

The Economic Impact of Franchised New Vehicle Dealers on the Colorado Economy



**Sponsored by:
Colorado Automobile Dealers Association**

INTRODUCTION

BACKGROUND

This report provides an in-depth analysis of the economic impact of Colorado new car and truck dealers on the State's economy. It includes estimates of direct and indirect employment, personal income, and tax collections generated by Colorado automotive dealers. Also included is a review of dealership financial statistics and operations. This report was prepared by Auto Outlook, Inc., an independent automotive market analysis firm, and was sponsored by the Colorado Automobile Dealers Association.

A MESSAGE FROM THE PRESIDENT OF CADA

This Automotive Industry Economic Impact Study has been conducted to show the significant contribution our industry makes to the Colorado economy.

The Colorado Automobile Dealers Association was formed in 1933 to represent the interests of new car and truck dealers in the State. Its primary purpose then and now has been to make it as easy as possible for dealers and their customers to buy, sell, and maintain automotive vehicles.

Dealers provide tens of thousands of jobs to Colorado residents, and are an important component of the State's economy. Colorado franchised new vehicle dealers are very proud of their contributions to economic growth and development in the State.

Sincerely,

Tim Jackson
President

PRIMARY CONCLUSIONS

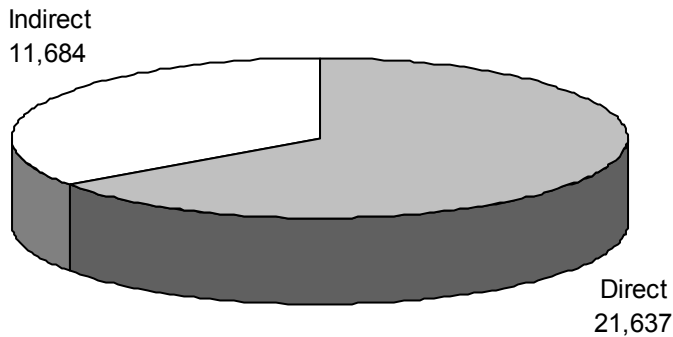
COLORADO AUTOMOBILE DEALERS: VITAL ECONOMIC CONTRIBUTORS

- ❑ In 2004, the automotive retailing industry generated a total of over 33,300 jobs in Colorado
- ❑ The average dealership provided jobs for 77 people in 2004
- ❑ In 2004, State residents earned over \$1.67 billion as a result of automobile dealership operations
- ❑ The average dealership had over \$4 million in payroll expense during 2004
- ❑ Automobile dealers (through taxes collected or paid) generated more than \$465 million in revenue for the state and local governments in 2004
- ❑ Sales at new vehicle dealerships in Colorado exceeded \$12.7 billion in 2004
- ❑ Colorado new vehicle dealerships sold over 461,000 new and used vehicles during 2004
- ❑ The average Colorado dealership serviced over 16,900 vehicles in 2004
- ❑ Dealerships contributed over \$6.2 million to charitable causes in 2004
- ❑ Total annual new retail vehicle retail sales in Colorado exceeded 190,000 units during each of the six years from 1999 through 2004



Total Employment in the State Due to New Vehicle Retailing Industry

**Employment Totals for
New Vehicle Retailing Industry—2004**
(Direct: at dealerships; Indirect: elsewhere in economy)

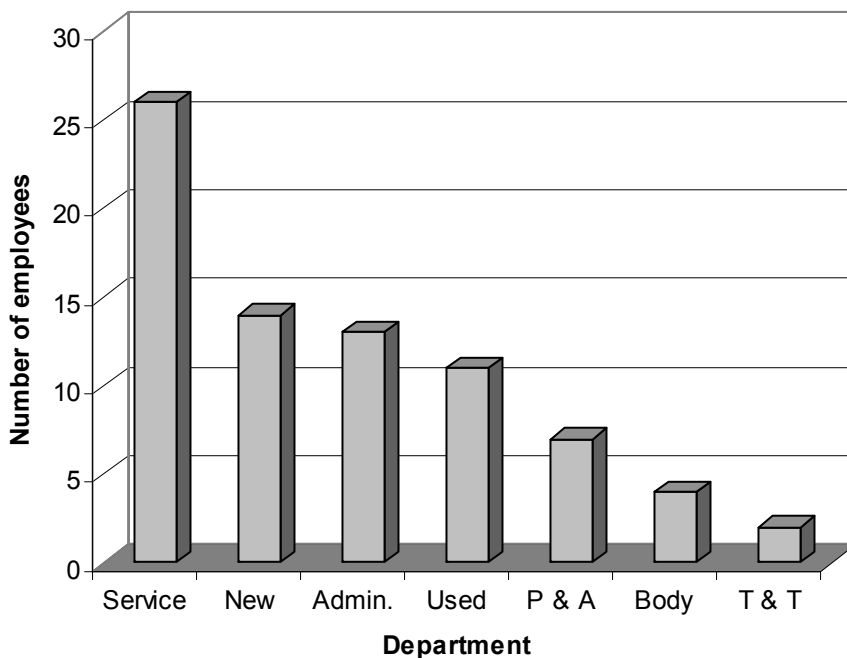


OBSERVATIONS

- In 2004, Colorado new vehicle dealerships employed a total of 21,637 individuals.
- An additional 11,684 individuals were employed as a result of the indirect impact of dealership operations.
- Automobile dealership operations accounted for 1.4% of total non-farm employment in the state in 2004. (This includes both direct and indirect employment.)

Dealership Contribution to Total Non-Farm Employment in Colorado	
Total employment resulting from auto dealerships	33,321
Total non-farm employment in Colorado	2,340,000
Dealership percentage of Statewide employment	1.4%

Dealership Employment by Department



OBSERVATIONS

- The average dealership in the State employed 77 people, with nearly 34% in the Service Department.

Percentage of Dealership Employment by Department	
New Vehicle	18.2%
Used Vehicle	14.3%
Service	33.8%
Body Shop	5.1%
Parts and Accessories	9.1%
Tax and Title	2.6%
Administration/Other	16.9%
TOTAL	100.0%

TAX COLLECTIONS



Revenue Generation - 2004

Tax Category	Average Per Dealer	Auto Retailing Industry Total
State Sales Taxes Collected	\$1,025,000	\$288,025,000
State and Local Payroll Taxes	\$141,000	\$39,621,000
Real Estate and Other Local Taxes	\$489,000	\$137,409,000
Colorado Total	\$1,655,000	\$465,055,000
Federal Payroll Tax	\$909,000	\$255,429,000

OBSERVATIONS

- In 2004, new franchised automotive dealerships in Colorado collected and/or paid a total of over \$465,000,000 in state and local taxes, an average of over \$1,650,000 per dealership.



EARNINGS

Employee Compensation Resulting From New Vehicle Retailing Industry

2004	Direct	Indirect	TOTAL
Payroll	\$957,648,000	\$459,671,040	\$1,417,319,040
Fringe Benefits	\$175,906,000	\$84,434,880	\$260,340,880
TOTAL	\$1,133,554,000	\$544,105,920	\$1,677,659,920

2004	Average Per Dealer
Payroll	\$3,408,000
Fringe Benefits	\$626,000
TOTAL	\$4,034,000

OBSERVATIONS

- In 2004, the average Colorado dealership paid over \$4,030,000 to its employees (including payroll and fringe benefits). Including both direct and indirect sources, the new vehicle retailing industry provided more than \$1.67 billion of total compensation to Colorado residents!

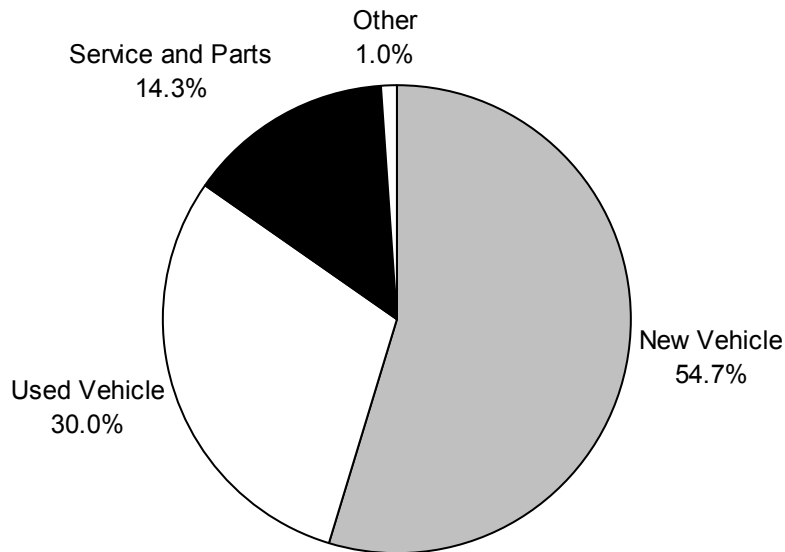
DEALERSHIP SALES



Departmental Sales (dollars) - 2004

Department	Average Per Dealer	Auto Retailing Industry Total
New Vehicle	\$24,782,000	\$6,963,742,000
Used Vehicle	\$13,567,000	\$3,812,327,000
Service and Parts	\$6,467,000	\$1,817,227,000
Other	\$452,000	\$127,012,000
TOTAL	\$45,268,000	\$12,720,308,000

Percent of Dealership Sales by Department



OBSERVATIONS

- In 2004, new franchised automotive dealerships in Colorado had total sales of over \$12.7 billion!
- Average dealership sales exceeded \$45,200,000 with 54.7% of total sales by the New Vehicle Department.

DEALERSHIP PROFILE



Facts on Colorado Automotive Retailing:

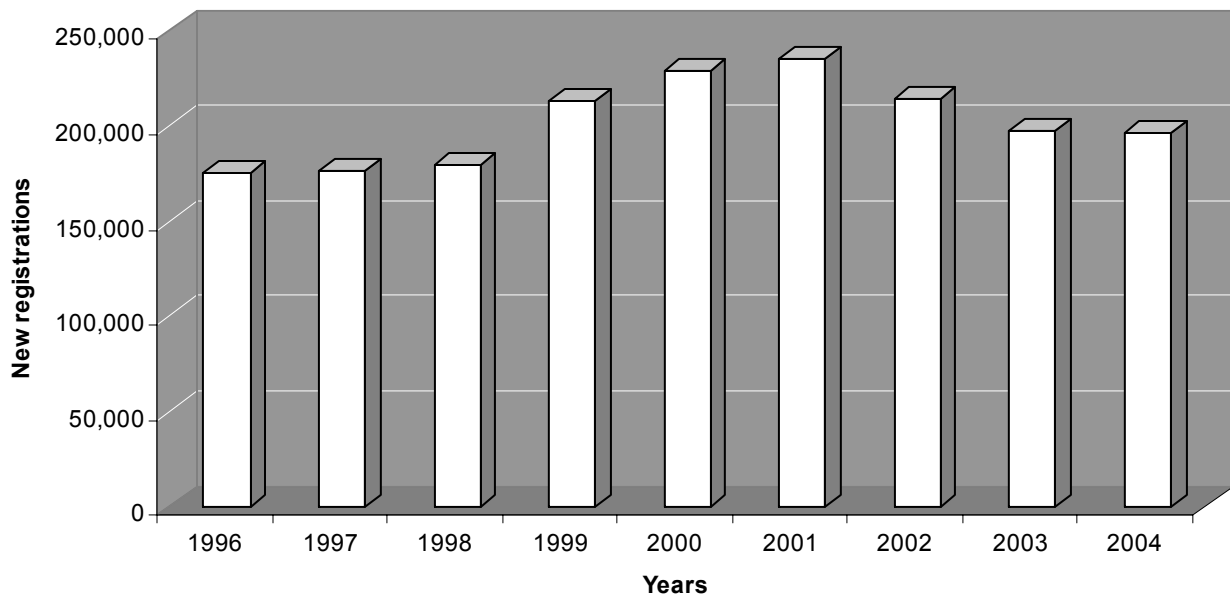
In 2004, the average Colorado new vehicle dealership had:

- New and used vehicle sales of over 1,650 units
- Over 16,900 vehicles serviced
- Contributions of \$21,600 to charitable causes
- Advertising expenses of \$559,000 (59% of total was spent on newspaper advertising)
- Capital improvement expenditures of over \$600,000 during 2003 and 2004

COLORADO AUTOMOTIVE MARKET



Retail Registrations of New Cars and Light Trucks in Colorado (1996 to 2004)



OBSERVATIONS

- Over 190,000 new cars and light trucks were registered by retail customers in the State during 2004.
- Light truck share of the total state market increased from 52% in 1996 to 63% in 2004.
- Franchised new vehicle dealerships in Colorado sold an estimated total of 461,900 new and used vehicles during 2004.
- Source for retail registration data: The Polk Company.

METHODOLOGY AND BACKGROUND

Dealership financial data (and other information cited in the report) was collected from a detailed survey sent to all new vehicle automotive retailers in Colorado. The response rate was more than sufficient to form a statistically reliable data base of financial and operational indicators.

Economic impact is separated into two main categories: direct and indirect. Direct impact comprises economic activity at automotive dealerships themselves, such as dealership employment and compensation to employees. Indirect impact occurs away from the dealership, and takes into account the extended contribution dealerships and their employees make to the State's economy.

The indirect economic impact of automotive retailers was estimated by Auto Outlook, Inc. Estimates were based on previous impact studies that relied upon regional input-output economic computer models. Indirect economic estimates in this report are intentionally conservative, and therefore, may underestimate the overall contribution automotive retailers make to the state's economy.

Background on Auto Outlook, Inc.

Auto Outlook, Inc. is a regional automotive market analysis firm providing market research services to automotive dealers. Jeffrey Foltz, the President of Auto Outlook, Inc., obtained a Masters Degree in Economics from the University of Delaware in 1986, and has conducted many research projects analyzing state and regional economies. Inquiries about the report should be directed to:

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