

AUTOMOTIVE

Cross-border car buying now being done by dealers

BY NICOLAS VAN PRAET

When the Canadian dollar pushed toward parity with the U.S. greenback last summer, TV and newspaper reports brought you the story of Joe Blow, the frustrated Canadian car buyer who headed south in search of a better deal on a new or used vehicle and saved thousands of dollars.

But industry players insist it's now really Joe Blow Corp., the mainstream Canadian auto retailer, doing most of the cross-border car buying. And one of the country's largest retailers says this year will be much busier than last.

"What people are kind of missing is that dealers are bringing the majority of those cars up, it's not really the consumer," said Patrick Priestner, chief executive of AutoCanada Income Fund, Canada's only publicly-traded auto-dealership group. "This year we're going to do a lot of it."

For Edmonton-based AutoCanada, buying cars in the United States and bringing them up to sell at its 19 franchised dealerships nationwide is a play for profit. Last year, the company bought only a handful of used vehicles from U.S. sellers.

This year, it says it believes at least 10% to 15% of the oneto four-year-old vehicles it will sell will be bought down south.

"We see a real opportunity in 2008," Mr. Priestner told investors at the RBC Capital Markets income-trust investor symposium last week. "There will be good margins on those" vehicles. The upside is so large that AutoCanada said it hired someone full-time to scour the U.S. market for product.

Vehicle imports from the United States hit a record 189,738 units in 2007, according to government figures, representing an estimated 4.5% of the 4.24 million new and used vehicles sold in Canada. Most of the vehicles being brought in are used.

The loonie's rise has given dealers more purchasing power in the United States. And more vehicles are coming up for sale at sharply reduced prices as consumer confidence drops to recessionary levels in some states.

"If the American economy recovers, then that will dry up. But in the meantime, yeah, there's great opportunity to bring those things in," said Tony Raybould, president of Jim Pattison Auto Group, B.C.'s largest auto retailer. "As long as our dollar is around US\$1, then it's certainly going to be a source that's valuable."

Some Canadian dealers like Cornwall Toyota are advertising that they're buying used vehicles in the United States. But the risk for many dealers is being saddled with oversupply at a time when the Canadian auto market appears to be weakening. Sales of new vehicles in Canada slowed in November and December from year-earlier levels, despite millions of dollars worth of incentives by automakers. January sales numbers are expected tomorrow.

Balancing domestic and U.S.-sourced vehicles in inventories as well as trade-ins is another concern, Mr. Priestner said. "If you have 100 cars on your used-car lot at a dealership and you bring in 50 American cars that are \$3,000 or \$2,000 less, your salespeople walk around the other inventory and then it ages," he said. "We have to make sure we don't hurt one by doing the other."

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