

Dealers, Automakers Respond to Katrina Devastation

WANADA Joins NADA's National Fundraising Effort for Hurricane Relief

WANADA is stepping up with other US dealer associations to join the National Automobile Dealers Charitable Foundation's (NADCF) fundraising campaign to offer emergency relief to dealership employees who have suffered loss as victims of Hurricane Katrina.

As it did in the aftermath of the 9/11 tragedy, WANADA is determined to raise at least \$100,000 for NADCF's Emergency Relief Fund, which is specifically designed for emergencies.

Following 9/11, WANADA was able to present \$100,000 to NADCF's Survivors Relief Fund—and this was in addition to an estimated \$150,000 donated by WANADA dealers separately to 9/11 relief efforts.

In a letter from WANADA Chairman Dennis O. Rippeon faxed separately and enclosed with this Bulletin, it is hoped

that we can equal that effort for the immense and tragic losses suffered by dealers and their 41,000 dealership employees in areas hit hard by Hurricane Katrina.

The NADCF fundraising effort, announced last week by NADA, is part of a massive, industry wide effort by dealers and automakers to offer aid to the affected areas.

AIADA announced it has created an "Emergency Relief Auto Jobs" program to help match retail automobile salespeople, technicians and related personnel temporarily displaced by Hurricane Katrina with temporary job openings at international nameplate auto dealerships. In addition, AIADA is encouraging its mem-

bers to donate to the Red Cross and to sponsor hurricane relief events.

WANADA is working with NADA to relocate displaced gulf coast dealer personnel to Washington area dealerships.

While communication systems remain spotty and in some areas non-existent, early reports in from the local automobile dealer associations in Louisiana and Mississippi indicate widespread damage for dealers. According to Bob Israel, executive vice president of the Louisiana Automobile Dealers Association, "The auto industry in Louisiana has been devastated."

Israel said he expects that 75-100 dealerships are completely shut down right now,

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Ways to Help With Hurricane Katrina Relief Efforts

NADCF Emergency Relief Fund

Care of

WANADA Community Support Foundation

Make checks payable to WCSF and mail to WANADA or call Barbara Martin at (202) 237-7200.

AIADA's Emergency Relief Auto Jobs

Job seekers and those with job openings are encouraged to contact e-mail autojobs@aiada.org, or call (800) GO-AIADA.

AIADA is also encouraging dealers to visit www.Redcross.org, the official website for the American Red Cross, or call 1-800-HELP-NOW.

Dealerships interested in hosting a hurricane relief event as part of AIADA's Rev-Up America program, going on October 10-22, 2005, can call (800) GO-AIADA or visit: www.aiada.org/rev-upamerica.

Hurricane Relief Efforts *(Continued from page 1)*

and of those, around 50 will be out of business for “months and months.” He estimates that about 30 to 35 percent of the employees in his state will suffer from the loss or damage of personal property.

“We could have employees who do not have a single personal item left, just the items they took with them during the evacuation. People may return home with no house to return to, no car left, and they may not have a job to return to... It could be six months before many dealers reopen doors,” Israel said.

NADA and AIADA were unable to reach dealers in the hard hit coastal areas of Biloxi and Gulfport, Mississippi. But we did speak to Bill Lehman, executive president of the Mississippi Automobile Association, who said dealers in the coastal areas of his state were similarly wiped out. “The human misery is reflected in the thousands of displaced who are relocating in droves to Jackson (MS), which is doubling in size”, he said. “We’re only now starting to communicate with our dealers in the stricken areas who are eternally optimistic about their business future, but don’t know when things will be normal again.”

Automakers Donate Millions to Katrina’s Victims

Early reports show many automakers are responding to the needs of Hurricane Katrina victims by offering services,

vehicles, and money to hard-hit areas:

- **GMAC, Ford Motor Credit, Chrysler Financial, American Honda Finance Corp., Mercedes-Benz Credit, Toyota Financial Services, and Lexus Financial Services** have all announced plans to defer loan and leasing payments of motorists from areas deemed disaster areas. AmeriCredit also said it will work with any customers in the impacted areas who need help with their auto loans.
- With a Titan-Armada plant in Canton, MS, **Nissan North America, Inc.**, announced it would donate \$500,000 in cash to the American Red Cross and provide 30-day leases for 50 full-size trucks to the Mississippi Emergency Management Agency (MEMA) to assist with relief and recovery efforts associated with Hurricane Katrina. In addition, Nissan will match, dollar-for-dollar, employee donations to the Red Cross’s Hurricane 2005 Relief Fund up to a total of \$250,000 in employee contributions.
- **General Motors** said its GM Foundation and GMAC would make a combined immediate cash donation of \$400,000 to the American Red Cross 2005 Hurricane Relief Fund, and has pledged up to an additional \$250,000 in matching funds for contributions made by GM and

GMAC employees through the company's Global Aid Disaster Relief Web site,

www.gmability.com. GM is also making more than 150 cars and trucks available for use by the American Red Cross, and said OnStar has opened up its full-range of services for customers in the affected area.

- **Toyota** companies in America and Japan and its distributorships announced a \$5 million contribution directed to Hurricane Katrina disaster relief. The American Red Cross will receive \$3 million, while another \$2 million will be used to establish the Friedkin Disaster Relief Fund to aid Toyota and dealership employees and their families with both immediate and long-term needs resulting from Hurricane Katrina. Employee donations to either fund will be fully matched.

- **American Honda** will match donations made by its employees, contractors, temporary employees and retirees to the American Red Cross - Disaster Relief Fund on a dollar-for-dollar basis with no total limit to contributions. The company has also made available to the American Red Cross 20 12,000-watt Honda generators for use at emergency relief centers around the country.

The WANADA Bulletin will bring you updates on Hurricane Katrina relief efforts by manufacturers and dealers as they develop.

RESEARCH UPDATES**Kelley Study Says 62% of New-Vehicle Shoppers Prefer Set Price**

More than half of new-vehicle shoppers say they want a more simplified car-buying process, preferring pre-determined, no-haggle pricing such as employee discounts and zero-percent financing, according to a recent study by Kelley Blue Book Marketing Research.

The August 2005 *Kelley Blue Book New-Vehicle Buyer Attitudes Study on Purchasing and Pricing* shows 62 percent of new-vehicle shoppers would rather go to a dealer with a single, set price than engage in negotiations. In addition, the most popular incentive continues to be zero-percent financing (which allows for easy-to-calculate monthly payments), with 26 percent of in-market car shoppers citing it as the most appealing offer.

But the appeal of zero-percent financing has slipped significantly from April 2003, when 41 percent found it most appealing. According to the study, this 15-point drop primarily is due to the employee pricing programs that now are available in 2005. Today, employee pricing programs are viewed as most appealing by 21 percent of shoppers.

Although the majority of new-vehicle shoppers would rather not engage in negotiations with dealers, most view the process as inevitable. When faced with the prospect of negotiation today, people are more likely to use dealer

invoice price as their basis for negotiation than in April 2003, when only 50 percent of consumers planned to start their negotiating strategy with invoice price. Today, 59 percent of consumers say they plan to start their negotiations with invoice price, only 21 percent of vehicle shoppers plan to start negotiations with MSRP, and 76 percent of shoppers disagree that paying full MSRP is a "fair" price, up from 65 percent in 2003.

Nearly half (49 percent) of in-market vehicle shoppers feel that a "fair" dealer profit is between \$500 - \$1,000 per vehicle, similar to levels seen in 2003. Twenty-one percent currently think a "fair" dealer profit is less than \$500, and 17 percent think that \$1,001 - \$1,500 is "fair."

The August 2005 study also found that younger shoppers tend to exhibit key differences in their desires related to pricing

and negotiations. In-market vehicle shoppers, age 29 and younger, are more apt to prefer negotiating with the dealer and more likely to negotiate based on the price of their monthly payment, as they find low monthly payments the most appealing offer. They also are more likely to agree that paying MSRP is fair compared to their older counterparts.

The survey was administered via the Internet on www.kbb.com from August 16-19, 2005, to 516 in-market vehicle shoppers planning to purchase or lease a new vehicle in the next 12 months. The same study was administered from April 10-13, 2003, to 454 in-market vehicle shoppers on www.kbb.com. For more information on this study or other Kelley Blue Book New-Vehicle Buyer Attitude Studies visit www.kbb.com.

Consumer Searches for Fuel-Efficient Vehicles Soar

With the national average of gas prices above \$2.60 a gallon, consumer searches and inquiries to dealers for fuel-efficient vehicles have soared, according to cars.com recent Consumer Search Index. The Toyota Prius has cracked the Top 10 in number of vehicle searches and dealer inquiries, said cars.com executives. Other vehicles showing significant increases in search numbers include the Chevrolet/Geo Metro, Toyota Echo, Honda Insight and Scion xA. Company executives said the Hummer H3 is the only sports-utility vehicle to see consumer searches increase over the last month.

Meanwhile, SUVs have seen a dramatic decline in the number of searches and quote requests sent to dealerships, cars.com noted.

FOOTNOTES

Used-Car Prices Will Continue Slide Through September

Automakers' employee-pricing deals drove record-high sales of 1.8 million new cars last month, and many dealers are now well stocked with trade-ins, leading to softness in used-car prices. "Prices have fallen at least 5 percent from May to July," said Paul Taylor, NADA chief economist, and they could fall an additional 3 percent this month. He does not expect prices to begin firming up until October.

"But the long-term trend is for stronger used-car pricing after this interlude, as a result of continued economic growth and employment gains," Taylor said.

This just in: Gulf state dealers stricken by Katrina say they can sell as many low priced used cars as they can get!

Auto Affordability Index Remains Steady

The purchase of an average-priced new vehicle during the second quarter took 24.7 weeks of median family income—virtually unchanged from the first quarter, and from a year ago, according to the Auto Affordability Index, which is compiled by Detroit-based Comerica Bank. Including finance charges, the total cost of buying a typical light vehicle was \$26,315 for the quarter, up 1 percent from the prior quarter and up 3.4 percent from a year ago. Median family income rose by virtually the same amounts in percentage terms. "The affordability of light vehicles has been quite stable over the past 10 quarters," said Dana Johnson, chief economist at Comerica Bank. "Family incomes have been rising faster than vehicle prices, but higher interest rates have increased the cost of financing a new car."

NADART to Launch New Small-Business 401(k) Plan

On Oct. 1, 2005, NADART, NADA's retirement trust group, will debut a new product, the ePlan, which offers an affordable retirement plan option to companies with **10 or fewer employees**. "As a safe harbor 401(k) plan, the ePlan addresses the concerns of these small businesses by combining the extensive use of technology with standardized provisions and low administrative fees," said NADA. Services offered with the ePlan include:

- 20 different investment options from fund families such as Vanguard, T. Rowe Price, Legg Mason and Gabelli
- 24/7 account access via the Internet
- Comprehensive educational materials for each eligible participant
- Personalized online investment advice provided by the renowned Morningstar Associates, LLC.
- Trustee services through FBR National Trust Company.

For more information, please call 800/248-6232, Ext. 7254, or e-mail nadart401k@nada.org.

Reflections from the Week of September 4, 2005...

"You really can't imagine it here. It's total devastation."

—**Bob Israel**, Louisiana Automobile Dealers Association
on Hurricane Katrina

"Government's main job is to protect citizens. Government failed, at all levels, to protect people with this hurricane."

—**Tim Russert**, NBC News on Katrina

"I'm going to change the government."
(Attributed to a young Rehnquist when asked
what he wanted to do when he grew up.)

— **Chief Justice William H. Rehnquist** (1924-2005)