continue to chase the youth market by pushing the envelope in vehicle design, saying that's the only way to reap bigger profits.

Toyota Motor Corporation has become a powerhouse in the United States thanks to the attraction to Toyotas and Lexuses among Baby Boomers. The carmaker reportedly is so worried about its image with younger buyers that it is considering a third brand, one designed specifically to appeal to Generation Y trendsetters.