

Headlines...

WANADA nominates Geoff Pohanka as Time Dealer of the Year
Meet WANADA's newest dealer services representative, Billy Painter
VA MVDB reminds dealers to be clear about where vehicles are sold
Prince George's Co Auto Theft Unit looking to partner with auto dealers
DARCARS Nissan in College Park, catches fire
NADA issues priority lobbying list at annual Washington Conference
WANADA has quality entry-level technicians available for hire *today!*
Calculating Net Profit and Fixed Absorption
Thought for the week...

WANADA nominates Geoff Pohanka as Time Dealer of the Year

Considered the auto industry's most prestigious retail honor, the annual TIME Magazine Dealer of the Year Award recognizes outstanding franchised new car dealers and WANADA's nominee for 2012 is Geoff Pohanka of Pohanka Automotive. WANADA, along with state and metro dealer associations in the Automotive Trade Associations network (ATAE), each year puts forth dealers who exemplify sustained success in the automobile business, industry leadership and a strong sense of community. The award is presented to about 50 dealers each year at the annual NADA Convention, coming up in February 2012 in Las Vegas.



Geoff Pohanka

Following his father, Jack Pohanka, Geoff is a third-generation dealer and head of the multi-franchise Pohanka Automotive group with locations throughout the Washington region. Long active in national and regional dealer affairs, he served as chairman of WANADA, 1998-1999, and represented Metropolitan Washington on the National Automobile Dealer Association (NADA) Board of Directors from 2002 -2008. Previously, he served as vice chairman of NADA's Project 2000 Committee, and was a member of the NADA/GM Dealer Advisory Committee, 1993 through 1996. Additionally, he was a member of the Saturn Franchise Operations Team from 1993 through 1995. He is also a past director of the National Institute for Automotive Service Excellence (NIASE) from 1987 through 1994. He chaired the Washington Auto Show in 1994.

In 1991, Geoff was named the winner of the American International Automobile Dealers Association (AIADA) Sports Illustrated All-star Dealer Award in recognition of professional excellence and community leadership. He received the Northwood University Dealer Education Award in 1997.

WANADA salutes Geoff Pohanka on the well-deserved recognition!

Meet WANADA's newest dealer services representative, Billy Painter



Billy Painter

WANADA members will soon be seeing a new face around town and that's Billy Painter who has joined the association's field services staff.

He will be handling dealer personnel training initiatives through the Auto Dealer Education Institute (ADEI), along with an exciting new group service known as the Vehicle Trading Network (VTN), which WANADA is in the process of rolling out to assist dealership used car sales operations.

A graduate of the University of Maryland, Billy joined the WANADA staff team in August after a successful career in the insurance business, and has now begun his initial visits to all WANADA dealer and

Kindred-line members, both to introduce himself and hear firsthand what members need from their association.

"Billy is a stand-up guy and great addition to the professional staff with a definite flair for customer service, which I believe will endear him to our members," said WANADA CEO, Gerard Murphy. Contact Billy Painter at (202) 237-7200 ext. 17 or at bp@wanada.org.

VA MVDB reminds dealers to be clear about where vehicles are sold

Virginia multi-franchise dealers are reminded that it is unlawful to advertise new cars of one brand as being available at a dealership of another brand. The issue came to light at a recent Virginia Motor Vehicle Dealer Board (MVDB) meeting involving newspaper advertisements.

The MVDB took no action on the matter because the newspaper took responsibility for the mistake. The Board's executive director noted, however, that despite most franchised dealers taking care to ensure their advertising is clear as to where new vehicles are available for sale, MVDB will "continue to look at the issue carefully."

Additionally, MVDB's Dealer Practices Committee considered six cases involving independent dealers who had record keeping violations resulting in heavy civil penalty fines and license suspensions.

The MVDB's Licensing Committee considered a case involving a salesperson with a criminal background who had his license granted at a previous dealership on the condition that he notify the Board of any change so that the Board could ensure that future dealer employers knew of his criminal background. When he failed to notify the Board that he changed jobs, the Board suspended his sales license for 60 days.

Prince George's Co Auto Theft Unit looking to partner with auto dealers

The Prince George's County Police Department's Auto Theft Unit has reorganized to more effectively investigate theft schemes involving automobiles, motorcycles and construction equipment. The department is also working closely with the insurance industry to investigate insurance fraud relating to false reports of motor vehicle theft.

As part of that overall effort, Prince George's police are reaching out to county automobile dealerships to build a partnership with the investigative components of the department.

Detective James Mitchell is spearheading this effort and has asked WANADA to notify members in Prince George's members that he will be visiting them to introduce himself.

Prince George's County dealers should continue to report theft incidents as soon as they arise and take care to have the responding officer complete the initial report. The new non-emergency telephone number to the Prince George's County Police Department is (301) 352-1200.

To contact Det. Mitchell directly, please call 240-695-4471 or email him at JAMitchell@co.pg.md.us.

DARCARS Nissan in College Park catches fire No one hurt and store reopens next day

DARCARS Nissan in College Park, MD caught on fire on Sunday night September 16, 2011 after an electrical malfunction caused the roof of the building to catch fire. About 40 firefighters from seven different area squadrons doused the flames in 15 to 20 minutes, but not before an estimated \$100,000 in damage to the interior ceiling of the building resulted.

Because no one was inside the building, there were no injuries, and business resumed as usual on Monday. Dealership general manager Sam Darvish said he was glad the fire didn't occur during regular hours.

"Thank God nobody got hurt; everyone is safe," Darvish said.

NADA issues priority lobbying list at annual Washington Conference

The National Automobile Dealers Association (NADA) held its annual Washington Conference here this week, bringing together NADA Board members and automobile dealer association leaders from around the country for a two-day information exchange and Capitol Hill lobbying effort on issues critical to the automotive retailing industry.

WANADA chairman George Doetsch, NADA director Tamara Darvish, association senior staff Gerard Murphy, John O'Donnell and Jake Kelderman represented the organization at the event, which was headlined by a presentation from Speaker of the House, John Boehner (R-OH).

Rep. Boehner told the attendees that he saw some areas where the House might move forward with President Obama's "Jobs Proposal," but that tax increases would not be included in that. "Only in Washington can you propose creating jobs by raising taxes," he said.

NADA president Phil Brady said the association would focus its considerable lobbying muscle on the following issues over the course of the next twelve months:

Fuel Economy Standards Should Reflect Consumer Demand. NADA supports efforts to return the regulation of fuel economy to a single regulator (NHTSA). NADA backs an amendment by Rep. Steve Austria (R-OH) that for one year: (1) curbs EPA's overreach by requiring that increases in fuel economy after MY 2017 are conducted according to the NHTSA program, which was specifically designed by Congress to ensure that jobs, consumer choice and market demand are considered; and (2) would limit California's influence in setting national fuel economy standards. In July, the House Appropriations Committee passed the Austria amendment by a vote of 27-20 as part of the 2012 Interior/Environment Appropriations bill (H.R. 2584).

While certain automakers have agreed in principle to raise fuel economy to 54.5 mpg for MYs 2017-25, the rulemaking is still in the early stages. NADA remains concerned that increased vehicle costs from this rule-making (at least \$3,000 per car by EPA's own estimates) will adversely affect vehicle sales. The full House has set aside H.R. 2584 and is not expected to vote on the measure; but the Austria amendment could be rolled into a larger appropriations bill. NADA is also seeking Senate backing for the amendment. Congress should include the Austria Amendment in any end of the year appropriations measure.

Used Car Recall Mandates Should Focus on Timely Repairs. Congress is considering vehicle recall proposals that focus on the dealer resale process, instead of focusing on making repairs quickly at the time of a recall. An ineffective proposal that calls for halting used car sales until the dealer remedies used vehicles with outstanding recalls does not differentiate between serious and minor recalls. An alternative that would mandate dealerships certify to a consumer if a used vehicle is subject to a recall whether the recall work has been completed would disrupt used car commerce, since dealers can only complete recall repairs on brands they sell. Both these recall provisions exclude private sales, which account for one third of the market; these proposals would encourage more unregulated sales in the casual used car market, decreasing the safety of used vehicles. The Senate may pursue this issue as part of the highway bill. Congress should focus on encouraging vehicle owners to have recalled vehicles fixed in a timely manner after receiving a recall notice from the manufacturer.

Tax Reform Should Not Favor One Particular Tax Entity. Dealership business models operate in a variety of entity forms, including partnerships, sole proprietorships, limited liability corporations, and S corporations, as well as traditional C corporations. Dealers who have made significant long-term investments relying on the tax treatment of a particular entity form should not be negatively impacted by efforts to change such tax treatment. Congress should ensure any tax reform effort provides consistent treatment to all taxpayers, regardless of their entity form.

LIFO Should Not Be Repealed. Many dealerships have used the LIFO accounting method for decades. Repealing LIFO would be equivalent to a substantial tax increase, requiring payment of "phantom income," significantly affecting the business. LIFO repeal is unwise, particularly in a

fragile economy, and would make it harder for dealers to manage inventory inflation. Congress should oppose changes to current LIFO law.

Estate Tax Reform Should Be Permanent and Protect Small Business Dealers. Legislation passed last year set the estate tax through 2012 at a 35 percent rate and a \$5 million per spouse exemption. Unless Congress acts before the end of 2012, the tax would revert to 2001 levels of a 55 percent rate and a \$1 million exemption. Congress should, at a minimum, support permanent estate tax reform at a 35 percent rate and a \$5 million exemption and preserve stepped-up basis and other estate planning provisions that help family businesses.

WANADA has quality entry-level technicians available for hire today!



WANADA's Automobile Dealer Education Institute (ADEI) NATEF Certified Technician Training Program has eight quality entry-level technicians available for hire *today*. The technician trainees, recent graduates from area high school automotive programs, as well as people with experience at independent repair shops, all have "clean driving records" and have passed ADEI's screening process without a hitch.

The ADEI Technician Training Program consists of four semesters of progressive technical training in brake and suspension repair, electrical systems, engine diagnostics and engine performance in a combination of classroom and mentored on-the-job training at participating dealerships. In Maryland, the students attend class one full day per week at Montgomery College with ADEI's NATEF Certified instructor. In Virginia, the students attend selected classes at Northern Virginia Community College campuses in either Alexandria or Manassas.

ADEI's nationally recognized program has educated over 240 students, the majority of whom remain employed with WANADA dealer members, engaged as skilled and productive line technicians.

WANADA dealers looking for promising technician talent, or more information on ADEI Technician Training are encouraged to contact Billy Painter or Wil Desjardin of the association staff who field monitor the program at (202) 237-7200 or bp@wanada.org or wd@wanada.org, respectively.

More information about the program can also be found at www.adei-programs.org

Calculating Net Profit and Fixed Absorption An Automobile Dealer Education Institute (ADEI) management reminder

The first step to reaching service potential in a dealership is knowing where you stand, and where you should stand. This means making sure that expenses are in proportion and under control. To determine this, use your financial statement to subtract total expenses from total gross; the result is your net. As a rule of thumb, personnel expenses (which may appear on your

statement as personnel, variable, or selling expense) should amount to 45-50 percent of the gross. All other expenses should run 25-30 percent of the gross. In general, successful service departments should net 20 percent after absorbing their share of administrative or indirect expenses. If your expenses are greater than 80 percent, and the culprit is not gross retention, concentrate on lowering expenses—common costs to rein in include shop supplies, policy work, uniforms, and parts washers. You *can* achieve a 20 percent net; like a small increase in gross, a small decrease in expenses can have a big impact on sales needed to make your best net.

Fixed absorption is yet another area to scrutinize. Fixed absorption is the extent to which the fixed departments (service, parts, and body shop) can cover the entire dealership's adjusted overhead expense (i.e., total dealership expense less expenses directly attributable to vehicle sales—commission, delivery, and policy). Absorption, important in any sales climate, becomes critical when vehicle sales slide. Variable income flow goes down, but expenses increase. The more of the debt load you can take off variable operations, the easier it is for them to sell vehicles. Aim for as close to full (100 percent) absorption as possible.

If your absorption is low, look at your grossing patterns. Service should be holding 70 percent, parts should be holding 38 percent, and body shop should be holding 65 percent on labor, 30 percent on paint and materials. If you're holding gross in all these areas, examine expenses. Advise the general manager or sales manager if you find that the service department is in the position of absorbing costs it cannot control, (i.e., floor plan interest and advertising of aged inventory).

Calculate your fixed absorption using the numbers from your financial statement in this formula:

Gross profit (parts dept + service dept + body shop) ÷ dealership overhead expense = absorption percentage

(Thanks to NADA University for the research on this article.)

Thought for the week...

Working in my dad's tavern as a bartender, I learned early on how to deal with every kind of jackass that came in the door. That skill has served me well in Congress.

--Speaker of the House John Boehner,
at NADA's Washington Conference,
September 21, 2011

Save the Date!

Tuesday, October 25, 2011
-Avenel Country Club-

Social Media, the Internet and how to use them to boost dealership sales and profits

A special WANADA dealer seminar
with
Matt Murray of Dealer.com