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THE MOTOR DEALER REPORT FROM AUSWILD & CO  
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## **NEWS & VIEWS FROM THE 2018 NADA SHOW**

NADA returned to Las Vegas for its 101st Convention and Exposition with more than 24,000 new car and truck dealers and their employees attending this year's event at the Las Vegas Convention Centre. With a new name – the "2018 NADA Show" – more than 500 companies showcased their latest products and services in the massive expo halls and attendees were offered 100 workshop sessions, to learn the latest trends and opportunities.

*Despite an expected drop in light-vehicle sales, auto dealers were in a positive mood as the National Automobile Dealers Assn. kicked off its 3-day annual convention. NADA predicts sales of 16.7 million units this year compared with 17.1 million last year, says the trade group's senior economist, Patrick Manzi. "Ask any dealer here, and they'll say 16.7 million is a good year."*

*Among economic indicators that affect auto sales, NADA particularly tracks wage growth. The greater a consumer's earnings, the more likely that person is to buy a vehicle. But wage growth hasn't kept pace with robust job growth. He predicts interest rates will rise three or four times this year with the federal funds rate above 2%. Those increases stand to add pressure to already increasing vehicle-transaction prices and auto-loan terms – and consequently could affect buying behaviour.*

*The average U.S. dealer saw \$59.7 million in total sales last year, according to NADA data. That's about \$100,000 more than last year. Dealer sales collectively reached \$1 trillion.*

GAC Motor, aiming to be the first Chinese auto manufacturer to sell its own brand vehicle in the U.S., displayed three models on the exhibition floor. Entering the U.S. market is difficult for any new brand but Chinese nameplates face especially high hurdles because of a history of failed attempts and substandard offerings. Though the stand was filled with visiting dealers, many have their doubts. Still, they are interested.

*Personal vehicle ownership is stronger than ever and auto dealers will continue to bring exciting, inspiring, life-changing products to their customers, just like they've have been doing for the last 100 years, Wes Lutz said in his first official speech as 2018 Chairman of NADA.*

*"It's true, technology makes sharing a car more convenient than ever. But, what the naysayers forget, is that technology also makes owning a car better than it used to be," said Lutz. He outlined his priorities and focus for his coming year as chairman, including advocating new-car dealer concerns within the industry, and in the legislative and regulatory affairs arenas as well. Lutz said he will also encourage dealers to continue adapting to the retailing challenges ahead.*

Dealers consider margin compression the biggest threat in auto retail, said Sandy Schwartz, president of Cox Automotive. The used-vehicle department is where many dealers feel margin compression the most, he said. Dealers depend on used-vehicle profits to offset thinner new-vehicle margins, but now used-vehicle margins are under pressure, too, Schwartz said. For the average U.S. dealership in 2017, used-vehicle department gross profit represented 11.7 percent of selling price, down from 12.1 percent in 2016 and 12.6 percent in 2015, according to NADA Data 2017, the annual financial profile of franchised new-vehicle dealerships in the United States.

The good news for dealers: Even if per-vehicle margins are compressed, used-vehicle demand should continue to be strong. Cox expects U.S. used-vehicle sales of 39.5 million units in 2018, up from 39.3 million last year, according to Cox Automotive's 2018 Used Car Market Report & Outlook, *Automotive News* began covering sexism in the industry in October 1991. Twenty-six years later, the leading source of news about the global automotive industry released a landmark survey on sexism in the industry. Nearly 900 women took The Project XX Survey, which looked at four main areas: feedback and promotion, harassment and safety, inclusion, an unconscious bias. The survey found that among four top industries—automotive, advertising, tech and market research—the automotive industry had the highest rates of unwanted sexual advances at 65 percent.

Outgoing NADA Chairman Mark Scarpelli said dealers can be proud of their lobbying efforts over the last year, which protected the affordability of the automobile and the profitability of auto dealerships in a tumultuous political year. Scarpelli said lobbying efforts to protect dealer reserve from persistent threats by the Consumer Financial Protection Bureau and the successful defense of 100 percent deductibility for floorplan interest during the tax reform debate late last year protected dealer profits and kept vehicles affordable for consumers. Scarpelli also took note of NADA's efforts in 2017 to push back on manufacturer stair-step programs. And there were other threats to the dealer business model in 2017, Scarpelli said, including "overly broad" recall legislation that would have treated every recall the same, regardless of its impact on vehicle operations.

"This legislation would have created a 'consumer trade-in tax' for every recalled car on the road — even ones with only minor defects, like a peeling sticker," Scarpelli said, adding that the legislation could have cost consumers "on average \$1,200."

*The final day of the 2018 NADA Show started off strong, with keynote speaker Robert O'Neill, a former SEAL Team Six leader with the US Naval Special Warfare Development Group, delivering an inspirational speech that drew a standing ovation from the crowd. O'Neill is a highly-decorated combat veteran and author of the New York Times best-selling memoir "The Operator: Firing the Shots That Killed Osama bin Laden and My Years as a SEAL Team Warrior." He deployed more than a dozen times and held combat leadership roles during more than 400 missions. He has been decorated more than 52 times, including two Silver Stars, four Bronze Stars with Valour, and a Joint Service Commendation Medal with Valour.*

*During his presentation, O'Neill drew from examples from his 16 years of military service and combined them with every day events to offer some key lessons about the importance of letting go, never giving up, taking challenges — especially the big ones — one step at a time, and learning to communicate effectively. He says the success of high-performance teams in the military, particularly the SEAL teams, can be attributed to traits that are applicable to normal life, such as working in the private and public sector. "We were successful because of our people skills and because we knew the difference between over-planning and being prepared," says O'Neill. "Too often people just want to sit in a planning room and plan, and not leave until they have the perfect plan. But once you leave to — what we call execute the perfect mission — Murphy shows up. And everything changes."*

*He also touched on topics like stress and emotion, and reminded the audience that they have the ability to not only leave emotion at the door, but also to choose how it affects you. "It's important to take a second even if a second is all you have to make an informed decision. Take a step back and take a deep breath. Go ahead and type that angry email — just don't hit send for 24 hours. If you're still mad after that, fire away," says O'Neill.*

*Letting go and never giving up were two prominent themes, and he provided dealers with a powerful yet extreme example of what it means to give it your all.*

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