



THE WANADA BULLETIN

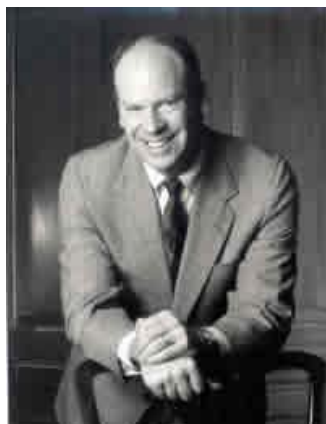
NEWS AND INFORMATION FOR AND ABOUT FRANCHISED NEW CAR DEALERS IN THE WASHINGTON AREA

WANADA Bulletin # 40-06

October 5, 2006

MAKE YOUR RESERVATION TODAY!

Knight Kiplinger to Keynote WANADA Luncheon, Nov. 14



Knight Kiplinger

In a repeat appearance for WANADA, Knight Kiplinger, one of America's most respected economic journalists and business forecasters, will be the featured speaker at WANADA's Annual Meeting and Luncheon, Tuesday, Nov. 14, 2006, at the McLean Hilton in Tysons Corner, Virginia.

Kiplinger is the editor in chief of *The Kiplinger Letter*, *Kiplinger's Personal Finance Magazine* and *KiplingerForecasts.com*. In his writing, speeches and appearances on major TV and radio networks, he cuts through the complexity of financial subjects with clarity and foresight. Washington Area new car dealer principals, kindred-line affiliates, associates, key managers, and business friends will not want to miss his informative and animated take on today's fast-changing financial and political environment.

A graduate of Cornell University who did graduate study in international affairs at the Woodrow Wilson School of Princeton University, Kiplinger came to Kiplinger Publications in 1983, following 13 years in newspaper journalism as a Washington correspondent and editor. For six years he was Washington bureau chief for Ottaway Newspapers, Inc., a chain of 22 daily

papers owned by Dow Jones & Company.

In the late 1980s, Kiplinger co-authored two best-selling forecast books which contradicted the prevailing pessimism of that time, accurately predicting that the United States would set the global pace for economic growth and technology leadership in the 1990s. He, of course, was right. In his most recent books, he forecast that the U.S. will continue to benefit from soaring productivity and surging trade with the expanding economies of Asia, Latin America and Eastern Europe.

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STATE LEGISLATIVE UPDATE

VA Transportation Funding Fails in Special Session

If there is a funding solution to highway gridlock in the region and across the state, it failed to materialize in the Special Session of the Virginia General Assembly, which ended abruptly last week. Lawmakers cut short the Special Session on transportation called for by Gov. Timothy M. Kaine after the State Senate rejected a \$2.4 billion House of Delegates plan.



The deep split between Republican leaders in the House and Senate that emerged in January carried over to the special session, *The Washington Post* reported. Conservative House Republican combination of borrowing and existing revenue.

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STATE LEGISLATIVE UPDATE**VA Transportation Funding**

Moderate Senate GOP leaders, supported by many (Continued from page 1)

Democrats and Kaine, favored tax and fee increases – including a proposed increase in vehicle titling tax, which has been opposed by Virginia dealers.

No deal will leave several Northern Virginia priorities unfunded, according to local transportation advocates, to include adding rail cars for Metro, widening Interstate 66 inside the Capital Beltway and widening Interstate 95 south of the Springfield Mixing Bowl. Lawmakers also did not concur on a plan to match \$50 million in annual federal funds for Metro operations.

Several lawmakers told *The Post* that the impasse will increase pressure from voters, who have made it clear in polls that congestion relief is a top priority. If nothing else, the Special Session is apt to turn up the heat on transportation as a political priority going forward.

Transportation funding is likely to remain high on the agenda for the General Assembly next year, when all 140 seats will be up for election.

WANADA ANNUAL LUNCHEON**Kiplinger** *(Continued from page 1)*

Kiplinger is a frequent guest on CNN, Fox and CNBC, among others, and he has appeared on "Wall Street Week with Louis Rukeyser," "The Today Show," "CBS This Morning" and Larry King. He is an occasional commentator on "Marketplace," the daily business report heard on PBS nationwide.

Come and hear one of the leading investment and economic speakers of our day in what promises to be one of WANADA's best Annual Luncheons yet! The meeting will also feature an association update and election of 2007 WANADA officers and directors to the WANADA Board.

For more information, see the detail and RSVP sheet enclosed with this WANADA Bulletin.

Contact Ruby Gerald at (202) 237-7200 or e-mail rg@wanada.org.

FEDERAL LEGISLATIVE UPDATE**Bipartisan Support for Total-Loss Disclosure Bills Grows in Congress**

In the short time since NADA-backed vehicle total-loss disclosure, legislation was introduced



in both the House and Senate with a growing number of lawmakers adding their support to the bill.

Sen. Trent Lott (R-Miss.), who introduced the Senate bill (S. 3707), has added Sens. George Allen (R-Va.), Mel Martinez (R-Fla.), John Ensign (R-Nev.), Rick Santorum (R-Pa.) and David Vitter (R-La.) as cosponsors of the initiative, which would require that totaled, flood-damaged and stolen vehicles be permanently "red-flagged" in publicly accessible databases. This would give consumers and dealers more complete pictures of the history of these vehicles.

Meanwhile, the House bill (H.R. 6093) has attracted seven cosponsors only one week after Rep. Cliff Stearns (R-Fla.) introduced it. Reps. John Campbell (R-Calif.), John Mica (R-Fla.), Neil Abercrombie (D-Hawaii), Charlie Bass (R-N.H.), Robert Brady (D-Pa.), Marsha Blackburn (R-Tenn.) and Gwen Moore (D-Wis.) have all signed on to the bill.

Although Congress will recess briefly before the November elections, there is still plenty of time for senators and representatives to cosponsor S. 3707 and H.R. 6093 before the end of the legislative session.

NADA encourages all dealers to contact their senators and representatives to ask them to cosponsor this important legislation, which will help consumers and dealers make more informed decisions about the safety and fair market value of used cars.

For more information, contact John O'Donnell in the WANADA office at (202) 237-7200.

NADA MONTHLY DEALER OPERATIONS COMMENTARY

Service and Parts: A Profitable Relationship

Service and parts are mutually dependent. Service needs parts in order to repair and maintain vehicles for customers and for the used-vehicle department. Thus a portion of the dollar amount of every service sale is a parts sale. Parts needs service because the service department is the parts department's best customer. You can prove that for yourself, using your financial statement for any month.

Parts Department Sales and Sales Distribution, Month-to-Date

<i>Category</i>	Sales in Dollars	Percent of Total
Repair Order	\$	%
Repair Order Body Shop	\$	%
Counter Retail	\$	%
Warranty	\$	%
Internal	\$	%
Wholesale	\$	%
Total Department (MTD)	\$	%

Except for counter and wholesale sales, parts sales come from the service department. In the average dealership, 70 to 80 percent of the parts department's business is generated by service sales patterns—and thus 70 to 80 percent of parts' potential for profit comes from service sales.

The most successful dealers retain the following percentages of their gross parts sales:

- Repair orders: 41%
- Repair orders (body shop): 30%
- Counter retail: 41%
- Warranty: 28+%
- Internal: 41%
- Wholesale: 25%

Overall, the parts department should be running at about 38 percent gross retention. If your parts department is not holding its gross, chances are the problem lies in internal, warranty, and/or counter retail sales retention. Usually, internal sales—parts sold to the used-vehicle department—are the problem. They should be treated exactly the same as retail sales; as with internal labor, do not discount internal parts sales. Counter retail problems may be traced to discounting or high sales of such accessories as coffee mugs, key chains, etc. If the percentage is low on warranty parts, the parts department may not be stocking sufficient parts. Monitoring parts orders to ascertain availability is one of the service manager's responsibilities. The service manager also must track labor sales lost due to lack of parts; the parts manager needs to know what to stock. The parts manager can run a "Repair Order Fill Rate" report from the in-house computer system; parts must also track all lost sales.

Finally, let's consider the parts to labor ratio. Using the data from your dealership's financial statement, extract the figures for parts sales in each category (customer, warranty, and internal), and do the same for labor sales. Your parts sales divided by your labor sales gives you the parts to labor ratio. Parts cost about the same everywhere; labor rates can vary dramatically. You should aim for the following parts to labor ratios:

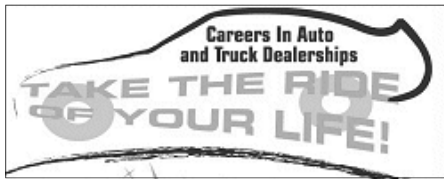
- Customer-pay: \$.80 Parts/Labor (for every \$1 of labor, you should sell 80 cents of parts)
- Warranty: Expense per unit repaired should be equal to or less than the zone average
- Internal: \$.80 (assuming retail charges; certified used-vehicles increase the Parts/Labor ratio)

It is to the advantage of both the service and parts departments that their managers understand how one department affects the other, and work together to the benefit of both.

This article is taken from NADA's Management Education's *A Dealer's Guide to the Three P's of Effective Service Management: Product, Productivity, Personnel (SP23)*.

GET ON BOARD!

October is Automotive Career Month



Students across the U.S. will learn about the wide variety of career opportunities available in automobile and truck dealerships during Automotive Career Month in October — an initiative sponsored by NADA. Young people participating in Automotive Career Month will receive a "behind-the-scenes" tour of a new car or truck dealership in their community to see first-hand how the business works in all areas of its operation. During the event, they will have an opportunity to interact directly with dealership em-

ployees and view a new video on auto careers.

More than 104,000 positions are available at new car and truck dealerships nationwide, according to a 2006 survey by Harris Interactive, sponsored by the industry group Automotive Retailing Today. Last year, more than 700 dealerships in 44 states participated in Automotive Career week. This year, the event has been expanded to an entire month, and NADA's goal is 1,000 events, with at least one event held in *every* state.

Participating in Automotive Career Month activities is a great way to reach a new pool of talent and boost a dealership's professional image as an involved member of the local community. NADA makes it easy to participate with its free 2006 Automotive Career Month kit, available at www.nada.org/careers (click "Dealers"). You can download the kit or order a hard copy. You can also download Automotive Career Month ads for print or for your Web site, or order career videos to show students, parents and educators. You may also contact NADA at (800) 248-6232, ext. 7147.

In addition, **NADA has partnered with AYES during Career Month**, and each of the AYES affiliated schools will be holding a "Meeting in a Box" (MIAB) to get more dealers involved with the local AYES School at a special meeting at which the many benefits of AYES are explained to them.

"Each school will be scheduling meetings during October to hitchhike on NADA's Career Week, and my effort will be to get them to invite their AYES School to their dealership for their NADA event," said Richard (Ric) Glenn, Washington coordinator for AYES, who has offered to help dealers participate in the upcoming events. "And it's not only for prospective technicians but parts staff, F&I, IT, and sales operations as well," he adds. For more information contact Mr. Glenn at (301) 730-9960, or e-mail him at rglenn8199@aol.com.

Position Wanted – General Manager: Individual with over 22 years of automobile experience, with the last 12 years running a new car franchise in the Washington area, is seeking a similar position. This candidate boasts expertise in all aspects of dealership management and has solid references. This individual resides in Loudoun County. For more information, contact John O'Donnell at WANADA, (202) 237-7200.

Thought for the Week...

The strength of the automobile industry in this country is 100 years of development of the American automobile dealer.

—Keith E. Crain,

Publisher and editor-in-chief, Automotive News
to the JD Power Symposium, Paris France

Enclosure

WANADA Annual Meeting & Luncheon detail and RSVP sheet