



CATA Bulletin



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Benevolence of dealers widespread in wake of Katrina disaster

Donations of \$2 million have been pledged by the National Automobile Dealers Association and state and metro associations to help people devastated by Hurricane Katrina. The CATA will match area dealership employee contributions up to \$125,000.

The NADCF Emergency Relief Fund goes exclusively to dealership employees impacted by Katrina. The number of affected employees is expected to reach 7,000.

A form developed by the NADA to submit with any contributions can be downloaded at www.nada.org/emergencyrelief, or request the form at sfaqiri@nada.org

The American International Automobile Dealers Association on Sept. 9 opened an online job bank named

Emergency Relief Auto Jobs. The program helps displaced automotive personnel find temporary jobs across the country, including in the Chicago area.

The Web site, www.aiada.org/autojobs, shows job postings for nearly every job at a dealership, including salespeople, service technicians, service advisors and parts counter personnel, and detailers.

"My profound sympathy goes out to the dealers and their employees who have been affected by Hurricane Katrina," said AIADA Chairman Don Hicks. "But it's our responsibility to do more than extend our hearts.

"I encourage all of our members to participate in the AIADA's Emergency Relief Auto Jobs temporary relocation service."

Kelly Nissan in Oak Lawn is participating in the service with offers for two salespeople and two technicians.

Bob Grace, a Volkswagen dealer in Baton Rouge, La., helped develop the program for displaced dealership employees.

"Money," said Grace, "is helpful to the region, but being able to offer temporary dealership jobs to displaced employees is perhaps the ultimate gesture from dealers across the country."

The AIADA also will launch a dealer-to-dealer program to help member dealerships damaged by the hurricane.

Dealers who were not affected will comprise "SWAT teams" that will help those in damaged areas begin the process of business recovery.

Vigilance needed to avoid flood-damaged vehicles flowing from Gulf

The devastating aftermath of Hurricane Katrina has left a large population of flood-damaged vehicles. The National Automobile Dealers Association urges dealers and consumers, even in unaffected areas, to remain alert to the possibility that some individuals may attempt to sell or trade flood-damaged used vehicles in the months to come.

"Dealers are very con-

cerned that these affected vehicles could enter the used-car market," said NADA Chairman Jack Kain. "Fortunately, there are steps that car-shoppers can take to detect water damage and protect themselves."

Insurance companies will be writing off hundreds of thousands of flood-damaged cars as total losses, with the insurers selling them for parts. The problem is that

some people will buy those cars and, without disclosing their waterlogged past, sell them as bargains to buyers throughout the country.

Unscrupulous vehicle salvagers "like to take those vehicles because they do look intact," said Mark Kulda, spokesman for the Insurance Federation of Minnesota. "You can clean it and do some minor repair work and make it look pretty good."

But "even though you dry them out and make them look nice, internally many of the controls have been ravaged by the floodwaters and it makes the car much riskier to own," Kulda said.

Typically, the electronics remain messed up, and so does the computer that controls some operations, including air-bag deployment. Water damage to the air-bag

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Dealers increasingly satisfied with leads from online buying services

As consumers become more familiar with using the Internet to purchase new vehicles, auto dealers are increasingly satisfied with the online buying services like DriveChicago.com that provide them sales leads, according to the J.D. Power and Associates study released this month.

“Although only 10 years old, the concept of online buying services has made a dramatic impact on how consumers shop for vehicles, how dealers promote their vehicles, and how efficient the automotive industry is in distributing its products,” said Dennis Galbraith of J.D. Power.

“The Internet provides matchmaking capabilities that were never available to this industry before, and more improvement is inevitable over the remainder of this decade. The future will bring even greater emphasis on matching shoppers with the right vehicle, the right dealership and the right salesperson.”

The 2005 Dealer Satisfaction with Online Buying Services study finds that dealers are most satisfied with online buying services sponsored by auto manufacturers.

However, dealer satisfaction is improving particularly with hybrid online buying services like DriveChicago.com, which are non-manufacturer affiliated services that deliver both online and offline leads to dealers.

DriveChicago.com, the online portal of the Chicago Automobile Trade Association, lists all CATA dealers and their new and used inventories on the site. Leads are sent to dealers free of charge.

Northwood auto show Sept. 30-Oct. 2

MIDLAND, Mich.—Billed as North America’s largest outdoor new-car auto show and produced by university students, Northwood University’s 42nd annual international auto show is Sept. 30-Oct. 2 at the university’s flagship campus. Admission and parking are free.

More than 500 domestic and international cars, trucks, recreational vehicles, vans, and experimental and specialty vehicles will be displayed; and an automotive aftermarket exhibit and classic car show will be held Oct. 1.

Also, a VIP panel of industry leaders will discuss the state of the automotive industry and predict future trends, at 10 a.m. Sept. 30. That is followed by the show’s opening ceremony at 1 p.m.

Show hours are 1-6 p.m. Sept. 30, 9 a.m.-6 p.m. Oct. 1, and 10 a.m.-5 p.m. Oct. 2. About 50,000 visitors are expected.

The auto show coincides with the campus’s football homecoming game on Oct. 1. For more details, visit the university Web site, www.northwood.edu/autoshow/ or call 989-837-4823.

While hybrid services provide fewer overall sales leads, they have the highest average close ratio at 28 percent, according to the J.D. Power study.

Overall, online lead generation for new vehicles continues to increase. Dealers currently receive an average of 37 leads per month—up from 36 in 2004 and 33 in 2003. Manufacturer services provide an average of 41 leads per dealer per month—up from an average of 38 in 2004. The overall close rate remains stable at 18 percent.

The study also finds that online buying services that focus on the sale of used vehicles, such as AutoTrader.com, cars.com, and eBay Motors, provide fewer leads per dealer per month than in 2004, but the close ratio has increased to 18 percent, which matches that of the manufacturer services.

“The study results suggest that these services are providing higher quality leads to their dealers, making it easier to sell vehicles,” said Galbraith.

While used cars represent only one-third of the total inventory on DriveChicago.com, used-car leads account for more than two-thirds of the total leads generated by the portal.

“Online buying services will come under increased pressure from new and existing lead models on manufacturer and dealer sites. However, incremental business from online buying services generally comes at a lower cost than using traditional media, indicating a bright future for these services.”

Congratulations!

Chad Navarrete and **Todd Navarrete** of Navarrete Pontiac-GMC of Elgin graduated recently from the NADA’s General Dealership Management program, training to prepare key managers to operate a new-car or -truck dealership.

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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
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Missouri dealer fights city's eminent domain attempt to take store

Saturn dealer Jim Butler has become the latest car dealer to find himself at odds with local officials over an eminent domain proceeding. The city of Manchester, Mo., wants to force Butler to sell his car dealership to make way for a big new shopping center, reports St. Louis television station KSDK-TV.

Butler says his dealership is immensely profitable. He doesn't want to sell and says he shouldn't be forced to sell.

The dealership sits in a prime location. For the market he serves, Butler

calls his corner "the center of the world." Unfortunately, it is also the edge of a proposed new development.

"We don't want to move," Butler said. "And if you can tell me where another five or six acres are (in a comparable location), I'd like to hear it because I can't find it."

The developer wants the Saturn store's land as part of a new multimillion-dollar development. City leaders may also try to take over the dealership through eminent domain.

A city council bill to stop eminent domain for economic gain failed by a

4-2 vote. Mayor Larry Miles says eminent domain may be necessary in this case.

Miles said: "They got to take out one or two businesses just to put the street in. So they're going to have to be used. I'm sorry. That's my opinion."

Butler says he's all for progress, just not at the expense of his business. He said: "We're not against the development. We're against us being included in the TIF district."

A public hearing on the matter was scheduled for late Sept. 22 in Manchester.

Flood

CONTINUED FROM PAGE 1
sensor could cause it to fail to deploy when it should—in a crash—or deploy when it shouldn't, like when the vehicle is traveling 60 mph down a crowded highway.

Dealers rightly are taking pains to avoid accepting in a trade one of the estimated 250,000 to 500,000 vehicles damaged by the hurricane's floodwaters.

"It's a nightmare," said Jim Thelen, new Chevrolet sales manager at Polar (Minn.) Chevrolet-Mazda. "Sometimes the problem doesn't show up for years and all of a sudden you start having electrical problems and there's no fix."

The half-million unit estimate is based on results after previous storms and on talks with state and law-enforcement agencies in Louisiana, Alabama and Mississippi. After Hurricane Floyd hit Florida in 1999, insurers wrote off about 75,000 vehicles.

Some flood-damaged cars are likely to reach Illinois, where dealers are required to disclose that a car has been flood-damaged or salvaged.

"If we know it's a flood-damaged car, we'll take it on trade and wholesale it," Thelen said. Selling the vehicle without disclosing its history is out of the question, he added.

"There's no way we could afford that publicity, not to mention that it's the wrong thing to do. It makes no financial sense to deal in those cars."

Indeed, the highest risk is consumers selling to consumers. Scam artists typically sell privately through ads or by parking a car with a for-sale sign in the window. "They'll sell it just under market value," Thelen said. "They'll come up with a story that plays to your compassion and takes advantage of your greed."

"It looks like you're getting a great deal, but what you're getting is a car that's rotting from the inside out."

10 tips to spot a flood-damaged vehicle

There is no definitive way to detect vehicle flood damage, but the National Automobile Dealers Association offers 10 inspection tips to detect significant water damage. At a minimum, a prospective buyer should:

1. Check the vehicle's title history, it may state whether it has sustained flood damage;
2. Examine the interior and the engine compartment for evidence of water and grit from suspected submersion;
3. Check for recently shampooed carpet;
4. Look under the floorboard carpet for water residue or stain marks from evaporated water not related to air-conditioning pan leaks;
5. Inspect for rusting on the inside of the car and under interior carpeting and visually inspect all interior upholstery and door panels for any evidence of fading;
6. Check under the dashboard for dried mud and residue, and note any evidence of mold or a musty odor in the upholstery, carpet or trunk;
7. Check for rust on screws in the console or other areas where the water would normally not reach unless submerged;
8. Look for mud or grit in alternator crevices, behind wiring harnesses and around the small recesses of starter motors, power steering pumps and relays;
9. Complete a detailed inspection of the electrical wiring system looking for rusted components, water residue or suspicious corrosion; and
10. Inspect the undercarriage of other components for evidence of rust and flaking metal that would not normally be associated with late model vehicles.

Non-OEM replacement parts not 'inferior': Illinois high court

The Illinois Supreme Court in August rejected plaintiffs' claims that the use of non-factory replacement parts to repair vehicles covered by State Farm Insurance was a breach of contract, and that the non-factory parts violated the Illinois Consumer Fraud Act (CFA).

In the case, *Avery vs. State Farm Mutual Automobile Insurance Co.*, justices also ruled that the plaintiffs do not have a viable basis for a nationwide class action under the state CFA. Only one of the plaintiffs, Michael Avery, was found to be an Illinois resident, so the others could not tie their complaint to his.

The court rejected Avery's CFA charge because Avery did not suffer any ac-

tual damages as required under the act. Avery sold his vehicle at Blue Book value, and not at any discount allegedly due to the installation of non-OEM replacement parts.

In addition, Avery failed to prove that non-OEM parts were "inferior" to factory parts prior to any representations by State Farm and to their installation on his vehicle.

However, the court did consider State Farm claims to be "puffing"—exaggerations from a seller regarding quality, the truth or falsity of which cannot be precisely determined—when the insurer said that non-OEM parts are "quality replacement parts" and met "high performance criteria."

Marketplace

Controller Aggressive self-starter analyzes and interprets financial data and recommends changes to improve systems, financial performance and internal controls. Will consider temporary placement. Mark E. Thomas, 708-932-5596.

Parts Manager 25 years' dealership experience with broad responsibilities. Excellent customer relations and supervisory skills, ability to increase parts sales and revenue. Import and domestic background. Bill Krueger, 968-5572.

Résumés of both candidates on file at the CATA.

AYES schools gear up for business

By Jim Butcher

ILLINOIS AYES MANAGER

Now that schools are back in session, it's time to look for activity at our Automotive Youth Educational System schools. Fall means it is time to take an active role with our schools' Business and Education (B&E) Council meetings.

Each AYES school will host a Fall B&E Council meeting, and they need your input. We formerly called these meetings "advisory committee" meetings. But under AYES leadership, these meetings are much more than advisory.

B&E Council meetings are your chance to steer the automotive curriculum and equipment purchases, and to develop the type of employees you want in your dealership.

It is understood at AYES automotive schools that the B&E committee is not merely advisory, but rather a direct input from industry partners that needs to be taken seriously.

This type of partnership can only happen at your local AYES school if your dealership becomes directly involved. Be a partner.

It has taken a long time for schools to invite and pay attention to the needs of industry. Finally, there are AYES schools in your area that are open to your

input. We need you to be directly involved in the decisions of these automotive programs.

All AYES schools will hold a Fall B&E Council meeting in October. Become involved by attending the Fall B&E Council meeting at the AYES school near you. Known meeting dates in parentheses.

- Curie Metro High School, Pulaski Road at Archer Avenue, Chicago

- Hammond Area Career Center, Hammond, Ind.

- Lake County High Schools Technology Campus, Grayslake (Oct. 18)

- Parkland College, Champaign (Oct. 28)

- Porter County Career Center, Valparaiso, Ind.

- Technology Center of DuPage, Addison

In addition, AYES is launching at a new school. Streamwood High School will join the AYES program on Oct. 20.

The launch meeting will start at 11 a.m., followed by lunch and then the implementation meeting. All activities should take about three hours.

Please join us for any and all of these activities. These are your schools; come and participate in their activities.

For more information on these schools and the AYES program, please contact me at 630-424-6020.