ONE ON ONE » PAUL TIMOTEO » PRESIDENT, CARCOSTCANADA

Discounts starting to disappear

MICHAEL VAUGHAN
mvaughan@globeandmail.com

It was just a few months ago when soaring oil prices drove the Canadian dollar up to and, for a while above, the value of the U.S. buck. Car shoppers with a few clicks on the Internet discovered the prices of near-identical cars were substantially lower in the United States even though our dollar was worth more.

Howls of protest from outraged Canadians rained down on the auto makers, who without exception started dropping prices.

As I'm sure you've noticed, the loonie started to tank in late September and is now in low 80-cent (U.S.) range. Have the manufacturers now started to crank up prices as a result? Can anyone raise prices for anything in the current slumping economy?

Paul Timoteo's business, at www.carcostcanada.com, is watching what the manufacturers charge their dealers for products so consumers can go in with this information and thus bargain for the best deal available.

VAUGHAN: *Did you ever see anything like the Canadian pricing problem earlier this year?*

TIMOTEO: It was an interesting little process to go through because we had never experienced that much of a swing in prices before.

The majority of the manufacturers ended up by coming to the party either by lowering their MSRP [manufacturer's suggested retail price] or by raising incentives, which has the same effect. So everybody effectively trimmed their prices.

But now the dollar has swung the other way and my fear is they'll start reversing.

We've seen a little bit of that behind the scenes as the incentives get changed month to month. On the MSRP side, the manufacturers have been quietly raising prices a little bit, too. Somehow they forget to put out press releases to announce it.

But even with the Canadian dollar sagging there are still some cases where cars are cheaper in Canada than in the United States. For instance the Mazda3: They've lowered the price by two grand in Canada while in the United States it went up a few hundred bucks.

So if you factor in the exchange rate and the duty, it's cheaper to buy it in Canada than in the United States.

But if the dollar stays low, are we going to see a big upward swing coming in prices?

I think it's already happening behind the scenes.

There used to be a $4,000 rebate on a new Mustang; now there's only $3,000. That's never advertised so they never have to announce the fact that their price just went up $1,000. That's just quietly done and I think that's what a lot of the manufacturers are hoping to do.

They want to keep sales going as much as they can so they'll incentivize what they have to.

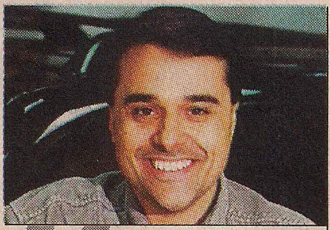
But if you want to buy in the next 12 months, then maybe take advantage of the discounts now because they may not be there later.

But won't the big sales slump in the United States result in more cars being sent to Canada where the market has held up pretty well? That should reduce prices.

The sales are so weak in the States now – down 30 per cent.

That's hundreds of thousands of unsold cars and they'll take them wherever they can and the Canadian market is still growing.

But, no, they won't flood the market and drive the prices down with big price wars. Manufacturers have to adjust their production.



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Paul Timoteo

And they'll try to take away the incentives and hope nobody will notice.

They don't want to be seen as raising prices because the Canadian market is very price-sensitive.

The situation for auto makers is not nearly as desperate in Canada as it is in the United States.

Correct. GM's still relatively comfortable in first place in Canada and there's a battle for second place between Ford and Chrysler. Then you've got Toyota that one month could be in second place and one month be in fourth place.

The smartest guy in the room is supposed to be Toyota and what did they just do? They went and built a brand-new pickup truck factory in Texas.

Chrysler does much better in Canada than it does in the United States.

It's funny, I was talking to a Chrysler dealer today and he was telling me about the employee pricing they've got. Not the retail employee pricing but the real employee pricing. I was shocked at how cheap it was.

I said, you guys are kidding, right? Really, the cars were half-price. Like a $45,000 300C for $25,000. Guys come in, they buy the car and, six months later, they sell it and still make money.

That's how you get your data, isn't it?

We're not getting it directly from the manufacturers; we're getting it indirectly from the manufacturers. We get the information from back-door sources.

Most of the incentives change monthly and they don't put out press releases about the incentives, but we usually have them by the third or fourth day of the month.

Also our parent company, Armada Data Corp., gathers all kinds of data for insurance companies. If you write off your car, the insurance company has to settle. They don't know what your car's worth; they come to us. That information has to be 100-per-cent accurate.

One last thing: what's going on in the used-car market?

I also watch one-, two- and three-year-old cars in the United States. Even at an 82-cent dollar, it's cheaper to buy certain of these in the States.

But every case is different and it's really hard to make a sweeping statement that all used cars are cheaper there.

A friend of mine bought a $15,000 Jaguar in Florida – hardly any kilometres and in immaculate condition.

There will always be one-off situations like that, but in general the type of cars that Canadians typically buy are all top-10 vehicles.

The bulk of those are still cheaper here or so close in price it's not worth importing.

The deals are in the odd-ball stuff. You go to Florida in a market where nobody has any money and nobody's buying and there's an abundance of luxury cars.

» Michael Vaughan is co-host with Jeremy Cato of Car/Business, which appears Fridays at 8 p.m. on Business News Network and Saturdays at 2 p.m. on CTV.