CHICAGO AUTOMOBILE TRADE ASSOCIATION
AUTO SHOW

CATA Bulletin

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AYES pamphlet explains system to groom techs

The automotive industry is facing an estimated shortage of 65,000 technicians, but dealers can take an active role in making sure they're not short-staffed someday. They can recruit and develop their own entry-level techs through AYES.

Look for the pamphlet included with this newsletter for details about Automotive Youth Educational Systems. Nearly all automobile manufacturers support AYES, which operates at more than 330 high schools in 44 states.

The five AYES-certified high schools in Illinois are working now to place juniors in job-shadowing sessions. One half-day session—morning or afternoon—helps give the students "a feel for the industry," said Illinois AYES Manager Jim Butcher.

"Some students return to school and say 'It wasn't what I thought it would be.' Other students return all fired up about the experience," Butcher said.

Students do no work; they merely shadow and watch. Insurance concerns are covered by the high schools.

Dealers interested in participating the job shadowing program, or in AYES overall, can reach Butcher at 630-424-6020.

Consent form for telemarketing calls inside

Home telephones have rung a lot less since the National Do Not Call Registry took effect earlier this month, but telemarketers know there are three exceptions to the rule that permit them to continue to call consumers—even those whose phone numbers are registered.

Telemarketers must themselves register online with the FTC's National Do Not Call Registry at https://telemarketing.donotcall.gov/ The site offers all calling parameters, such as the permitted hours to call a consumer.

Telemarketers may obtain registered telephone numbers in five area codes free. There is a charge to obtain additional area codes.

Telemarketers must check the Registry at least once every three months to ensure they do not call consumers who have registered their telephone numbers.

However, consumers who have registered still may be called under three instances: (1) The consumer has made a purchase from the dealership in the past 18 months; (2) The consumer has made an inquiry to the dealership in the past 30 days; or (3) the consumer has provided written consent—in advance of any call—to permit such calling.

Any consent form, according to the FTC, must be clear and conspicuous as to its intent. Refer to the flyer in this newsletter for a template that dealers may use to obtain written permission.

All dealers must have a method to make certain they do not call customers beyond the time frames described above. Also, requests not to be called, even during the time frames, must be honored. Noncompliance penalties can reach $11,000 per call after it is determined the number should not be called.

FTC checking for Safeguards Rule compliance

Dealers in New Jersey and Pennsylvania have been approached by the Federal Trade Commission to substantiate their compliance with the FTC's Safeguarding Customer Information Rule, which took effect in May.

The FTC rule requires financial institutions, including dealers, to develop, implement and maintain a comprehensive, written Information Security Program to protect information they receive about their customers and the customers of other financial institutions.

The FTC inquiries asked for copies of the dealers' Information Security Programs and other documents that demonstrate compliance with the Safeguards Rule's other elements.

Documents requested can include those that show (1) the types of information collected, (2) the time frame in which a written information-security program was enacted, (3) descriptions of the security risks identified, and (4) whether the dealership's plans act against any identified risks.

Customer satisfaction growing with dealer-arranged financing

Loan terms up; Mazda, Infiniti services rank highest

Longer financing terms and aggressive incentives have consumers feeling good about their new light-vehicle purchase, and the result is the second straight year of increased satisfaction with initial automotive financing, according to a new J.D. Power and Associates report.

Consumers' satisfaction with their dealer-arranged automotive financing reportedly has increased a modest 1 percent this year and 4 percent in the past two years, in large part due to consumer perceptions that they received a "fair deal." Satisfaction has increased year-over-year for loan and lease consumers across all provider groups—captive finance providers (the financing arms of manufacturers), banks, credit unions and independent finance companies, the 2003 Consumer Financing Satisfaction Study found.

Low interest rates have more consumers opting to finance their new vehicle with a loan rather than with a lease. Among respondents of the survey, published this month, 58 percent used a loan to purchase their new vehicle, compared with 57 percent in the 2002 study and 50 percent in 2001. The average loan term length also has increased to 58 months, up from 54 months in 2002.

"Whether they purchase or lease a new vehicle, getting a fair deal is the most important factor influencing consumers' satisfaction with their auto finance provider," said James Lohmann of J.D. Power and Associates. "How well a new-vehicle loan or lease is set up and the timeliness and accuracy of billing also play important roles. Many of the leading financing companies have created processes to ensure that these basic needs are met."

The study measures customer satisfaction with consumer financing in luxury and non-luxury segments for loans and leases. Ford Credit ranks highest for the second consecutive year in initial lease satisfaction among both luxury and non-luxury vehicle buyers. Mazda American Credit (a private label of PRIMUS) ranks highest in initial loan satisfaction among non-luxury buyers, while Infiniti Financial Services ranks highest in initial loan satisfaction in the luxury segment for the second straight year.

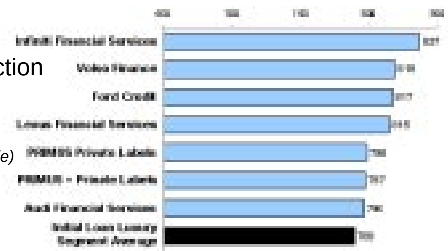
Overall consumer satisfaction is measured in four areas: how well a loan or lease is set up; the person who handles the finance processing and the environment in which that takes place; timeliness and accuracy of billing; and the perception of receiving a "fair deal."

Ford Credit receives particularly high marks in the non-luxury lease segment for its billing process and providing a fair deal. In the luxury lease segment, Ford Credit performs well in the lease set-up process, the set-up person and environment, and the perception of getting a fair deal.

2003 Consumer Financing Satisfaction Study

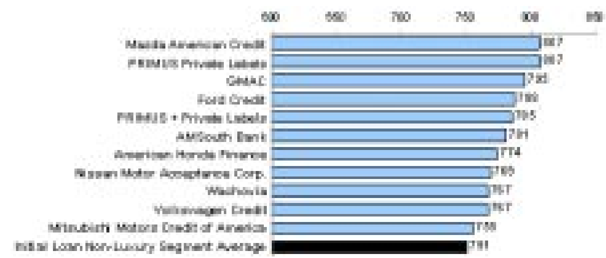
Initial Loan Satisfaction Index Rating: Luxury Segment

(Based on a 1,000-point scale)



Initial Loan Satisfaction Index Rating: Non-Luxury Segment

(Based on a 1,000-point scale)



Source: J.D. Power and Associates

Infiniti Financial Services receives high marks across all four factors in the initial loan luxury segment, while Mazda American Credit receives high scores for its loan set-up process, billing, and perceptions of getting a fair deal in the initial loan non-luxury segment.

The 2003 Consumer Financing Satisfaction Study is based on 41,952 responses from consumers who purchased or leased a new vehicle in January and February 2003. The study, which focuses only on dealer-arranged financing (also known as indirect financing), measures financial providers in the following areas: new-vehicle initial financing; end-of-term financing; leasing satisfaction on a consumer's prior vehicles; and contact with a provider's service center.

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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 or search by topic at www.cata.info/

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said Walter McManus of

said.

10 steps to minimize, prevent Superfund liability

The process of dealing with a Superfund matter rarely would be described as pleasant. But ignoring the matter doesn't make it go away. Ten guidelines developed by the NADA help dealers navigate a Superfund issue.

The Comprehensive Environmental Response, Cleanup and Liability Act (CERCLA, or Superfund) was enacted in 1980 to address abandoned waste sites and sites involving improper disposal activities. Such sites involve *hazardous substances*, a broad term for materials regulated by many federal environmental statutes.

Note: Although used oil is not a hazardous waste under federal law, it is classified as a Superfund hazardous substance.

Dealers risk liability for cleanup costs associated with hazardous substances sent for off-site management. They have been tied to dozens of sites nationwide as persons (e.g., individuals, corporations, partnerships) who "arranged for disposal or treatment" of hazardous substances—primarily used oil, but also paint wastes, batteries and antifreeze. Settlements have reached into the hundreds of thousands of dollars, plus legal fees and other costs.

NADA's best ways to avoid Superfund liability

1. Minimize the use of hazardous materials by having service, prep and body personnel conduct periodic audits aimed at eliminating unnecessary hazardous materials. Doing so also reduces hazard communication (right-to-know) concerns.

2. Substitute nonhazardous for hazardous materials—use aqueous parts washers and citrus-based cleaners.

3. Manage hazardous substances on-site—rely on space heaters that burn used oil and paint waste, to reduce or eliminate off-site waste management.

4. Know your waste haulers and processors. Anyone who transports or manages the wastes a dealer send off-site should be financially sound and well-insured, and should operate a clean, responsible and legally compliant business.

5. Accept do-it-yourselfer (DIY) used oil. Used oil managed since 1993 is exempt from Superfund liability as long as the dealer (1) accepts DIY used oil, (2) complies with the EPA's used-oil management standards, and (3) doesn't mix used oil with other hazardous substances. Post a sign indicating the dealership accepts DIY used oil, then store any DIY used oil separately from the dealership's. Keep a log on who submitted the oil, the date and the amount. Never mix other wastes into the dealership's used-oil storage.

If the dealer becomes involved in Superfund action:

6. Act in good faith to answer communications from the EPA and other potentially responsible parties (PRPs). A contribution will be sought toward the costs associated with cleaning up any site where the dealership allegedly sent hazardous materials.

Technically, responsible parties are liable strictly (without fault) and jointly and severally (all or any may be held for entirety) for cleanup costs, but typically, any shared costs would be proportionate to the amount of hazardous substances allegedly sent. Dealer also would be asked to sign an agreement that usually provides for certain releases from further liability.

7. Contact the Coalition or the NADA for advice and assistance. Dealers often can join together to share and minimize legal and other costs. Make sure someone attends all site-related meetings on the dealer's behalf. Carefully consider any *de minimus* or *de micromis* settlements, which offer the opportunity to settle early in exchange for a cost premium, and the risks of not settling.

8. Obtain and review insurance policies for the period in question. Though strict pollution exclusions often apply, coverage or representation pending a determination is possible.

9. Carefully review all records tying the dealership to the site (i.e., contracts, reports, PRP lists, invoices, shipping papers). Mistakes may result in overstated shares. Review and challenge, if necessary, the work done and any future work plans, using a technical expert if necessary. If the overall costs are too high, each share will be too high. Be sure all PRPs have been brought in. The more parties involved, the smaller each cost share would be. Review the formula used to calculate the dealer's share. Is the math correct? Are different hazardous materials assigned different per-unit costs?

10. Raise possible defenses early. A dealership is not a responsible party if it has nothing to do with a site. Did the dealership actually arrange for treatment or disposal? Is it a successor corporation? Does the used-oil exemption apply?

New Mexico dealer next NADA chairman

New Mexico dealer Charley Smith has been elected chairman of the National Automobile Dealers Association for 2004. He will be installed at the NADA's convention and exposition in Las Vegas in February.

Smith, a new-car and -truck dealer since 1985, currently is the NADA's vice chairman. He heads Watson Truck & Supply, Inc. in Hobbs, N.M.

Jack Kain, owner of Jack Kain Ford in Versailles, Ky., was elected as the NADA's '04 vice chairman.

The NADA's board of directors elected the 2004 officers at an Oct. 21 meeting in Scottsdale, Ariz.

In recent years, Smith has served as chairman of the NADA's Government Relations and Strategic Planning committees, and as vice chairman of the association's Region IV.

In his home state, Smith has been New Mexico's chairman of the Dealers Election Action Committee and chairman of the New Mexico Automotive Dealers Association. Smith received the Time Magazine Quality Dealer Award in 1995.

Federal bill reduces tax loophole on SUVs

Business deductions for an SUV purchase would be reduced from $100,000 to $25,000, under a bill moving through the U.S. Senate. The bill would rewrite a part of the tax code in order to help ailing manufacturers boost spending and add jobs.

The Senate Finance Committee voted this month to grant a 3 percent, across-the-board tax break to manufacturers, seeking to buttress a key sector of the economy amid concerns of job losses. Lawmakers want manufacturers to use the tax savings to reinvest in U.S. operations and add jobs.

But the tax bill includes scores of other provisions aimed at lowering the overall cost of the legislation. It reduces the so-called SUV tax loophole, which enables small businesses to write off up to $100,000 of the cost of an SUV that qualifies as business equipment.

The bill redefines which vehicles qualify as business equipment and limits the deduction for qualifying vehicles to $25,000—the threshold that existed until the latest Bush administration tax cuts earlier this year.

At $100,000, small businesses could write off the cost of virtually any luxury truck or SUV in the first year of purchase. But automakers see the reduced provision as a downside to a bill that otherwise is a boon to manufacturers. They said it would hurt small businesses who need the SUVs and trucks that qualify.

"They've isolated one group of taxpayers and taken away a legitimate deduction," said General Motors spokesman Chris Preuss.

The auto industry wants the law changed so that all vehicles, not just the 6,000-pound SUVs and pickups that meet the Internal Revenue Service definition of business equipment, would be eligible for a full $100,000 deduction.

The original $25,000 break was created to help farmers purchase light trucks and tractors without having to pay a tax assessed on other expensive vehicles.

Keith Ashdown of Taxpayers for Common Sense said that the deduction is "one of the biggest giveaways in the tax code."

"While this hummer of a tax break needs to be run over and killed, shrinking it is a good first step," Ashdown said.

Chicago dealer clipped by identity theft scam that reaches to Oregon

A Chicago dealer sent loan finance packages totaling about $500,000 to what amounted to a mailbox drop in Oregon, the Oregon Automobile Dealers Association reported Oct. 16 in a fraud alert fax to its members.

The finance company allegedly posed using the names The Easy Credit Store and Dealer Flooring Service Inc. The latter name was registered years ago by an Oregon business, but that business has not operated for several years and it is not involved in the scam. The Oregon attorney general's office said neither company appears to exist.

The Easy Credit Store, according to the OADA, advertised several weeks ago in a Chicago newspaper for someone to serve as an Illinois sales representative, and a Chicago man was "hired."

He offered to finance any car up to 110 percent of wholesale book and, for newer cars, up to the invoice price. The Chicago dealer mailed many loan applications, each with a voided check and an account draft authorization. A scam artist with such information and signed documents can create havoc.

Dealers are advised not to send customer loan applications, bank draft authorizations or other confidential information to loan companies with which they have no previous business relationship, without conducting a thorough background check.

Marketplace

Office Manager/Controller 18 years' dealership experience. Cross-training in many departments. Organized, dedicated, self-motivated. Microsoft Word, Excel; ADP. Debra Borows, 708-804-6814.

Résumé on file at the CATA.