

February 2010

THE MOTOR DEALER REPORT FROM AUSWILD & CO
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NEWS & VIEWS FROM THE 93rd NADA CONVENTION

The 93rd NADA Convention & Exposition kicked off on February 13 with its traditional seat belt unbuckling ceremony at the Orange County Convention Centre, Orlando. Officially, the attendance numbers were up 20 percent on last year – however, we could be fooled as we estimate that the number of attendees were way down on New Orleans. The cold snap that hit the US probably did not help with attendances as a few major airport hubs were shut by the snow storms throwing the travel plans of many attendees into disarray. Two feet of snow in the Northeast and Midwest resulted in some 15,000 flight cancellations in seven days. The Australian contingent was also down on numbers – we estimate that less than 120 Australians travelled to Orlando for this year's convention. The tyranny of distance (a minimum of 18 hours flying time excluding lay-over time) perhaps or a reflection of the state of the industry? In spite of that, the mood at this year's convention was cautiously optimistic and definitely more upbeat than last year. There was the usual array of workshops, most of which were pertinent to the current climate, compacted into three days. The exhibition floor was perhaps a bit disappointing as we believe that it was at least half the size of what it was when the exhibition was held here last in 2006. A notable absentee from this year's convention and exhibition was General Motors.

In his address at the opening general session, John McEleney, the outgoing NADA Chairman, remarked that 2009 was a year of unprecedented challenges for the association. He emphasized NADA's enormous effort in aiding its members in a year of economic collapse, the lowest rate of car sales since World War II, and the loss of more than 2000 dealerships. However, NADA was also successful in educating the public, the media and the federal government about the critical issues affecting the auto industry, the vital role car dealers have in the auto industry and their immense contribution to their communities. McEleney added that he was surprised that the Presidential Task Force members knew so little about auto retailing and that it was tough to convince task force members that dealers are not an incremental automaker cost. He also urged the manufacturers to support NADA and present a cohesive front; and, if there are lessons to be learned from the crisis, they are to listen to their dealers, respect their dealers, and, support their dealers to help them succeed. At the end of the day, both manufacturers and dealers are in the business of selling cars and they should be doing it together.

With manufacturing reviving, AutoNation CEO, Michael Jackson, told dealers in his keynote address that they need to be the voice of the customer. "We the retailers need to....embrace the freedom to innovate and create new ways of doing business that simply delight our customers. We must give the customers what they want – not what someone else thinks they want." He also said that dealers must push back against "push manufacturing" an insane practice by manufacturers of overproduction and incentive pricing that left dealers with huge inventories and no credibility with customers. In most industries, the retailer is the "top dog", Jackson said. "You think manufacturers are stuffing WalMart? I don't think so. WalMart's telling the manufacturers what to do, and it is us in the automobile industry that's getting stuffed like a Thanksgiving turkey."

At his keynote address, VW CEO Stefan Jacoby stressed that in today's environment, customers "want action, not excuses." That means dealers need to ask "How can I fix this problem" rather than "Who will pay for fixing this problem?" He added that VW had "empowered our dealers to solve problems on the spot, without sending customers to an endless series of recorded messages at some far-off call centre." With its history and emotional appeal, Jacoby said that Volkswagen has a selling point competitors can't copy. "We are the European brand that offers an alternative to mainstream American or Asian competitors." Despite the recession, he said more than 80 percent of VW's 580 dealers are profitable.

Alison Levine, explorer and leader of an all-women expedition to Mount Everest had these words of advice for dealers during her very emotional Inspiration Service:

- Break the big goal into manageable pieces: As each small piece is accomplished, the bigger goal will take form.
- Rely on relationships.
- Be ready to backtrack: In life, achieving a goal is seldom a straight-line task.
- In the face of challenge, keep your bearings: Whatever you do, don't panic.
- Sometimes you just need to walk away from the deal.
- Keep a game-on attitude: You will always have more mountains to climb.

At its height, the US automotive market was 17 million vehicles. In 2009 this number was reduced by almost 40 percent. (And you thought we had it tough in Australia!) NADA Chief Economist Paul Taylor estimates that the US market will see sales of just under 12 million vehicles in 2010 – an increase of 14 percent over 2009. But will consumers want the fuel efficient cars the government wants them to buy? Taylor noted that hybrid vehicle sales in the US have been sliding for the past two years. However, consumers continue to move toward fuel-efficient crossovers from the larger, more thirsty SUVs. Crossover sales increased by 12 percent in 2009.

The big news in the US has been the Toyota recalls. With millions of recalled cars, battered brand image and tanking sales and residuals, it was almost impossible to turn on the TV or pick up the daily newspaper without seeing a story or reading about the recall. Although many Toyota dealers are frustrated by what they perceive as a media beat-up and sensational coverage of the recall, there are some dealers who believe that Toyota "has gotten a bit arrogant and complacent". Reporting for *Automotive News NADA Daily*, Kathy Jackson quoted a Toyota dealer as saying "Volume was more a priority. I think they took their eye off the ball on quality. Toyota got caught in this one". Toyota dealers also felt that the factory wasn't keeping them in the loop quick enough with dealers being the last to know. "When we have to hear from reporters that there was another recall announced, it starts to make us look like liars to our customers." At the closely guarded Toyota franchise meeting, dealers pressed the manufacturer for guidance on the message they should give their local media.

Incoming NADA Chairman, Ed Tonkin, told dealers that although much uncertainty remains in the automotive industry, they should remain optimistic. With sales forecast to be almost 12 million vehicles in 2010, rising employment and improved lending, the future is bright. In good times or bad, he said, "dealers will be there. Dealers are the most resilient people on earth. Take stock of who you are, be proud of what you do and stand tall."

With the US new vehicle market significantly reduced, dealers were urged to turn to used vehicle sales and fixed operations to regain revenue. In 2009, franchised dealers in the US sold 10 million used vehicles in a total market of 37 million vehicles. Dealers were told that they needed to get a bigger piece of the used car pie.

The 5 Keys to Survival:

- *Keep sufficient cash on hand*
- *Control expenses, even if it means cutting employees*
- *Leverage used cars, service and parts*
- *Diversify franchise brands*
- *Keep communicating with the public*

The 2011 NADA Convention and Exposition will be held in San Francisco, California on February 5 – 8, 2011.

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