



CATA Bulletin



a biweekly newsletter

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Dealers, employees must act against perilous gross-receipts tax

Illinois Gov. Rod Blagojevich's 2008 budget proposal, which relies on the biggest tax increase in state history, would be the final coffin nail for many dealers struggling lately to survive, industry analysts said.

Included in Blagojevich's plan to raise \$32 billion in new revenue is the creation of a gross-receipts tax that would tax all business transactions, regardless of profitability. Businesses across the state have railed against the plan since it was announced earlier this month.

Some analysts said the new tax could put hundreds of Illinois dealers out of business. Other business groups said their members would be forced to another state.

Directors of the CATA, at a March 19 board meeting, debated joining a coalition of business groups to campaign against the gross-receipts tax. Bank-

rupting businesses, they argued, does not improve the state's health. Indeed, a shuttered company increases the rolls of unemployed citizens without health care insurance.

The CATA is mailing dealers a worksheet for them to calculate how much a gross-receipts tax would impact them. Dealers could turn to their state lawmakers with real numbers about the impact, in appealing for the General Assembly to derail Blagojevich.

The CATA mailing also will contain sample letters that dealers and their employees can use in approaching their lawmakers on the issue.

Blagojevich has pitted his campaign for new taxes in a good-versus-evil light, with individuals burdened by taxes that big corporations avoided paying. But most businesses would pass along any

tax increase to consumers anyway. And dealerships and other industries that operate on slim margins, like grocery stores, would be devastated, perhaps into bankruptcy.

The Illinois Chamber of Commerce calls the gross-receipts tax "a reckless and irresponsible affront to every employer and worker in Illinois." The chamber also urges employers and employees to communicate their concerns to legislators about the gross-receipts tax and another proposal to tax businesses that don't offer health insurance or that offer minimal coverage.

Illinois Senate President Emil Jones (D-Chicago) immediately indicated supported for new tax levies on businesses, when Blagojevich announced his plan March 7. House Speaker Michael Madigan (D-Chicago) has not stated his position on the gross-receipts tax.

Bill advancing to boost Illinois DOC fee

A bill to boost to \$150 the base documentary fee that Illinois dealers could charge awaits a third roll call in the House, after two positive readings. If it succeeds again, it would be passed to the Senate for consideration.

The base DOC fee was \$40 when it was established in 1992. Annual adjustments tied to the Consumer Price Index have increased to \$58.48 the maximum fee that can be charged this year to complete necessary paperwork and provide copies to purchasers. The bill

calls for the new base to take effect Jan. 1, 2008.

Dealers are encouraged to contact their state representatives and senators to enlist support for Illinois House Bill 1657. The array of federal and state regulations with which dealers must comply when selling vehicles has escalated more than the CPI, and dealers in at least 30 states are permitted to charge \$400 to \$900 in DOC fees.

Since 2001, for instance, new fed-
SEE DOC FEE, PAGE 2

Bilinguals from Hispanic job fair embark on sales training in pilot program

About 30 bilingual dealership sales candidates are expected to begin CATA Learning University training April 2 prior to dealership placement, under a CATA pilot program to screen, interview and train candidates to meet dealer needs in the expanding Spanish-speaking marketplace.

The candidates who will embark on

SEE BILINGUAL, PAGE 3

Best practices for cash management

One of the biggest challenges dealers face is effectively managing cash. This month's NADA Management Education article offers some best practices to help you control your cash flow and maintain your dealership's financial health.

The key element to cash flow is timing. If you receive a payment of a contract in transit before you have to pay the floor plan, lien payoff on a trade-in, or sales commission, then your cash flow is OK.

Unfortunately, such timing does not always occur, and it may be compounded by such circumstances as a customer using a trade-in to pay for a portion of his vehicle purchase. That trade-in can stay in your inventory for months, reducing your cash flow. Creating best practices and policies will enable you to correct the issues that harm your cash flow.

There are best practices to get your cash into the bank faster. They might not work in every dealership, and they might require additional training and policies to be put in place. But experience has proved that many of these solutions are effective in turning your receivables and inventories into cash faster.

- Have the F&I office pull and submit the contracts.
- Use a Post Office box for receiving checks in the mail.

Receipt them in and deposit the same day to a deposit clearing account. Have the clerks distribute the payments to the various accounts from the receipt and check stub instead of holding the checks.

- Have a policy for used vehicles that you will carry in stock by year, make, and model. If a unit comes into stock outside of that policy, wholesale immediately and adjust the Actual Cash Value (ACV) of the car deal that took it in trade.

- Use sweep accounts to move excess cash from your checking accounts into investment accounts and include the payroll account to earn on that account's "float."

- Issue a daily report of all Contracts in Transit and Vehicle Receivables to the sales department. Don't wait for accounts to become past due to collect.

- Issue a weekly report of all Accounts Receivable and Warranty Claims to the service and parts managers. The best person to collect the funds is the department manager who created the receivable.

This article is adapted from NADA Management Education's "A Dealer Guide to Cash Flow Management" (BM33).

The guide, which explains and defines cash flow, and provides worksheets you can use to help manage your dealership's cash flow, can be ordered online at www.nada.org/mecatalog or by calling the NADA at 800-252-NADA, ext. 2.

Congratulations!

Five area dealers are among 100 named as part of the 2006 inaugural GMAC Leaders' Club. They are **Gillespie Pontiac-Chevrolet**, Chicago; **Rogers Auto Group**, Chicago; **Schepel Buick-GMC**, Merrillville, Ind.; **Weil Cadillac-Hummer**, Libertyville; and **Woodfield Chevrolet**, Schaumburg.

Robert Watson (Family Hyundai, Tinley Park) and **Roland Gartner** (Gartner Hyundai, Aurora) are members of Hyundai Motor America's Board of Excellence—Watson at the Silver Level (1,400-1,799 sales) and Gartner at the President's Level (1,000-1,3999 sales).

Acura of Libertyville, **Continental Acura of Naperville**, and **McGrath Acura of Westmont** were named to the 2006 Acura Precision Team, for demonstrating superior achievement in customer satisfaction, new-car-unit sales volume, business management, customer follow-up, sales and service training. It is the automaker's most prestigious and coveted honor.

Marketplace

Service Writer Bilingual (English/Spanish), 3+ years' dealership service department experience. Excellent customer service with focus on needs and concerns. Organized team member, motivated, adaptable. Anonymous, contact CATA for résumé.

DOC fee

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eral regulations dealers must adhere to include the Privacy Act and the related Safeguards Rule, the Patriot Act, and the Federal Communication Commission's National Do-Not-Call or -Fax Registries.

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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

Deadline to complete NADA compensation survey extended to April 1

The deadline to participate in the NADA's biennial compensation survey has been extended to April 1. All dealers are urged to complete the anonymous survey online www.enetrix.com/nada.

Conducting the survey online ensures accuracy and economy, and it offers the quickest composite results. But dealers also can download a copy of the survey from the Web site and fax their complete surveys to the NADA. In such cases, the association code to enter for the CATA is 141.

All dealers who participate in the survey will be sent the results free. Otherwise, the results would be available for \$75 in an NADA Management guide, "Paying to Motivate, Update '07."

The survey is an important tool to enable dealers to study industry trends in wages for more than 30 staff positions at dealerships of comparable size (volume) at the local, regional, and national levels. This year, the survey in-

cludes a number of new positions—BDC manager, IT/network manager, HR director, training manager, Internet sales manager, executive administrator, and receptionist. Data on fringe benefits are also collected and measured.

The following excerpt, adapted from the introduction to "Paying to Motivate, Update '05," explains the national survey report in more detail:

"The National Automobile Dealers Association collected the data . . . on behalf of 71 independent state and local associations that commissioned the NADA to conduct a compensation study for their members. All figures presented are for the calendar year 2004. Of the 22,900 surveys mailed, 3,787 (16.5 percent) were returned. Alaska had the highest response rate at 100 percent, and Indiana had the lowest response rate at 9.0 percent.

"For the purpose of this study, the nation has been divided into nine geographic regions based on the Bureau of Labor Statistics divisions. The com-

penetration statistics for each region are examined in relation to the average number of new units sold per dealership and the per capita income for that area.

"Salary (defined as total W-2 compensation—wages, salaries, cash bonuses, and other reported income—plus any salary deferrals) averages are based on full-year 2004 W-2 form information. Dealer compensation is not addressed in this survey.

"For each region, column one shows the average salary for each dealership position without regard to sales volume. Column two shows that salary as a percentage of the U.S. average. Columns three and four show the regional averages broken down by unit sales volume. Column five shows the average for all dealers in the U.S."

Survey results are also broken down and reported by individual state and metro association. Questions can be directed to NADA E-Product Specialist Scott Harmon at 703-827-7412.

Total-loss disclosure bills need more support in House, Senate

Companion bills to ensure that the VINs of wrecked, flooded or stolen vehicles are made publicly available before the cars are resold are under consideration in the U.S. House and Senate, but enlisting more lawmakers as co-sponsors of the bills would make the legislation more

formidable. Dealers are encouraged to contact their senators and representatives to encourage their support of Senate Bill 545 and House Resolution 1029. The bills were introduced and first sponsored by Sen. Trent Lott (R-Miss.) and Rep. Cliff Stearns (R-Fla), respectively.

Bilingual

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the Emerging Sales Consultant course will be matched with CATA dealers who responded to the pilot program in January. If the subsequent dealership placements succeed, the program could expand to train candidates for Spanish-speaking receptionists, service advisors, technicians and F&I staff.

The CATA identified the candidates by participating at a March 7 diversity job fair at Morton College in Cicero, where bilingual job seekers could meet face-to-face with potential employers. The job fair, presented by Hoy newspaper, attracted more than 50 exhibitors from Fortune 500 companies.

The Emerging Sales Consultant course offers three days of training—two ini-

tially, then a follow-up class about three weeks later, to reinforce teachings compared against what the employee faces on the job. CATA Learning University instructors hope to place the new candidates after the second class. Candidates will be matched by their ZIP codes with the nearest dealerships participating in the pilot program.

Other upcoming Learning

University courses include Advanced Sales Consultant training on April 23; and Association of Finance and Insurance Professionals (AFIP) certification on April 24. All CATA Learning University training offers 50 percent tuition rebates to dealers whose employees successfully complete a course.

For more about CATA Learning University, see www.cata-lu.com.

Court actions demonstrate peril of pre-approved credit offers

By DENNIS O'KEEFE
CATA GENERAL COUNSEL

The U.S. District Court for the Northern District of Illinois continues to lean on dealers and finance companies that solicit consumers with auto loans after accessing their credit reports. The Court certified one recent case and refused to dismiss a second before class certification was granted.

In a letter of pre-approval—contingent on the recipient being at least 18 years old, earning at least \$1,500 a month and facing no pending bankruptcies—a recipient who did not satisfy the monthly income requirement and who has filed a previous bankruptcy sued River Oaks Hyundai, Inc. and Capital One Auto Finance, Inc. for violating the Fair Credit Reporting Act by accessing her credit report without her consent or a proper purpose.

In November 2006, the District Court granted the Petitioner's Motion for Class Certification, finding that class issues predominated over individual issues because whether a "proposed credit offers qualifies as a 'firm offer of credit' under the Fair Credit Reporting Act depends on the terms of the offer, not the idiosyncratic circumstances of the recipi-

ents." The Court also rejected the Defendants' argument that because a class action would result in excessive damages, it was not a superior method of adjudication.

In a second case, *Krey v. Jennings Chevrolet, Inc.*, the Court denied the dealer's motion to dismiss the case, basing its denial on three findings. First, the Court ruled that it was unclear whether the Defendant would honor the offer because the solicitation broadly stated that "This letter does not guarantee credit approval." Second, the offer had a limited value because it could be used only to purchase an automobile from the one dealership. Finally, the notice lacked material terms, including interest rate, method of computing interest, and length of repayment. In this regard, the sample transaction included in the notice was of little or no use because it failed to indicate that the Plaintiff would be entitled to the same terms.

Both of these cases continue. Preliminary actions of the District Court, however, makes class action certification a real concern for the dealer and/or the finance companies involved.

3rd annual Chi-Town Kruze

Chicago's largest outdoor car show & cruise is June 2

With a new cruise route and a special section for Corvettes, Chicago's largest outdoor classic car cruise and exhibition jump-starts the city's summer calendar on June 2.

The 8-10 a.m. cruise portion of the Chi-Town STABIL Kruze is a rare opportunity for cars of all makes, models and vintage to tour around the picturesque Grant and Millennium Parks. Following a new route this year, the cars will traverse Columbus Drive south to Roosevelt Road, west to Michigan Avenue, north to Randolph Street, and east back to Columbus Drive.

The cruise route starts near Buckingham Fountain. Drivers are encouraged to make multiple loops before heading to the Soldier Field South Lot for the NAPA Car Show, where the car show continues 10 a.m.-3 p.m. Thousands of spectators are expected to line the cruise route, which includes attractions like the Art Institute, Millennium Park and Grant Park.

Immediately after the cruise, pre-1987 registered cars will be driven to Soldier Field, where owners can display their vehicles, socialize with friends and enjoy activities like family entertainment, sponsor exhibits, fabulous food and collectable merchandise.

The 2007 Chi-Town STABIL Kruze adds a new feature for Chevrolet Corvettes. All Corvettes are welcome (including newer models) and will be displayed in a special section of the NAPA Car Show at Soldier Field. There also will be a designated section for Special Interest and Tuner cars.

One-half of proceeds from car show registration (\$20) and all the proceeds from spectator admission (\$5) will benefit Ronald McDonald House Charities of Chicagoland and northwest Indiana. Last year's event raised \$25,000 for the organization that benefits families of sick children.

Jerry Robbin, president of the International Mercury Owners Association and founder of the Chi-Town STABIL Kruze, said: "Our mission is to bring a world-class automobile event to the City of Chicago that exposes the general public to the collector car world, in one of the most beautiful and historic driving environments.

"I felt that Chicago was in need of an event for both the auto enthusiast and the general public alike."

For more information, see <http://chitownkruze.com> or call 847-997-8624.

www.drivechicago.com

Inventory not current? Call 630-424-6080.