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CARS registration underway; authorized transactions begin July 27

Registration for dealers to participate in the so-called "cash for clunkers" program began July 24, one month after the measure became law. The U.S. Transportations Department's National Highway Traffic Safety Administration spent the interim developing regulations for the program.

Full details were to be released July 24, after this newsletter's deadline.

The Car Allowance Rebate System, or CARS, which the U.S. government favors over the program's "clunkers" nickname, established an official Web site, www.cars.gov, with basic information about the program.

Consumers who trade in an eligible vehicle would receive $3,500 or $4,500 credit toward purchasing or leasing a new eligible vehicle. An eligible lease is for 60 months or longer.

The NHTSA on July 17 mailed letters with a unique Authorization Code to all franchised new-car dealers. The Authorization Code allows the dealership to complete its registration. Dealerships identified by original equipment manufacturers (OEMs) as having multiple franchises must register each franchise at www.cars.gov/dealersupport.

Dealers who want to participate in CARS but who have not received a letter from the NHTSA should contact their OEM directly. The NHTSA will send authorization letters only to those dealers forwarded by the OEMs as franchised to sell their vehicles.

Dealers whose NHTSA letters contained errors like franchise misidentification must contact their manufacturers, to have corrected information submitted to the government.

CARS ad guidelines

The NHTSA will permit the CARS logo to be used in advertisements (print, Web or television) if several caveats are met:

1. The logo is displayed in immediate proximity to a description of the CARS.gov program — and not so it is associated generally with the contents of the entire advertisement.

2. The user makes no alterations to the CARS logo, which includes the www.cars.gov Internet address.

3. Each advertisement using the CARS logo displays the following required statement (which may appear as a pop-up during mouse-over on the Web):

"CARS is a program of the U.S. Department of Transportation's National Highway Traffic Safety Administration (www.cars.gov)"

4. Advertisements do not

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Latest 'Outlook' posted online

The Chicago Auto Outlook publication examing the area's new-vehicle sales from April through June can be viewed on the CATA's Web site, http://cata.drivechicago.com.

On the tan bar across the top of the home page, click on Publications and follow the drop-down menu to Chicago Auto Outlook.

Don't deduct CARS voucher from ad price: BBB

The Better Business Bureau has seen new-vehicle advertisements by dealers and manufacturers where amounts attributable to the CARS voucher program are deducted from the advertised price of vehicles. That is a violation of the Illinois Motor Vehicle Advertising Regulations.

The federal Car Allowance Rebate System allows for $3,500 or $4,500 vouchers for consumers with qualifying trade-ins and new vehicles. But many consumers will not qualify for the vouchers.

Therefore, an advertisement that includes a deduction of either voucher amount from the advertised price of new vehicles violates section 475.310 of the state regulations because not all consumers will be able to purchase the advertised vehicles at the advertised

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Gone in 90 seconds: catalytic converter thefts on the rise again

Catalytic converters are an easy and valuable target to thieves. However, by following sound loss prevention practices, businesses can minimize risk and save thousands of dollars in potential losses.

In mid-2008, insurers and the National Insurance Crime Bureau noticed an increasing trend of catalytic converter thefts across the country. It can be very costly for auto dealers and aftermarket businesses if the issue is not addressed.

In addition, many insurance policies are carrying higher per-vehicle deductibles and higher per-occurrence deductible aggregates which require the insured to reimburse the insurer up to an agreed-upon amount annually before the insurer pays for losses. Therefore, customers may end up paying the full cost of replacement until they meet their aggregate amount.

Low risk and high reward attract thieves to catalytic converters. Converters can be removed quickly, often in less than two minutes, with only a wrench (for converters that are bolted on) or a reciprocating saw (for converters that are welded in). And because thieves can "work" undetected under the vehicle, converters can be stolen in broad daylight.

In addition, thieves no longer have to steal an entire car for a nice payday. The majority of converters manufactured today contain three precious metals – platinum, palladium, and rhodium. Depending on which metal was used, thieves can sell converters to metal recyclers for $20 to $200 each. Recyclers can resell the extracted precious metals for thousands of dollars per ounce.

Targeted vehicles include just about any pick-up truck or sport utility vehicle that sits high enough off the ground to allow an individual to slide under it without a jack. Particularly attractive to thieves are newer vehicles that have two converters.

Loss Prevention Tips

• Park vehicles in a well-lit area with a high volume of after hours traffic

• Eliminate use of off-premise lots to park vehicles unless security is present

• Implement detailed lock-up procedures for securing doors, gates and fences

• Hire security guards – be sure to research security companies and select reliable companies with good references and a proven track record

• Install a video surveillance system

• Conduct thorough background checks of employees

Red Flag Rules takes effect Aug. 1

The Red Flags Rule enforcement originally was scheduled for implementation last fall. It was postponed until May 1, 2009, then again until Aug. 1.

Who knows, there may be a third postponement. But careful dealers will be paying attention because the penalties for failure to comply are significant.

From recent headlines, a Canadian man was arrested in the United States and charged with 90 offenses involving the use of fake foreign credit cards to purchase high-priced vehicles and even a $140,000 boat.

The Red Flags Rule, simply stated, tries to prevent ID thieves from entering into fraudulent transactions. Under the rule, the dealer is obligated to train his staff to recognize false identities. In effect, the FTC has conscripted the staff to help in the FTC's enforcement efforts against identity theft and the resulting fraudulent transactions.

Marketplace

Controller 20 years' experience as controller at multi-line dealerships. Work with all management levels to project, plan, execute profitable business models. Develop employee talent while streamlining business operations and systems, to maximize overall performance of business operations I managed. Donna Cody, (630) 688-5084.

CARS

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include quotes from the NHTSA Administrator or any other federal employee.

Obtaining CARS logo

Any advertisement or television spot using the CARS logo must be submitted for and receive advance approval by the NHTSA Office of Consumer Information. NHTSA review will take one or two business days after submission. After the NHTSA reviews and approves the proposed use of the CARS logo, the agency will provide the CARS logo to the user. Advertisements that do not use the CARS logo do not need to be submitted for approval.

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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 resume 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**

GM, Chrysler seek settlement with rejected dealers

As congressional hearings continue and bipartisan support for the dealers grows, General Motors Corp. and Chrysler LLC are seeking a negotiated settlement on dealer closures, the Washington Times reported.

Amid word that the companies are seeking a non-legislative solution to the dealer closings, House Majority Leader Steny H. Hoyer and Rep. Chris Van Hollen, both Maryland Democrats and original co-sponsors of the Dealer Rights bill (House Resolution 2743), are involved in settlement efforts.

The bill is called the Automobile Dealer Economic Rights Restoration Act. The House Judiciary Committee last week held two days of hearings on the dealer terminations. Earlier, the House Financial Services Committee requested documents on the Obama administration's handling of the automaker bailouts, citing concerns about the treatment of employees, retirees, creditors and dealers, and the post-bankruptcy ownership structure of the companies.

The federal government now owns 61 percent of GM and 8 percent of Chrysler. The resolution seeking documents was sought by House Minority Leader John A. Boehner (R-OH), but endorsed by Democrats on the committee, including Rep. Barney Frank (D-Mass.), the committee's chairman.

NADA offers tips on IT vendor products, services

The NADA has developed a list of cautionary points for dealers to consider when selecting IT vendors' products and services for use in your dealership. The list is excerpted from an NADA publication, "A Dealer Guide to Selecting IT Vendors."

When shopping for an IT vendor to meet your dealership's business objectives, the NADA warns to beware of:

Whiz-Bang Features. It may seem great to pick from a palette of 256 colors to configure your screens, and each screen can be a different color. But ask yourself, do you really need it? Will it make the application more efficient, or will it prove a drain on the help desk?

Showing you what they want you to see. A vendor wants to present his product in the best light. This can mean showing you all the impressive features and not showing you the things that you might not like.

Cheap Software, Expensive Implementation. An implementation can cost you two to 10 times the cost of the software. Be sure to inquire about the cost of implementation.

Concurrent License versus Named Users. Make sure you understand the license terms before going too far down the sales process. You do not need a surprise just before closing the deal.

Help Desk. Does the vendor have a help desk with 24/7/365 support? Does the staff have strong communication skills?

Real References. Check the references to make sure they have had dealings with the vendor. Request references only from the retail auto industry.

Research and Development Cutback. A good indication of an organization's financial condition is the level of spending on R&D. Ask the vendor about the organization's plans for future upgrades and the current commitment to R&D.

Other Software. Always find out what other software is required. It can cost a significant amount of the overall price of the software if you have to buy user licenses for other software.

Maintenance Costs. Assume that the list price of a piece of software is $100,000, but you buy it for $70,000. Maintenance is quoted at 15 percent. What would you expect to pay next year for maintenance? Is it 15 percent of $70,000? Is it 15 percent of $100,000?

Contract Surprises Make sure you get a copy of the contract before you make a commitment to buy and have your legal people review it. The contract is open to negotiation until it is signed.

To order the complete "A Dealer Guide to Selecting IT Vendors," go to www.nada.org/mecatalog or call the NADA at (800)252-6232 ext. 2.

Northwood U. taking names for dealer award

Dealer principals who have made noteworthy contributions to education—public or private, on any level, inside or outside the industry—could be candidates for a Northwood University Dealer Education Award.

The award has been presented annually since 1972 at the National Automobile Dealer Association convention. Next year's winner will be named Feb. 14 in Orlando, Fla. The nominee must be a dealer principal and should be present to accept the award.

Northwood University President Keith Pretty said award winners "are people of stature. The award is recognition of substantial dedication over a number of years to the educational process and the field of automotive marketing."

Nominations must be returned to Northwood's Midland, Mich., campus, postmarked by Sept. 1.

For a nomination form, see the Northwood Web site at www.northwood.edu/forms/dea. Or, call the CATA's Erik Higgins at 630-495-2282.

Tax due on free oil change?

Sometimes, even dealer goodwill has a price

Many Illinois dealers provide "goodwill" repair services on vehicles that are out of warranty. However, not all of those dealers are aware that the parts used in goodwill repairs are subject to the state's 6.25 percent Use Tax—even though the customer does not pay for the repair.

Use tax, reported on Line 12 of Form ST-1, must be collected even on service as innocuous as a free oil change, an Illinois Revenue Department spokesman said, because the oil is a "tangible product" given to the end user, the customer.

A local dealer who offered a free promotion recently learned that during an audit.

In most repair work, the customer is charged sales tax on the parts used in the repair. In the case of warranty and recall parts, sales tax is not charged on parts because the sales tax originally paid (when the vehicle is purchased) is deemed to cover all parts used in warranty repairs.

Parts used to repair or enhance new or used vehicles held in inventory likewise are covered by the sale tax collected on the eventual sale of the vehicle.

In contrast, goodwill repairs are provided at no charge to the customer at the option of the dealer and/or the factory. Because no legal obligation exists to compel the dealer to provide the goodwill repair, the revenue department considers the repair to be a gift.

Illinois use tax applies to tangible products purchased tax-free for resale which are used or consumed by the dealership in its use, including as a gift to a customer.

Ads

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price.

Rule 475.310 states: "It is an unfair or deceptive act to advertise the total price of a motor vehicle without including in the advertised price all costs to the purchaser at the time of sale, or which are necessary or usual prior to delivery of such vehicle to the purchaser, including any costs of delivery, dealer preparation and any other charges of any nature; provided, however, taxes, license and title fees and a documentary service fee, as defined herein, may be excluded from the advertised price if clearly disclosed in the advertisement that these costs are excluded from the advertised price. Purchasers shall be able to purchase all vehicles described by the advertisement at the advertised price."

The BBB advises both dealers and manufacturers against deducting any amount from the advertised price of vehicles that is attributable to a CARS voucher because not all consumers will be able to purchase the advertised vehicles at the advertised price.

The BBB has issued and will continue to issue letters of violation to dealers and manufacturers who violate Rule 475.310 in this manner. In these difficult economic times it is important that all rules governing automotive advertising be followed by dealers and manufacturers not only for the benefit of consumers but also for a fair marketplace among dealers and manufacturers so everyone is operating on a level playing field.

If you have any concerns or a complaint about any current advertising practice please submit them to Jeannette Hernandez at 312-245-2522 or jhernandez@chicago.bbb.org.

As a reminder, all complaints and correspondence remain confidential.

Cambridge deflects unemployment claims

One hundred forty-four CATA dealer members reported a combined 977 unemployment claims during the second quarter of 2009 to Cambridge Integrated Services Group, Inc., which formerly operated as the Martin Boyer Co. The company's efforts saved those dealers a total of $1.42 million in benefits by contesting the claims.

Cambridge monitors any unemployment claims against its clients and contests all unwarranted claims and charges. The company counts about 230 CATA dealers among its clients.

Claims that can be protested and subsequently denied help minimize an employer's unemployment tax rate. The rate can vary between 0.6 percent and 6.8 percent of each employee's first $12,300 in earnings. The 2009 average unemployment tax rate among Illinois employers is 3.1 percent, or about $381 annually per employee.

"These numbers were based on experience prior to July 2008. With the downturn in the economy, unemployment at record highs (9.9 percent in Illinois) and a drain on the Illinois Department of Employment Security trust fund, we can expect markedly higher tax rates for 2010 and probably for a couple of years after that," said Paul Schardt, a Cambridge senior vice president.

For new enrollees, client fees amount to $2.20 per employee, per fiscal quarter. For the fee, Cambridge monitors all unemployment claims; files any appeals; prepares employer witnesses for hearings, as necessary; represents the client at any hearings; verifies the benefit charge statements; and confirms the client's unemployment tax rate.

The former Martin Boyer Co. has represented CATA members since 1978. To discuss retaining the company, call Schardt at 312-381-8241.