

THE WANADA BULLETIN

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

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****SPECIAL EDITION: 2004 NADA CONVENTION****

New NADA Chairman Smith to Continue Push for CSI Changes



Incoming NADA Chairman
Charley Smith

“The CSI issue isn’t going away,” incoming NADA chairman Charley Smith told dealers in his inaugural speech at the NADA Convention. He will continue predecessor Alan Starling’s efforts to get automakers to revise their current CSI surveys that force dealers to chase scores instead of focusing on customers, and give consumers a bad case of survey fatigue.

“We will continue to urge manufacturers to work with their dealers to improve CSI,” said Smith, owner of Watson Truck and Supply in Hobbs, NM.

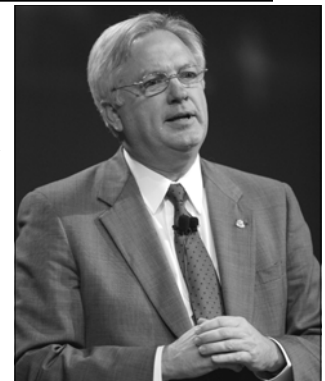
To help build consumer trust, Smith told dealers “we need to do a better job of educating the consumer about auto financing” and “recognize the need for greater transparency in dealer-assisted financing.” (NADA’s board of directors

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Starling: Give Dealers R-E-S-P-E-C-T

Respect. It’s what dealers deserve from automakers, government, and the media, said outgoing NADA chairman Alan Starling during the opening session of the 2004 NADA Convention. “The auto retail industry has contributed a great deal to the country’s economy and growth, and dealers deserve more credit than we get,” he said.

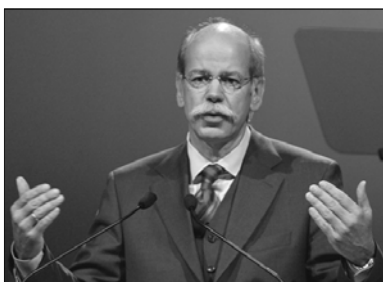
Manufacturers need to acknowledge that selling cars and trucks is “enormously complex,” and that their dealers are the experts. Retailers work closer to consumers than anyone and know what it takes to satisfy them, Starling says. “So please give our business the respect it deserves.”



Outgoing NADA Chairman
Alan Starling.

(Continued on page 2)

Chrysler’s Zetsche Predicts “Tidal Wave of New Products”



Chrysler Group CEO Dieter Zetsche

Chrysler Group president and CEO Dieter Zetsche announced the auto industry’s return to great products and stressed the need for cooperation, mutual success and respect between automakers and dealers in 2004, a year that Zetsche described as the year of the “product wars.”

In his keynote address at the NADA Convention, Zetsche said that “with so many new products coming to showrooms, the time may have finally come for us to put less emphasis

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2004 NADA CONVENTION

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voted unanimously that dealers should disclose that they earn money for arranging financing.)

Smith urged dealers to better train the sales staff with NADA's Salesperson Certification program and to adopt NADA's voluntary code of ethics. "Keep it on display and in practice," he said.

Smith also plans to focus this year on educational issues, such as growing the Automotive Youth Educational Systems (AYES), a nonprofit organization supported by dealers and automakers that encourages young people to enter automotive careers. He asked dealers to visit local high schools and community colleges to educate guidance counselors, school administrators, and parents about the career opportunities at dealerships.

And NADA is involved with "Hire the Heroes"—another battlefront to combat the labor shortage facing dealerships—said Smith. "Recent veterans are technologically savvy and highly motivated," said Smith. "Their skills can easily adapt to auto repair careers." Soon, recent vets will be hired at dealerships around the country.

Starling *(Continued from page 1)*

Government should also give dealers their due, given that they collect and pay more taxes and employ more workers than any other retail sector of the U.S.

economy, said Starling. The auto industry has helped pull the U.S. economy "out of the ditch" over the past few years, averting a longer, more serious recession. "We don't just drive America—we drive the American economy." As a result, government has begun listening to the industry, he said.

And the media should stop focusing on the bad apples in the industry, who, Starling said, get a disproportionate amount of attention. "Sometimes it feels like our industry is a punching bag." Dealers make plenty of positive, newsworthy contributions to their communities, for example, by promoting child safety seats.

"Respect is a two-way street," he noted. "In other words, if you want to get it, you need to give it. I'm proud to say that today's dealers understand the importance of manufacturers, government and the media. We show our respect by communicating. As dealers, we can never stop communicating with any of our constituencies."

Starling added that his most satisfying mission this year was working to get automaker CSI surveys revised. "CSI doesn't work as intended—it's become a gimmick, a marketing tool at best." Starling met with major automakers over the course of the year and was encouraged to hear many of them say, "This really is an area that needs improvement." *Source: Autoexecmag.com*

"We don't just drive America—we drive the American economy."

Zetsche

(Continued from page 1)

on selling 'the deal', and more emphasis on selling the product." He added that, "Given the tidal wave of new product heading for dealer showrooms and favorable economic conditions, we see U.S. auto sales for 2004 heading north of 17 million units – with positive growth for the first time in four years."

Zetsche offered a ringing endorsement of the franchise system. "If I were invited back to this conference twenty-five years from now, I'm sure I'd find the franchise dealer system alive and well, evolving and adapting, and as strong as ever – probably stronger still."

Zetsche believes that the vehicles that will lead the product wars and, therefore, truly resonate with customers will be those scoring the highest in six categories including styling, innovation, safety, environment, quality and value.

On the issue of quality, Zetsche said, "We're all well aware of the quality gap that has existed far too long between domestic automakers and the best of the Japanese automakers." He said the Chrysler Group is well on its way to eliminating the gap, in part by creating tougher, more exacting standards and internal measurements. Zetsche said the Chrysler Group is on target to close the quality gap by 2007.

Zetsche concluded his address by underscoring the unique market climate and wealth of new products and the resulting opportunities for success. "There's no better time for us all to get our hearts, minds and energy back into the great business of building, selling and servicing cars and trucks," he said.

**2004 NADA CONVENTION
WANADA DEALERS IN THE SPOTLIGHT**

**WANADA Salutes 2004
TMQDA John Darvish**

For his clear success as a multi-franchised dealer and longstanding commitment to his industry and community, John Darvish, president and founder of DARCARS, was named for the prestigious Time Magazine Quality Dealer Award last week at the NADA convention in Las Vegas.

A highly resourceful and successful businessman, Darvish and DARCARS are well known as one of the Washington Area's most charitable and civic-minded, contributing time, talent and funds to over 30 local and national organizations. WANADA offers its hardest congratulations to John Darvish on the well deserved recognition.



TMQDA winner John Darvish and wife Judy (center), flanked by John, Jr. and Tammy (left), Jennifer and Jamie (right)



Jack Fitzgerald receives ISO 9001:2000 Certification for Fitzgerald Auto Malls from John Sedlak of Smithers Quality Assessments, Inc. (left) and Howard Butz, Jr., of Towson University joins in the presentation.

**Fitzgerald Group Wins ISO Certification
For "Process Based" Management**

Looking for a better CSI program than those offered by automakers, Jack Fitzgerald of Fitzgerald Auto Malls was at the NADA Convention to receive official ISO 9001:2000 Certification for his 12 stores and 35 franchises. Fitzgerald Auto Malls is the first multi-location dealer group to achieve the highly regarded designation, given by the Geneva-based International Organization for Standardization. Businesses achieve certification by implementing a stringent set of principles and practices, including how well—and consistently—they treat customers.

With help from Towson University's College of Business and Economic Outreach, Fitzgerald instituted a system called Process Based Management (PBM), which gathers feedback immediately with a secure, non-time-consuming survey that customers can respond to online, by mail, or in person — as opposed to manufacturer CSI results that typically take weeks or even months to reach the dealership. Getting real-time input allows the dealership to troubleshoot any problems immediately. And because the survey system is secure, the results can't be manipulated.

Redden Receives Northwood Education Award



Harold Redden of Fitzgerald Auto Malls was recognized with the Northwood Dealer Education Award for his significant contributions to the WANADA-sponsored Montgomery County Automotive Career Technologies Foundation (ACT). A graduate of Montgomery County Public Schools vocational education programs — and still a fully certified ASE technician, Redden was also in the spotlight for his special commitment to auto tech training over the course of his career.

2004 NADA CONVENTION

About 500 Attend Tri-Dealer Association Reception

Las Vegas is a city devoted to having a good time, but it was hard to beat the MNCTDA/WANADA/VADA reception at the VooDoo Lounge high atop the Rio Hotel. We had it all — a fabulous, panoramic view of Vegas at night, indigenous show girls, fine food and flowing cocktails, even a psychic reader. And that’s not to mention the spirited camaraderie of an estimated 500 dealer members and friends from this region who stopped by as Super Bowl XXXVIII was winding down.



WANADA Chairman Dennis Rippeon (above), and wife Priscilla take in the Vegas nightscape from the VooDoo terrace, while John Darvish, (above right) WANADA’s TMQDA winner, enjoys some striking company.



NADA economist Paul Taylor (left) receives an informed second opinion from the psychic reader, while WANADA CEO Gerry Murphy wants to know if he should stay out of the casinos while he’s ahead.



MNCTDA CEO Pete Kitzmiller (above, left) and NADA’s Paul Metrey with reception’s top attractions. Joe and Michael Paul (left) with Koons family: Jim and wife Cece (right) and daughters Krystal (left center) and Tiffany.

2004 NADA CONVENTION

VooDoo to others as you'd have them VooDoo to you ...

We wish we could show and name them all, but here's a sample of attendees from the Tri-Dealer Association's party .



SunTrust's Dennis Stough (above, left) with Geoff Pohanka and wife Anne, and former NADA and VADA Chairman Dick Strauss and wife Lucille.



Recent NADA Chairman Carter Myers, Jack Fitzgerald and John Bowis; Dick and Barbara Snyder. Below, left, Dave White with Tammy Darvish; Jim Hastings and Bill Lane



From top down: Karen and Dudley Dworcken; sponsor Fred Brennan of SunTrust, Carol Bolling and Charlie Stringfellow; Mike Charapp with wife Charlotte and daughter Barrie; and Morty Zetlin flanked by his daughter Donna (left) and wife Cynthia

The Three Associations Greatly Appreciate the Generous Support of the Sponsors:

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2004 NADA CONVENTION

NADA's Taylor Says New-Car Sales Will Hit 16.8m in '04

Sales of new cars and light trucks will continue to gain momentum in 2004, on the strength of a recovering economy, favorable interest rates, attractive new designs from auto manufacturers and ongoing generous consumer incentives, according to an economic forecast from NADA Chief Economist Paul Taylor.

Taylor projected that new car and light truck sales will reach 16.8 million in 2004, up from 16.6 million in 2003. "The key to sales over 16.8 million will be the level of customer incentives, particularly on the most intriguing new products," said Taylor. "Interest rates will start to increase in late 2004, and that will offset some of the strength in consumer spending on new light vehicles." He predicted the Federal Reserve Board could raise them as early as November, but definitely in 2005.

"NADA expects incentives to average about \$3,000 per vehicle for the year," he added. "If manufacturers increase incentives, sales approaching 17 million units are clearly possible. At this point, NADA estimates incentives will be very modest on the most popular new vehicle designs, and remain high on older designs, yielding average incentives in 2004 that fall between 2003 and 2002 levels."

Taylor said that used car sales will receive increased attention from franchised new car dealers this year, regardless of how new car sales fare. Steady, but modest, gains in employ-

ment will put many typical used car buyers back in the market. He added that certified cars, one-to-three years old with extended warranties, will be a key segment of the market. Zero percent financing incentives prompted a continuing surge in trade-ins over the last three years.

"Franchised new car dealers have seen strong business growth in certified used cars with extended factory warranties," Taylor stated. "Certified sales have benefited total vehicle sales and assisted growth in warranty service and parts sales in recent years." Parts and service income has also been aided by Internet-based parts sales. New car dealers selling parts via the worldwide web increased to 42 percent last year, from 24 percent two years earlier - a key area of growth for dealership revenue.

In 2003, light trucks made up a record 54.3 percent of total light vehicles sales. Cross-over utility vehicles (CUVs) that provide an SUV look and all-wheel drive, but based on car platforms, are the source of continued growth in the light truck segment, up 34.7 percent last year. Taylor added that CUV sales are likely to increase at rates near 40 percent this year, as new "crossovers" are introduced.

Dealership expenses will continue to rise, said Taylor. Demand for local TV ad spots will increase through this elec-



NADA Chief Economist Paul Taylor.

tion year as candidates air political ads. Last year, dealers' heating, power, and lighting expenses leaped 14 percent; employee expenses, including health care, jumped 8 percent; rent, 7 percent; and data processing, 5 percent. Taylor estimates that dealer profits will fall by one-tenth of 1 percent from last year, standing at 2 percent to 2.1 percent.

Dealers who've been making changes to their operations—such as adding quick-lube lanes and online service appointment scheduling—will reap benefits as the back end will be integral to profits. "You have to capture the customer for a longer period of time," says Taylor.

One of Detroit's ongoing key concerns the past few years has been dollar-to-euro and dollar-to-yen differences, because of their effect on product development and pricing. And added production capacity in China will keep worldwide new-vehicle availability above demand—not a good thing for automakers' bottom lines, but a boon for car buyers.

2004 NADA CONVENTION

ART Launches "Hire The Heroes" Program

U.S. soldiers returning from Iraq will find dealership technician jobs and help returning to civilian life through Automotive Retailing Today's (ART) new "Hire the Heroes" program, launched at the NADA Convention. ART will combine forces with the National Institute for Automotive Service Excellence (ASE) and the U.S. military to help place qualified recent military veterans in auto tech jobs.

A severe shortage of auto technicians is driving the need, explained ART Chairman Jim Willingham. The industry needs 35,000 new, skilled techs each year, and regional shortages reach into as many as 77 percent of new-car dealerships. So ART, a coalition of automakers and dealer associations and the military, will match soon-to-be and recently separated veterans with available jobs in the "Hire the Heroes" initiative. The pool of veterans includes technologically savvy and disciplined workers whose skills may be easily adapted to auto repair positions and other dealership careers, said Willingham.

ASE is joining ART to offer a wide range of tech certification to active and former military, said Trish Serratore, group vice-president for industry relations. The military and the Veterans Administration will foot certification test fees.

Marine Captain Debbie Wood—in charge of the Las Vegas area "Marine for Life" support program—said the "Hire the Heroes" effort can help ease the

jump for the more than 27,000 Marines who separate from active duty each year.

The Army Career and Alumni Program does much the same thing, said Army Chief Warrant Officer Kurt Shultz. Add to that the programs from the Navy and Air Force and a huge potential workforce is ready to work. Shultz noted that military per-

sonnel show up on time, are mission oriented, and respect authority. "Hiring a veteran is one of the best investments an employer can make," he added.

To learn more about "Hire the Heroes," visit www.autoretailing.org/military or call Denise Patton-Pace, ART vice-president and executive director, at (703) 845-1153.

NOTE: Dealers are invited to attend a presentation of the Hire the Heroes program at a press conference and lunch hosted by ART and the Washington Auto Press Association, Wednesday, Feb. 18, 11:30 am, at the National Press Club, 529 14th St., NW, Washington, DC. For more information and reservations, contact Laura Byrne at Strat@Com, (202) 289-2001, or lbyrne@stratacom.net.

ATAEs Hear Tech Training Ideas

Automotive Trade Association Executives (who operate the state and metropolitan dealer associations across the US and Canada) learned about several service department recruiting and training initiatives at their Annual Meeting at the NADA Convention.

- Next month, Automotive Retailing Today plans to start a Website autojobstoday.org—which will have general info about jobs in the auto industry for guidance counselors, educators, techs, parents, and military representatives. A downloadable brochure—to be translated into Spanish later this year—will be available. The new site will be formally announced at a press conference at the National Press Club in Washington, D.C.
- The Institute for Automotive Service Excellence (ASE) has recently started testing and certification for service advisers in the areas of communication skills, damage analysis and estimating, product knowledge, and sales and people skills. More than 5,000 service advisers were certified last year; and the test has been incorporated into some manufacturers' training.
- The Department of Labor's Partnership for Jobs program—encouraging the use of alternative labor pools such as vets and the disabled—has identified the auto industry as a high-growth area for jobs. Starting with a federal budget of \$11.5 billion and \$15 billion spread throughout the states, DOL plans to fund programs that connect workers and employers in innovative ways. One program to be funded is AYES (Automotive Youth Educational Systems), which offers tech training at technical high schools through a partnership of automakers, local dealers, and high schools.

2004 NADA CONVENTION

Gen. Franks Calls US Military Efforts “Spectacular”

Retired Army General Tommy Franks told NADA attendees, “We have never been better served by the people who make up the armed forces than today.” He called recent United States military efforts “spectacular.”

After having led the war in Afghanistan and serving as a senior adviser on military operations to President George W. Bush on Iraq, he said he thinks both operations have been vital to the security of the people of the U.S. and the free world.

Franks says those who question the cost in lives of the ongoing military efforts need to recall what’s at stake. “If the casualties of war are 500 or 5,000 or 50,000 when we’re defending liberty, freedom, and all we hold dear, the price we pay to secure it is simply the price we must pay.”

Frank urged the dealers to educate themselves about the issues and the people who seek office. And to remember “how you felt” after 9/11 and what you want in the future. “We know what happened in the 225 years prior to that day, what we need to know is what we want the next 225 years to look like.” Of his retirement after 38 years of military service, Franks said, “Within 90 days of leaving the service I found out you have to sit in the front seat of a car to go someplace. I also found that I can still jump on a jet and go anyplace in the world, but now I have to pay.”



General Tommy Franks

DEALER ALERT!

Prepare For “60 Minutes” Negative Broadcast on F&I

NADA has learned that CBS plans to broadcast a “60 Minutes” report on car dealers, focusing on alleged discriminatory and deceptive F&I practices at some dealerships. Dealers will want to familiarize themselves with the talking points NADA prepared to help respond to media inquiries, which may ensue. A set from NADA is enclosed herewith. The talking points also were e-mailed and faxed to members, and are available on www.nada.org/talkingpoints.

Please advise WANADA immediately of any contact from Washington Area based media and make certain dealership staff understand that *no one* talks to media without dealer management approval.

Thought for the Week...

“If I were invited back to this conference 25 years from now, I’m sure I’d find the franchise dealer system alive and well, evolving and adapting, and as strong as ever – probably stronger still.”

—Chrysler Group president and CEO Dieter Zetsche

Enclosure

NADA Talking Points to the anticipated CBS broadcast on the automobile business, Feb., 2004