

## Car biz ailing in valley, but not dead

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In a business where things seem to change hourly, it would seem the auto industry is the last place anyone would want to be.

The latest blow came Friday when General Motors announced it plans to start telling more dealerships they will be terminated when their franchise agreements expire in 17 months.

The automaker planned to shutter as many as 450 additional stores beyond the 1,124 announced May 15 and it was unknown Friday how many involve Canadian dealerships.

However, the fluctuations in the vehicle business have created a dream come true for consumers, say those in the industry.

"What I tell my friends, or anyone who will listen to me; if you are even thinking about getting a new vehicle, don't miss the opportunity," said **BlairQualey**, president and CEO of the New Car Dealers Association of B.C.

"These are the lowest prices we've seen in a generation and it's not going to last and it's not going to get any better than this."

While no money down, little or no interest, and all sorts of value-added manufacturer and dealer incentives on new vehicle purchases, it's indeed attractive for consumers,

However, the lengths manufacturers and dealers will go to sell off inventory comes as no surprise when virtually all car news out of the U.S. is grim.

While the bailouts to failing U.S. auto giants are well known, the situation in Canada is not as familiar.

It's estimated the Canadian auto industry will lose more than \$2 billion this year and Conference Board of Canada analysts believe the industry won't see a profit for at least two years.

That's a far cry from what had been predicted just a few months ago.

"Last year we started out incredibly strong - in fact it was on its way to be the strongest auto sales year in Canadian history," said Qualey.

"Now sales are down about 20 per cent (from last year) acrossCanada and probably down about 30 per cent in B.C."

However, said a Duncan auto dealer, at least part of the drop can be attributed to the influx of bad news streaming its way north across the border.

"I think you have to remember the U.S. is a very different place than Canada and unfortunately all the media we seem to get here flows from the south," said Peter Baljet, owner of Peter Baljet Chevrolet Pontiac Buick GMC Ltd.

"If you watch TV it seems the whole world is twisted and ready to explode, but frankly our banks aren't in trouble and are lending, and our business here is quite good."

Baljet said he believes people are beginning to realize the Canada auto business isn't in the same kind of trouble as it is in the U.S.

Still, the local dealer admits he's feeling the pinch.

"Our business is off this month, I think, 12 per cent from last year," Baljet said.

"When you hear the numbers out of the U.S. at 35 per cent and 40 per cent, 12 per cent would not make me panic," he said.

"If I saw a 12 per cent (decrease) and everybody else was going up 12 per cent that might cause me to panic."

Lance Beaudry, sales manager for Metro Toyota said his dealership is "probably down" from last year.

"But April numbers were good," he said. "And last month and this month we're doing well."

Beaudry agreed it is very much a buyer's market right now, but believes some people misinterpret exactly what that means.

"It is a buyer's market in that incentives are great, but people get the wrong idea of what a buyer's market is," he said.

For the first time in its 70-year history, Toyota experienced a financial loss last year - to the tune of about \$1.7 billion. Some believe the company will do anything to sell vehicles, which is simply not the case.

"I still get people who come in here and go, 'Oh, I see the Yaris is out there for \$13,995 and I'll buy one if you give me five grand off,'" Beaudry said.

"We get people that actually believe we have \$5,000 (profit) on a \$13,000 car," he said.

"I'm lucky to (profit) \$500 - and that's before I fill them with gas."

Despite the doom and gloom surrounding the industry, Baljet said he's confident it will rebound.

"I think Chrysler will emerge from its bankruptcy just fine, so I wouldn't worry about being a Chrysler dealer," said the man who has for 22 years been selling products produced by General Motors.

That car giant recently announced it was discontinuing its Pontiac brand and would close hundreds of GM dealerships in Canada and the U.S.

"It's not so much the demise of Pontiac," said Baljet.

"What happened is GM has too many brands and it costs too much to market them."

That goes back to a time when the U.S. government of the day thought General Motors was too big and the feds wanted it to have separate divisions.

"So that's why you ended up with Chevrolet, Cadillac, Pontiac, Buick and Oldsmobile - and later on Saturn and Hummer," said Baljet.

"The Pontiac product is something you're probably going to find under another nameplate because Pontiac is just a name - they're not getting rid of cars that are good sellers within that brand."

It's unknown how many dealers will be punted because of the economic downturn, but in the end the business itself will be more viable, said Qualey.

"On the other side of all this, manufacturers will be stronger, as will the dealer networks," he said.

"But right now it's an unbelievable opportunity for consumers who are looking at a new vehicle."

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SIDE 1

Scotiabank's auto expert Carlos Gomes predicts Canadians will buy 1.38 million cars and trucks in 2009, a substantial tumble versus 2008's level of 1.64 million.

"We have reduced our 2009 Canadian sales forecast as the weakness has intensified alongside a sharp reversal in purchases in British Columbia and Alberta," Gomes wrote.

-Source: Scotiabank Economics report

SIDE 2

General Motors Corp. recently announced it would chop about 240 Canadian dealers from its current roster of 705. In the United States, GM will notify at least 1,000 dealers that it considers underperforming franchises.

Dealers on the list have until when current sales agreements expire, October 2010, to find other options. Valley GM dealer Peter Baljet is not expected to be affected by this.

SIDE 3

One of the remarkable things going on in the midst of the car crunch is a lot of folks have been looking at used vehicles and that's driving used vehicle prices up quite dramatically, said **Blair Qualey**, president and CEO of the New Car Dealers Association of B.C.

"So the interesting thing is the gap between new and used now has narrowed," he said.

"So people can buy a new vehicle for not much more than the cost of a used vehicle."

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