Volume 111, No. 6 March 31, 2014

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, April 3 at 12 p.m. CDT

"How to Reconcile the Parts Inventory to the General Ledger: Bridging the Troublesome and Often Costly Gap" A "cloud of doubt" hangs over these often divergent accountings for your parts inventory investment. Find out why the gap exists and how

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Tesla, Ohio dealers reach deal

Tesla Motors Inc. struck a deal on March 26 with Ohio auto dealers that could allow the electric-car maker to ease a battle over its direct-to-consumer retailing model, at least for the near term.

Under the agreement, Tesla would be allowed to keep operating two company-owned retail stores in the state, and open just one more. The deal requires approval from the Ohio state legislature. The proposed bill would bar all other automakers from bypassing franchised dealers to retail cars.

Diarmuid O'Connell, Tesla's vice president of business development, said the compromise reached in Ohio should serve as a model to resolve fights with dealers in other states, where Tesla is confronting legislation and regulation aimed at outlawing its company-owned stores.

"I do think the Ohio solution points to a way dealers and Tesla can resolve this issue for the present, while letting both sides see how this develops," O'Connell said. "While on the margin it's disappointing that we don't have the ability to grow freely in Ohio, the compromise we achieved in the past 24 hours is sufficient for now."

Joe Cannon, vice president of government affairs for the Ohio Automobile Dealers Association, called the agreement "a very fair proposal that is helpful to both sides." It allows Tesla to

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Chicago Auto Outlook February edition is online

The latest issue of Chicago Auto Outlook tracks February new-vehicle sales in the eight-county CATA area. Read it online at www.cata.info.

On the blue bar across the top of the screen, click on Publications, then follow the drop-down menu to Chicago Auto Outlook.

Tesla

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keep operating in Ohio, he said, while reinforcing rules its dealer members have abided by for decades.

The political and legal battles have been a distraction for Tesla, which is pursuing a plan to build a multibillion-battery factory, expand overseas, and launch new vehicle lines.

Since establishing its first store in California in 2008, Tesla has come under attack in other states by franchised dealers representing rival brands amid concerns the automaker's direct-sales model would undermine their businesses. Tesla has defended its business model, arguing that its electric-car technology requires a more hands-on approach in educating its consumers about the vehicles, compared with what a traditional dealership offers.

Earlier this month, Tesla lost a battle in New Jersey to preserve its direct-sales model after state regulators approved a rule change, forcing the company to shut down its retail operations in the state, including two stores.

Webinars

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to reconcile the two. Failure to do so regularly can hide big losses until it's too late!

Dealers, General Managers and Controllers will compare the General Ledger entry for parts inventory against what the Parts Manager says he actually has on hand. When unexplained differences climb to just small percentages of total inventory, it puts a lot of money into a cloud of doubt. Reconciling these two measures of the dealership investment in parts is vitally important. A lack of clear understanding of why they are yielding different dollar figures could represent lost profits or even theft.

Visit with Mike Nicholes as he discusses both the importance of this monthly exercise as well as how to achieve the goal of a fully reconciled parts inventory without the usual stress that this process causes.

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

"How to Identify & Stop Internal Theft" Who has his or her hand in your cookie jar today? Understand how dealership Controllers can think like a thief, in order to catch a thief!

We have learned that, given the opportunity, some dealership employees (even those who are long-term valued team members, and seemingly very loyal) can and will steal. Now ... which ones? And how do you stop this before temptation gets the better of them?

Using actual cases of dealership employee theft and her own unique viewpoint, Brooke Samples presents a workshop describing how managers on the ground can take action to reduce this all too common and disheartening problem.

Circle April 24

CATA to host seminar on NADA Fair Credit Compliance Program

Recent allegations by the federal Consumer Financial Protection Bureau assert that finance sources which purchase credit contracts from dealers create a "significant risk" of fair credit violations when they allow dealers to exercise discretion in determining the amount they earn for qualifying and extending credit to consumers. The ongoing CFPB fair credit initiative has created uncertainty regarding dealership compliance obligations under the Equal Credit Opportunity Act.

The NADA Fair Credit Compliance Policy & Program, introduced in January, is based on a compliance program that two dealers adopted in 2007 consent orders to resolve Department of Justice allegations of unintentional credit discrimination. While neither the DOJ nor any other federal agency have stated that adopting this approach satisfies the requirements of federal law, it nevertheless provides a useful template for dealers to consider in developing their own approach to fair credit compliance. The publication contains: (i) a brief overview of this issue; (ii) general and specific instructions for completing the Fair Credit Compliance Program template; and (iii) the actual Program template.

Paul Metrey, the National Automobile Dealers Association's chief regulatory counsel, will visit the CATA on April 24 for a special seminar to provide an overview of the NADA Fair Credit Compliance Program. Dealers and their appropriate managers are encouraged to register to attend.

This voluntary approach to fair credit compliance is designed to help dealers who adopt it to both promote their commitment to fair credit compliance and strengthen their ability to demonstrate that they have taken a consistent approach to the pricing of consumer credit.

Dealers who adopt this or a similar approach would individually establish a pre-set compensation amount their dealership would include in credit offers to every consumer, unless the transaction has any one of several predetermined and pro-competitive reasons for deviating from that amount.

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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 www.cata.info.

David E. Sloan — President, Publisher
Erik K. Higgins — Editor, Director of Dealer Affairs

NADA: Used-vehicle values to peak in March

By Mark Scarpelli
Chicago Metro NADA Director

Extremely cold weather during the first two weeks of February and more moderate temperatures over the second half of the month correlated exactly with used price movement, according to the NADA Used Car Guide in the March edition of Guidelines, a monthly report on new- and used-vehicle sales trends and price movement.

"Used prices grew by 0.7 percent over the first half of the month, but more favorable weather over the second half of the month allowed prices to grow 2.2 percent by month's end, which is in line with the NADA's forecast of 2.1 percent," said Jonathan Banks, executive automotive analyst of NADA Used-Car Guide.

The NADA expects the seasonal uptick in used auto demand to continue for another month before dissipating in the second quarter of the year.

The dealer association's forecast had prices rising by an additional 1 percent in March and then falling by an average range of 2.5 percent to 3 percent per month from April through June. Prices are forecast to be 0.5 percent to 1 percent lower than 2013 levels by the end of year.

In other NADA news ...

• The NADA encourages dealers around the country to meet with their senators and representatives during **Congressional Dealership Days**, April 14-25, to discuss ongoing concerns with the Consumer Financial Protection Bureau and other federal legislative and regulatory issues impacting franchised dealers.

New-car and -truck dealers are effectively positioned to build long-term grassroots relationships with members of Congress. During this election year, most representatives and senators would welcome the opportunity to visit dealerships in their districts and interact with those whose livelihoods depend on the continued success of franchised dealers.

If you are interested in hosting a Congress member and would like assistance with setting up a visit, contact Patrick Calpin, NADA director of grassroots advocacy, at pcalpin@nada.org or (202) 547-5500.

• Participation continues until April 30 in the NADA's 2014 **Dealership Workforce Study**. A major challenge facing new-car and -truck dealers is attracting and keeping talented employees. There is no cost to participate.

Participating dealers will receive a complimentary copy of the study's Basic Report, a custom report that compares the individual dealership's compensation for 60 job positions, employee benefits programs, hours of operation, work schedules, and retention and turnover to the aggregated data of other participating dealerships, both regionally and nationally; and the 2014 Dealership Workforce Study Industry Report, which provides an overall industry-wide analysis of the aggregated DWS data, including hiring and retention trends, demographics such as generational differences and the gender gap, compensation, tenure, employee benefits statistics, plus hours of operation and work schedules for all U.S. regions, as well as an economic overview of 2013 and forecast for the future.

Enroll at www.nadaworkforcestudy.com. For more information, send an email to WorkforceStudy@nada.org or call (800) 557-6232.

In other news ...

• The Federal Trade Commission on March 12 reached a $3.4 million settlement with a company for violations of the **Do-Not-Call (DNC) restrictions** under the FTC's Telemarketing Sales Rule based on phone calls the company made to consumers on lists purchased from "lead generators" who had represented they had consent from the consumers for those calls. However, they did not have consent, and many of the phone numbers were on the national and company-specific DNC lists.

This is a valuable reminder that dealers — not the vendor — are likely to be held liable for any DNC or similar violations related to leads purchased from a third party vendor.

"Companies that use lead generators must exercise due diligence when they buy lists of phone numbers," said Jessica Rich, director of the FTC's Bureau of Consumer Protection, "or else they can be on the hook for illegal telemarketing."

Editor's note: The NADA encourages dealers not only to conduct due diligence with all their vendors based on the services each vendor provides, but also to clarify compliance obligations via contract and ensure that the dealership is protected in the event that the vendor has misrepresented its compliance efforts.

For one example of this type of contractual protection, visit www.nada.org/dealerdata.

Collegio named new NADA head of public affairs

Jonathan Collegio is the new NADA vice president of public affairs, responsible for the organization's communications and marketing efforts.

Collegio, who PR News named Public Affairs Executive of the Year in 2009, has extensive experience in public affairs spanning both political and corporate work.

Generation Y will buy cars when paychecks allow, new study finds

Young Americans will buy automobiles when their pocketbooks and paychecks eventually allow them to make such a large purchase, according to a new study by Deloitte LLP.

The study found that those in Generation Y — a generation of nearly 80 million Americans born after 1980 — have specific ideas for what they want in a car. And though they don't have the same affinity for vehicles as their parents and grandparents have, an overwhelming majority of them still want to own a car or truck.

"While Gen Y may not necessarily scrutinize horsepower, acceleration times or engine size, they do have clear needs, wants and desires, especially when it comes to remaining connected to all of their lifestyle technology while on the road," Deloitte's Masa Hasegawa said in a statement. "This is good news for carmakers, who already offer — or are bringing to market — many of the features Gen Y consumers most want in a vehicle."

Those features include alternative powertrains — hybrid and electric cars — and the latest technology.

The report, which surveyed 2,000 U.S. consumers, including 677 in Generation Y, found that three in five young people plan to buy or lease a car in the next three years.

Fewer than one in 10 says they plan to never buy or lease a car or truck.

Practicality over performance

The number of teenagers with driver's licenses is off nearly 20 percent in the past decade, according to the Federal Highway Administration.

Young people are delaying taking road tests. Nearly half say they'd rather communicate digitally than hop in a car and, say, cruise Lake Shore Drive with friends. And those who do want a car say they prefer practicality and efficiency over performance.

But most of that can be attributed to the time frame in which this younger generation grew up. Their prime car-buying age came about when the U.S. went through the beginning stages of the Great Recession.

The unemployment rate in that age group reached historic highs in 2009. Coupling unemployment with skyrocketing vehicle prices and large student loan debts, vehicle ownership hasn't yet been affordable for most.

The Deloitte report found that 80 percent said the biggest barrier to owning or leasing a car is the cost.

Lowering price points

Ford Motor Co. CEO Alan Mulally said the automaker will focus on smaller, less expensive vehicles as a way to tap into new customer bases, including young people.

Mulally stressed the need for the industry to lower price points and make vehicles more affordable.

"We have to find a way," he said. "All of our data say the economics are very, very important."

There also are industry trends that, while in the infancy stages, could be turning off young people. Sales and offerings of diesel-powered cars and trucks, for example, are on the rise because of their increased fuel efficiency.

But those cars and trucks still are more expensive than gas counterparts, and three-quarters of Gen Y have never driven one, according to a recent online survey by Harris Interactive, on behalf of Honeywell International Inc.

Safety compliance companies urge dealers to keep lift safety a priority

Certain OSHA offices are about to launch a special emphasis program on automotive lift locations, to reduce injuries and fatalities, CATA allied member ComplyNet Corporation reports. Inspectors will select automotive facilities on a random basis.

"Workers in the automotive industry are exposed to crushing hazards from automotive lifts when servicing and repairing lifts. These hazardous risks can be limited by properly maintaining automotive lifts and providing workers with effective training regarding the inspection and use of lifts," said Ken Atha, an OSHA regional administrator.

Since 2007, according to OSHA's Fatality and Catastrophe Investigation Summary database, OSHA has conducted several automotive lift inspections, 11 of which followed fatal accidents. According to the Consumer Product Safety Commission, a total of 15,000 workers in the past six years were treated in hospitals for automotive lift, jack or jack stand injuries. By targeting inspection activity to employers in the automotive industry, OSHA hopes to reduce the injury and fatality rates of employees who use these devices.

There are special rules in place for lift regarding inspecting, maintaining and training employees. KPA, another CATA allied member, said dealers can avoid injury and financial risk by establishing periodic maintenance plans for their lifts. The plans should be performed by an employee qualified to operate a lift.

A plan should be documented and should focus on replacing worn, damaged, or broken parts with approved parts that meet the original manufacturer's specifications.

KPA recommends that inspections be completed by a certified lift inspector who has significant technical expertise that includes:

Annual lift inspections should involve a Certified Lift Inspector with significant technical expertise including:

• Knowledge of personal safety practices necessary to perform routine and periodic inspections of existing equipment; and

• Familiarity with industry terminology.