Volume 110, No. 19 September 30, 2013

Upcoming DealersEdge webinars

The Chicago Automobile Trade Association has established a partnership with DealersEdge to provide high-quality training and informational webinars that offer the content to CATA member dealers at a significantly discounted rate.

The rate for CATA members for the weekly presentations is $149, half what is charged to users who do not subscribe to DealersEdge. Webinars premiere on a near-weekly basis.

Even for dealers who hold an annual membership with DealersEdge, the new relationship with the CATA represents a savings because DealersEdge offers its Webinars to its own members for $198. Regular annual membership fees are $397, and normal webinar fees are $298 for non-DealersEdge members.

Once purchased, DealersEdge webinars and accompanying PDF files can be downloaded and viewed later—and repeatedly. No matter how many people watch at your location, each connection costs a CATA member just $149. A telephone connection is not needed; and the fee includes both PowerPoint slides and audio.

To register for any of the DealersEdge webinars, go to www.cata.info. On the tan bar across the top of the screen, click on Education/Careers and follow the drop-down menu to CATA-DealersEdge webinars.

Coming topics:

Premiering Thursday, Oct. 3 at 12 p.m. CDT

"How to Improve Telephone Skills in Fixed Ops" Better telephone skills in service will lead to more appointments and improvements in customer retention!

The most important, yet most misused, tool in your fixed operations departments is the telephone. In today's

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2 dealerships rewarded for their July efforts on USO barbecues

Two Chevrolet dealerships took top awards in this summer's barbecue fundraisers that the CATA helped coordinate for the USO. Seventy area dealers raised a combined $37,500 for USO programs that support deployed troops, military families, wounded, ill and injured troops and their caregivers, and families of the fallen.

Jennings Chevrolet in Glenview collected $2,528 for the cause, to lead all dealerships, and Biggers Chevrolet in Elgin was judged to have best used social media to promote its barbecue in the days leading up to the July 20 events. Both stores will receive 500 complimentary tickets to the 2014 Chi-

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September retail sales slower, but overall trend remains positive

As September draws to a close, it appears the new-vehicle sales pace has slowed slightly from its sprint in recent months, as volume is impacted by fewer selling days and the absence of Labor Day from the month's tallies.

Yet September sales still are projected to climb 2 percent over year-earlier numbers. J.D. Power and Associates pegs the month's sales at 933,400 units, taking the seasonally adjusted annualized rate in September to 12.4 million units.

"Although the year-over-year sales gain in September is smaller than has been observed in recent months, it's important to recognize that September reported sales are being heavily influenced by a quirk on the industry sales calendar," said J.D. Power's John Humphrey.

The auto industry reports sales on a sales month basis rather than a calendar month

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Webinars

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environment we are judged by what we say, how we say it and how our message is communicated to the people we serve. Join Mark Rodriguez of Auto Client Care for a high-energy, no-fluff, no-filler DealersEdge webinar wherein Mark will challenge the way you think about the importance of having a strategic plan for handling calls in both service and parts.

Premiering Thursday, Oct. 10 at 12 p.m. CDT

"New Financial Reporting Rules! Dealerships can save a lot of money by adopting the AICPA's New Financial Reporting Framework (FRP) Rules!" Join Tony Allison, a Crowe Horwath CPA, for an in-depth discussion of these new annual reporting options. There is a lot of money at stake, and decisions and planning are required to benefit.

The American Institute of CPAs last June issued new rules for the financial reports issued by most car dealerships. These new rules provide an opportunity for retail car dealers to streamline their annual financial reporting exercise and save some real money in the process. Because there are important differences between traditional GAAP reporting and the new Financial Reporting Framework (FRF), dealership owners and their financial managers need to analyze how they can benefit from the new rules.

Tony Allison has already done a lot of the analysis for you and he will present his recommendations during this special DealersEdge webinar.

Next CFPB target: F&I products?

F&I products may be the next target for the Consumer Financial Protection Bureau after dealer reserve, F&I administrator executives say. According to Automotive News, that could be critically important for dealerships.

The CFPB hinted strongly in consent orders this year that it would like to see more disclosures on pricing and coverage with regard to F&I products. "We've got to be on our toes. We've got to look how we're training," said Steve Amos, president of F&I product provider GSFSGroup, during a panel discussion at the Industry Summit in Las Vegas this month.

Amos and other executives at the conference said that F&I administrators need a campaign to educate regulators, such as the CFPB, about their industry. "They really don't know our industry, and yet they are regulating our industry," Amos said.

The F&I product industry has been on high alert since June when the CFPB ordered U.S. Bank and Dealers' Financial Services, of Lexington, Ky., to refund a total of $6.5 million to military service members who got auto loans through Dealers' Financial Services' Military Installment Loans and Educational Services program.

Sales

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basis. Historically, the Labor Day holiday has fallen in the September sales month; however, in 2013, it fell in the August sales month, meaning that sales delivered over the holiday weekend were counted in August sales rather than September.

J.D. Power estimates that more than 248,000 new vehicles were sold during the Labor Day weekend. Had those sales been included in September, LMC Automotive indicates they would have lifted the monthly SAAR into the low 13 million unit range.

Humphrey said that due to this difference in the sales reporting calendar in 2013, it makes sense to evaluate August and September sales in combination.

"When combined, August and September retail sales are expected to be up 10.6 percent, compared with August and September 2012, which underscores the continued positive trajectory in growth and overall health of the industry," Humphrey said.

LMC Automotive is holding its 2013 forecast for total light-vehicle sales at 15.6 million units. However, retail light-vehicle sales are tracking slightly ahead of expectations with the total year now expected to come in at 12.9 million units, a slight increase from the previous forecast of 12.8 million units.

"Even with the timing-driven volatility in August and September, the year-to-date selling rate of 15.5 million units is consistent with expectations of stronger retail-driven growth in 2013," said LMC Automotive's Jeff Schuster. "Balancing growth with risk, and with all positive variables perfectly aligned, the automotive market right now is as strong as we've seen in several years."

Marketplace

Internet Sales/Digital Marketing Manager 15 years' dealership experience. Managed an online sales group that represented 54 percent of dealership's annual revenue. Produced average gross profit per vehicle of $1,200, which was 67 percent above industry average of $811. Also team leader of Business Development Center. Scott Balthazard, (813) 399-4320.

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5 things that need to happen for electric cars to go mainstream

Sixteen years after the 1997 debut of the world's first real consumer-oriented electric car, the Toyota Prius, electric cars have stayed stubbornly at about 2 percent of global sales for light vehicles, a market share which Navigant Research projects will grow to just 3 percent by 2020.

But Lydia DePillis, a reporter for the Washington Post, said the sector is far from dead, with something of a boom in recent rollouts of new electric cars. DePillis points to five pieces of a puzzle that need to come together before widespread adoption is achieved:

1. Batteries need to get cheaper.

A battery for an electric car still costs as much as some regular cars — about $12,000 to $15,000 each. That's in part because they're not like computer chips; only so many ions can fit in the available space, so a real chemistry breakthrough will be needed to increase their energy density.

It's possible, though, that this is just a question of scale. McKinsey thinks the cost of batteries could be cut in half by 2020, as more factories come online to produce them, and Deutsche Bank sees car batteries declining in price the same way laptop batteries did.

If China gets serious about reducing emissions, the scale problem could be solved — the problem then would be keeping up with demand.

2. Drivers need to believe they won't be stranded.

Right now, only California has a substantial number of charging stations, which means it's difficult to take a long-distance drive with a plug-in electric car.

The Department of Energy dispensed a few million dollars for charging stations, but they can't pay for all that are needed — the Center for Automotive Research estimates that charging infrastructure costs $2,160 per hybrid electric vehicle.

In California, employers are increasingly offering charging stations to their staff, and NRG is starting to sell stations to anybody else who wants them. But it's not like a gas station, where a living can be made selling fuel; these will have to be installed as amenities in workplaces and residences, or as part of government-driven efforts to string them along highways.

If electric vehicles really replace millions of gas-powered ones, they'll also start to suck up more electricity than the grid can handle, which makes distributed generation — wind and solar energy, for example — much more important. [UPDATE: The Edison Electric Institute contends that electrical utilities have been preparing for more cars to come online, and that the current system can handle the load without much strain.]

3. Policy supports need to expand, and not disappear unpredictably.

Over the years, America's federal and state governments have enacted quite a few supportive policies for alternative energy — tax incentives, direct subsidies, fuel economy and renewable portfolio standards, high-occupancy vehicle lanes, etc. Particularly important, right now, is a California rule that actually requires large auto manufacturers to either produce zero emissions vehicles or buy credits from those that do.

While it would help to see those kinds of programs be implemented on a federal level or even by more states, the fact that they exist in one of the United States's biggest markets will kick-start production.

People in the alternative fuel industry know that incentives, which currently make electric cars much cheaper than they'd otherwise be, won't stick around forever. Unpredictable disappearances, though, can be devastating. That's what happened repeatedly to the wind industry, as tax credits expired again and again during partisan energy policy fights in the nation's capital.

"Policy certainty is necessary for a length of time," said Phyllis Cuttino, director of the Clean Energy Program at the Pew Charitable Trusts, which put out a report after hearing from the industry. "They said, 'We only want it until we become cost competitive. And then, let us go.' "

4. Gas prices need to get high and stay high.

Auto manufacturers convince customers that the higher sticker price of an electric vehicle pays for itself over time through savings on gasoline, and that calculus looks better the more expensive gas gets.

Unfortunately for the near term future of electric cars, gas is projected to stay steady for a while, which means batteries need to get cheap as quickly as possible.

5. More people need to try electric cars.

People who've driven electric cars tend to understand they're a lot like regular ones. Car sharing programs like Zipcar, which have introduced some electric vehicles as part of their fleets, are a good way to make the introduction.

"It's one of the things that we see when we ask people about these technologies. If people have seen and experienced technologies, they are much more likely to consider them," said Pew's Cuttino. "If you are out west and you see a million wind turbines, you're going to understand wind energy."

Au

NADA Washington Conference

Dealers seek greater transparency from CFPB on auto finance

More than 400 franchised auto dealers weighed in with Washington lawmakers this month on the Consumer Financial Protection Bureau's (CFPB) effort to end the discounts that customers can negotiate when financing a car or truck through a dealership. The visits to Capitol Hill were organized as a part of the National Automobile Dealers Association's Washington Conference.

Dealers asked their senators to sign the letter authored by Sens. Rob Portman, R-Ohio, and Jeanne Shaheen, D-N.H., requesting that the bureau explain how eliminating a dealer's ability to "meet or beat" a competitor's rate is good for consumers.

Dealers are urged to call both their U.S. senators to ask them to sign the Portman-Shaheen Auto Finance letter, which requests greater transparency from the CFPB on indirect lending.

The Senate switchboard can be reached by calling (202) 224-3121. Operators will direct dealers to the senators from their states.

A key ally in the dealers' fight, Rep. Gary Peters, D-Mich., told the dealers at the NADA legislative conference that he's "very concerned" about the CFPB's recent effort to alter the $800 billion auto finance marketplace without a hearing or offering analysis for public scrutiny.

"I believe it's absolutely essential that we have a very competitive marketplace so that folks can get the lowest rate they can for their loans, and certainly dealer-assisted financing is about that," said Peters, who along with 12 Democrats on the House Financial Services Committee sent a letter to the CFPB demanding greater transparency.

Dave Westcott, the NADA chairman and a new-car dealer in Burlington, N.C., said: "The CFPB has not provided any information about its study or how they compare the numerous factors that can affect auto interest rates.

"Even more shockingly, the bureau failed to examine how this change could impact the cost of credit for consumers. In-dealership financing has been enormously successful in both increasing access to credit, and reducing the cost for millions of Americans."

Ivette Rivera, NADA vice president of legislative affairs, said that senators were receptive to the dealer's request to sign on to the Portman-Shaheen Auto Finance letter.

"Early reports from our Hill meetings indicate that members of Congress on both sides of the aisle think that greater transparency from the CFPB is needed," Rivera said.

In earlier remarks at the NADA gathering, Sen. Ted Cruz, R-Texas, a rising star in the Republican Party and a potential 2016 presidential candidate, outlined his plan for restoring economic growth, which included government spending cuts, comprehensive tax reform and repealing and defunding the new health care law.

Brian Hamilton, chairman of the NADA's Government Relations Committee, charged the dealers to weigh in on other key issues, such as taxes and burdensome regulations. Hamilton said lawmakers are considering eliminating the last-in-first-out (LIFO) accounting method.

"Tell Congress that if we lose LIFO, we lose working capital and that will cost jobs," said Hamilton, a Nebraska new-car dealer.

Hamilton also urged dealers to talk with their senators about making improvements to Senate Bill 921, the rental car recall bill, because "grounding every rental and loaner under recall — for minor reasons — is excessive."

Other conference speakers included House Republican Conference Chairwoman Cathy McMorris Rodgers, R-Wash.; David Strickland, administrator for the National Highway Traffic Safety Administration; and Karl Rove, political strategist and commentator.

USO

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cago Auto Show and a $100 gift card for the employee who went above and beyond for the cause.

In all, 18 dealerships each raised more than $1,000 and 25 stores received online donations in addition to the amounts collected at their barbecue events.

Andy Sweis, who coordinated the Jennings efforts, said the dealership fires up its grill most Saturdays to raise money for a variety of charities and to treat its customers.

"We have a huge base of loyal customers, and they (support) anything that Jim Jennings supports," Sweis said. "We host a barbecue every Saturday between 11 a.m. and 4 p.m. for a specific benefit, where Jennings makes a donation for every vehicle sold during the day. We also have a donation box located near the grill for customers to donate.

"We always have huge customer turnout from our 55 years of loyal customers."

Jennifer Morand, the CATA's senior public relations and social media manager, said many dealerships tapped into Facebook postings developed by the CATA, but Biggers Chevrolet used all social media channels and even developed two YouTube videos to promote its upcoming barbecue.

"To me, that was the deciding factor" in the store's win, Morand said.

Mindy Ridenour, the business development manager at Biggers Chevrolet, said: "It's good to see that our genuine contribution to the USO made such a difference. We truly enjoyed the experience and look forward to participating again next year!"