



CATA Bulletin



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NADA throws dealer members a Lifeline

A free consulting service for dealers, general managers and managers, designed to enhance the operations and financial stability of their businesses, has been instituted by the National Automobile Dealers Association.

The NADA's Lifeline Consulting Hotline operates 8 a.m. to 7 p.m. Central time at 888-672-5140, offering free expert consultation. "All (dealers) have to do is call that 888 number and say, 'I need help,' and it's there," said NADA Vice Chairman Dale Willey, a Kansas dealer.

Callers are connected to 20 Group consultants or Dealer Academy instructors, each with 25 or more years' experience in the retail auto industry. Consultants might initially go through a diagnostic checklist to uncover any potential problems.

A dealer who needs more in-depth

analysis can fax the store's financial statement to the NADA, and the consultant would crunch it down to a spreadsheet and pinpoint areas where changes could be made. Consultants can help dealers construct an action plan and suggest implementation strategies. All matters are confidential.

"The industry overall is performing well, but too many of our domestic dealer members are losing money this year," said NADA Chairman William Bradshaw. Annette Sykora, an NADA director in Texas, said many dealers are finding themselves at crossroads, "determining if they want to add, if they want to consolidate, or if they're just tired of the business."

A document obtained from a large U.S. automaker lists several familiar

SEE **LIFELINE**, PAGE 2

'Red Flag' changes could be onerous for dealers

Proposed changes to "Red Flag" guidelines required by the Fair and Accurate Credit Transactions Act of 2003 (FACT Act), could create compliance burdens for financial institutions, which under the Act includes automobile dealers.

The changes would require dealers to establish a written, risk-based identify theft program designed to quell the risk of identity theft of customers. Some estimates peg the percentage of Americans affected by identity theft at

close to 25 percent.

Red Flag Program

To comply with the proposed rule, every customer would have to be compared against a list of 31 potential red flags before taking delivery of a vehicle. A dealer's Red Flag Program would have to address financial, operational, compliance, and reputation and litigation risks, including policies and procedures to:

1. Identity red flags

SEE **RED FLAG**, PAGE 2

3-year 20 Group next stop after CATA's 1st fixed ops Bootcamp

Fifteen area service managers on Sept. 22 completed the CATA's first four-day Service Management Bootcamp. The next Bootcamp training program, for a group of up to 20 service directors and managers, is Nov. 7-10.

The service managers now advance to a Service Manager 20 Group that will meet three times annually over the next three years, beginning Nov. 14-15.

The new instruction for fixed ops personnel follows months of planning by the CATA board of directors, intent on helping service directors and managers to set and exceed objectives, and increase market share, gross profits, efficiency, increased self-satisfaction and resultant employee retention.

To entice all CATA member dealers to enroll their service managers in the training, the CATA is significantly underwriting the tuition. Enrollment in similar continuing education programs through other dealer associations typically costs \$2,800 for the Bootcamp, plus \$250 a month over the three-year 20 Group. Special CATA prices are \$1,000 for the Bootcamp and \$160 a month for 20 Group tuition.

In addition, for service directors and managers who complete the 20 Groups, the CATA will rebate to their dealers 50 percent of the first year's tuition, 75
SEE **BOOTCAMP**, PAGE 2

Lifeline

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complaints under “The Factory’s Problem Today”:

- production exceeds demand
- public demands more features at lower prices
- cars must be sold for less in order to reach volume goals
- fierce competition
- more advertising money must be spent per possible

buyer

• expenses—especially fixed ops—are out of proportion to sales

But to emphasize the industry’s cyclical nature, the document was written by the Buick-Olds-Pontiac Sales Co.—in 1933.

Red Flag

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2. Verify the identity of persons opening accounts
3. Detect red flags
4. Assess whether a red flag evidences a risk of identity theft
5. Mitigate the risk of identity theft using a risk-based approach
6. Train staff to implement the Program
7. Oversee service provider arrangements including an independent assessment of any third-party fraud or identity theft detection programs that are used by the institution to determine if the programs meet the requirements of the Red Flag Regulations and Red Flag Guidelines.

For instance, sales and F&I managers would have to examine a consumer report recent for significant increases in inquiries, an unusual number of recently established credit relationships, or an account that was closed for cause or identified for abuse of account privileges by a creditor.

The changes are under review by the Federal Trade Commission, the policeman on the beat when it comes to enforcement of federal laws and regulations. But while there is reason for concern by the dealer community, the proposed rules are not final, so it is a little early for blind panic.

Marketplace

Payroll/HR Mgr PT okay. 16 yrs dealership exp (9 yrs as HR Mgr at diverse dlr). ADP, timeclock software, 401k, insurance, benefits, FMLA, EEO, Excel, genl ledgr, Reynolds. Wrote company newsletter & more. College grad, great refs, & ‘the personal touch.’

HR_Manager_Professional@yahoo.com

Résumé on file at the CATA.

In Memoriam

Joseph E. “Uncle Joe” Lesniak, a former Chevrolet dealer and onetime president of the CATA, died Sept. 10. He was 81.

Lesniak operated Colonial Chevrolet in Schaumburg, at the site of the current Woodfield Chevrolet. He also was a longtime and founding member of the Prospect Heights Lions Club and the Rotary Club of Schaumburg-Hoffman Estates.

Uncle Joe was elected to the CATA board of directors in 1987, and he ascended to president in 1991. Lesniak sold his dealership during his yearlong presidency and resigned from the board. The title changed in 1993 to chairman of the board.

During Lesniak’s tenure as president, the state’s first motor vehicle advertising regulations were adopted, to level the playing field for automobile advertising.

Lesniak is survived by his wife Ethelyn (“Jimmy”); sons James and John; daughter Jan; and 10 grandchildren. The family would appreciate memorials to the Lions or Rotary Clubs.

Bootcamp

CONTINUED FROM PAGE 3

percent of the second year’s tuition, and 100 percent of the final year’s tuition.

Woodfield Chevrolet Service Manager Jim Domino said he is cautious about training that takes him away from his store, especially for four days. But he said the Bootcamp equipped him with many strategies, “things that are applicable, not just theory.”

Domino said he and his fellow service managers also exchanged a lot of success—and horror—stories.

For more information on the training, and to register, call Jim Butcher at the CATA at 630-424-6020.

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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 dating to 1998 or search by subject at <http://cata.drivechicago.com/>

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

Every dealer matters

By Ray Scarpelli Sr.

METRO CHICAGO NADA DIRECTOR

Today's market conditions are tough on many dealers, but the NADA can help. The association now offers a **free, confidential telephone-based financial consulting service for all dealerships—the Lifeline consulting hotline**. Callers for advice on improving their stores' operations and financial stability will speak with one of the NADA's industry-leading 20 Group consultants or Dealer Academy instructors, all of whom have real-world experience in dealership operations.

During a call, the dealer and the consultant may discuss the store's financial status, and the consultant will advise the dealer on fixing trouble spots. If further analysis is required, the dealer can send the consultant the store's financial statement, and the consultant can then provide an in-depth, customized action plan in a follow-up phone call. **This service will only be available for a limited time**, so dealers should act quickly. For more information, visit www.nada.org/lifeline.

In other NADA news:

- How can you encourage teenagers in your community to consider working at your store? **Host an event during the NADA's Automotive Career Month in October**. You can request an event-planning kit at www.nada.org/careers. The kit contains sample letters to school principals, guidance counselors, and local media; a sample event agenda; two Automotive Career Month posters with room for your dealer-

ship information; artwork for student brochures; a brief DVD on the variety of careers available; and a press release and scripts for public service announcements.

- **NADA members can bring a manager or another attendee for free to one of the association's fall seminars**. Upcoming seminars include "How to Create a 'Super Controller,'" Oct. 10-11 in Rosemont. At www.nada.org/seminars, dealers and other prospective NADA seminar participants can see detailed seminar listings, download flyers, and register more than one employee at a time online, and registrants can download needed course materials. For more info, call 800-252-6232, ext 2.

- **Online advance registration for the 2007 NADA Convention and Exposition** in Las Vegas, Feb. 3-6, is open through Dec. 22. Several hotels, including Bellagio, Wynn, Paris, and Venetian, are already sold out. To register online or download a registration form, visit www.nada.org/convention or call the convention department at 703-821-7188.

- **In a speech to the Latin American Automobile Dealers Association in Quito, Ecuador, NADA chairman William Bradshaw reviewed the current state of the U.S. auto industry**. He highlighted automakers' differing fortunes here: High oil prices have hurt GM, Ford, and Chrysler, particularly truck and SUV sales; but most Japanese and Korean makers are rolling along. Whether they're doing well or struggling, Bradshaw said it's important for dealers to not only consider the short-

term but also look down the road. He credited dealers' "hard work, passion, and vision" for their success.

In legislative news:

- The recent one-year anniversary of Hurricane Katrina was a reminder of the damage that can be caused by these horrific storms. Insurance companies total many vehicles flooded or destroyed by storms.

Unfortunately, unscrupulous rebuilders and resellers sometimes overhaul these cars, scrub the titles, and then resell them to unsuspecting consumers. Right now, insurance companies are not required to "red flag" problematic vehicles.

That's why the **NADA supports S. 3707, the Passenger Vehicle Loss Disclosure Act, which will require insurance companies to make the VINs of totaled cars publicly available**. The information will give consumers and dealers more complete vehicle histories prior to purchase, allowing them to make informed decisions about the safety and fair market value of used cars.

The NADA encourages all dealers to write to their senators to encourage them to cosponsor S. 3707. The association offers draft letters which dealers can customize and fax to their senators. For more information, contact the NADA Legislative Affairs Office at 800-563-1556 or legislative@nada.org

As always, let me know your ideas and concerns, so that I can meet your needs as your NADA director. Reach me at my dealership at 847-395-3600.



CATA dealers—and only CATA dealers—have a presence on the CATA Web portal, www.drivechicago.com, to list new- and used-vehicle inventories. Are you taking full advantage of DriveChicago? Call 630-424-6080.

Loan, lease terms increase in '05 9% exceed 6 years

Vehicle loan and lease terms continue to lengthen, with repayment periods of 60 months or longer representing 55 percent of new-vehicle loans written in 2005, according to a retail banking group.

The 2006 Automobile Finance Study, conducted by the Consumer Bankers Association (CBA), also found that the average new-vehicle loan last year increased 4 percent over 2004, to \$23,534, while the average used-vehicle loan rose 3 percent, to \$16,419.

New-car loan maturities longer than five years jumped from 45 percent in 2004 and now account for the highest percentage of all term categories for new loans. Such loans comprised 22 percent of lending in 2000. Six-year loans in 2005 comprised 46 percent of lending, with 9 percent of loans even longer.

While consumers may prefer longer loan terms, the CBA survey shows that the lowest rates, at about 5.5 percent, were available for terms of four years or less, compared to rates approaching 7 percent for loans longer than five years.

The average amount financed was 95 percent of in-

voice, or 90 percent of MSRP.

Average new- and used-vehicle loan delinquencies continued a four-year declining trend. Average new-vehicle dollar delinquencies in 2005 fell to 0.87 percent compared to 0.97 percent in 2004, and average new-vehicle account delinquencies fell to 1.08 percent from 1.16 percent.

Used-vehicle delinquent dollars averaged 1.36 percent in 2005, down from 1.66 percent the previous year, while 1.95 percent of used vehicle loan accounts were delinquent, compared to 2.10 percent in 2004.

On a combined (new- and used-vehicle) basis, gross chargeoffs increased last year to 1.19 percent from 0.98 percent, while combined net charge-offs stayed relatively even at 0.77 percent. Recovery rates were up slightly to 31 percent last year.

Credit quality, as defined by average credit scores for new- and used-vehicle loans, decreased slightly to 716 from 722 in 2004. Nearly three-quarters of scores were 680 or higher.

The CBA's annual survey covers indirect lending, leasing and floorplan finance

Northwood auto show Oct. 6-8

MIDLAND, Mich.—Northwood University's 43rd international auto show, Oct. 6-8, carries the theme "The Fantasy of Innovation." For more information, call 989-837-4823 or 989-837-4423.

— Q & A —

with  , instructors of
CATA Learning University

Q *Our dealership has been somewhat slow in embracing this whole e-commerce thing. There seem to be many companies that claim to have the solution on how to sell cars to Internet customers. Based on your experience, what's your advice?*

a Ah, the billion-dollar question: how to sell cars to the Internet customer? The first thing we would like to make clear is that if any company claims to have the solution, be cautious, because there is no single solution. We have worked with many dealerships that are very successful in the e-commerce arena. All of them approach it differently, although their approaches share some common themes. By posing your question, you demonstrate a key ingredient, an understanding of the opportunity that exists in the e-commerce playing field.

At the risk of oversimplifying, and based on our experience, there really is no such thing as the Internet department. In this new automotive marketplace, every department in the dealership is the Internet department. If you are a sales manager, you are the Internet manager. Here is the reasoning: According to the major consumer surveys (as well as common sense) more than 80 percent of consumers are doing their product and dealership research online before they call or visit our dealerships.

At the showroom level, we see this in the continuing decline in traditional showroom traffic. So for many of us this means we need to re-evaluate our strategy to have an Internet person tucked away in the corner cubicle, often with inadequate tools and support while at the same time having 10 Sales Consultants sitting idle and waiting for that diminishing showroom "up."

Simply put, this equation does not make sense. Understanding and addressing this is one of the greatest opportunities we as car dealers have.

In the next two articles we will review dealership strategies that deliver strong results and how these strategies adapt to different processes and cultures.

Remember to check the CATA Learning University Web site at www.cata-lu.com for the latest class offerings and schedules.