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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, or 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. The fee covers the Internet connection - which includes both audio and PowerPoint slides. There is no need for a telephone connection to participate.

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. 19 at 12 p.m. CDT

"How to Evaluate Dealership TeleCom Equip't, Systems, Bills" Your TeleCom is a maze of competing systems, Internet and I.P. protocols, carriers, equipment and some very confusing and expensive monthly billing

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Dealers, Teamsters Local 731 agree on 4-year labor contract

About 75 area dealers reached agreement on a new labor contract with Teamsters Local 731 on Aug. 15, when union members ratified the deal.

The union represents stockroom attendants, garage attendants, drivers and utility employees such as drivers.

The dealers were represented in negotiations by the CATA's employee relations counsel, Dave Radelet of Franczek Radelet P.C.

Highlights of the new collective bargaining agreement include the following:

• Four-year agreement effective Aug. 1, 2010, to July 31, 2014;

• Wage increases in years two through four of the agreement, varying by job classification and seniority;

• Freeze on new-hire wage progressions except as necessary to comply with minimum wage laws;

• Elimination of mid-term increase in progression rates

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New Illinois law to limit use of credit checks by employers

An Illinois law effective Jan. 1, 2011, will strictly limit employers' ability to obtain and use credit history information regarding employees and applicants. The Employee Credit Privacy Act applies to most Illinois employers but excludes banks and financial institutions, insurance companies, state law enforcement units, state and local government agencies, and debt collection agencies.

The Act prohibits covered employers from inquiring about an employee or applicant's credit history, obtaining credit reports on employees or applicants, and taking any employment action based on an employee or applicant's credit history or

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Key changes to electric market

By Thomas Janowiak, Director of Energy Services
Utility Management Group

Editor's note: The CATA encourages its members to explore the natural gas and electricity rate structures of Utility Management Group, a licensed Illinois energy broker. The company's Elmhurst office is (630) 279-0117.

The Illinois electric market recently experienced a number of changes in how Commonwealth Edison classifies the accounts of businesses and what programs businesses can use. ComEd categorizes the accounts based on the peak spikes in usage. Most automobile dealerships are in the 0-to-100 kilowatt or the 100-to-400 kw categories, meaning their peak spike in usage is either under 100 kw or between 100 kw and 400 kw.

The most dramatic change is for ComEd customers in the 0-to-100 kw category. Customers in this class who are on ComEd's fixed rate program have seen a jump for Supply and Transmission charges from about 7.1 cents per kilowatt hour to an average of about 8.4 cents, a more than 15 percent increase. But while ComEd's rates have increased, the electric market has dropped substantially, making this an opportune time to review offerings from suppliers other than ComEd.

The second change is for customers in the 100-to-400 kw class who purchase their electricity from ComEd. While ComEd previously offered a fixed rate for those customers, they no longer do. Now such ComEd customers are billed at a variable rate, or a rate that changes monthly depending on market conditions. While that rate may be inexpensive when the market is down, it also has the potential to be expensive. Given its volatility as well as the inability to lock rates if it's advantageous to do so, other programs that offer greater benefits should be considered.

The third change is to one a ComEd charge called the capacity charge. This charge generally is not itemized on your ComEd invoice but is bundled with other charges. A business's capacity charge is determined in large part by spikes in usage. Depending on those spikes, a capacity charge may average from just under 1 cent per kilowatt hour to more than 3 cents per kwh. Most dealerships tend to be toward the lower end of that spectrum.

That charge is scheduled to spike over the next 12 months, followed by decreases in each of the next two 12-month periods. While that charge is set by ComEd and cannot be negotiated, if the business customer is not currently under contract with a supplier, there are ways to spread out its peaks and valleys. The benefits of this option depend on a number of factors, including the business's individual capacity charge and the available offerings from suppliers.

In addition to what has changed, based on calls we've re-

See **Electicity**, Page 4

258 more dealers closed this year

The number of U.S. automobile dealers is expected to fall about 3 percent this year, following a record decline in 2009, according to findings released this month by a Detroit-based consulting firm.

After 258 dealership closures in the first half of this year, there were 18, 223 dealers nationwide as of July 1, said John Frith of Urban Science, an automotive retail consulting firm that helps automakers determine the optimum number and location of dealerships.

That is on top of last year's record 1,603 closures, a drop of 8 percent. The average decline since 1991 is 1 percent to 2 percent, Frith said.

The shrinking pool over the past 18 months largely is due to terminations by General Motors and Chrysler Group, as part of their bankruptcy restructurings last year. During the same period, about 40 dealers, mainly selling Volkswagen, BMW, Hyundai and Kia brands, opened across the country.

Webinars

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statements. Learn to properly manage this growing expense category.

<u>Thursday, August 26 at 12 p.m. CDT</u>

"Zen and the Art of Time & Multi-Task Management for Today's Super Controller" Dealership controllers and office managers have all been there before: The dealer reads an article or returns from a 20 Group meeting and immediately asks, "Are we doing this?" And while those questions often add to the stress of the day, they should be asked. Speaker will help registrants reach the goal of calming confidence.

<u>Thursday, Sept. 2 at 12 p.m. CDT</u>

"How to Create Pay Plans that Really Work" Speaker Jeff Sacks guides registrants on how to formulate pay plans that help meet dealership objectives without the unintended consequences of over-paying and other backfires. Pay-for-performance is a worthy goal; now learn how to create pay plans that truly work in sync with your intentions.

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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**

President signs financial reform law

BY RAY SCARPELLI SR.
METRO CHICAGO NADA DIRECTOR

With President Obama's signature, the most significant overhaul of the nation's financial system is now law. And with it, consumers still can find competitive financing options at auto dealerships.

Ed Tonkin, the NADA chairman, praised the efforts of lawmakers who fought to preserve the existing regulatory structure for dealer-assisted financing, which protects consumers and ensures affordable auto credit. Tonkin also cautioned that any regulatory overreach could hurt the very people it is looking to protect by disrupting the extremely competitive auto finance marketplace. "The new law maintains existing consumer protection laws, while permitting millions of American families to continue to have multiple financing options to purchase a vehicle," Tonkin said.

A report released last month provides fresh evidence that the quick and **drastic cuts to the Chrysler and GM dealer networks last year were unjustified**.

The special inspector general for the Troubled Asset Relief Program on July 18 released a report critical of the Obama administration's auto task force for failing to weigh the broader economic impact of closing more than 1,000 dealerships in the wake of the GM and Chrysler bankruptcies. According to the report, the companies had called for a gradual reduction in dealerships, but the auto task force accelerated the process, increasing job losses to the detriment of the national economy.

"Treasury made a series of decisions that may have substantially contributed to the accelerated shuttering of thousands of small businesses and thereby potentially adding tens of thousands of workers to the already lengthy unemployment rolls – all based on a theory and without sufficient consideration of the decisions' broader economic impact," said the 45-page report.

Ed Tonkin said the report confirms what was said in NADA's testimony before Congress in several hearings and to the auto task force in multiple meetings: "We do not see how these cuts make economic sense – not for the companies, not for the dealers, not for local communities and certainly not for the struggling U.S. economy.

"Similarly confirmed by the report was the NADA's unwavering position, also presented to Congress on multiple occasions, that 'rapid dealer reductions increase unemployment, threaten communities and decrease state and local tax revenue without any material corresponding decrease in the automaker's costs.'

"Importantly, the Inspector General's report also validates the Congressional efforts which gave thousands of dealers the opportunity to have a neutral arbitrator review their cases and possibly save thousands of jobs.

"Finally, the report demonstrates what NADA has maintained for many years – that the franchised automobile dealership is and will continue to be the most powerful job-creating entity on Main Streets all across America and that the NADA's 17,000 members provide long-term economic opportunity for nearly 1 million Americans."

An interview about the dealership closures with TARP Special Inspector General Neil Barofsky; and a statement by Sen. John D. (Jay) Rockefeller IV, chairman of the U.S. Senate Committee on Commerce, Science, and Transportation, are at www.nada.org.

In other legislative and regulatory news . . .

The NADA earlier this month joined numerous other business organizations in drafting a letter to Sen. Mike Johanns (R-Neb.), supporting his effort to **repeal a new Form 1099 requirement** included in the health care reform bill. Under the bill, companies, nonprofits and government offices are required to file Form 1099 with the IRS when goods purchased from another business exceed $600 in a year. Under previous law, the reporting requirement pertained only to services exceeding that amount.

"This new and expanded requirement means that almost every business-to-business transaction is potentially reportable to the IRS," the letter to Johanns states. "The new requirements will dramatically increase . . . costs, pulling capital out of the business that could be better used to reinvest in the business and create jobs."

In other NADA news . . .

• Early registration and hotel selection is underway for the **2011 NADA Convention & Expo** in San Francisco, Feb. 5-7, at www.NADAConventionAndExpo.org. Detailed information about all hotels also is available online. More than 20 hotels have been secured and rates have been reduced, ranging from $139 to $269. Be sure to register and make your hotel reservations today, as San Francisco hotels typically fill up quickly!

• The 2011 Convention & Expo has built a strong following on **social media sites** Facebook, Twitter and LinkedIn. Visit the event's Facebook page (www.Facebook.com/NADA-convention) and Twitter feed (www.Twitter.com/NADAconvention), first introduced at the 2010 convention in Orlando and with 1,500 followers as of late July. It also is on the professional networking site LinkedIn at http://www.linkedin.com/groups?mostPopular=&gid=2508138.

Margins, net profits up for area dealers in 2010

Dealers' net profit as a percentage of sales increased to 2.1 percent this year through June, up from 1.5 percent during the same period last year, according to the August edition of Power Steering, authored by two Illinois certified public accountants.

Net profit as a percentage of gross profit plus other income stood at 14 percent for surveyed dealers through June, compared to 9.5 percent through June 2009. Also, profit margins for new-vehicle dealers are up about 50 percent for dealers through this year's first two quarters compared to the same quarters in 2009, Friedman and Woodward reported.

The most recent year before the start of the recession showed net profit as a percentage of sales through November 2007 of 1.4 percent, and a 10 percent net profit as a percentage of gross profit plus other income.

"Total sales for 2010 are still below those in 2007," the two said, "but the profit margins in 2010 through June are well above those in 2007."

Friedman is a partner at Michael Silver & Co. in Skokie. Woodward leads Woodward & Associates in Bloomington, Ill.

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for less senior employees in certain classifications;

• Established employee contributions to the Health & Welfare Fund;

• Revised vacation scheduling provisions and replaced New Year's Eve holiday with a personal day to align with the Automobile Mechanics Local 701 union contract;

• Revised sale of dealership and department closure notice language to align with the 701 contract;

• Added accidents which cause bodily injury to the Substance Abuse policy as additional basis for testing employees, also to align with the 701 contract; and

• Expanded Garage Attendant duties to include wax, shine, buff, polish and new-car check-in.

Further details about the new agreement can be obtained by contacting Radelet's assistant, Mary Casto, at (312) 786-6151 or mfp@franczek.com.

The CATA congratulates the dealers involved in the negotiations. Any dealer with additional questions about the agreement should contact Franczek Radelet at (312) 986-0300 and ask for either Radelet or Tom Posey, an associate with the firm. The union will disseminate copies of the agreement this fall.

Credit checks

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report. However, employers still may ask about credit history and use credit history as a basis for employment decisions for positions in which a satisfactory credit history is a "bona fide occupational qualification." To meet this standard under the new law, one or more of the following circumstances must apply:

• State or federal law requires bonding or other security covering an individual holding the position;

• The duties of the position include custody of or unsupervised access to cash or marketable assets valued at $2,500 or more;

• The duties of the position include signatory power over business assets of $100 or more per transaction;

• The position is a managerial position which involves setting the direction or control of the business;

• The position involves access to personal or confidential information, financial information, trade secrets, or State or national security information;

• The position meets criteria in administrative rules, if any, that the U.S. Department of Labor or the Illinois Labor Department has promulgated to establish the circumstances in which a credit history is a bona fide occupational requirement; or

• The employee's or applicant's credit history is otherwise required by or exempt under federal or State law.

The Act prohibits retaliation against any person who files a complaint, participates in an investigation or proceeding, or opposes a violation of the Act. The Act further prohibits employers from requiring applicants or employees to waive any rights under the Act, and provides that any such waiver is invalid and unenforceable.

Persons alleging violations of the Act will be able to file suit in state court, and if they prevail will be entitled to recover their costs and reasonable attorneys' fees in addition to damages and injunctive relief.

Electricity

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ceived from current customers we thought it would be helpful for you to understand what has not changed. While there are ways to control your energy costs, one of the options not available to you is the ability to negotiate or do away with ComEd's pass-through charges, whether they relate to the delivery of electricity or to the electricity itself.

ComEd is required to bill all customers the same, depending on their class and program. Some of our customers have been informed that they have the option to do away with some ComEd charges. Unfortunately, this is something Com Ed is not able to offer.