



the southlander

April/May 2009

New State-of-the-Art Auto Complex Groundbreaking Launches Future Facility

Cerritos College held a groundbreaking ceremony for its eagerly SCCTT anticipated Southland/Cerritos Center for Transportation Technologies (SCCTT) on Friday, March 27. More than 200 people, including college officials, community members, auto manufacturers, dealers and dignitaries, attended the celebration.

“Green technology is changing the industry, and Cerritos College is leading the path.”
—Congresswoman Grace Napolitano

Greater Los Angeles New Car Dealers Association and the Southland Motor Car Dealers Association, were each represented by their executive directors, Charlie Gil and Todd Leutheuser.

The SCCTT will house the Hybrid and Alternative Fuels Training Center, three



University’s West Coast program center that offers a bachelor’s degree in automotive

management for full-time students and working adults.

Two major donors for this construction project, the manufacturer-sponsored technician apprentice programs (General Motors, Ford and Chrysler), and Northwood

“The Center is critical in creating thousands of jobs we need to help America’s recovery,” said Congresswoman Grace Napolitano.

“Green technology is changing the industry, and Cerritos College is leading the path.”

Master of Ceremonies for the event was Bill Farmer, acting president/superintendent. Farmer was joined by speakers Bob Epple, Cerritos College board president; Steve Richardson, the Cerritos College Foundation executive director; Congresswoman Napolitano; Don Knabe, Los Angeles county supervisor; Billie Greer, director of Governor Arnold Schwarzenegger’s Los Angeles office; and Steve Berklite, interim dean of technology. The proposed training center will include a \$9 million renovation of the existing three-acre auto complex and a new \$6 million automotive partners building that will focus on management education for the auto industry.

When completed in 2010, the center will have a large role in filling the ever-changing, highly skilled employment needs of the auto industry. ■



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By Don LaMar,
LaMar Hyundai, Cerritos

What a year! And it's only a quarter of the way though. More has happened in our industry in the last three months than has occurred over the past several years. The feds have decided they want new management at GM and are overseeing the Renault/Chrysler merger. In California, sales tax and license fee increases are pushing the price of vehicles to the point where consumers need to add 11 percent more to the purchase price. If only the dealers *themselves* could make 11 percent on cars!

Speaking of sales, the Southland figures for January and February were off almost 50 percent from the same period in 2008. March was better, hopefully backfilling pent-up sales from the prior periods instead of pulling sales from the future.

Throughout this year, we have to be unified and active with our state legislators in California. Senator Corbet has introduced a bill that, if it passes, will place draconian measures on vehicle trade-ins while doubling the dealer bonds. To add insult to injury, the bill will expand the scope of bonds to include contractual and statutory violations. I encourage you to read the article on the next page for more details or go to the CNCDA.org web site for more details.

There are some bright spots to discuss. CNCDA is sponsoring a franchise bill that will increase protections for car dealers by including termination assistance, protecting against unreasonable facility improvements, prohibiting multiple franchises and providing indemnification from manufacturer issues. The bill will be heard by the Senate Transportation Committee in mid April, and this is one of our industry's biggest priorities.

One of the most fulfilling things for me personally is to see the groundbreaking of the Southland/Cerritos Center for Transportation Technologies. After many years of planning, we are finally moving dirt and building a facility that will train tomorrow's technicians, managers and industry personnel. If you get a chance, drive by the Cerritos College campus and see what we are doing. You will be impressed.

Sincerely,
Don LaMar



"Throughout this year, we have to be unified and active with our state legislators in California."



Dealers Visit Sacramento for Dealer Day

Visit Includes Meetings with Legislators and Discussion of Upcoming Bills

On March 24, SMCDA board members Ron Charron, Greg Timmons and Matt Browning joined other California dealers in



SMCDA Board Members Greg Timmons, Ron Charron and Matt Browning attend Dealer Day in Sacramento.

Sacramento for the California New Car Dealers Association's annual dealer day, where dealers meet with their legislators to talk about current issues that affect our industry.

The dealers had successful meetings with

eight Southland legislators where they discussed SB 424 (Padilla), which addresses franchises, along with SB 95 (Corbett), which addresses payment for trade-ins.

SB 424 is an urgent measure that brings the state into conformity with the rules applicable in the majority of states and protects against unreasonable franchisor facilities requirements. It specifically addresses:

- **Termination Assistance.** Sets minimum buy-back provisions in order to ensure that dealers receive adequate and predictable compensation for vehicles, parts, special tools, and signs in the event of franchise termination.
- **Multiple Franchises in One Location.** Prohibits a franchisor from refusing to permit more than one franchise at the same location, provided the dealer complies with any reasonable facilities requirement.
- **Facility Improvements.** Prohibits a manufacturer from imposing unreasonable facility alterations or additions.
- **Statutory Indemnity.** Requires manufacturers to indemnify dealers for claims arising out of manufacturer products and policies relative to vehicles, parts, service systems, and improper use of personal information.

The Corbett bill, which is opposed by CNCDA, was unfortunately approved on March 31 by the Senate Judiciary Committee on a 3-2 vote and is supposedly intended to address the unfortunate circumstance that occurs when a dealer who goes out of business fails to pay off a trade-in. However, the bill ignores the Consumer Motor Vehicle Recovery Fund—into which dealers are already paying \$1 per vehicle sold and for which claims are being accepted—in favor of several onerous provisions including:

- Prohibiting the advertising of a trade-in until any lien has been paid, notarized and filed with the DMV.
- Doubling the dealer bond to \$100,000 and vastly expanding its scope to include any contractual or statutory violation, plus incidental and consequential damages.

For more information on these bills and other legislative updates, please visit www.cncda.org. ■

Save the date for
 SMCDA SOUTHLAND MOTOR CAR DEALERS ASSOCIATION'S
 SCHOLARSHIP GOLF TOURNAMENT
 Monday, July 27, 2009
 SeaCliff Country Club
 Huntington Beach, Calif.




This annual tournament raises funds for students attending the Southland/Cerritos Center for Transportation Technologies. See page 4 to learn how these scholarships directly support students!

SCMDA Presents Scholarships to Cerritos College Automotive Technology Students

SCMDA and the Cerritos College Foundation awarded two automotive scholarships to five promising students on Thursday, March 12.

Todd Leutheuser, executive director of the SCMDA, first presented the \$500 Jeannie M.T. Yang Scholarship to both Michael Arce, of Lynwood, and Ramon Soto, of Huntington Park.

Michael Arce is currently enrolled in the Chrysler Automotive Program and is set to graduate in the fall of 2010 with an associate's degree in Automotive Mechanical Repair.

Ramon Soto had been employed as a machinist for the past 13 years. Unfortunately, the company went out of business last year and he was laid off. Soto decided it was the perfect time to go back to school to study the field that has always interested him. He is thoroughly enjoying automotive classes.

Leutheuser also presented the SCMDA Automotive Technology Scholarship, a \$600 tool voucher toward the purchase of MATCO tools, to three highly deserving students: Vincent Gonzalez, of Cerritos; Max Guijarro, of Lynwood; and Jose Hernandez, of Baldwin Park. This scholarship was designed to assist the students in purchasing tools for their classes. The tool voucher, combined with the 50 percent tool discount program which MATCO also provides for Cerritos College automotive students, is actually worth \$1,200.



Todd Leutheuser with SMCD A scholarship recipients Jose Hernandez, Vincent Gonzales, and Max Guijarro.

Vincent Gonzales is currently enrolled in his second semester of the CAP program and is working toward an associate's degree in Automotive Technology.

Max Guijarro is currently working as an automotive lab assistant through the ROP program.

Jose Hernandez is now in his second semester in the Cerritos College CAP program and is employed at Glendora Dodge Chrysler Jeep.

"These outstanding students all possess such tremendous potential," said Leutheuser. "We wish them the very best in their pursuits and trust that these scholarships will assist them in reaching their goals." ■

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SCCTT Groundbreaking: pictured from left to right are Todd Leutheuser, SMCDA; Randy Sopp, Sopp Chevrolet; Marla King, Northwood University; Ron Charron, Blvd Auto Group; Greg Timmons, Timmons Auto Group; Howard Hakes, Hitchcock Auto Group; Carmen Avalos, Cerritos College board trustee; Dave Conant, Conant Auto Group; Bill Farmer, Cerritos College president; Steve Richardson, Cerritos College Foundation; Charlie Gill, GLANCD; Bob Epple, Cerritos College board president.



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LIFO Repeal Update: Obama's Budget Proposal May Bring Up Debate

At various times in years past, Congress has considered an attempted LIFO repeal as a means to increase tax revenues, and every such attempt has failed. The most recent consideration is part of President Obama's budget proposal.

The budget proposal provides for \$61.2 billion in revenue over ten years starting in 2012. There is no language in the budget to explain how the \$61.2 billion score was determined, since the total estimated tax deferral is closer to \$108 billion. There are speculations that the proposal will only target specific industry sectors, but at this point it is only speculation.

Details are scarce at this time; the budget proposal only mentions the additional revenue attributable to LIFO as one line in a revenue table. More will be known in the upcoming weeks as President Obama's full budget will be presented to Congress later this month. If LIFO remains an item for debate at that time, we will share the information that we receive.

Some clients have asked what they can do to discourage this potential legislation. Here are suggestions:

- 1) Contact your state Senator to communicate the important role that LIFO plays in the sustainability and growth of your business.
- 2) Contact your trade association to ensure that

they are aware of this matter, and encourage them to join the LIFO Coalition. The LIFO Coalition, spearheaded by National Association of Wholesalers-Distributors and National Association of

Dealers are urged to contact state senators and trade organizations.



Manufacturers, is comprised of over 120 trade organizations, CPA firms and companies committed to sustaining LIFO. ■

Information provided by Mike Cox of Michael L. Cox & Associates at (909) 946-7207.

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Operating Gas Tanks After April 1, 2009

By Sam Celly, Celly Services, Inc.

ARB rules require Phase II EVR upgrades for your underground gasoline tank be completed by April 1, 2009. If you have not completed the upgrades by now, you must shut down your tank dispenser.

Alternately, you may complete the South Coast Air Quality Management District's "Settlement Agreement" form, available at www.aqmd.gov, and return it as soon as possible. You may have received a copy in the mail from SCAQMD. You must enclose a check for operation of the gas tank. If you do not send the agreement, penalties increase after August 1, 2009.

If you wish to shut down the gas tank, please complete the "Statement of Temporary Shutdown" form, also available at www.aqmd.gov, and return it to the SCAQMD. Once the upgrades are in place, complete the "Statement of Full Compliance" to SCAQMD, and resume tank operation! If you have any questions, please call Celly Services, Inc. at (562) 704-4000. ■

Sam Celly, of Celly Services, Inc. has been helping automobile dealers comply with EPA & OSHA regulations since 1987. Please feel free to send comments to sam@cellysolutions.com.

Red Flags Rules Workshop


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Kelly's Korner: Compliance Issues

By Jan. R. Kelly, Kelly Enterprises

While many dealerships are struggling to keep their doors open for business, another issue should be addressed. That issue is compliancy with federal regulations. Within 90 days, the extended deadline for compliance with the "Red Flag" rule will be staring you in the eye.

If you are not compliant, your lenders are not compliant

Many of you may be thinking, "We live _____ and are off the grid. No worries, the FTC does not know us." That may be true; however your lenders know you. If you are not compliant, they are not compliant. Their reactions can have a more immediate effect on your business.

Lenders will not fund loans after discovering a dealership's lack of attention to this detail.

What should you do? That depends, are you fighting to remain in business or are you closing the doors May 1? Your reply should determine your course of action.

Many associations have one-day seminars on how to become compliant. Regardless of where you get the templates for the policies, they still need to be customized for your size and scope of business. One size does not fit all.

Additionally, you must do a risk assessment, hold employee education meetings, and incorporate policies into your company handbook. In short, you must create an audit trail of your efforts in becoming compliant.

For those who have read my articles in the past, you know our company conducts these educational seminars. Help is available. The place to begin is for you to take action and place a call. Time is of the essence!

Article written by: Jan Kelly, President of Kelly Enterprises. She is an educator and consultant, convention speaker and writes frequently for industry publications. For information about educational venues or joining an F&I 20 group, call (800) 336-4275 or visit JLKelly.com. ■

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Top 10 EPA/OSHA Liabilities for Contractors Working at the Dealership By Sam Celly, Celly Services, Inc.

Dealerships incur extra liability when they hire an outside contractor. The purpose of this article is to discuss some avenues of liability the dealership may encounter and certain remedies that may address those liabilities.

OSHA Issue I: The contractor painting automobiles on the premises must utilize proper engineering controls and provide proper Personal Protective Equipment (PPE). If the contractor is painting automobiles in any shape or form, a paint booth or its equivalent is required as an engineering control and a proper Respiratory Protection Program is to be implemented as well. OSHA may treat this as a Multi-Employer Worksite or a Dual-Employer Worksite and OSHA may give a citation to both the contractor and the dealership. (Calif. Labor Code Section 6400-6413.5).

OSHA Issue II: A contractor must provide safety training to its employees. Failure to provide training, properly label chemicals, or use safety equipment can bring enforcement from OSHA as well.

OSHA Issue III: If a dealership employee complains to OSHA of noxious vapors or fumes from the painting operation, OSHA will investigate and cite the

dealership for harmful exposure to its employees.

Air Pollution Control District (APCD): A maximum of one gallon of coatings can be applied without a permit from APCD but action will be taken if a neighbor complains of noxious fumes or vapors. APCD will enforce regulations requiring usage of approved paint guns and coatings with permitted Volatile Organic Compounds.

Sanitation District: The wastewater generated from washing activities must be disposed of via proper sanitary sewers. Any disposal to an adjacent lot or a storm drain can bring significant enforcement from the EPA under the Clean Water Act as well as the local County Department of Environmental Health, not to mention the fact that the dealership property can get contaminated leading to significant remediation expenses later.

EPA Compliance: The hazardous wastes generated at the facility must be disposed as a hazardous waste through a licensed hauler and proper manifest must be kept to document proper disposal. Improper disposal or incomplete documentation can bring enforcement from EPA.

General Liability: If the contractors' employee is

Continued on next page

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OSHA Top 10

injured on the premises, the employee may seek compensation from the dealership, specifically if there was supervision by dealership management or if the equipment that caused the injury belonged to the dealership. The dealership must refrain from supervision and not provide ANY equipment such as ladders or forklifts to the contract employees. The contractor must possess all licenses and permits for the job as well.

Safety Audit: The contractor must be audited by an independent safety consultant. If the dealership undertakes safety auditing or training for the contractor, then the employee of the contractor may bring action against the dealership for incomplete or improper training. The Workers' Compensation insurance, typically a shield against employee lawsuits, is not available against the contractors' employees. In summary, keep the safety issues related to the contractor at arm's length.

Remedies: The dealership must seek General Liability and Workers Compensation Insurance from the contractor and a 'hold-harmless' letter from the contractor to the dealership. The insurance policy

should make the dealership additionally insured with rights of subrogation and the hold-harmless letter must be drafted by the dealership attorney.

Misc Issues: If the contractor employs illegal aliens, action may be forthcoming from the Department of Homeland Security. Failure to pay minimum wage by the contractor may result in action by the IRS and other tax authorities. If a product installed by a contractor results in an accident, the dealership may protect themselves by requiring tail-end liability insurance from the contractor covering products and installation. Seeking installation of OEM products reduces liability as well. Contractors' employees involved in an accident when driving a dealership car can bring liability to the dealership. Contractor's insurance becomes critical in such instances.

Legal: Dealers should consult their lawyer to minimize exposure through properly drafted contracts and insurance.

Sam Celly, of Celly Services, Inc. has been helping automobile dealers comply with EPA & OSHA regulations since 1987. Please feel free to send comments to sam@cellyservices.com. ■

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Source: 2006 JD Power New Vehicle Buyer Survey; Scarborough Release 1 2006.

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