The Economic Impact of Franchised New Vehicle Retailers on the New Jersey Economy

Study sponsored by:
New Jersey Coalition of Automotive Retailers

Confidential 2011 report compiled from 2010 data

May 2011
Dealership Financial Summary-2010

Average dealership sales: $50,500,000
Average dealership contributions to charitable causes: $22,500
Average dealership advertising expenses: $655,000
Number of vehicles serviced by average dealership: 19,500

Dealership Vehicle Sales Summary-2010

Average dealership retail new vehicle sales: 780 units
Average dealership retail used vehicle sales: 680 units

Shown above is a summary of average dealership financial statistics and vehicle sales results during 2010.

This report provides a summary of the significant impact that new franchised automobile dealers have on the New Jersey economy. As clearly illustrated, the automotive retailing industry is critically important to the health of the State’s economy. Although the number of dealerships have declined during the past several years, the new franchised dealership industry has re-grouped and is poised to make a significant contribution to New Jersey’s economic recovery.

The report includes estimates of direct and indirect employment, personal income, and tax collections during 2010. Indirect impact accounts for the residual contribution resulting from dealership operations (frequently referred to as the “multiplier effect”). This report was prepared by Auto Outlook, Inc., an independent automotive market analysis firm, and is sponsored by the New Jersey Coalition of Automotive Retailers.

Contact information is on the back page.
A Message From The NJ CAR President

New Jersey has lost scores of new car dealerships and thousands of good-paying jobs in the auto retail sector over the past few years. In January of 2007, there were more than 630 new car dealership locations in the Garden State and car dealerships employed more than 40,000 men and women. By January 2011, the number of new car dealers in New Jersey had dropped to 512, employing just 33,000 workers.

Vacant commercial real estate all over New Jersey drives home the point that economic growth and jobs are being lost as the dealer count drops. So, too, is consumer access to competitive sales and qualified, convenient service facilities.

The causes of this kind of industry contraction and job loss are, obviously, manifold. Certainly the recession, high unemployment and the credit crunch have all contributed to the downturn. But many dealers have been driven out of business simply because automakers have dictated that fewer dealers would be desirable for them, regardless of what that means for jobs, for consumers, for the local economy or for the dealers whose businesses have been lost.

This report offers hard data on employment, payroll, tax collections and industry sales in New Jersey. Last year New Jersey dealers saw business coming back. Pent up demand for new cars and growing consumer confidence gives dealers reason to believe that 2011 will be even better. But, just when things were looking up, the tragedy in Japan interrupted the supply chain for all automakers and the impact on sales through the summer and into the fall could be significant. That’s bad for new car dealers and consumers. But it’s even worse for the State Treasury, which earns 3 to 4 times as much (or more) on the sale of a new vehicle as a dealer does. When car sales are down, the State’s economy and the State budget suffer.

Recent developments in the auto industry have highlighted the unequal bargaining position of dealers vis-à-vis manufacturers. And record numbers of recalls last year illustrate precisely why consumers benefit from an extensive network of neighborhood new car dealers to perform FREE warranty and safety recall repairs.

This year, NJ CAR has been working with legislators on both sides of the aisle to develop a legislative package that will clarify and reinforce certain key provisions of existing law. The goal is to protect the investment that dealers have in these local businesses; to protect local jobs and the communities that rely on neighborhood new car and truck dealers for economic and civic support; and to protect the consumer interest in an extensive network of independent franchised auto dealerships.

We are hopeful that the economic conditions that led to the elimination of so many new car dealerships in New Jersey are behind us now. New car and truck dealers are ready to invest tens of millions of dollars in facility expansions that will bring back jobs and economic growth to communities all across the State. But they need to know the environment is safe to “double down” on their investment. A growing economy and improved statutory protections should give dealer-investors the confidence they need to move forward now.

James B. Appleton
President
New Jersey Coalition of Automotive Retailers

• During 2010, franchised new vehicle dealerships in the State generated a total of over 51,000 jobs. Job creation by the industry increased 6.2% from 2009 to 2010.

• New Jersey residents earned nearly $2.4 billion as a result of automotive dealership operations in 2010, an increase of 12.1% versus 2009.

• Average dealership payroll was $3.61 million, up from $3.12 million in 2009.

• Dealerships collected or paid a total of over $1.24 billion in state and local taxes in 2010, up 14.9% from 2009.

• Automotive dealerships spent a total of over $335 million on advertising during 2010.

• Franchised new vehicle dealerships in the state had total sales of $25.8 billion in 2010, a 21.4% increase compared to 2009.

• Average dealership sales were $50.5 million in 2010, up from $40.1 million in 2009.

• Collectively, automotive dealerships contributed over $11.5 million to charitable organizations in 2010.
Automotive dealerships in New Jersey employed a total of 33,150 individuals in 2010, with an additional 18,233 positions resulting from indirect economic impact. This total represented 11.8% of total retail employment in the State. Dealership employment (direct only) increased 6.2% from 2009 to 2010. Average dealership employment increased from 59 in 2009 to 65 in 2010.

Employment Total for New Vehicle Retailing Industry - 2010
(Direct: at Dealerships; Indirect: Elsewhere in Economy)

<table>
<thead>
<tr>
<th>Direct</th>
<th>33,150</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indirect</td>
<td>18,233</td>
</tr>
</tbody>
</table>

Average Number of Dealership Employees by Department - 2010

<table>
<thead>
<tr>
<th>Department</th>
<th># of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service</td>
<td>25</td>
</tr>
<tr>
<td>Vehicle Sales</td>
<td>20</td>
</tr>
<tr>
<td>Administrative</td>
<td>15</td>
</tr>
<tr>
<td>Parts and Accessories</td>
<td>10</td>
</tr>
<tr>
<td>Body Shop</td>
<td>5</td>
</tr>
</tbody>
</table>

Dealership Contribution to Statewide Retail Employment - 2008 thru 2010

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>% change ’09 to ’10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total employment resulting from auto dealership</td>
<td>55,787</td>
<td>48,065</td>
<td>51,183</td>
<td>6.9%</td>
</tr>
<tr>
<td>Total retail employment in the State</td>
<td>457,500</td>
<td>436,100</td>
<td>436,000</td>
<td>0.0%</td>
</tr>
<tr>
<td>Dealership % of retail Statewide total</td>
<td>12.2%</td>
<td>11.0%</td>
<td>11.8%</td>
<td></td>
</tr>
</tbody>
</table>
The average automotive dealership in New Jersey had payroll of $3,612,000 in 2010, up 15.8% from 2009. Payroll for the State’s new vehicle retailing industry, as a whole, was over $1.84 billion, with the total (including indirect impact) approaching $2.4 billion.

Employee Compensation - 2008 thru 2010

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>% change '09 to '10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total payroll (including fringe benefits) for AVERAGE dealership in New Jersey</td>
<td>$3,290,000</td>
<td>$3,120,000</td>
<td>$3,612,000</td>
<td>15.8%</td>
</tr>
<tr>
<td>Times</td>
<td>575</td>
<td>529</td>
<td>510</td>
<td>-3.6%</td>
</tr>
<tr>
<td>Equals</td>
<td>TOTAL EMPLOYEE COMPENSATION AT DEALERSHIPS</td>
<td>$1,891,750,000</td>
<td>$1,650,480,000</td>
<td>$1,842,120,000</td>
</tr>
<tr>
<td>Plus</td>
<td>Additional indirect employee compensation resulting from dealership operations</td>
<td>$548,607,500</td>
<td>$478,639,200</td>
<td>$545,267,520</td>
</tr>
<tr>
<td>Equals</td>
<td>TOTAL EMPLOYEE COMPENSATION TO NEW JERSEY RESIDENTS DUE TO FRANCHISED DEALERSHIP INDUSTRY</td>
<td>$2,440,357,500</td>
<td>$2,129,119,200</td>
<td>$2,387,387,520</td>
</tr>
</tbody>
</table>
Automotive dealerships collected or paid a total of over $1.24 billion in State and local taxes during 2010, up nearly 15% from 2009. State sales tax revenue exceeded $1.07 billion. Federal tax revenue generated by dealerships exceeded $545 million.
New franchised automotive dealerships spent a total of over $335 million on advertising during 2010, up 11% from 2009. Internet advertising accounted for the largest percentage of dealership advertising (25%).

Percentage of Dealership Advertising Expense by Media - 2010

- Internet: 25%
- Paper: 23%
- Mail: 17%
- TV: 18%
- Radio: 8%
- Other: 9%
New retail registrations of cars and light trucks in New Jersey exceeded 500,000 units from 2000 thru 2005. Registrations declined to a 20-year low of 352,904 in 2009. The market recovery began in 2010, with registrations increasing to 398,955, a 13% improvement from 2009.
New franchised automotive dealerships in New Jersey had total sales exceeding $25.7 billion during 2010. Average dealership sales exceeded $50 million, with the new vehicle department accounting for 56% of the total. Average dealership sales increased by nearly 26% from 2009 to 2010.

### Dealership Sales Summary - 2008 thru 2010

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>% change ‘09 to ‘10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Dealership Sales</td>
<td>$41,900,000</td>
<td>$40,100,000</td>
<td>$50,500,000</td>
<td>25.9%</td>
</tr>
<tr>
<td>Total Automotive Retailing Sales in New Jersey</td>
<td>$24,092,500,000</td>
<td>$21,212,900,000</td>
<td>$25,755,000,000</td>
<td>21.4%</td>
</tr>
</tbody>
</table>

### Average Dealership Sales by Department [$]

- **New Vehicle**
- **Used Vehicle**
- **P & A**
- **Service Dept.**
- **Body Shop**

(Charts showing sales by department for 2008, 2009, and 2010)
NJ CAR Member List

**DISTRICT: 1**
Avalon Honda
Burke Motors, Inc.
Gentilini Chevrolet
Gentilini Ford, Inc.
Kindle Ford Mercury Lincoln
Lilliston Chrysler Dodge Jeep
Lilliston Ford, Inc.
Perry-Egan Chevrolet, Inc.
Audi of Cherry Hill
T & T Coast Buick Pontiac GMC
World Volkswagen

**DISTRICT: 2**
Admiral Infiniti Volvo
Admiral Nissan, Inc.
Atlantic Chrysler Jeep Audi VW KIA
Bennett Chevrolet Company
BMW of Atlantic City
Boardwalk Acura
Boardwalk Honda
Chapman Ford
Kelber Buick Pontiac GMC Mitsubishi
Kelber Cadillac Chevrolet Subaru
Lexus of Atlantic City
Precision Cars of AC Corp.
Shore Toyota
Sport Hyundai Dodge

**DISTRICT: 3**
Avis Volkswagen, Inc.
Bay Shore Ford of Pennsville, Inc.
Bob Novick Chevrolet, Inc.
Bobbitt Auto, Inc.
Freightlifter of Bridgeport
Liberty Kenworth of South Jersey
Pointe Pontiac Buick GMC
Spirit Chrysler Dodge Jeep

**DISTRICT: 4**
Audi Turnersville
Holman Ford Lincoln Turnersville
Matt Blatt Suzuki - Glassboro
Nissan of Turnersville
Pellegrino Buick GMC
Prestige Volkswagen Mitsubishi
Toyota of Turnersville
Turnersville Auto Complex
Turnersville KIA
Turnersville Mazda

**DISTRICT: 5**
Ace Ford
Barlow Buick GMC
Echelon Ford, Inc.
Mount Ephraim Chrysler Dodge
Pellegrino Chevrolet
Pellegrino Chrysler Jeep
Performance Dodge
Toyota Scion of Runnemede
Woodbury Nissan, Inc.

**DISTRICT: 6**
Cherry Hill KIA
Cherry Hill Classic Cars
Cherry Hill Dodge Chrysler Jeep
Cherry Hill Imports
Cherry Hill Mitsubishi
Cherry Hill Nissan
Cherry Hill Volvo
Land Rover Cherry Hill
Mal Chevrolet, Inc.
Mercedes-Benz of Cherry Hill

**DISTRICT: 7**
Barlow Chevrolet
Berkey's Truck Center - Pennsauken
Burlington Chevrolet, Inc.
Burlington KIA
Burlington Volkswagen
Classic Carsissan
Dodge Chrysler City
Elite Acura
F.C. Kerbeck & Sons
Holman Ford Lincoln - Maple Shade
Holman Infiniti
Liberty Toyota Scion
Lucas Ford
Maple Shade Mazda
W & D Imports

**DISTRICT: 8**
BMW of Mount Laurel
Burns Buick GMC Hyundai
Burns Honda
Classic Cheverolet
Elkins Chevrolet
Hainesport Auto & Truck Center
Holman Cadillac
Holman Toyota Scion
Lexus of Cherry Hill
Lucas Chevrolet
Lucas Chrysler Jeep Dodge
Medford Ford
Miller Ford Lincoln
Mini of Mount Laurel

**DISTRICT: 9**
Arena Buick Pontiac GMC
Barlow Automotive LLC
Causeway Ford Lincoln Mercury
Causeway Honda
Causeway Nissan
Manahawkin Chrysler Dodge

**DISTRICT: 10**
Bob Casulli Auto Mall South
Circle Dodge, Inc.
Downs Ford
Garden State Volvo
Gateway Toyota Scion
Lester Glenn Auto Group
Pine Belt Automotive
Weisleder Ford Lincoln Mercury
Mazda

**DISTRICT: 11**
Acura of Ocean
Bueller Dodge Mitsubishi
Bueller Ford
Bueller Imports, Inc.
Circle Infiniti
Circle Motorsport, Inc.
Coast Honda
DCH Kay Honda
Galaxy Toyota
Gold Coast Automotive, LLC
Land Rover Monmouth
Mini of Monmouth
Pine Belt Chevrolet of Eatontown
Ray Catena Jaguar of Monmouth
Ray Catena Lexus of Monmouth
Sansone Ford Lincoln Mercury
Sansone Jr's 66 Auto Mall
Schneider + Nelson Motor Cars
Schneider + Nelson, Inc.
Sea Breeze Ford
Sea Coast Chevrolet

**DISTRICT: 12**
Circle Chevrolet Company
Contemporary Motor Car Company
DCH BMW of Freehold
DCH Freehold Nissan
DCH Freehold Toyota
Freehold Automotive Group
Freehold Chrysler Jeep
Freehold Dodge, Inc.
Freehold Ford
Freehold KIA
Freehold Pontiac Buick GMC
Freehold Subaru
George Wall Ford Lincoln Mercury
Haldeman Ford of Hightstown
Honda of Freehold
Hunter Jersey Peterbilt - Clarksburg
Irwin Lincoln Mercury Company
Maurice Schwartz & Sons, Inc.
Mercedes-Benz of Freehold
Nissan World of Red Bank
Pine Belt Chevrolet of Freehold
Rassas Pontiac Buick, Inc.
Ray Catena Lexus of Freehold
Red Bank Volvo, Inc.
Shrewsbury Motors
Volkswagen of Freehold
Windsor Nissan
World Jeep Subaru

**DISTRICT: 13**
All American Chevrolet, Inc.
All American Ford Subaru of Old Bridge
Bueller Chrysler Jeep Dodge
DCH Academy Honda
Oasis Chevrolet
Pine Belt of Keyport
Straub Motors, Inc.
Tom's Ford Lincoln Mercury
Werner's Automotive, Inc.

**DISTRICT: 14**
Acme Motors
Brad Benson Mitsubishi Hyundai
Dayton Toyota
Haldeman Nissan
Hamilton Honda
Hamilton Mazda Volkswagen, Inc.
Perrine Buick Pontiac GMC Hummer Saab

**DISTRICT: 15**
Baker Chrysler Jeep Dodge, Inc.
Coffman Auto Group, Inc.
Coleman Buick GMC Cadillac
Davis Hyundai
Greenfield Dodge Chrysler Jeep
Haldeman Ford
Honda of Princeton
Lawrence Lexus
Lawrence Toyota Scion
Lawrenceville Ford Lincoln Mercury
Mercedes-Benz of Princeton
Precision Acura
Princeton Audi
Princeton Land Rover
Princeton Mini
Princeton Porsche
Princeton Volkswagen
Sports & Specialist Cars, Inc.
Superior Chevrolet
Volvo of Princeton

**DISTRICT: 16**
Audi of Bernardsville
Autosport Honda
Bernardsville Volkswagen
Bill Vinc's Bridgeport Acura
Bridgewater Volvo
Fullerton Chrysler Jeep Dodge
Fullerton Ford
Kemper KIA
Lexus of Bridgewater
Millennium Volkswagen
Open Road of Bridgewater
Open Road of Somerville, LLC
Ray Catena Infiniti of Bridgewater
Royal Chevrolet
Somerset Nissan
Team Welsh Jeep Chrysler

**DISTRICT: 17**
DCH Brunswick Toyota
Gateway KIA of North Brunswick
Malouf Buick Pontiac GMC, Inc.
Malouf Chevrolet-Cadillac, Inc.
Malouf Ford Lincoln Mercury, Inc.
Ray Catena Truck Sales
Somerset Subaru

**DISTRICT: 18**
Bell Audi
Cambia Mack
Campbell Freightliners
Ferrari Maserati of Central NJ
Lexus of Edison
Open Road BMW of Edison
Open Road Honda
Open Road Mazda
Ray Catena Aston Martin
Ray Catena Infiniti
Ray Catena Jaguar of Edison
Ray Catena Motor Car
Revdyl Volkswagen, Inc.
Ryan's Open Road Acura
Smart Center Edison
Volvo of Edison

**DISTRICT: 19**
All Star Mitsubishi
Bell Ford
Loman Ford, Inc.
McGuire Cadillac
Miller Buick Pontiac GMC Corp.
Richard Lucas Chevrolet
Route 1 Mazda-Woodbridge
Route 1 Toyota
Sansone Chrysler Jeep Dodge
Sansone Hyundai, Inc.
Sansone Nissan

**DISTRICT: 20**
Linden Volkswagen
Maplecrest of Union
Maxon Hyundai Mazda
Multi Chevrolet
Multi Subaru
Planet Honda
Ray Catena of Union
Union Pontiac GMC Buick, Inc.
Union Volkswagen

**DISTRICT: 21**
Autoland Chrysler Jeep Dodge, Inc.
Crown Automotive
Crown Cadillac, Inc.
DMT Automotive Enterprises, Inc.
Douglas Infiniti
Douglas Volkswagen
Hall & Fuhs, Inc.
JMK Auto Sales
Methodology

Dealership financial data (and other information cited in this report) was collected from information reported by New Jersey franchised automotive retailers in 2010. The information was sufficiently detailed to allow the formation of a statistically reliable data base for financial and operational indicators.

The economic impact of the industry is separated into two main categories: direct and indirect. Direct impact comprises economic activity at automotive dealerships themselves. Indirect impact occurs away from the dealership proper, and takes into account the extended contribution dealerships 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 economic computer models. Indirect estimates in this report are intentionally conservative, and therefore, may underestimate the overall contribution automotive retailers make to the New Jersey economy.

Auto Outlook, Inc. is a regional automotive market analysis firm providing market research services to automotive dealers.

Study Sponsored by:

New Jersey Coalition of Automotive Retailers
856 River Road
P.O. Box 7510
Trenton, NJ 08628
(609) 883-5056

Study Produced by:

Auto Outlook, Inc.
5 Great Valley Parkway
Malvern, PA 19355
(610) 640-1233