

COLORADO INDEPENDENT AUTOMOBILE DEALERS ASSOCIATION

FRONT LINE

Q2 2022

Catalytic Converter

THEFTS

Continue To Rise

Broken Vehicle Recall
System Puts Unsuspecting
Dealers at Risk

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2022 CIADA Compliance Class

FRONT LINE MAGAZINE

The official digital magazine of the
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Front Line magazine is published quarterly by the CIADA, representing quality independent automobile dealers since 1941. CIADA assists members in becoming more successful within the used motor vehicle industry by consistently bringing you industry education, valuable information, services and benefits designed to prepare members for an ever-changing marketplace.

Can't Drive Because You Can't Replace Your Catalytic Converter? Get SB22-009 Passed!

Sign this petition NOW!



RISING INDUSTRY COSTS

By David Cardella, CEO CIADA

Words we hate to hear, but it seems that we hear these words more often lately from our vendors: "Sorry, due to an increase in operating costs, we have to increase the prices we previously quoted you." **In reality, everyone is raising their prices except CIADA - your state association!**

We are able to keep our yearly dues the lowest in the country for a full-service state association only because you support us by using the services we offer. When you attend our educational classes, purchase forms, use us for dealer, salespeople or title bonds, and support our preferred providers who in return support us, it keeps CIADA here to help you.

Assistant CIADA Director Jami McCoy, Bond Specialist Chris Choka, and Communications Coordinator Flor Briones excel at their jobs and look forward to assisting you when you have questions. Need forms? [Click here to order](#) or call us and we will ship them directly to you. Have a question concerning compliance, titles, or taxes? Pick up the phone and we will get you the answer. If you have hired a new employee who needs guidance on properly completing titles or state tax forms, register them for our monthly title class at ciada.org.

We need your help to make industry changes affecting all of us. At the moment, finding a solution to the catalytic converter supply is the number one priority for CIADA. We have hired a media firm to bring our message into the public forum and we may hold a rally at the capitol. If we choose this path to shed light on the issue, we will need a multitude of people to attend the rally to show how important this issue is to our businesses and to the citizens of Colorado.

Once we fix this problem, CIADA will move on to tackle the next issue. When we stand together and use our voices we will be heard. Thank you for being a CIADA member!

**MAKE PLANS TO JOIN US
CIADA 9th ANNUAL CHARITY FUND GALA**

Providing Hope and Impacting Lives

**SATURDAY, NOVEMBER 12, 2022 • 5:00PM
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1.5-Day Session

Tues/Wed, May 24 & 25

Mbr \$199; Nonmbr \$349

Only 10 spots per day

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1.5-Day Session

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Class from 8:00AM to 5:00PM

\$99 per person

[Register at ciada.org/events](http://ciada.org/events)

Are you this year's CIADA Quality Dealer?

Nominate yourself TODAY!

CIADA QUALITY DEALER AWARD GUIDELINES

These basic qualifications, as recommended by the National Independent Automobile Dealers Association should be:

SERVICE TO INDUSTRY

1. Candidates should meet the following criteria:
2. Support the CIADA and NIADA associations through their service.
3. Demonstrate a willingness to be helpful in performing Association duties when asked.
4. Willingness to make a commitment to attend the annual National Convention.
5. Have the necessary credentials to compete at the National level since the winner represents CIADA for the National award.

OUTSTANDING BUSINESS OPERATOR

Dealer should be committed to offering exceptional services to customers, both during and after a sale. Always maintains the highest standards as they relate to employee and business associate relations. Dealer should be highly respected and enjoy a good personal and business reputations within their local community.

Candidates should meet the following criteria:

1. Have a minimum of five years experience as a successful licensed Independent Dealer and member of CIADA and NIADA for a period of no less than three years. The candidate must be the "Dealer Principal" or listed as the President of the dealership corporation.
2. Have a sanction fee record with the Colorado Dealer Licensing Board – have no outstanding or unanswered complaints with the Better Business Bureau or Consumer Affairs division of the Colorado State Attorney General's office.
3. Candidate's dealership operation should reflect pride of ownership and offer an attractive appearance of facility, grounds and inventory.
4. Candidates should have an outstanding reputation of good customer relations and the handling of customer complaints in an expedient manner.
5. Operate their business in accordance with the CIADA Code of Ethics.
6. Their dealership operation should be a credit to the Independent Dealer community and the Used Motor Vehicle Industry as a whole.
7. Candidates should furnish several customer and employee testimonial letters, as well as business and personal letters of recommendation.
8. Extra thought should be given to those candidates who are NIADA Certified Master Dealers.

COMMUNITY SERVICE

Affiliations and involvement in community affairs.

Candidates should be involved in the affairs of their local community.

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USED CAR DEALERS OF COLORADO CHARITY FUND

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NOW OPEN

DEADLINE: 9/11/22



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GOLF TOURNAMENT

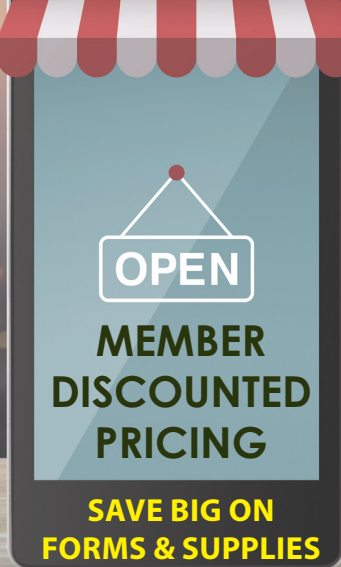
MONDAY, JULY 11
WALNUT CREEK
GOLF PRESERVE

Less than 70 spots remain.



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Broken Vehicle Recall System Puts Unsuspecting Dealers at Risk

By FI Staff

Between 20% to 25% of all vehicles on the road have one or more open safety recall at any given time. However, government databases have an approximate 30% error rate, leading many auto dealers to unknowingly purchase and sell vehicles with open safety recalls. The findings were part of “Safety Recalls: State of the Retail Industry,” a report released recently by AutoAp, Inc., the industry’s leading auto safety recall software company. To obtain a copy of the report, visit autoap.com/industryreport

There have been more than 5,000 vehicle safety recalls since 2014, affecting millions of vehicles. Because many vehicles are covered by multiple recalls, the average vehicle on the road today has 1.2 recalls. Worse, often, there are lags between manufacturers assigning recalls onto vehicles and either the manufacturer or government publishing them for dealers to learn if their inventory is affected. In addition, human error often leads to misclassification of recalls, incorrect vehicle makes or incorrect model years through the government and manufacturers.

“Many automotive retailers do not realize how badly the safety recall ecosystem is broken,” said Mark Paul, CEO of AutoAp. “This impacts dealerships of all sizes, brands and locations through liability and compliance issues, as dealers often buy and sell vehicles with open safety recalls and do not know it – through no fault of their own.”

Many auto dealers continue to use manual processes to track open safety recalls, or worse, ignore the problem altogether due to the time-consuming, error-prone and delayed data. In addition to liability issues, dealers are often missing out on a valuable revenue stream as recall repairs are covered by manufacturer warranty reimbursements.

“Dealers simply cannot know whether or not vehicles have an open recall using their current methods,” Paul said. “The best way to tackle this challenge is through an automated system that verifies VINs using advanced technologies and with multiple sources, on a nightly basis with minimal initial effort by dealers.”

“Safety Recalls: State of the Retail Industry” details threats, opportunities for how automotive retailers handle vehicle safety recall management.

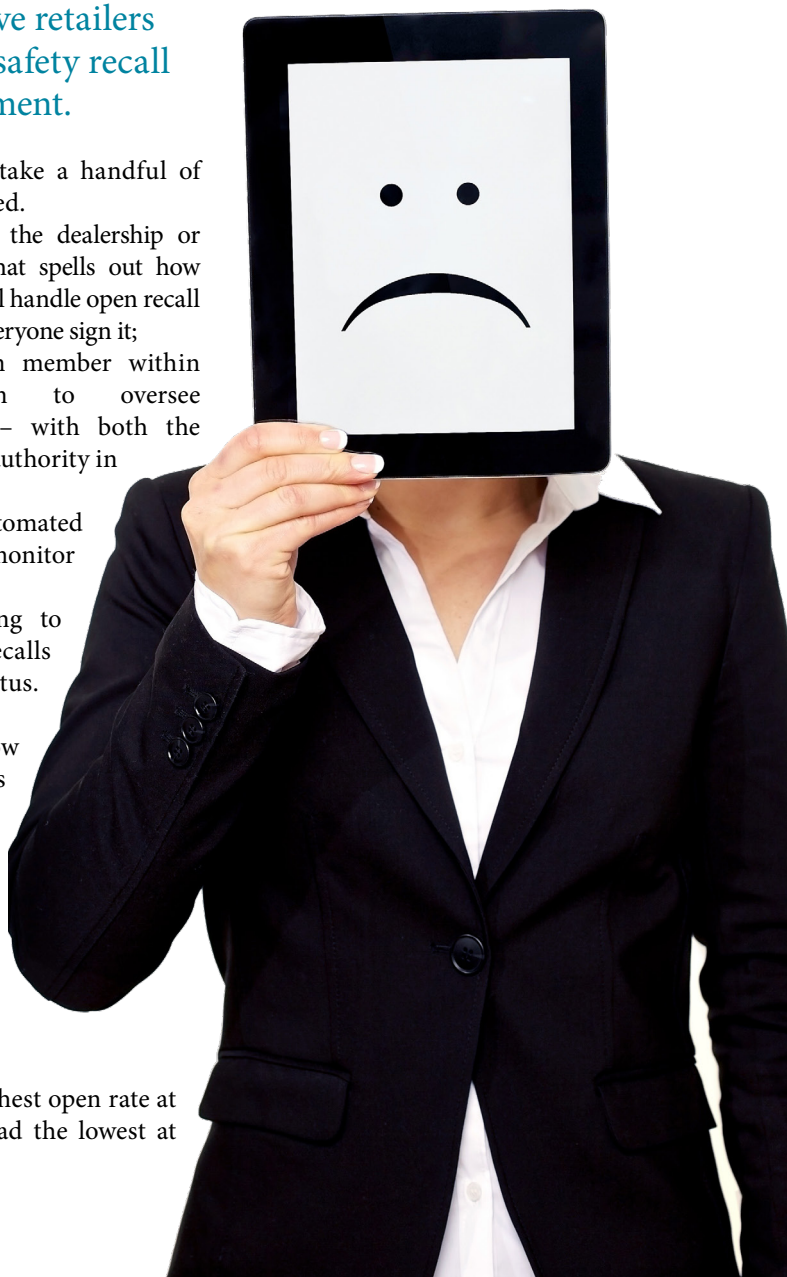
Paul urged dealers to take a handful of simple steps to get started.

- Currently, only 44% of dealerships have a written safety recall management policy;
- 100% of dealers surveyed said staying in compliance was critical. Yet none of the dealers surveyed said they check their own inventory for safety recalls every day;
- Government fleet vehicles have the highest open recall rate at nearly 36%. ■
- Write a policy for the dealership or dealership group that spells out how the organization will handle open recall needs – and have everyone sign it;
- Appoint one team member within the organization to oversee recall operations – with both the responsibility and authority in this critical area;
- Implement an automated process to verify, monitor and report recalls;
- Use daily reporting to identify open recalls and track repair status.

Dealers who follow these simple steps have significantly lower open recall rates among their inventory. Dealerships who develop a fully automated system reduce their open recall rates by nearly 90%.

In other findings:

- Hawaii had the highest open rate at 23.4%; Delaware had the lowest at 5.6%;



Catalytic Converter THEFTS Continue To Rise

States are passing Bills with new penalties and requirements for scrap metal dealers who buy used converters.

BY CEE LIPPENS

Catalytic converter thefts are at historic highs. During the worldwide pandemic, auto parts thieves have been going wild and catalytic converters top the list of their targeted items. Once a crime mostly relegated to the deep of night on dimly lit streets with single-owner vehicles, thieves have gotten much more brazen over the past few years, targeting dealership and fleet lots more frequently. In late January, auto parts thieves in Detroit managed to nab more than 20 converters off the city's school bus fleet.

Using a saw, thieves can steal in a matter of minutes, thousands of dollars' worth of precious metals inside a catalytic converter. The pandemic exacerbated an already existing issue, the shortage of the precious metals rhodium, platinum and palladium, used in the converters.

The supply chain crisis has caused a roller coaster of spikes in prices for all 3 metals. Platinum, for example, can be worth up to nearly \$1,000 an ounce. Palladium's value has increased from \$1,536 in 2019 to \$2,690 today. The value of rhodium rose from \$14,500 an ounce in December 2019 to a scorching high of \$27,000 in March 2021 to settle at around \$19,000 today. Thieves can expect to get anywhere from \$50 to \$300 if they sell the converters to scrap yards, which then sell them to recycling facilities

for much higher dollar amounts to reclaim the precious metals inside.

Thefts of catalytic converter's more than quadrupled in 2021, driven by the rise in price of precious metals.

"Thieves can easily remove these expensive parts from cars and then sell them to recyclers for hundreds of dollars depending on the car's make and model," said Department of Insurance and Financial Services (DIFS) Director Anita Fox in a release. "In addition to replacing the expensive converter itself, the damage caused by these thefts can be extensive."

Catalytic converter thefts more than quadrupled in 2021. A report by BeenVerified estimated there were 65,398 thefts nationwide—a 353% increase from all reported thefts of catalytic converters in 2020. And 2020 beat out 2019 for the previous most reported thefts in a year by a wide margin. According to the National Insurance Crime Bureau (NICB) there were 14,433 catalytic converters reported stolen in 2020 and only 3,389 thefts reported in 2019. From July 1, 2020, to June 30, 2021, claims filed for catalytic converter theft grew close to 293% nationwide, reaching 18,000 instances as compared to the 12 months prior estimate of 4,500, according to new claims data from State Farm.



“Vehicle thefts, car jackings, and break-ins are all crimes we’ve witnessed trending upward for several months, and now catalytic converter thefts are also on the rise,” said David Glawe, President and CEO of NICB. “We have seen a significant increase during the pandemic. It’s an opportunistic crime. As the value of the precious metals contained within the catalytic converters continues to increase, so do the number of thefts of these devices. There is a clear connection between times of crisis, limited resources, and disruption of the supply chain that drives investors toward these precious metals.” For victims of the thefts, the costs of replacing a stolen catalytic converter can easily top \$1,000, to even \$3,000 and make their vehicle undrivable for days or weeks as they wait for parts and installation. “I am sick to my stomach,” a Chandler, Ariz. resident wrote on social media in early March. “Someone came between 8 p.m. last night and 5 p.m. today and cut out our catalytic converter of my Tundra. Toyota said there are so many thefts the last few months that they are on backorder, could take a couple weeks, or months.”

California topped the states for highest number of thefts last year at 18,026, followed by Texas (7,895), Washington (4,252), Minnesota (2,363) and Colorado (2,171). The largest year-over-year increases were in Colorado (1,498%), Arizona (1,340%), Connecticut (1,329%), Texas (818%) and New Jersey (774%).

The most popular cars by make and model targeted by thieves in 2020 and 2021 were the Toyota Prius, Honda Element, Toyota 4Runner, Toyota Tacoma and Honda Accord.

Most vehicles with internal combustion engines have catalytic converters, to reduce 90% or more of the harmful greenhouse gases emitted from an exhaust system, but Toyota has the distinction of having some of the highest metal content in their converters than any other auto company.

The Prius tops the list for most popular among catalytic converter thieves.

The 2004-2009 Prius is a model that has become very familiar to car part thieves. Those Priuses had a theft claim frequency 40 times higher in 2020 than in 2016, according to a recent analysis by the Highway Loss Data Institute.

The HLDI reported that overall theft losses for those Prius vehicles in 2020 were nearly \$137 per insured vehicle year — a more than 45-fold increase from \$3 in 2016. By contrast, theft claim frequency for all other 2004-09 vehicles changed little from 2016 to 2020, overall losses remaining around \$7 per insured vehicle year. AutoCatalystMarket.com reports the recent scrap price for the GD3+EA6 catalytic converter used in the 2004-09 second-generation Prius ran about \$1,022 per unit, compared to the converter used

in the 2010-15 third-generation Prius, which claims around \$548 per unit.

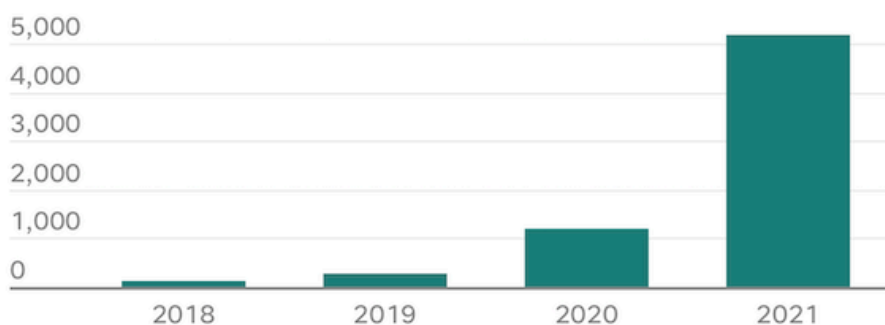
States across the country have taken notice and are toughening penalties and imposing new requirements for scrap metal dealers who buy the converters. Ten states enacted new legislation, including Arkansas, South Carolina, North Carolina and Texas to curb converter thefts in 2021. The new laws all follow along the lines of Oregon’s law, which took effect on Jan 1st. Oregon Bill SB 803 prohibits scrap metal businesses from purchasing or receiving catalytic converters, except from commercial sellers or owners of vehicles from which the catalytic converter was removed. Scrap dealers buying used converters must get a copy of the seller’s ID, a photo of the seller, the license plate number of the seller’s car, and video of the transaction itself. Payment by check must be mailed, and only after a mandatory three-day waiting period.

A bill drafted by Washington state Sen. Jeff Wilson (R) is written to help deter thieves from coming north to circumvent Oregon’s new law. Senate Bill 5495 also requires scrap-metal dealers to confirm ownership when catalytic converters are resold and maintain records of vehicle identification numbers. The bill would require that cash payments could not be made on the spot and would have to be delayed at least five days. The trend shows no signs of slowing down this year, so dealers may want to take extra precautions on their lots.

Catalytic converter thefts spike

Thieves are swiping catalytic converters at escalated levels to salvage their increasingly valuable metals.

Estimated thefts per month:



Source: 2018 through 2020 data from the National Insurance Crime Bureau; 2021 data reflects an estimate by data firm BeenVerified using a combination of NICB information and Google search data.

There are a number of ways to help prevent thefts on dealer and fleet lots:

- Car VIN numbers engraved onto the vehicles catalytic converter.
- Various anti-theft devices are available to install on individual vehicles. Like the cat-clamp and shield, ranging in price from \$125 to \$200 to purchase and around an hour of labor to install. Catalytic converter anti-theft devices could be a great selling perk to the car buying public as well.
- Changing the settings on the car alarm to go off when vibrations are sensed.
- Security cameras and security fencing.
- Installing motion sensor lights.
- Parking cars in a way that makes it difficult for thieves to get underneath, i.e, parking cars close together in a way that limits space between each car. ■

EV HIGHLIGHT

The Unstoppable Electric Car and Used Car Dealers

Via NIADA Dashboard

[Note: Quotes are from a phone interview with the article author.]

A luxury used car dealer in Boise, Idaho advertises, “Check out our electric vehicle selection” on a billboard at the corner where the dealership is. A row of used EV’s and hybrids sits under a big sign at the back of the block, segmented from the other inventory. There’s a used Tesla, a couple of Toyota Prius, and a few Nissan Leafs and Chevy Volts. Behind them, a row of chargers is available, and there’s a free public charging area off the back alley.



“We’re just getting ready for the next surge,” Ralph Seaman, the used car manager says. “The more electric vehicles there are out there, the more of them that will show up at auctions and trade-ins. We’re one of the first to recognize that.”

The consumer segment for electric cars is steadily rising. The overall share of electric vehicles was just over 2% globally at the end of 2020 but was closer to 17% in Norway and 14% in the United Kingdom. This reflects the “early adopter” stage of electric vehicle interest, but the segment is expected to grow significantly by 2030.

This, along with legislation like the electric vehicle mandates in California and Washington, will change the used car landscape for good. Those mandates are likely to expand into other states as well.

What do used car dealers need to do, and what could that look like?

PREPARING TO PREPARE

Not every dealer can create an “electric section” like the luxury dealer in Boise did. At least not yet. But dealers need to prepare

for electric vehicle customers sooner rather than later. This goes beyond just having electric vehicles available, or at the least having a partnership with a dealership that carries them under some kind of referral program.

Dealers must also prepare for “EV intenders”. These are buyers who will walk on the lot looking for an EV and are likely to leave if they can’t find one. To remain competitive, salespersons and managers must both have an answer of some sort. It’s not a matter of if, but of when having electric cars for sale will be essential to dealership success. That means more than just talk. It means investment.

INVESTMENTS DEALERS NEED TO MAKE

There is more to selling electric vehicles than just buying a few at auction and putting them on the lot. But what should you invest in first?

“The first thing we did,” Mr. Seaman told us, “was invest in training. We had a sales manager who was truly interested in the EV market, and he took some training and then trained the rest of us.”

Electric vehicle buyers are well-educated and are often self-educated when it comes to the makes and models of each vehicle and things like battery life, range, and charging needs. Salesmen need to equal or surpass that knowledge to be able to carry on intelligent conversations with potential buyers.

Beyond training sales staff, dealers will also need to:

Invest in charging stations: It would be like having an internal combustion car on your lot with no gas in it and no way to refill it. Dealers will need their own charging stations, and they can be another source of revenue or a way to attract new EV customers.

Service and Technician Training: Most dealers make a lot of profit on both service and parts. To successfully enter the EV market, you need to have service personnel who are trained to work on electric vehicles and service and parts personnel who understand diagnostics, parts sourcing, and more.

Invest in tools: Working on an EV is much different than working on a typical engine, and your service staff will need new tools. As OEMs release new models those tools will likely change and you will need more of them. You don’t want a vehicle on your lot that you can’t at least do minimal service on without trouble.

To be prepared, your dealer needs to take a holistic approach to electric vehicle sales, from the moment the buyer walks onto the lot to stellar service after the sale. Electric vehicle buyers almost expect more than conventional buyers, and it will be up to you to provide them with it.

Whether we like it or not, the electric vehicle revolution is coming, and the market is changing with it. That means dealers must adapt, and to do so they must take adequate steps to be prepared.

One of those steps is to become a member of NIADA. NIADA has supported the used car dealer community for more than 75 years. Learn how joining NIADA can help you navigate the changing market. ■