

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



Sponsored by:
Colorado Automobile Dealers Association

Covering Economic Impacts for 2007

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

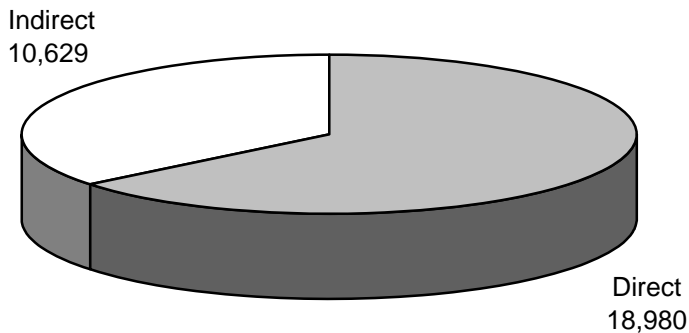
COLORADO AUTOMOBILE DEALERS: VITAL ECONOMIC CONTRIBUTORS

- ❑ In 2007, the automotive retailing industry generated a total of nearly 30,000 jobs in Colorado
- ❑ The average dealership provided jobs for 73 people in 2007
- ❑ In 2007, State residents earned over \$1.5 billion as a result of automobile dealership operations
- ❑ The average dealership had over \$3.85 million in payroll expense during 2007
- ❑ Automobile dealers (through taxes collected or paid) generated more than \$418 million in revenue for the state and local governments in 2007
- ❑ Sales at new vehicle dealerships in Colorado exceeded \$11 billion in 2007
- ❑ Colorado new vehicle dealerships sold over 360,000 new and used vehicles during 2007
- ❑ The average Colorado dealership serviced over 16,500 vehicles in 2007
- ❑ Dealerships contributed over \$6.1 million to charitable causes in 2007



Total Employment in the State Due to New Vehicle Retailing Industry

Employment Totals for
New Vehicle Retailing Industry—2007
(Direct: at dealerships; Indirect: elsewhere in economy)

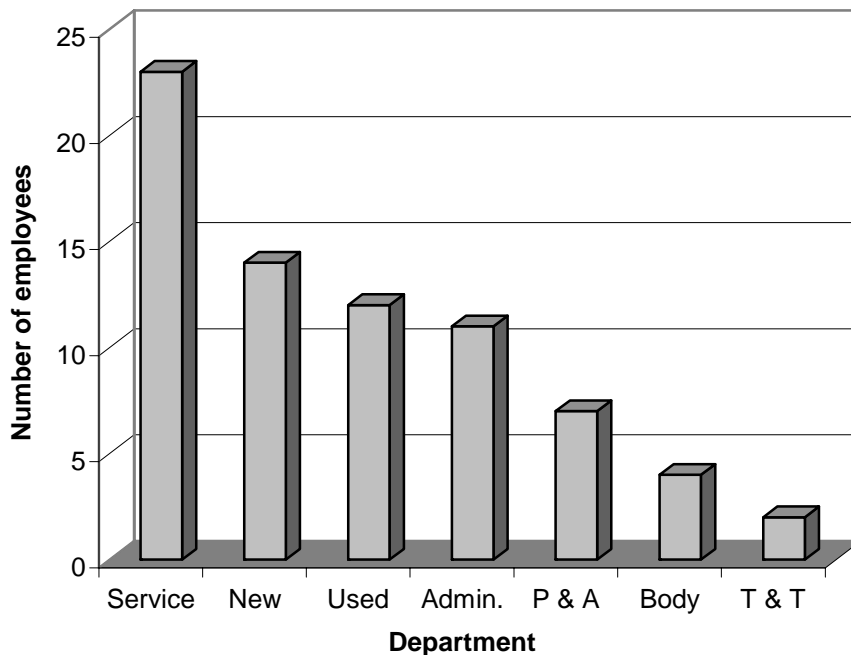


OBSERVATIONS

- In 2007, Colorado new vehicle dealerships employed a total of 18,980 individuals.
- An additional 10,629 individuals were employed as a result of the indirect impact of dealership operations.
- Automobile dealership operations accounted for 1.3% of total non-farm employment in the state in 2007. (This includes both direct and indirect employment.)

Dealership Contribution to Total Non-Farm Employment in Colorado	
Total employment resulting from auto dealerships	29,609
Total non-farm employment in Colorado	2,320,000
Dealership percentage of Statewide employment	1.3%

Dealership Employment by Department



OBSERVATIONS

- The average dealership in the State employed 73 people, with over 31% in the Service Department.

Percentage of Dealership Employment by Department	
New Vehicle	19.2%
Used Vehicle	16.4%
Service	31.5%
Body Shop	5.5%
Parts and Accessories	9.6%
Tax and Title	2.7%
Administration/Other	15.1%
TOTAL	100.0%

TAX COLLECTIONS



Revenue Generation - 2007

Tax Category	Average Per Dealer	Auto Retailing Industry Total
State Sales Taxes Collected	\$1,021,000	\$265,460,000
State and Local Payroll Taxes	\$136,000	\$35,360,000
Real Estate and Other Local Taxes	\$452,000	\$117,520,000
Colorado Total	\$1,609,000	\$418,340,000
Federal Payroll Tax	\$876,000	\$227,760,000

OBSERVATIONS

- In 2007, new franchised automotive dealerships in Colorado collected and/or paid a total of over \$418,000,000 in state and local taxes, an average of over \$1,600,000 per dealership.

EARNINGS



Employee Compensation Resulting From New Vehicle Retailing Industry

2007	Direct	Indirect	TOTAL
Payroll	\$869,700,000	\$433,110,600	\$1,302,810,600
Fringe Benefits	\$133,120,000	\$66,293,760	\$199,413,760
TOTAL	\$1,002,820,000	\$499,404,360	\$1,502,224,360

2007	Average Per Dealer
Payroll	\$3,345,000
Fringe Benefits	\$512,000
TOTAL	\$3,857,000

OBSERVATIONS

- In 2007, the average Colorado dealership paid over \$3,857,000 to its employees (including payroll and fringe benefits). Including both direct and indirect sources, the new vehicle retailing industry provided more than \$1.5 billion of total compensation to Colorado residents!

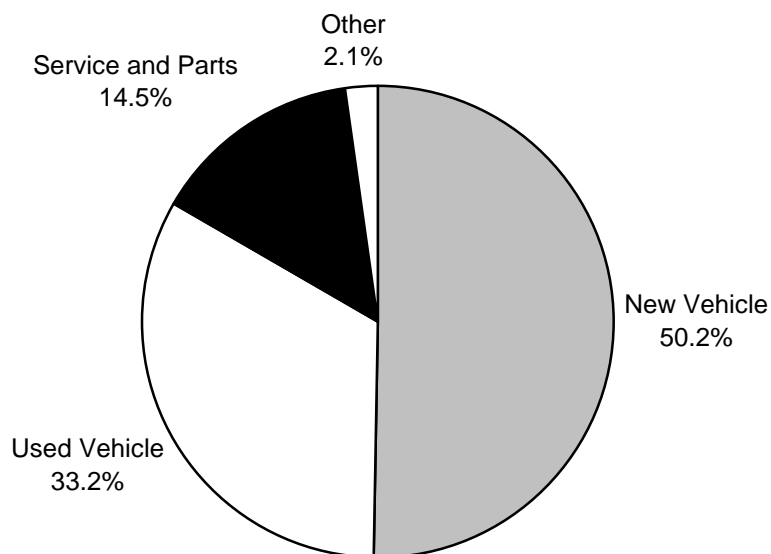


DEALERSHIP SALES

Departmental Sales (dollars) - 2007

Department	Average Per Dealer	Auto Retailing Industry Total
New Vehicle	\$21,423,854	\$5,570,202,040
Used Vehicle	\$14,168,764	\$3,683,878,640
Service and Parts	\$6,188,165	\$1,608,922,900
Other	\$896,217	\$233,016,420
TOTAL	\$42,677,000	\$11,096,020,000

Percent of Dealership Sales by Department



OBSERVATIONS

- In 2007, new franchised automotive dealerships in Colorado had total sales of over \$11 billion!
- Average dealership sales exceeded \$42,677,000 with 50.2% of total sales by the New Vehicle Department.



DEALERSHIP PROFILE

Facts on Colorado Automotive Retailing:

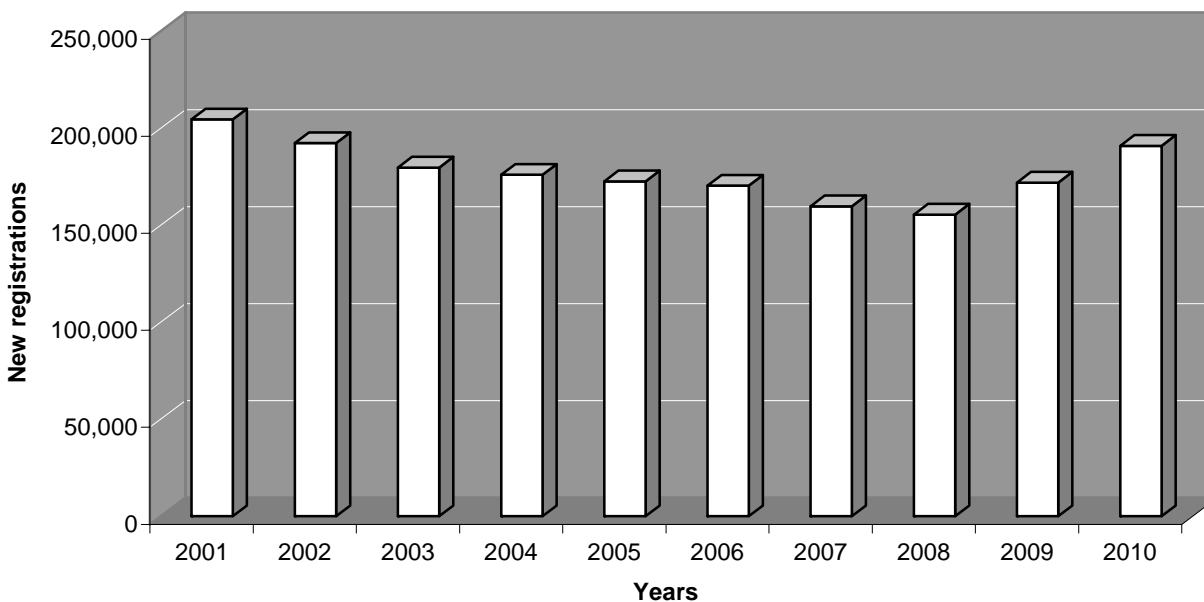
In 2007, the average Colorado new vehicle dealership had:

- New and used vehicle sales of over 1,230 units
- Over 16,500 vehicles serviced
- Contributions of \$22,600 to charitable causes
- Advertising expenses of \$596,000 (37% of total was spent on newspaper advertising)
- Capital improvement expenditures of over \$680,000 during 2006 and 2007



COLORADO AUTOMOTIVE MARKET

Retail Registrations of New Cars and Light Trucks in Colorado (2001 to 2007)



OBSERVATIONS

- Approximately 160,000 new cars and light trucks were registered by retail customers in the State during 2007.
- The state's new retail light vehicle market declined by 23% between 2001 and 2007
- Franchised new vehicle dealerships in Colorado sold an estimated total of 360,000 new and used vehicles during 2007.

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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