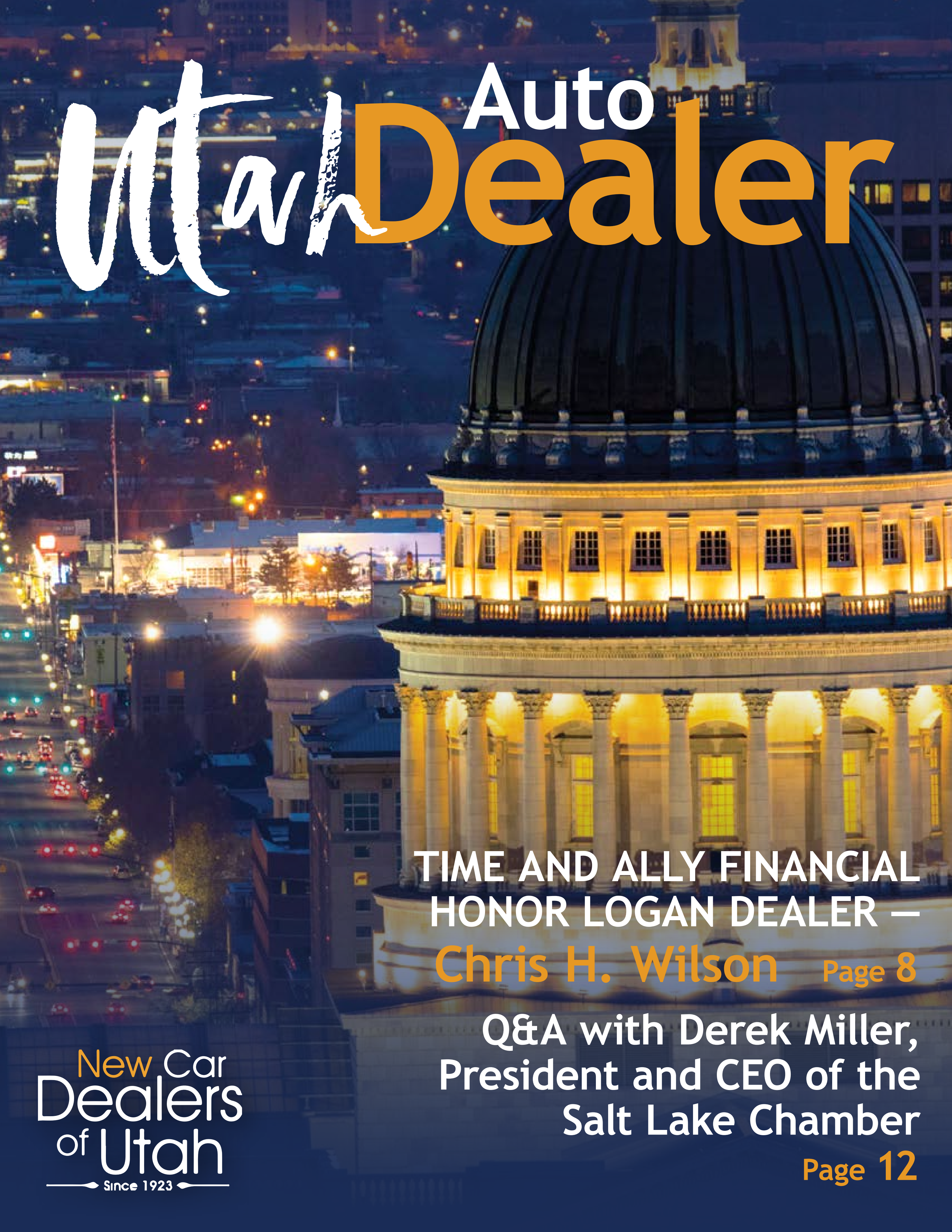

Utah Auto Dealer

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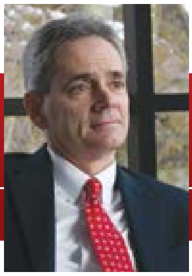
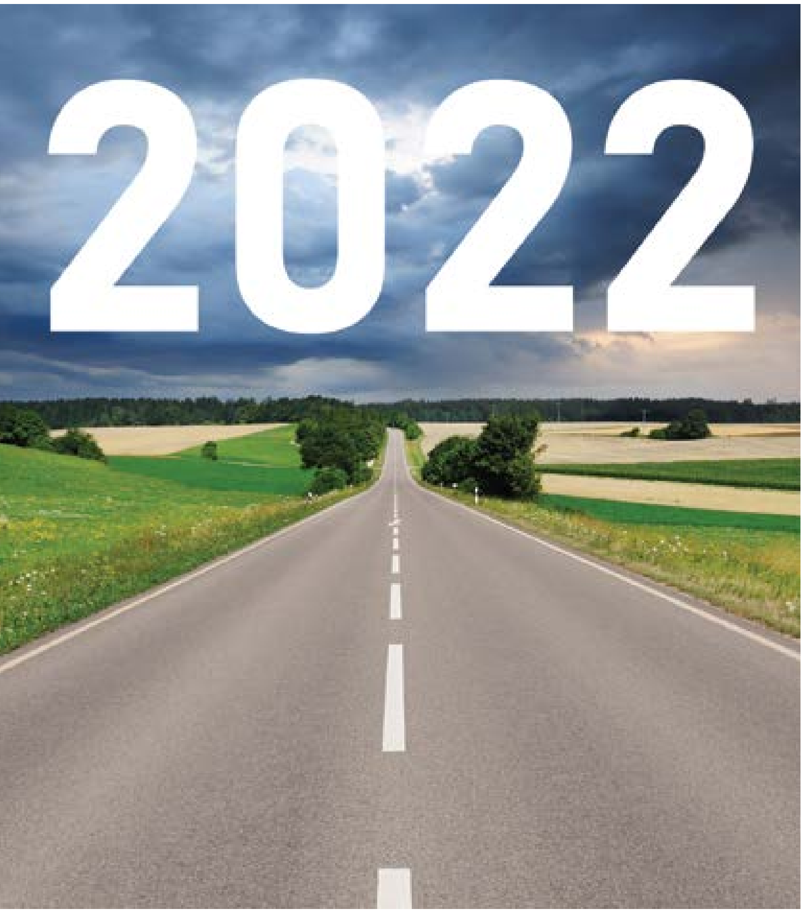


Executive Directors Message
NCDU Happy 2022

Craig Bickmore, Executive Director



> Utah responds well to pretty much everything because we approach problems with pragmatic optimism. Our response to the pandemic is a good example of that. Utah has truly done well overall compared to the rest of the nation.

Happy 2022! Here at NCDU, we're hoping for a great new year for everyone, including Utah's dealers. I have always been bullish on our industry, especially locally, and I have never been disappointed.

Utah responds well to pretty much everything because we approach problems with pragmatic optimism. Our response to the pandemic is a good example of that. Utah has truly done well overall compared to the rest of the nation. But my optimistic attitude is also rooted in what I know about our members, who are consistently great at meeting challenges. Are there potential problems ahead? Yes. However, the picture isn't completely dark, either. Like their national counterparts, we know Utah dealers are good at adapting to difficult circumstances. It was that way when people started buying the Model T, and it is still true today when they are starting to buy EVs. Dealers sell cars, and we are really good at it because we understand the importance of building relationships, providing great service to our customers and strengthening our communities.

In this issue of Utah Auto Dealer, we welcome our incoming president, J. Blake Murdock. We look forward to his leadership and all that he has to offer to the Association. We are also celebrating our Time Dealer of the Year nominee, Chris H. Wilson. Congratulations to Chris!

We address the current issues of the economy and employee shortages. The state of Utah has implemented a program to help with this; we hope you get to know more about the Apprenticeship Utah program.

All in all, we are moving past COVID and looking forward to a great selling year!

Please give us a call when you need help with some of the current challenges. NCDU is here to help you in any way we can, whether that means talking about the latest twist in the ongoing pandemic, talking about legislative issues or just providing access to educational and networking opportunities with other like-minded dealers. The year ahead may have its challenges. Fortunately, you don't have to deal with it alone.

NCDU Q&A WITH INCOMING PRESIDENT J. BLAKE MURDOCK

Did you always aspire to be in the car business? How did you become a dealer?
My father and grandfather were both auto dealers, but I didn't aspire to that. I always wanted to be a coach. I was almost 25 when I got home from my mission for The Church of Jesus Christ of Latter-day Saints from Glasgow, Scotland. Soon after, I got married and needed what I thought would be a summer job, so I went to work at the family auto dealership.

Working at the dealership was enjoyable right from the start. I enjoyed working with the public, the people I worked with and especially with my family. Automotive became my occupation for life.

What did you learn from your father and grandfather?
They were big on always giving the customers the benefit of the doubt. My dad, who was the dealer, wanted us to handle problems before they got to him. If a problem did get to him, he would give the customer whatever they desired.

Everybody wants to feel good about purchasing their vehicle and how they are treated after the sale. Whenever there was a dispute with service or other problems, our dad always taught us that the customer was always right, even if they were wrong.

Would you please tell us about your education?
I graduated from Clearfield High School and went to BYU on a football scholarship. I studied pre-med/physical therapy because I liked how doctors handled sports injuries. Coach Lavell Edwards was the coach when I began my university experience. He recommended that I play for four years before my mission, and then he would give me a free year or a "redshirt" year. I took his advice, but Coach Edwards asked me to coach with him when I came back. During that time, he paid for school and all my school-related expenses.

Did you have mentors?
My father was my mentor in the car business, and then I had two coaches who were helpful to me, too. The first was Carl Clayton, a junior high coach. The second was Kyle Whittingham's father, Fred Whittingham, who was the linebacker coach at BYU when I was there as a linebacker.

What three pieces of advice would you give someone you were mentoring?

1. Go to work to work. You should always have a purpose or a goal.
2. Have high regard for integrity and trust. You instill loyalty if people trust you.
3. Always treat people like you like to be treated.

How will COVID-19 affect the car industry in the future?
From a business perspective, the pandemic has been positive. Due to it, we've made changes in our business model. We have reduced our overhead, flooring expense is down, and our service business is up. The retail market has been surprisingly strong, especially with the shortage of new cars to sell.

However, with the reduction of new cars, the used car market is extremely strong and has helped us find ways to procure more used cars at higher profit margins.

Because of the pandemic, the manufacturers want the dealers to live on a less-day supply of new cars. Doing that will help the cost of flooring both for the manufacturer and the dealer.

It is hard to predict the future and when the supply chain will be restored to full production.

> Working at the dealership was enjoyable right from the start. I enjoyed working with the public, the people I worked with and especially with my family. Automotive became my occupation for life.

What is the biggest issue facing dealerships in the next three to five years?
We need the infrastructure for charging electric vehicles. The infrastructure must get better for electric cars to be successful. The federal government and manufacturers are pushing for electric vehicles. However, there are still open questions about electric vehicles, such as how far they can go without charging and how much it will cost to replace the batteries. New batteries are expensive. Right now, they can cost as much as $20,000 in some cases. Disposal is also a problem because the cells can release toxins from heavy metals, and recycling batteries can be hazardous. Also, service departments will be affected because an electric vehicle only has something like 17-21 moving parts.

The automobile industry is going through many changes in the next three years. Dealerships and the public will both affect how the U.S. manages those changes. Although I don't know what will happen, the big push for switching over to electric vehicles will continue, and everyone will have to find new solutions for the opportunities we face.

What would you recommend to dealers to prepare for the future?
Be willing to change and adapt to the needs of the customer. Even though some people think 30% of all vehicles will be electric by 2025, I don't see the change happening that quickly.

Manufacturers are already making dealers get ready for electric vehicles by ensuring they have electric charging stations and the tools they need. They are laying everything out, getting us ready.

How does membership in the NCDU association benefit members?
That's a really easy answer: Craig and Jason Bickmore work extremely hard for the dealers. They are at the forefront of anything that happens in the car business. They get us ready for and fight our battles on Capitol Hill. They have experience with the things that happen with car manufacturers and all the various aspects of running dealerships.

The board has been really good over the years. Members can always feel comfortable talking to another dealer in the group because they are always amenable to helping you.

Do you have a favorite automobile?
For right now, I love the design and performance of the Genesis GV80.

What are you driving?
I have been driving a current model or one-year-old Ford F-150. They have a great ride, and I love how comfortable they are.

Would you tell us about your family?
I am married and have 10 children, seven daughters and three sons. My wife is Julie Weaver Murdock. My three sons are all in the car business. My older sons, Blake and Ben, own and operate the Murdock Auto Team's seven dealerships. My youngest son Dain and I operate our newly acquired Murdock Ford Dealership in Santaquin, Utah.

We have 43 grandchildren. Hopefully, there will be enough car buyers to keep us in business for several years to come.

What do you like to do for fun?
I have always enjoyed sports, both watching and playing. But nowadays, I love to watch my grandkids, who have a minimum of three games a week. I also enjoy watching sports.

We have an annual summer vacation where we all go to Bear Lake and spend a week together with our children, their spouses and the 43 grandchildren. We boat, Jet Ski, play golf and bike there. We rent the same three houses every year because they are close together. We also take little trips throughout the year.

What's the best book you've read in the last year?
The Man Who Ran Washington, the Life and Times of James A. Baker III. I enjoy reading self-help books.

TIME AND ALLY FINANCIAL HONOR LOGAN DEALER –

Chris H. Wilson

Wins National Recognition for Community Service and Industry Accomplishments

TIME
DEALER OF THE YEAR
IN PARTNERSHIP WITH ally

The nomination of Chris H. Wilson, owner and dealer at Wilson Motor Company, a Ford, Lincoln and Nissan dealership in Logan, Utah, for the 2022 TIME Dealer of the Year award was announced by TIME.

Wilson is one of a select group of 47 dealer nominees from across the country who will be honored at the 105th annual National Automobile Dealers Association (NADA) Show in Las Vegas on March 11, 2022. The announcement of this year's annual award was made by Viktoria Degtar, Global Chief Revenue Officer, TIME, and Doug Timmerman, president of Dealer Financial Services, Ally Financial.

The TIME Dealer of the Year award is one of the automobile industry's most prestigious and highly coveted honors. Recipients are among the nation's most successful auto dealers who also demonstrate a long-standing commitment to community service. Wilson was chosen to represent the New Car Dealers of Utah in the national competition – one of only 47 auto dealers nominated for the 53rd annual award from more than 16,000 nationwide.

"The most rewarding aspect of my automotive career is the opportunity to carry on the family legacy started by my grandfather in 1943," nominee Wilson said. "Family, employee and customer-centric values are what established Wilson Motor and those traditions will lead to the successful future of our fifth-generation family ownership."

Wilson earned a B.S. in business administration from Utah State University in Logan in 1983. While many of his college friends took jobs at major corporations on the East Coast, Wilson opted to stay in Logan and establish his career at the car dealership founded by his grandfather, Floyd Wilson, in 1943.

"From a very young age, I pictured myself carrying on the family legacy as the third generation," he said. "I have always had a deep love for our local community and I considered it a privilege that I was able to stay in Logan, raising my family and contributing to the community."

Wilson started at the dealership at age 12, pulling weeds, sweeping the lot and washing cars. He was a detailer during high school and while in college, took on management roles in parts, service and the used-car department. After college, he dove into sales and was new-car manager by 1984.

"My dad, who took over the business in 1971, felt it was important that I had experience in all the departments so I understood how each functioned and contributed to the

"My career in the automotive industry was the perfect training for service in the Senate," he said. "Our business model of listening, gathering information, thinking, acting and monitoring outcomes, as well as our focus on relationships, not deals, applies well to public service."

overall success of the dealership," he said. "This knowledge turned out to be very valuable when I became the executive manager in 1988, a position I held until I took over full ownership of Wilson Motor in 2009." Today, his son Nate, daughter Paige Johnson and grandson Cooper have all joined the family enterprise.

Wilson steered his business through the Great Recession, which hit right before he assumed ownership, by listening to customers and adjusting to circumstances as they arose. "We had to be willing to change and find solutions not only by focusing on what worked in the past, but on present realities and future opportunities," he said. "This attitude positioned us well to respond to the pandemic, and continues to prepare us to confidently move forward in an era of uncertainty."

After his father passed away in 2016, Wilson reflected on the family's legacy and decided he wanted to do more to serve the public. To that end, he ran for Utah State Senate in 2020 and was able to triumph over a 40-year incumbent in the primary before defeating his challenger.

"My career in the automotive industry was the perfect training for service in the Senate," he said. "Our business model of listening, gathering information, thinking, acting and monitoring outcomes, as well as our focus on relationships, not deals, applies well to public service."

Wilson's work in the Senate will allow him to make a greater impact on infrastructure and planning, education, mental health and human services. "Utah is the fastest growing state in the nation and it is of utmost importance to unify public and government entities, businesses, education and private citizens to create a shared vision of smart, sustainable growth," he said.

Wilson is also a voice for his fellow car dealers and has been a board member of the New Car Dealers of Utah since 2014, serving as the group's president, vice president, secretary and treasurer. "While I was president in 2019, we worked countless hours to defeat proposed sales tax legislation that would have had a significant negative impact on our industry," he said.

In the area of community service, Wilson supports local food pantries by providing Thanksgiving turkeys, purchasing refrigerator/freezer units and helping to establish school-based food pantries. In addition, he donated Pumper Cars to every elementary school in the Cache County and Logan City school districts.

"These cars enable children with disabilities to participate more fully in recess and physical education classes, as well as help them safely navigate hallways," he said. "Having a sister with special needs, there's a tender place in my heart for organizations that help those with disabilities."

He also supports Common Ground Outdoor Adventures (maintains and repairs vehicles for the group that enables individuals with disabilities to engage in outdoor activities); Cache Employment & Training Center (services for people with disabilities); Little Lambs Foundation for Kids (provides comfort care kits and necessities to children in need), as well as local high school athletic programs, charity events and fundraisers.

Wilson has served on the boards of the Cache Valley Chamber of Commerce, Pioneer Park Coalition and Envision Utah, to name a few.

"I am committed to doing everything I can to secure the best possible future for my children, grandchildren and our community," he said.

Dealers are nominated by the executives of state and metro dealer associations around the country. A panel of faculty members from the Tauber Institute for Global Operations at the University of Michigan will select one finalist from each

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of the four NADA regions and one national Dealer of the Year. Three finalists will receive an additional $5,000 for their favorite charities and the winner will receive an additional $10,000 to give to charity, donated by Ally.

In its eleventh year as exclusive sponsor, Ally also will recognize dealer nominees and their community efforts by contributing $1,000 to each nominee's 501(c)3 charity of choice. Nominees will also be recognized on AllyDealerHeroes.com, which highlights the philanthropic contributions and achievements of TIME Dealer of the Year nominees.

"In cities and towns across the country, auto dealers make a big economic impact — going the extra mile to strengthen their communities," said Doug Timmerman, president of dealer financial services, Ally. "It's an incredible achievement to be nominated for TIME Dealer of the Year. The program not only recognizes leadership in business and customer service, but also a commitment to giving back and doing it right."

Wilson was nominated for the TIME Dealer of the Year award by Craig Bickmore, executive director of the New Car Dealers of Utah. Chris and his wife, Kiersten, have 10 children.

About TIME
TIME is a global media brand that reaches a combined audience of more than 100 million around the world. A trusted destination for reporting and insight, TIME's mission is to tell the stories that matter most, to lead conversations that change the world and to deepen understanding of the ideas and events that define our time. With unparalleled access to the world's most influential people, the immeasurable trust of consumers globally, an unrivaled power to convene, TIME is one of the world's most recognizable media brands with renowned franchises that include the TIME100 Most Influential People, Person of the Year, Firsts, Best Inventions, World's Greatest Places and premium events including the TIME100 Summit and Gala, TIME100 Health Summit, TIME100 Next and more.

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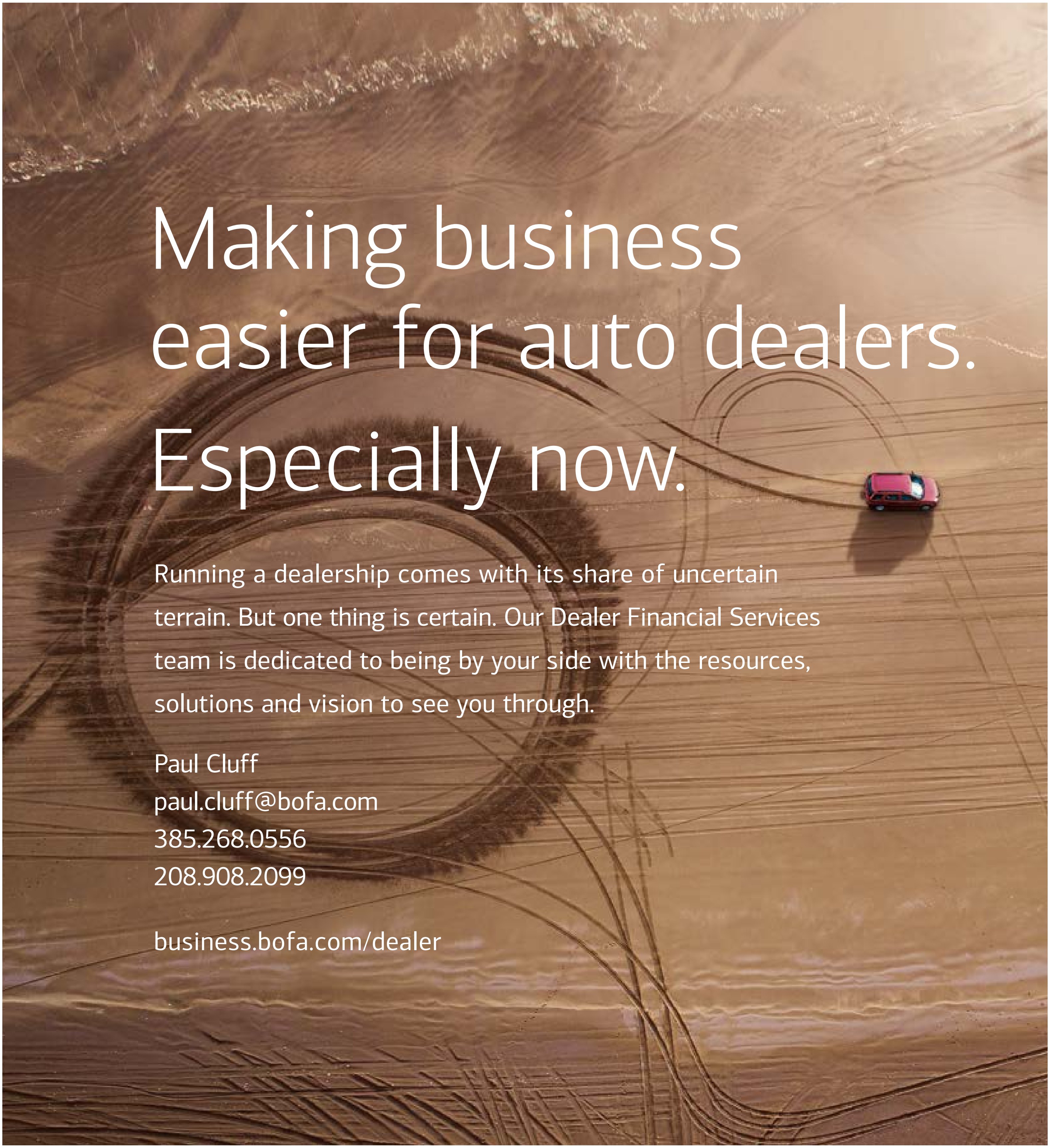
About the NADA Show
The annual NADA Show brings together more than 20,000 franchised dealers and their employees, industry leaders, manufacturers and exhibitors to learn about the latest auto industry tools, trends, products and technologies.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Q&A with Derek Miller, President and CEO of the Salt Lake Chamber

Derek Miller is the president and CEO of the Salt Lake Chamber and is a native Utahn. He earned an undergraduate degree from BYU in international relations. In addition to graduating from BYU's J. Reuben Clark Law School, he also holds a joint degree, Master of Public Administration, from the Romney Institute of Public Management. After graduation, Derek was a management consultant with Arthur Andersen in Washington, D.C., for its public sector clients. He then practiced law as legal counsel in the U.S. House of Representatives.

Derek and his family came home again eight years after leaving the state, but he continued his public service. Derek worked for Gov. Huntsman in the Governor's Office of Economic Development and then as chief of staff for Gov. Herbert. He returned to the private sector after an additional four years.

Before the Salt Lake Chamber, Derek was the CEO of the World Trade Center Utah. This nonprofit group helps companies expand their global market and is the Salt Lake Chamber's sister organization.

For more information, refer to 2021 Legislative Priorities: Salt Lake Chamber 2021 Public Policy Guide by the Salt Lake Chamber. An online copy is available at https://slchamber.com. Select the Public Policy tab for the 2021 and upcoming 2022 Legislative Priorities guide, which will be released in early January.

The 2021 policy guide lists many subjects such as the business climate, labor and employment and education. All of them mattered, but did some matter more than others in 2021?

The short answer is yes. Although many industries are doing quite well, some industries have been impacted much harder by the pandemic. They include travel, tourism and hospitality industries.

We are grateful Utah had the highest uptake for businesses receiving PPP loans because those loans kept businesses alive, and most are forgivable under most circumstances. But loans are not a long-term solution. No amount of money the federal government can spend would replace a fully functioning economy. For many businesses that are suffering, the only long-term answer is to become fully and safely functioning again. Downtown Salt Lake City is an excellent example of this. We need people back in downtown offices. We also need people to go to cultural events and art venues at places like Symphony Hall and Eccles Theater.

Workforce development has a short-term goal and a long-term purpose. Having an available workforce of trained, skilled workers was a concern even before the pandemic; any business owner would tell you that their No. 1 challenge is

finding enough qualified people. Unfortunately, the pandemic has caused a drop-off in students moving from secondary education to higher education. But as a state or as an economy, we can't afford to have a whole segment of our population hit the pause button for a couple of years.

Many companies struggle to hire people with the necessary qualifications even though 50,000 people are unemployed. That is why we need short-term and long-term workforce training. We have a short-term opportunity to bridge the skills gap by focusing on workforce training, but workforce development will continue to play a role in our long-term prosperity.

What do you think the lingering effects of the pandemic will be on small businesses?
Small businesses are 90% of Utah's economy. They quantifiably form the state's backbone and engine.

The PPP loans have helped many small businesses keep their doors open from the beginning of the pandemic. The Salt Lake Chamber also created a program, Stay Safe to Stay Open, and the state asked the chamber to take it across the state. The chamber also had a triple takeout challenge to support local restaurants by getting takeout three times a week. (For my family, my wife suggested we should get takeout six times a week.)

“We have a short-term opportunity to bridge the skills gap by focusing on workforce training, but workforce development will continue to play a role in our long-term prosperity.”

In terms of lingering effects, success in the current environment has been defined by surviving. Businesses had to innovate and adapt. Many companies had already planned to make changes, but the pandemic sped up their plans. For example, one of the downtown restaurants had already been talking and thinking about making a new business line of prepackaged meals that would be available online. They had to act on that when the pandemic started.

How many small businesses have closed in Utah as a result of COVID compared with the national picture? Is it as high as one in four?
About a third of the businesses we've talked to have said they closed at least one location and consolidated. But look at the good news: more than 50,000 businesses received PPP loans. Zions Bank and Mountain America Credit Union led the nation in the number of loans they closed, respectively, for banks or credit unions.

How do you think Governor Cox's emphasis on rural Utah affects Salt Lake City?
I don't think economic success has to be a zero-sum game where one part of the state takes precedence over the other. Instead, think of the economy as a garden. I can have a good garden, and my neighbor across the street can have one, too. Anyone who plants good seeds, provides them with soil, water and sunshine and tends the garden will have good results.

You will see the right outcome if you do the right things, and if rural parts of the state achieve economic success, their success will not be at the expense of Salt Lake City or the Wasatch front.

Do you have any suggestions for small businesses in 2022?

1. Every business needs to have a digital transformation strategy. The pandemic accelerated existing trends, and companies have had to move some things online that they'd already been thinking about.

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2. Don't be so focused on the present that you lose sight of tomorrow. Under normal circumstances, businesses work hard every day to be successful, and sometimes it just seems easier to be satisfied with keeping your head above water. That is truer than ever with the pandemic's challenging circumstances, but it can cause you to miss things. Do some strategic thinking. What is going to affect your business tomorrow and the next day?
3. Apply what you have learned to help you prepare for the future. We know more now than we knew last year, and we've learned some important lessons through the pandemic, but that doesn't mean we are smarter. Using knowledge to improve is what makes you smarter.
4. Businesses are so focused on survival. It can be easy to neglect customers, but that is the worst thing to do. Please make time to build personal connections to your customers, whatever that looks like for them. Your customers will remember how you treated them during the pandemic, for better or worse. Strengthening customer relationships will give you customers for life.
5. Sometimes going through a challenge helps you get back to the basics of innovating and adapting. You don't have to strip away the extraneous stuff when times are good, but sometimes the best thing you can do when facing challenges is refocus on your core mission and go back to the basics.

If a business owner could not implement all of your listed suggestions, which ones are the most important?

That depends on the business. No one can implement every suggestion, and only you know what would work for your circumstances. Review the list, customize it, and decide what makes the most sense for you and your company.

Which programs are available locally to help small-business owners?

Things are changing faster than usual, and keeping up with all the changes can be a full-time job in and of itself. Fortunately, the local chamber of commerce's job is to be aware of all the programs and how they might match up with your business. Talk to the local chamber of commerce instead of trying to navigate all the private programs yourself.

I also encourage you to get involved with us or your local chamber of commerce. Although it is nice when you can take advantage of a place like Utah and its very strong business environment, it is even better to help create that business environment. Pay forward the help you get by focusing on other businesses' success, too.

Apprenticeship Utah

Utah is recognized as business-friendly for many reasons, such as the economic outlook and an educated workforce. But as the U.S. ages, older workers retire and graduating high school seniors continue to opt for something other than learning a trade. Old solutions and strategies have become ineffective, and too many job openings for skilled work go unfilled. The Rural Water Association (RWAU), which consists of public and private water and wastewater systems in cities and municipalities, noticed a big gap in the number of workers retiring as opposed to the number of new employees it was able to hire. To help fill this gap, RWAU worked with the Department of Labor, Office of Apprenticeship and Workforce Services to set up two apprenticeship programs and now serves as an intermediary between potential apprentices and its membership base by providing classroom instruction and support throughout the process.

Business needs are fluid, and learning new skills is a prerequisite to being employable. Utah's business owners were reminded of how fast shifts can occur when the pandemic recession hit and some of Utah's major industries found their revenue sources disappearing.

In October 2021, Utah's unemployment rate was 2.2%, the lowest rate ever recorded. That means about 37,400 Utahns are unemployed. The job growth rate has been 3.7% over the last 24 months, but companies have cumulatively added 58,500

jobs since October 2019. These numbers tell us Utah jobs are growing more than before the pandemic, but participation levels are less than pre-pandemic. Many people have shifted career paths, or some are reluctant to enter the job market again. This shortage of potential skilled workers does not help businesses deal with the current skilled labor shortages.

How can the state help businesses meet the current shortfall of skilled workers? Apprenticeships can be a good tool business owners can add to their repertoire of recruitment and retention strategies. Apprentices benefit by being trained for work, getting paid, and ending with nationally-recognized credentials. The state launched Apprenticeship Utah, an initiative through the Department of Workforce Services designed to increase awareness and participation in apprenticeship programs by employers and future apprentices. Utah's first comprehensive website, apprenticeship.utah.gov, connects employers who offer apprenticeships with potential employees. Melisa Stark, Commissioner of Apprenticeship Programs in Utah, participated in a seminar about the program held Nov. 16, 2021, during the seventh annual National Apprenticeship Week (NAW). The information in this article is from her presentation and the program's website.

Apprenticeships are a tried-and-true training system combining paid on-the-job learning with formal classroom instruction. On-the-job learning is done at the same time as post-secondary education. Hiring an apprentice allows apprentices to prepare themselves for highly-skilled careers more quickly than would be possible otherwise. Everyone wins.

Thanks partially to the pandemic, apprenticeship programs have increased throughout the country because they allow employers to find and train employees for highly skilled work. The number of programs nationally has increased 70% over the last 10 years. There are now almost 26,000 programs with more than 636,000 apprentices training throughout the country. Additionally, the retention rate for employees who complete their program is 92%.

After program completion, the average wage for employees is $60,000 per year. Apprentices earn $300,000 or more during their careers than those who don't participate in an apprenticeship program. The U.S. Department of Labor recognizes approximately 1,200 occupations as suitable for an apprenticeship. And Utah has seen a 25% growth rate in the last year for youth apprenticeships (for people ages 18-24).

Utah already offers apprenticeships in many industries. Although most people think of construction apprenticeships, they also work for other industries, including I.T. and health care. Common elements are found in high-quality programs, such as the apprentice is paid to learn in a structured, on-the-job setting. A skilled employee teaches the apprentice, and the program includes related information presented in class.

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> Apprenticeships can help disadvantaged and marginalized workers reengage with the job market after the pandemic and gain the necessary skills for a successful career path. During the pandemic, employers saw an unusually high number of skilled employees who retired and had problems replacing them. Enlarging the pool of potential employees helps with that.

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The apprentice's developing abilities are assessed against established skills and competency standards, and as the apprentice gains experience and skill, wages are increased to match. And finally, the program ends with an industry-recognized credential, certificate or degree.

If you have an apprenticeship program, you put yourself in a position where you can control the training for new employees. That makes these programs a valuable resource.

Most Utah apprentices are in the 25-34 age group, but the state hopes to attract more people who are just graduating from high school and are ready to enter the workforce. They want high school graduates to know enough about the program to make informed decisions about their direction after high school instead of defaulting to postgraduate schoolwork or low-wage jobs. Pre-apprenticeships and youth apprenticeships can give a foundation as early as junior high school. Pre-apprenticeships might also be a good choice for people changing industries or returning to the workforce after a long absence.

There is a marked difference between an internship and an apprenticeship. Think of internships as "try before you buy" and apprenticeships as "train to retain." Internships are short and don't usually carry the possibility of long-term employment. And, internships may or may not involve credentials and mentors.

However, with an apprentice program, you are investing in the apprentices. They are taught in a formal setting that leads to gaining the appropriate credentials, and they are under the direction of a mentor They are employed officially and continue to be employees after completing their training. And, the national retention rate for apprentices is 92%.

With an apprenticeship program, there are several benefits and returns on investment you can expect. An apprenticeship program is a way to create a skilled workforce where the skills are flexible, and training can be customized to your specific work environment. Apprentices learn best practices and your culture from the very beginning. Employers report that apprentices often outperform market-recruited employees.

With an apprenticeship, you often build company loyalty. Participants know they are valued and are making a contribution. They are more likely to stick around, so turnover is reduced. Also, it is an effective way to build diversity. Low-wage, high-turnover jobs are often the first to disappear in a downturn and the last ones to return to jobs, too. Companies that recruit certain populations can diversify their workforce through apprenticeship programs.

Having apprenticeships often makes companies more productive, profitable and innovative. Mentors appreciate the opportunity to share the skills they've learned, morale improves throughout the company and employers can identify people who may be well-suited for growth within the company, whether as a manager or someone with valuable skills. According to Nicholas Wyman, CEO of the Institute for Workplace Skills and Innovation (IWSI) America, employers can earn a 36% return on investment because of apprenticeship training. For context, S&P 500 companies usually see an ROI of 10%. Companies with apprenticeship programs have said that every dollar spent returns $1.50 because of increased productivity, innovation and reduced waste. And companies with apprenticeship programs have access to federal and state funding.

If you consider starting an apprenticeship program, an obvious starting point is filling current needs. But building a pipeline of potential employees is important so you won't have the same shortages five years from now. Apprenticeships can help with future staffing needs, especially if you allow current employees to participate. A few technical or leadership skills can make all the difference for them. When you are allowed to do so, take part of your reimbursement funds and put them back into apprenticeship programs for new employees so they won't have to wait before starting a program.

Everyone benefits when businesses have apprenticeship programs to train potential employees and existing employees. From the Department of Workforce Services' viewpoint, the goal is to expand the employee pool, a strategy that helps employers and potential employees.

Apprenticeships can help disadvantaged and marginalized workers reengage with the job market after the pandemic and gain the necessary skills for a successful career path. During the pandemic, employers saw an unusually high number of skilled employees who retired and had problems replacing them. Enlarging the pool of potential employees helps with that.

Enlarging the pool means increasing diversity, and Utah's businesses have plenty of room for that. Over 4,400 people are currently active in Utah's apprenticeship programs. More than 1,668 started their apprenticeship in 2021, and 29 new programs started the same year. As stated previously, most apprentices (1,894) are in the 25-34 age group. (For 18-24, the number is 1,187, and for those older than 35, the number is 1,140.) Some 8% are veterans. By gender, about 3.2% are female, and 96.8% are male. Most are white, but a larger percentage of minorities are generally participating than in the state's population.

Apprenticeship programs can cause a cultural shift in companies, especially in their diversity, equity, inclusion and accessibility (DEI&A) efforts. Instead of viewing apprenticeship programs that support DEI&A efforts as a form of charity, they discover the programs are a business investment. And by cultivating talent, employers move from a transactional approach that consumes talent to an ongoing collaboration that co-produces talent. Employees gain general skills and company-specific skills.

Apprenticeship Utah actively provides how-to information to the business community. The program's leaders understand that new programs can require businesses to form partnerships with local schools, including high schools. They also know businesses may need guidance about how to create a program.

If you have additional questions, contact Apprenticeship Utah at apprenticeship.utah.gov, by email at apprenticeship@utah.gov or 801-707-3549.

Goodbye Gas, Hello Electrification

The global move toward vehicle electrification has been going on for a long time now, but it is understandable if you feel like it will never arrive since few manufacturers have sent many EVs to dealer showrooms. Two of the controlling factors are regulations and the cost of building the necessary infrastructure.

Although change is coming, it is still slow. NADA's market beat for June 2021 and July 2021 ends with a graphic for powertrain market share. The percentages should surprise no one:

- Gasoline has 87.5% of the market. The percentage at the end of June 2021 was 88.4%.
- Diesel market share was 4.0% (up from 3.6% in June).
- Hybrid market share was 5.0% (versus 5.0% in June).
- Electric market share was 2.4% (the same as in June).
- Plug-in hybrid market share was 1.1% (versus 0.8% in June).

What are the important trends? One source of expertise is the McKinsey Center for Future Mobility, which offers advisory services to its clients. It has four hubs: Beijing, Detroit, Munich and Silicon Valley, and it advises many OEMs and other key stakeholders. The website for the McKinsey Center for Future Mobility lists four major trends in the automotive industry that will transform it and also have a ripple effect on other industries such as insurance:

1. **Autonomous driving:** Driver-assist technologies are making it safer for people to drive. Eventually, people will be passengers instead of drivers, and by 2030, the robotaxi market will control 70% of the market.
2. **Connectivity:** Engineers will continue connecting cars to information systems. Asutoth Padhi, a senior partner at McKinsey & Company, has said, "A car is really a supercomputer on wheels." So far, people generally seem to like driving these supercomputers. Of potential buyers who answered a survey, 40% would switch automobile brands to gain more connectivity than they currently have.
3. **Electrification:** The industry is nearing an inflection point caused by changing regulations, infrastructure, battery economics and market demand. The website says that in 2016, 30-40% of the people in the U.S. and U.K. considered buying an EV. Drew Desilver wrote an online article on the Pew Research Center website, dated June 21, 2021, with more recent numbers. In the article, Drew Desilver said 7% of U.S. adults own an electric or hybrid vehicle, and 39% of survey respondents said they would consider buying an EV the next time they look for a new vehicle.
4. **Shared mobility:** Car ownership is convenient but expensive. New alternatives hope to offer equal or almost equal convenience without the stress and expense. However, shared mobility is still in the dream category since less than 1% of all miles traveled globally resulted from e-hailing trips.

During a company video, Asutoth Padhi said the U.S. has had two inflection points: the shift from horses to cars and the current shift to electrification. However, since electrification probably won't be profitable for another 3-5 years, industry participants reasonably want to know who will fund the necessary losses between now and then. It isn't clear what the answer is to that question, but answers may come through collaboration and changes in regulations and technology.

The McKinsey Center for Future Mobility wrote a 79-page publication about the upcoming changes. The report doesn't include a publication date, but it does have information from the Aug. 31, 2019, IHS Markit Alternative Propulsion Forecast. Scan the QR code at the end of this article for the full report. The remainder of this article contains highlights from the report.

Gasoline and diesel engines have dominated the industry for more than 100 years, but government mandates have pushed the industry toward more efficient and environmentally friendly transportation. McKinsey's experts worked to provide information about the following questions:

- What power train changes are being made? The report focuses on why, to what extent, where, and when.
- What are the most important changes relative to systems and main components?
- How will changes affect current powertrain value chains?
- How can suppliers respond successfully?

The report divides the component market into powertrain type, region and vehicle segment between 2018 and 2025. The report identifies strengths and weaknesses and assesses development and adoption trajectories for new powertrain technologies. It then offers a component by component analysis in four ICE component categories, three high-voltage categories, electrification categories and one fuel cell category.

The report offers the following conclusions:

- Buyer preferences and stronger CO_2 regulations have created a tipping point for electrification. Battery costs are going down, and the U.S. is likely to increase the pace of building the necessary infrastructure for more charging stations. As a result, major markets will start distributing more EVs between now and 2025.
- The rate of adoption between now and 2030 is going to be regional. Adoption will be determined by buyer preferences, infrastructure, regulation, technology and total cost of ownership. These forces, and the vehicle choices people have, are not the same throughout the country, and adoption will be affected accordingly.
- Powertrains are changing dramatically. While the need for some ICE components will stagnate or decline, the need for electrification components will cause pockets of growth. You need to understand the changes to know how to adapt to the market.

The report offers a four-part general strategy that anyone in the auto industry can use:

- Nobody knows exactly how the transition is going to take place. However, you can still analyze the situation for your specific region and identify trigger points that will change what happens in the market. Once you know what is happening or likely to happen in your region, communicate what you see within your community and organization. Continue to track trigger points such as evolving customer preferences, incentives and regulations so you can promptly make changes when the time comes.
- Keep an eye on global changes while managing performance focus areas that are specific to your business. You should know where you are doing well and where you have room to grow. Also, learn whether there are promising new markets to investigate.
- Allocate resources so that R&D efforts are going toward new markets while supporting backbone and legacy markets only as much as necessary. The idea is to invest as little as possible in technologies that are going away. That way, you will have as little loss as possible. Cooperate with OEMs, suppliers, and people in the public sector if there is an effort to bundle research efforts or mitigate infrastructure costs. It's a little like having roommates in an apartment or multiple generations in a home: look for opportunities to reduce costs by sharing them.
- Being proactive about the need for change is better than just letting things happen and reacting to them after they become important. Before your organization makes big changes, you need to understand your organization's transition-related strengths and weaknesses. Take advantage of strengths and minimize weaknesses to create a strategy that will help you steer your organization through the changes. As you go, you can adjust more quickly by paying attention to performance and accountability.

This advice is all general; it's necessarily vague because it applies to so many possible situations. But you can make it more specific. Consider your service department, for example. It's hard to know whether you should expand unless you have some idea of how soon it will be before maintenance for ICE vehicles decreases much more than it currently has. But you know that day is likely to arrive faster in, say, Washington D.C. and California than it is in Wyoming. Plan accordingly.

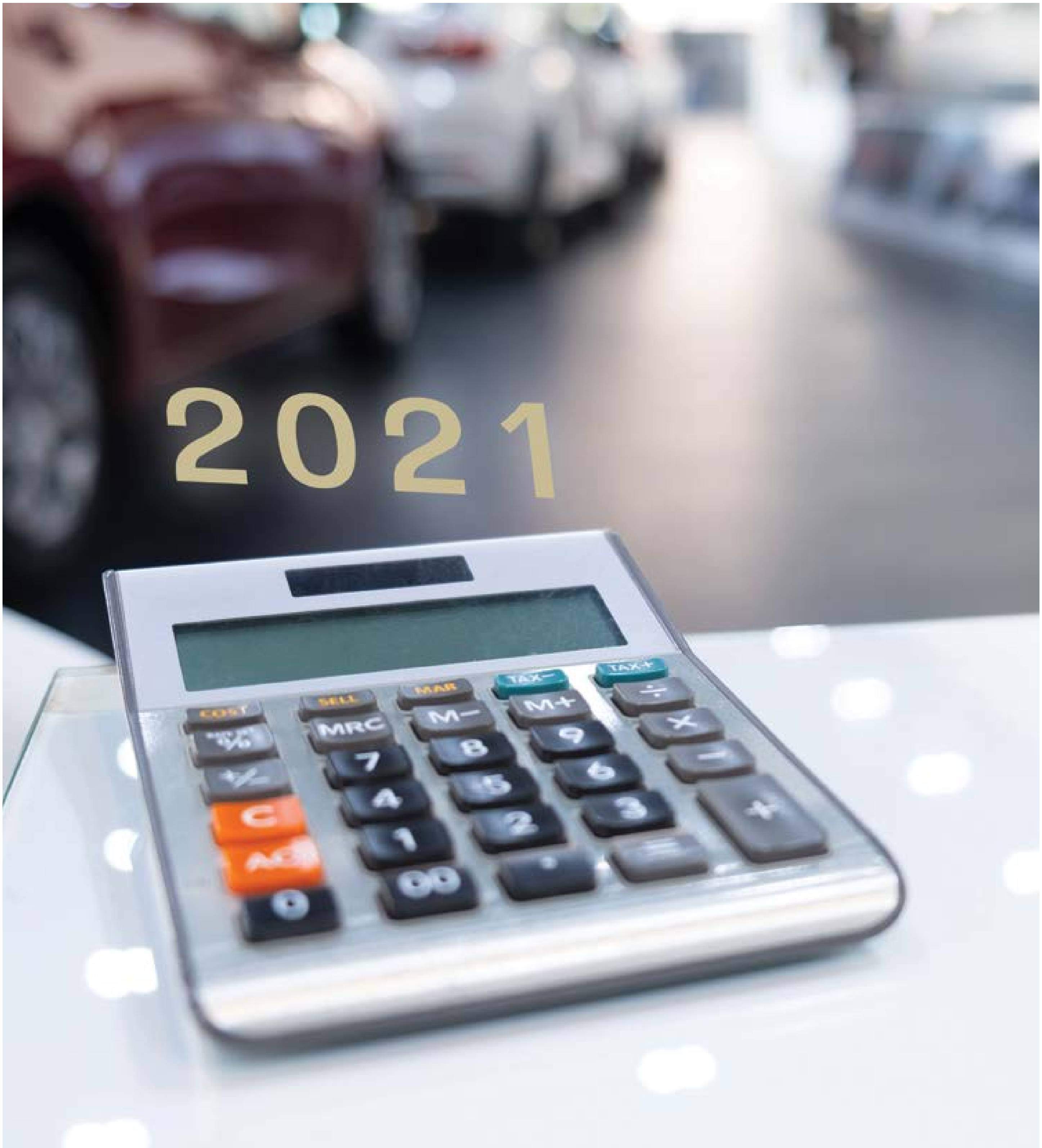
We are in the most exciting time for selling vehicles since Henry Ford started putting cars on the roads of North America. The new technology changes will improve the quality of life for everyone, especially as the technology begins impacting important areas such as carbon emissions and road safety. It's going to be a glorious ride along the way.

For the full report:

https://mck.co/39IMhbh

2021 Year End Considerations

Leon M. Rogers, Tetrick & Bartlett, PLLC



2021 has been a record year of profitability for automobile dealers. Hand in hand with this profitability is the income tax liability due on those profits. To ensure that you pay only on the amounts you have made, now is the time to clean up any questionable items that may have accumulated on your dealership's books over the last year. The following items are suggestions for reviewing your accounting records and identifying amounts that may need to be written off or accrued as expenses.

1. **Cash** — review bank reconciliations. Ensure that the amounts are reconciled to your general ledger and identify older reconciling items for propriety.
2. **Receivables** — review aging of all receivables (contracts, vehicle, customer, warranty, finance reserves and incentives) to determine if they are collectible. Obtain explanations for any amounts outstanding outside of the normal operating cycle (15 days for contracts and 60 days for other types of receivables).
3. **Open repair orders** — review your open repair order lists to determine if they all have valid reasons for being open. Obtain explanations for any repair orders open 30 days or more.
4. **Prepaid expenses** — review prepaid schedules to determine that amounts represent valid unexpired expenses.
5. **Vehicle Inventories** — perform a physical count of the vehicle inventories and reconcile them to the general ledger schedules. Review used vehicle values to determine if they represent the lower of cost or market.
6. **Parts and other inventories** — reconcile physical counts to the general ledger. Review parts inventory and determine if obsolete items are included and should be written off. Dispose of any amounts written off.
7. **Property and equipment** — Review additions to fixed asset accounts to determine if the items charged to those accounts meet your company's capitalization criteria (typically a unit cost of $2,500 or more). Review additions to buildings and leasehold improvements to determine if they may qualify as a repair or refreshment.
8. **Accounts payable** — Ensure that all vendor invoices have been entered in to accounts payable and reconciled to the vendors statements.
9. **Floorplan liability** — reconcile the floorplan statements from lending institution to the accounting records.
10. **Vehicle Lien Payoffs** — review to determine that payoffs are being made in a timely manner and that deficiency notices are sent to customers when appropriate.
11. **Title Work** — review to determine if title work is being processed within the prescribed time frame and that liens are being perfected within the limit established by state law.
12. **Accrued and withheld tax liabilities** — determine if payroll, sales, and property tax liabilities are being paid when due and if the accounting records reflect the correct liability balance.
13. **Payroll** — determine if accrued payroll has been reconciled to the payroll records and reflects the appropriate liability.

"To ensure that you pay only on the amounts you have made, now is the time to clean up any questionable items that may have accumulated on your dealership's books over the last year."

Performing these procedures at the end of and throughout the year will help ensure that you are making tax and financial decisions based upon the most accurate data available.

Leon M. (Lonnie) Rogers, CPA/ABV/CFF is the managing member of Tetrick & Bartlett, PLLC and has been providing accounting, tax, valuation, and consulting services to automobile dealers since 1977. Tetrick & Bartlett, PLLC currently serves dealers in West Virginia, Virginia, Ohio, and Pennsylvania and is a member of the Auto CPA Group, a nationwide organization made up of 25 CPA firms specializing in services to automobile dealers. Lonnie can be reached at lrogers@tb.cpa or 304-624-5564.

Reconciliation is Key
to Cash Control for Dealerships

Paul Skeen, Eide Bailly, LLP

Most dealerships have team members who are responsible for accounting and finance. These individuals might be trained in the position or hired for their expertise. Because managing a dealership is complex, it's easy for dealership owners and managers to entrust these individuals with their tasks without strict internal controls, regular check-ins or process and technology assessments.

Today's auto dealers also manage disruption driven by the COVID-19 pandemic and resulting digital acceleration. They're forced to consider how they might change their business models, which adds a significant load to their long list of responsibilities.

As you can imagine, this leaves a lot of room for error, inefficiency and even fraud. One of the best defenses against these risks is good cash management, which includes monthly bank reconciliation to confirm your cash is accurate. Conducting a dealership diagnostic check, along with consistent reconciliation, can help maximize efficiencies and profitability.

Why Good Cash Management Is Critical for Dealerships

Careful cash management and monthly reconciliation are essential for dealerships to stay viable and pursue business-building initiatives. Understanding your actual cash flow and current cash status helps you identify and avoid risks, find opportunities to nurture and improve your cash flow, and make well-informed financial decisions.

Consider, for instance, that a team member might be entering numbers incorrectly without realizing it, giving the appearance that you have more cash than you do. Or that there is regular, barely detectable theft occurring internally, adding up over time.

Timely monthly reconciliations can expose discrepancies like these so you can address them.

What Reconciliation Means for Dealerships

For dealerships, reconciliation primarily refers to bank reconciliation. This is a regular business activity where staff cross-checks the general ledger activity with the actual bank account activity to make sure all transactions are properly posted. This is how you will reconcile your cash to your account activity. Other reconciliation activities include vehicle inventory and floor plan reconciliation.

Bank reconciliation is central to cash flow management because this regular view of your actual financial activity and cash status empowers you to identify:

- Where you might improve the inflow and outflow of cash
- Opportunities to improve processes
- Unnecessary spending and loss
- Unusual activity and errors

If your bank accounts and cash don't reconcile, it could be something as simple as a miscalculation or something as substantial as fraud. Even a simple miscalculation is worth

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identifying and fixing to ensure you always have the truest understanding of your cash status.

Common Issues with Reconciliation and Cash Control

If you have employees responsible for monthly reconciliations, you must check in with their processes to ensure they're completing the task and doing so with attention to detail. You must also assess whether you can better support them with process and technology improvements. There are a few ways your reconciliations might be stunted:

- Employees assume any discrepancies will work themselves out, as with pending payments and due to process in the following statement.
- Employees aren't adequately trained to recognize errors and inconsistencies.
- There isn't proper segregation of duties, so employees are less likely to catch their own mistakes.
- Employees don't have adequate tools and technology to reconcile errors, particularly in a timely fashion.
- Employees can't conduct bank reconciliations because they are too busy.
- Owners and managers de-prioritize reconciliations because the business is doing well and other tasks demand attention.
- Employees are participating in fraudulent activity or theft.

To solve these issues, dealership owners and managers must emphasize the importance of reconciliations, ensure segregation of duties and involve themselves in the process to ensure procedures are followed. Outsourcing reconciliation to a third party can also help solve these issues. Using an outside party ensures an unbiased perspective, reduced risk of fraud and assurance that the reconciliation is performed timely and properly.

Benefits of Regular Reconciliation

When you conduct or outsource reconciliation regularly, it gives you greater control over your cash. You can catch problems timely and take care of them before they become costly and detrimental. Inconsistency could be as easy to fix as moving a comma, or it could be a sign of something significant happening in your dealership.

Find Internal and External Errors

All manner of errors could show up when you're reconciling your cash. The fault may be with the banks themselves or errors made by your staff. It may even be that employees are consistently making mistakes you can fix with better training, processes or technology.

Identify and Prevent Fraud

Unfortunately, your reconciliations might turn up fraud or theft at your organization. These activities could be incremental and difficult to see, but they add up over time and cost your dealership money. Additionally, you don't want untrustworthy employees to remain on your staff.

Fix Costly Process Issues

Your documenting, accounting and reconciliation processes could be inefficient and full of bottlenecks that cost you money. Performing monthly reconciliations and having control over your cash will help you better understand your processes and improve efficiency overall.

Account for Cash More Accurately

Reconciling your cash each month means you'll have a truer idea of what you actually have available, which empowers you to make business decisions from a point of financial security and assurance.

EIDE BAILLY CAN HELP

Cash Management Tips for Dealerships

To support effective cash control and reconciliation efforts, you must broaden the scope from just comparing documents each month. Good cash management requires:

- **Solid internal controls.** Proper internal controls are essential to controlling cash and avoiding risks. They include documented procedures, segregation of duties, approval structures, and activities like reconciliation.
- **Process improvement activities.** Look for process issues that create bottlenecks, cause delays and lead to errors with your reconciliation and cash management processes.
- **Measure of cash needed.** How much cash you need on-hand will fluctuate as your business and demands change. It's important to know what you need, what would be dangerously low and suspiciously high.
- **Constant training.** Keep employees vigilant and up-to-date on good practices, particularly if you update processes or technology.
- **Supporting technology.** Your technology and software may be limiting your capabilities and even costing you money. Consider introducing new technology for more harmonious processes, fewer errors and greater efficiency.

You'll want to align yourself with a team of advisors who have extensive backgrounds in accounting and consulting with dealerships industries. It's imperative for dealer owners to consistently manage monthly reconciliations and stay alert in detecting discrepancies.

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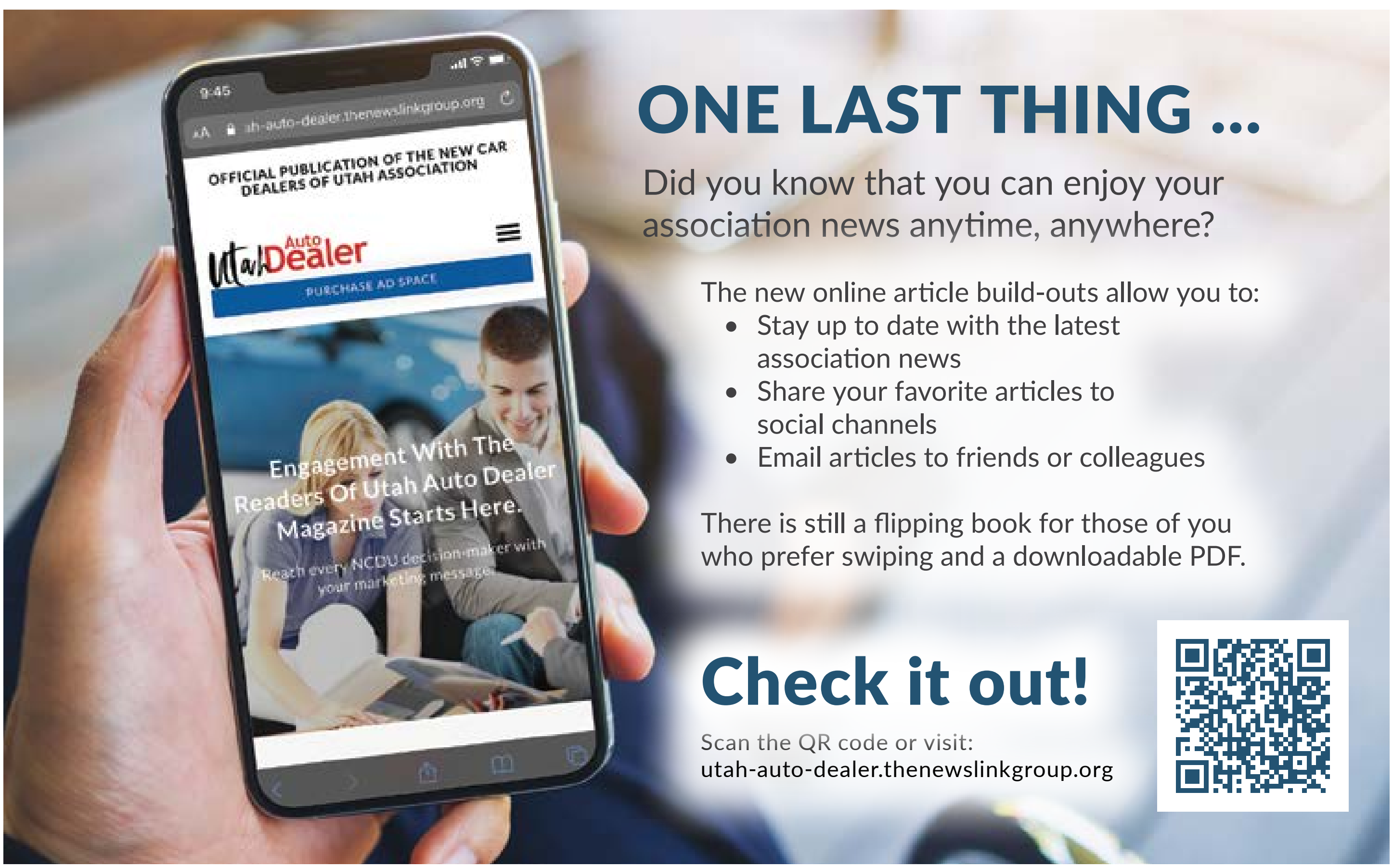
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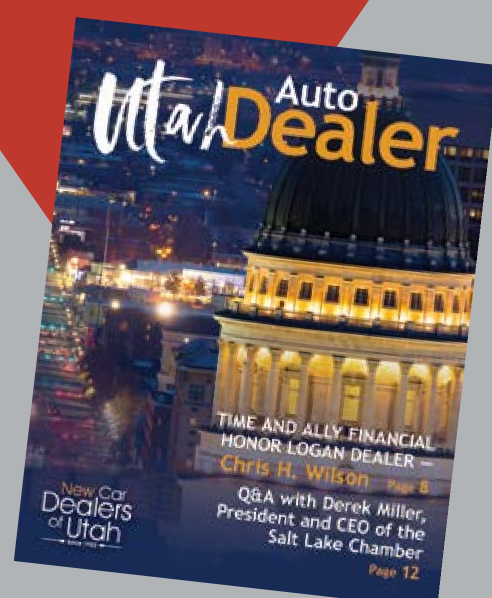

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