



Virginia Automobile Dealers Association
**The Automobile Retailing
Industry In Virginia**



Driving Virginia's Economy
Representing Franchised Dealers Since 1943



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September 1, 2011



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Virginia Automobile Dealers Association

Serving Virginia's Franchised New Car & Truck Dealers Since 1943



The Virginia Automobile Dealers Association represents franchised new car and truck dealers in the Commonwealth of Virginia.

Formed by dealers in 1943 as the Automotive Trade Association of Virginia, the Association was a response to the challenges facing dealers as a result of World War II. The Association was renamed in the early 1970's. Today, VADA is recognized as the leading association of automobile dealers in the nation.

In addition to advocacy on behalf of dealers in the legislature, with regulators, and with manufacturers, the second key component of their vision was joining together to obtain economies of scale in the purchasing of products and services such as insurance. **Virginia Automobile Dealers Services, Inc.**, a wholly-owned subsidiary of VADA, represents more franchised new car & truck dealers than any other insurance agency in the Commonwealth.

VADA's other subsidiaries include:

- The **Virginia Automobile & Truck Dealers PAC**
- The **VADA Group Self Insurance Association** (providing workers compensation insurance to the majority of Virginia's dealerships)
- The **VADA Education Foundation** (which manages an educational partnership with the Virginia Department of Education)

VADA has a staff of 26, supporting dealer members through legislative & regulatory advocacy, educational programs, dealership development services, public relations, and a full-service insurance agency.

Automobile retailing has been, and remains, one of Virginia's key economic drivers, directly benefiting virtually every community in the Commonwealth. Prior to the recent recession, automobile dealers accounted for more than 20% of Virginia's retail sales, produced more than \$1.2 Billion in taxes per biennium, purchased more than \$1.1 Billion in goods and services from other Virginia businesses, and employed more than 38,000 Virginians.

In 2004 our industry entered an industry recession in advance of the general economy. By 2009 we had endured a 40% drop in sales and our employment had fallen to approximately 27,000. During that time we lost 14% of our dealerships around the state as more than 85 dealerships closed their doors.

In 2010 we began to see signs of a recovery for our industry. While it has been slow and inconsistent, we continue to see signs of a slow growth in retail sales of new vehicles. VADA is committed to shepherding that recovery for our industry.

VADA Board of Directors

As of September 1, 2011



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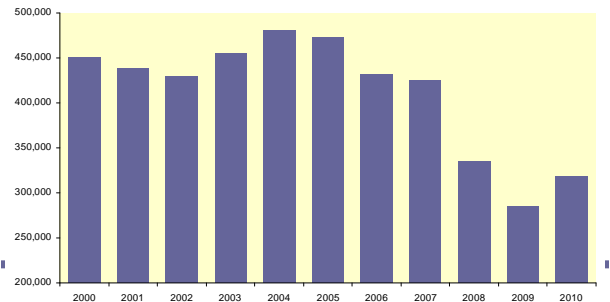
Robert Woodall, Jr.
Woodall Auto Mall, Danville

New Vehicle Registration Trends

Virginia saw an 11.4% improvement in new vehicle registrations in 2010, climbing to 317,753 from 285,209 the prior year. This is still 34% below the industry high of 481,276 in 2004.

In 2011 we have seen signs of further recovery, but month-over-month has been inconsistent with some months of growth compared to 2010 and others significantly lower.

Virginia new vehicles sales

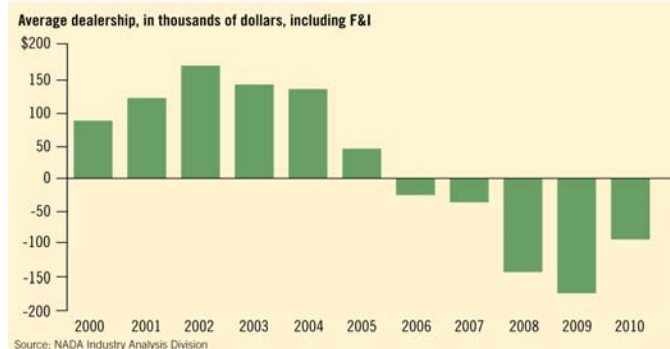


Source: Virginia Department of Motor Vehicles

Net Profit On New Vehicle Sales

Since 2003, franchised dealerships have seen their net profit for new vehicles sales dropping dramatically. In 2006 the average dealership experienced net losses from new vehicle sales, losses which have continued to increase. In 2009 the net loss from new vehicle sales for the average dealership exceeded **\$200,000**. In 2010 dealers began to see some recovery, but the average dealership is still seeing a loss of \$100,000.

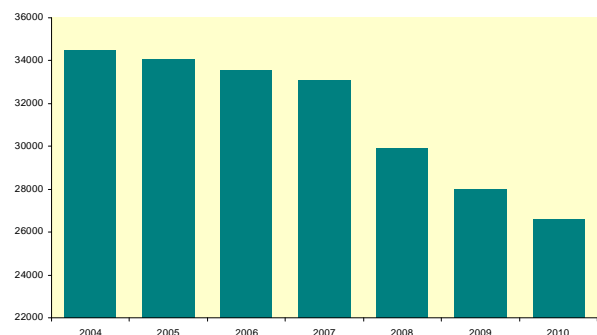
New-vehicle department net profit



Franchised Dealership Employment

Employment in Virginia dealerships fell 23% between 2004 and 2010. While employment numbers seem to have stabilized in 2011 (hovering at 26,500 employees statewide), dealerships remain conservative in their hiring due to a lack of confidence regarding the strength of the recent recovery in retail sales.

Virginia franchised dealership employment



Franchised New Car & Truck Dealerships In Virginia

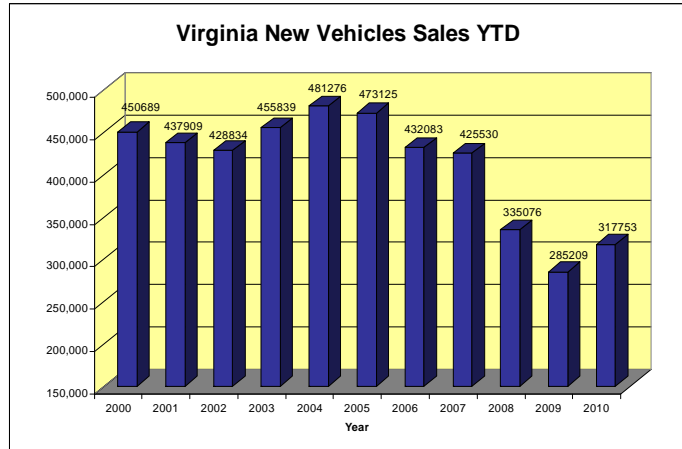
Virginia lost more than 80 dealerships in the past 4 years. This represents more than 14% of Virginia's franchised new car & truck dealers.

Virginia Automobile Retailing Fast Facts As of September 1, 2011

New Vehicles Registrations in Virginia

New vehicle registrations dropped more than 40.7% from 2004 to 2009. In 2009, new vehicle registrations reached their lowest point since 1991. 2010 presented a glimmer of hope with a 11.4% increase.

<u>Year</u>	<u>#Registered</u>
2004	481,276
2005	473,125
2006	432,083
2007	425,530
2008	335,076
2009	285,209
2010	317,753



Franchised New Car & Truck Dealerships in Virginia

Virginia has lost more than 14% of our franchised new car and truck dealerships since 2007.

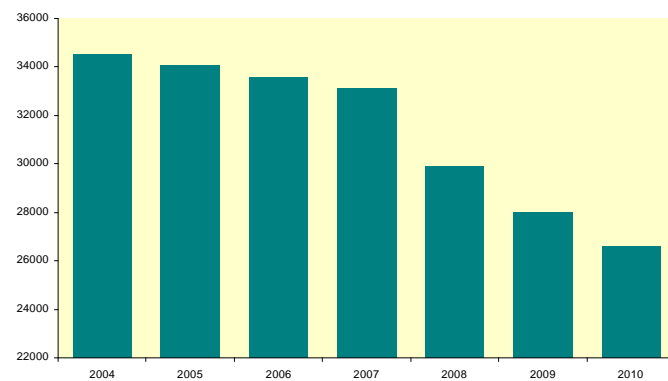
Year-end 2007	565 dealerships
Year-end 2010	490 dealerships
September 2011	479 dealerships

Franchised Dealership Employment in Virginia

Franchised dealerships in Virginia employ 19% less Virginians at the end of 2009 than we did at the end of 2004.

<u>Year</u>	<u># Employees</u>
2004	34,507
2005	34,045
2006	33,569
2007	33,094
2008	29,893
2009	27,981
2010	26,570

Virginia franchised dealership employment



Source: Virginia Department of Motor Vehicles

Year-to-date New Vehicle Registrations in Virginia (2011)

In the first 8 months of 2011 we have seen the continuance of the recovery which began in 2010. Through August sales are up 10.4% compared to the same period last year. However, sales increases have been relatively low and inconsistent month to month.



Dealership Payroll in Virginia

- Franchised dealerships produced \$1.5 Billion in payroll in 2008
- Franchised dealerships represented 14.7% of retail payroll in 2008, though only representing 7.1% of retail employment (29,900 employees)
- Average wages for salespeople have fallen steadily since 2006

Sales wages fall

The annual mean wage for an auto salesperson dropped during the recession.

2003: \$43,520

2006: \$44,170

2009: \$42,970

2010: \$42,430

Source: U.S. Bureau of Labor Statistics

Dealership Sales in Virginia

- Franchised dealerships produced \$14.925 Billion in sales in 2010
(**\$13.25 Billion in sales in 2009; \$14.72 Billion in 2008; \$19.8 Billion in 2003**)
- Franchised dealerships produced 14% of Virginia's retail sales (**12.5% in 2009; 13.8% in 2008; 20% in 2003**)
- The average gross profit for Virginia dealerships on new vehicle sales has declined steadily since 2001. The average net profit from new vehicle sales became a loss for the first time in 2006. Net profit from new vehicle sales reached an average loss of \$200,00 per dealership in 2009. In 2010 the average net loss recovered slightly rising to a loss of \$100,000.

Shrinking gross

Average dealer new-vehicle gross profit

2000:	\$1,528
2001:	\$1,542
2002:	\$1,531
2003:	\$1,488
2004:	\$1,445
2005:	\$1,449
2006:	\$1,482
2007:	\$1,442
2008:	\$1,257
2009:	\$1,301
Source:	NADA

Sales & Use Tax in Virginia

- Dealerships produced \$413.2 Million in Sales & Use Tax Revenue in FY2009
(**compared to \$608.3 Million in FY2005; this is the lowest since FY1998**)
 - Dealerships began to recover in FY2010, producing \$444.1 Million in Sales & Use Tax Revenue in FY2010
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