THE WANADA BULLETIN

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

WANADA Bulletin # 42-04 **October 20, 2004**

POLK SALES REPORT

Area Dealers Enjoy Strong 2nd Quarter Sales

Truck Sales Nearly Equal to Cars

Washington area new automobile dealers continue to enjoy strong sales in the second quarter of 2004 with total new vehicle sales of 82,612, compared to 79,891 for the second quarter of 2003 – a gain of 3.4%. First half sales were even more impressive: 157, 922 for 2004 vs. 148, 229 for 2003, a solid gain of 6.5%, according to Washington market figures compiled by R. L. Polk.

Again, it was light trucks that led the way with a 6.8% increase over 2003 second quarter sales – 39,239 total sales for 2004 compared to 36,745 for 2003. Rising gas prices may have dampened the strong first quarter surge in total truck sales (up 23% over 2003), but first half sales of 77,551 were still up a spectacular 14.2% over 67,899 sales in 2003. In fact, the Washington region, like the rest of the

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WANADA Area Sales Report
2nd Quarter 2004 vs. 2003

Vehicles	'03 Sales	'04 Sales	1st. Half
	(% Change From Previous Year)		
Domestic Cars	12,954	14,331 (+10.6%)	24,819 (+10.2%)
Import Cars	30,192	29,042 (-3.8%)	55,552 (-3.9%)
Total Cars	43,146	43,373 (+0.5)	80,371 (+0.1%)
Domestic Trucks	21,061	22,422 (+6.5%)	43,358 (+13.3%)
Import Trucks	15,684	16,817 (+7.2%)	34,193 (+15.5%)
Total Light Duty Trucks	36,745	39,239 (+6.8%)	77,551 (+14.2%)
Total Cars & Trucks	79,891	82,612 (+3.4%)	157,922 (+6.5%)

Source: R.L. Polk Company, by contract with WANADA

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INSURANCE UPDATE

Latest Data Show Employers to Pay 11 Percent More For Healthcare in 2005

According to data released by national employer benefits consultant Hewitt Associates, employer healthcare costs will increase by 11 percent in 2005, "the fifth consecutive year of double-digit increases," reports the Detroit Free Press.

"The projected 11.3 percent increase for 2005 is smaller than 2004's actual average increase of 12.3 percent and indicates costs may be moderating as a result of cost-savings initiatives employers implemented to stress prevention and wellness," say Hewitt analysts.

"Nevertheless, costs are expected to increase between 8 and 12 percent in each of the next five years," said Jeff Nielson, senior benefits consultant in Hewitt Associates' Detroit office. According to Nielson, employers have adjusted for these increases "by shifting more of the costs to workers in the form of premium sharing, higher deductibles and co-payments for prescription drugs and visits to the doctor and emergency rooms."

Hewitt said the average cost of insuring an employee in southeast Michigan will be $7,851 in 2005, up $799 from this year and a few hundred dollars higher than the national average of $7,542. Employees will pay about $1,481 of that through payroll deductions. "That's nearly $200 more than this year and about 19.5 percent of the total cost," he pointed out. So, in turn, "by making employees pay more out-of-pocket costs (through higher premiums, co-payments and deductibles) employers are moving their workers toward so-called consumer-directed plans. In such plans, insurance coverage kicks in after the worker has met high deductible levels. At that point, the employer starts paying part of the cost," said Hewitt.

A benefit of this option, according to the Free Press, is "many of these consumer-directed plans are paired with health savings accounts that allow people to save pretax dollars toward their health costs. The accounts can build up over years and follow the worker to another employer or retirement."

2nd Quarter Sales

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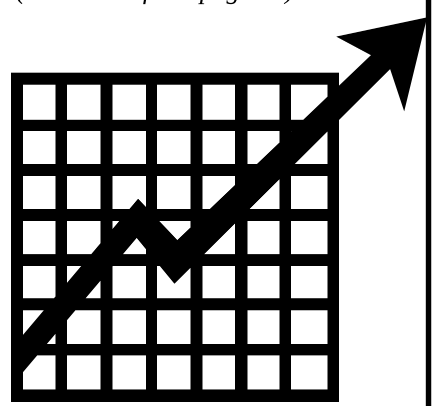
country, is close to becoming a 50/50 car/truck market.

Continuing incentives on domestic cars resulted in another strong quarter, with second quarter sales up 10.6% over last year, 14,331 vs. 12,954, for a total first half gain of 10.2%, 24,819 vs. 22,513 in 2003.

This offset a slight 3.8% second quarter *decline* in import car sales, 29,042 vs. 30,192, for a first half slide of 3.9%, 55,552 vs. 57,817 in 2003. Total new car sales are about even with last year: 43,373 vs. 43,146 (up 0.5% for the first quarter; 80,371 vs. 80,330 (up 0.1%) for the first half.

However, import cars still represented 70% of total new car sales in the DC metro area in the second quarter and 72% in the first half of 2004.

Total unit sales for April,



May and June were 24,210 (-6.1% vs. 2003), 30,217 (+8.6%), and 31,334 (+19.2%), respectively.

A more detailed, monthly sales summary sheet is enclosed with this WANADA Bulletin, and also is available on the "Members Center" area of our Web site, www.wanada.org. Use "WANADA" for the user name and "Auto" for the password, click on "General Information," then "Marketing and Sales Data."

INDUSTRY TRENDS

Only 40% of Dealerships Still Have Body Shops

Stung by equipment, staffing and environmental issues, USA Today reports that only 40% of the more than 21,000 new automobile dealers have a collision repair shop, down from 70% in 1974. USA Today cited the following reasons for the loss in body shops:

- Equipment costs have skyrocketed due to greater use of unibodies, which require "precision welds" of sheet metal to maintain the integrity of the car body.
- A lack of skilled painters and other body repair staff. "Body repair and auto painting is a skilled trade that today requires computer knowledge to operate the machinery. But employees with computer skills often can find less demanding work in other businesses," dealers say.
- Insurance companies pay anywhere from $20 to $25 less per hour for body work repair staff than mechanical staff. While labor for mechanical repairs registers at around $60 per hour, body work labor is around $35 or $40.
- Governmental mandates on the environment have required more costly equipment in order to capture chemicals released from paint. In some cases, the costs to upgrade paint booths and frame machines come in at the millions.

For consumers, the pullback in dealer collision repair shops could mean problems in getting wrecked specialty cars repaired, particularly the new gas-electric hybrid vehicles according to USA Today. "While the sheet metal on the hybrids is equivalent to that on similar gasoline-powered cars, the hybrids have unique transmission and motor components that require advanced training to repair."

In addition, consumers also might have to travel farther to get repair work done when dealers either close their body shops or, if they remain in the business, often build a separate facility in a space big enough to handle a large volume of wrecked cars, including ones from brands other than their own.

Rather than getting out of the business completely, USA Today says some dealers are pooling their resources. Four dealers near St. Petersburg, Fla., for instance, invested in a 25,000-square-foot collision shop that will handle customers for all the dealerships.

Luxury Segment Soars in 2004 U.S. Demand Jumps 7 Percent

Sales of the most expensive luxury cars and trucks are "humming" despite rising gasoline prices and a dip in consumer confidence, reports The Detroit News. "While U.S. vehicle sales rose just 1 percent through September, demand for luxury brands jumped 7 percent, according to market research firm J.D. Power and Associates," said the News.

The luxury segment overall has seen big gains this year. Among the "big gainers" are, "Cadillac, up 10.3 percent; BMW, up 7.2 percent; Lexus, up 12.3 percent; and Porsche, with demand up 14.2 percent during the first nine months of the year" — a rise due, in part, from three factors: status, perceived quality and value.

"If a car has a very good residual value, very often it has an attractive lease," said Baron Meade, president of Detroit's Meade Group and owner of one Dodge and two Lexus dealerships. "It makes people shopping lease payments in the same range of payments as those looking at midline makes."

According to the News, "Sticker price and cash rebates mean much less to these buyers than the ability of Lexus vehicles to hold their value over time." Moreover, Art Spinella of CNW Marketing Research says, "the winners have maintained or improved quality and styling, or introduced interesting new products, while the losers have mostly suffered self-inflicted wounds."

But the News reminds the industry; "that situation should be temporary, though, as all of the luxury brands get ready to launch new products."

REGULATORY UPDATES

FCC Delays More Restrictive Fax Advertising Rules

At the request of the Fax Ban Coalition, of which NADA is a member, the Federal Communications Commission has delayed the effective date of its amended fax advertising rules from Jan. 1, 2005 to July 1, 2005. The amended rules only permit sending fax advertisements to recipients who have provided the sender with signed, written permission to receive the faxes. The permission must clearly indicate the recipient's consent to receive the fax and the recipient's fax number. The amended rules do not permit businesses to send fax advertisements on the basis of an established business relationship. The six-month delay provides the Fax Ban Coalition with additional time to pursue legislation that, among other things, would preserve the established business relationship as a basis for sending fax ads. The legislation (H.R.4600 and S.2603) has passed the House and the Senate Commerce Committee but has not been brought to the Senate floor for a vote. The FCC order is available at: http://hraunfoss.fcc.gov/edocs_public/attachmatch/FCC-04-223A1.doc.

FCC Now Requires Monthly Download Of DNC Registry

Beginning January 1, telephone marketers must use a version of the National Do-Not-Call Registry that is no more than 31 days old at the time they initiate a telephone solicitation, according to NADA. Currently, marketers must use a version that is no more than three months old. NADA and others have successfully persuaded the Federal Communications Commission and the Federal Trade Commission (which jointly enforce the National DNC rules) to provide an alternative to the burdensome download requirement. The agencies clarified that marketers who register and pay the annual fee to use the registry do not have to conduct an initial or subsequent download of the database "if they use only the single-number look-up feature to screen their outgoing telephone solicitations." Dealerships that use this feature must maintain and record a list of telephone numbers obtained using the single-number look-up feature and document the process. The FCC order announcing the change is available at http://hraunfoss.fcc.gov/edocs_public/attachmatch/FCC-04-204A1.pdf.

Staying Ahead…

When the politicians complain that TV turns the proceedings into a circus, it should be made clear that the circus was already there, and that TV has merely demonstrated that not all the performers are well trained.

—Edward R. Murrow

Enclosure

2nd Quarter Sales Report