Motor Vehicle Sales Authority of British Columbia (VSA)

Review of British Columbia Automotive Market (Executive Summary)

Prepared by:
DesRosiers Automotive Consultants Inc.

August 2010

desrosiers
AUTOMOTIVE CONSULTANTS INC.

desrosiers AUTOMOTIVE CONSULTANTS INC.

British Columbia Key Economic Indictors

Year-to-date, Forecast for 2010 and 2011

	2009	Current Year-to-date (June)	TD Economic Forecast (2010)	TD Economic Forecast (2011)
Consumer Price Index	0.0%	0.5%	1.7%	2.1%
Real Gross Domestic Product	-2.0%	n.a.	3.8%	2.5%
Labour Force	-2.4%	1.6%	1.7%	1.5%
Unemployment Rate	7.6%	7.4%	7.5%	7.1%
Retail Sales	-4.4%	8.6% (May)	7.1%	4.1%
Housing Starts	-53.2%	76.5%	65.5%	5.7%
Average Existing Home Prices	2.4%	14.3%	6.3%	-3.8%
New Light Vehicle Sales	**-15.1% ***	**5.8%***	**6.0%***	**1.3%***

DesRosiers Light Vehicle Sales data and Forecasting Service for light vehicle sales only.
Source: BC STATS, TD Economics Provincial Forecast (July 2010), DesRosiers Automotive Consultants Inc.

desrosiers AUTOMOTIVE CONSULTANTS INC.

Employment Outlook

Annual average percent change, 2009, Forecast for 2010 and 2011

	2009	2010 Forecast	2011 Forecast
British Columbia	**-2.3**	**1.7**	**1.5**
Alberta	-1.2	0.5	2.1
Saskatchewan	1.5	1.2	1.8
Manitoba	0	2.2	1.6
Ontario	-2.4	1.7	1.5
Quebec	-0.9	1.4	1.2
New Brunswick	0.1	0.9	1.3
Nova Scotia	0	0.7	1.2
Prince Edward Island	-1.1	3.4	0.8
Newfoundland and Labrador	-2.7	3.2	1.6
Canada	-1.6	1.5	1.5

Source: BC STATS, TD Economics Provincial Forecast (July 2010)

- **Most Canadian provinces witnessed a sizeable economic reduction in 2009. British Columbia was impacted by a substantial decline in employment and new motor vehicle sales.**

- **Employment fell 2.3 percent in British Columbia last year. Job growth is forecast at 1.7 percent for 2010.**

- **A significant drop in Canadian new motor vehicle sales in 2009. Total light vehicle sales in British Columbia are expected to recover by six percent in 2010. Sales in the province were up 5.8 percent July year-to-date.**

desrosiers AUTOMOTIVE CONSULTANTS INC.

Provincial Population

2005 to 2009 (Thousands)

Province	2005	2006	2007	2008	2009	Change
Canada	32,245.2	32,576.1	32,832.0	33,327.3	33,739.9	1.2%
Ontario	12,528.5	12,665.3	12,794.7	12,936.3	13,069.2	1.0%
Quebec	7,581.9	7,631.6	7,687.1	7,753.5	7,828.9	1.0%
British Columbia	**4,196.8**	**4,243.6**	**4,309.5**	**4,383.8**	**4,455.2**	**1.6%**
Alberta	3,322.2	3,421.3	3,513.1	3,595.9	3,687.7	2.6%
Manitoba	1,178.3	1,184.0	1,193.9	1,206.1	1,222.0	1.3%
Saskatchewan	993.6	992.1	1,000.1	1,013.6	1,031.1	1.7%
Nova Scotia	937.9	938.0	935.9	936.6	938.2	0.2%
New Brunswick	748.0	745.0	745.6	747.1	749.5	0.3%
Newfoundland and Labrador	514.4	510.3	506.5	506.4	508.9	0.5%
Prince Edward Island	138.1	137.9	138.1	139.5	141.0	1.1%

Source: DesRosiers Automotive Consultants Inc. and Statistics Canada

desrosiers
AUTOMOTIVE CONSULTANTS INC.

Age Structure of the Canadian Population

(Percent of the Population)

Age Range	2005	2006	2007	2,008	2,009	2014F
0-14	17.7%	17.3%	17.1%	16.8%	16.6%	16.5%
15-29	20.3%	20.4%	20.5%	20.5%	20.5%	19.6%
30-44	22.6%	22.1%	21.7%	21.3%	20.9%	20.4%
45-59	21.5%	21.9%	22.1%	22.3%	22.5%	21.9%
60-74	11.7%	11.9%	12.3%	12.6%	13.0%	14.8%
75-89	5.6%	5.7%	5.8%	5.9%	5.9%	6.1%
90+	0.5%	0.5%	0.6%	0.6%	0.6%	0.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: DesRosiers Automotive Consultants Inc. and Statistics Canada

- **The overall Canadian population grew 1.2 percent in 2009. Total population reached 33.7 million people.**
- **Population in British Columbia expanded 1.6 percent last year, the third fastest growing province in Canada.**
- **An aging Canadian population is forecasted for 2014. The proportion of the population under the age of 60 is expected to decline in the next five years.**
- **The vehicles per driving age population have been rising in the last decade. The total driving age population reached almost 28 million in 2009.**

desrosiers AUTOMOTIVE CONSULTANTS INC.

Sales Trends in British Columbia (2008 – 2009)

Category	Units Sold		% Change	Total Sales ($M)		% Change
	2008	2009		2008	2009	
New Passenger Cars (including fleet)	92,279	72,018	-22.0%	2,303.8	1,849.4	-19.7%
New Light Trucks (including fleet)	84,760	78,305	-7.6%	3,178.2	2,947.6	-7.3%
Used Vehicles by New Car Dealer	142,641	147,690	3.5%	2,115.8	2,318.6	9.6%
Used Vehicles by Independent Used Car Dealer	122,551	141,269	15.3%	1,321.8	1,503.6	13.8%
Used Vehicles by Private Sales	148,668	158,392	6.5%	946.7	990.4	4.6%
Retail Motorcycles *	14,718	9,885	-32.8%	152.4	106.9	-29.8%
New and Used RV's	12,229	8,560	-30.0%	380.7	238.5	-37.4%
Total	**617,847**	**616,119**	**-0.3%**	**10,399.4**	**9,954.9**	**-4.3%**

Source: DesRosiers Automotive Consultants Inc., AIAMC and CVMA, Motorcycles and Moped Industry Council, Statistical Surveys Inc, Recreation Vehicle Dealers Association (RVDA) of Canada

** Includes Street, Dual Purpose, Competition, Off-Road Recreation, Mini Bike and Scooter*

- **British Columbia light vehicle sales dropped 15.1 percent in 2009, coming up short of the national average.**
- **Despite the lower gas prices and weak economy in 2009, passenger car sales fell considerably more than light trucks.**
- **The large/luxury/sport segment is visibly higher in BC than Canada as a whole. The province ranked highest in luxury sales ratio in Canada.**
- **Among all vehicle segments, subcompact cars and compact sport utilities have been the fastest growing segments in the past five years.**

desrosiers AUTOMOTIVE CONSULTANTS INC.

The number of vehicles imported into Canada

Year	Registered Vehicles Imported	Exchange Rate $US/$CDN
2000	28,019	1.4852
2001	31,303	1.5484
2002	38,923	1.5704
2003	48,753	1.4015
2004	60,389	1.3015
2005	72,639	1.2095
2006	112,826	1.1341
2007	189,738	1.0692
2008	239,929	1.0606
2009	124,421	1.1353
2010 YTD	101,751	1.0427

Source: Registrar of Imported Vehicles

desrosiers AUTOMOTIVE CONSULTANTS INC.

Summary of Used Vehicle Market in Canada

	New Sales 000's	Percent New	Used Sales 000's	Percent Used	Total Sales 000's
2000	1,549	43.4%	2,019	56.6%	3,569
2001	1,571	43.7%	2,022	56.3%	3,592
2002	1,703	44.4%	2,133	55.6%	3,837
2003	1,594	41.6%	2,238	58.4%	3,832
2004	1,534	39.8%	2,321	60.2%	3,855
2005	1,583	40.2%	2,351	59.8%	3,934
2006	1,615	40.7%	2,356	59.3%	3,971
2007	1,653	38.5%	2,637	61.5%	4,290
2008	1,636	38.3%	2,634	61.7%	4,270
2009	1,461	34.4%	2,790	65.6%	4,250
2009/2008	-10.7%		5.9%		-0.5%

Source: DesRosiers Automotive Consultants Inc.

- **Of vehicles that were bought four years ago, passenger cars retain a slightly higher average resale value than light trucks.**
- **Import nameplates consistently display stronger residual values in both passenger car and light truck segments.**
- **Cross border vehicle shopping is closely tied to the value of the U.S. dollar. The number of vehicles imported into Canada jumped drastically in the past several years.**
- **The used vehicle market has been growing steadily over the last decade, capturing over 65 percent of the total vehicle market in 2009.**

Number of Dealer Franchises in Canada 2005 - 2009

Manufacturer	As of Nov. 05	As of Nov. 06	As of Nov. 07	As of Sept. 08	As of Oct. 09	Difference 2005 vs. 2009
Acura	47	48	48	50	47	-
Audi	35	35	37	39	41	6
BMW	37	39	38	40	40	3
Chrysler	473	457	453	454	433	(40)
Ford	470	458	448	443	437	(33)
General Motors*	765	758	732	718	620	(145)
Honda	212	214	215	224	228	16
Hyundai	159	167	170	168	185	26
Infiniti	29	28	29	29	29	-
Jaguar	25	23	23	23	22	(3)
Kia	150	151	147	145	159	9
Land Rover	22	22	23	23	22	-
Lexus	29	30	30	30	30	1
Mazda	159	161	163	164	168	9
Mercedes-Benz**	101	98	100	97	102	1
MINI	21	22	22	24	25	4
Mitsubishi	52	57	68	70	77	25
Nissan	146	147	146	148	151	5
Porsche	12	12	12	12	12	-
Subaru	95	93	92	90	87	(8)
Suzuki	83	86	93	93	84	1
Toyota	234	236	239	239	241	7
Volkswagen	136	136	131	131	130	(6)
Volvo	43	44	43	42	41	(2)
Total	**3,535**	**3,522**	**3,502**	**3,496**	**3,411**	(124)

*Includes Saturn and Saab

**Includes smart

Source: DesRosiers Automotive Consultants Inc. and Canadian Automobile Dealers Association (CADA)

desrosiers AUTOMOTIVE CONSULTANTS INC.

Dealer Franchise Count - 2009

Manufacturers	B.C.	AB***	SK	MB	ON	QC	NB	NS	PE	NL	CANADA
Acura	6	5	2	1	17	13	1	1	1	-	47
Audi	5	3	2	1	18	9	1	1	1	-	41
BMW	6	4	2	1	17	8	1	1	-	-	40
Chrysler	43	67	25	15	151	93	14	17	5	3	433
Ford	51	70	31	20	152	76	11	18	6	2	437
General Motors*	63	86	43	31	223	114	21	22	14	3	620
Honda	31	19	6	6	78	65	7	9	5	2	228
Hyundai	21	12	4	4	62	57	9	10	5	1	185
Infiniti	5	2	1	1	13	6	-	1	-	-	29
Jaguar	3	2	1	1	9	4	-	1	1	-	22
Kia	15	12	4	3	52	53	6	9	4	1	159
Land Rover	3	2	1	1	9	4	-	1	1	-	22
Lexus	5	2	2	1	13	6	-	1	-	-	30
Mazda	20	12	2	4	55	59	6	6	3	1	168
Mercedes-Benz**	17	8	4	2	41	24	2	2	2	-	102
MINI	4	2	2	1	10	4	1	1	-	-	25
Mitsubishi	10	8	2	2	22	28	3	1	1	-	77
Nissan	18	14	3	4	52	49	4	5	1	1	151
Porsche	2	2	-	1	3	3	-	1	-	-	12
Subaru	14	8	2	1	28	26	3	4	1	-	87
Suzuki	9	5	2	2	21	37	4	2	1	1	84
Toyota	32	21	7	8	79	68	9	10	5	2	241
Volkswagen	16	9	3	2	47	41	4	6	1	1	130
Volvo	6	2	1	1	16	12	1	1	1	-	41
Total	**405**	**377**	**152**	**114**	**1,188**	**859**	**108**	**131**	**59**	**18**	**3,411**

*Includes Saturn and Saab
**Includes smart
***Includes Yukon, NWT and Nunavut
Source: DesRosiers Automotive Consultants Inc. and Canadian Automobile Dealers Association (CADA)

desrosiers AUTOMOTIVE CONSULTANTS INC.

Light Vehicle Sales per Dealer Franchise in Canada

Manufacturer	2009	Avg. Annual 2005-2009
Acura	364	-5.7%
Audi	276	7.6%
BMW	618	5.9%
Chrysler	375	-4.9%
Ford	515	3.3%
General Motors*	408	-8.9%
Honda	539	-3.7%
Hyundai	558	8.1%
Infiniti	244	-2.0%
Jaguar	37	-6.6%
Kia	290	11.4%
Land Rover	91	-1.0%
Lexus	527	10.9%
Mazda	439	-2.7%
Mercedes-Benz**	512	14.2%
MINI	170	1.2%
Mitsubishi	257	6.5%
Nissan	476	2.4%
Porsche	141	-3.2%
Subaru	265	12.0%
Suzuki	146	8.4%
Toyota	786	2.6%
Volkswagen	308	7.2%
Volvo	160	-12.4%
Total Light Vehicle Sales per Dealer	**428**	**-1.1%**

*Includes Saturn and Saab

**Includes smart

Source: DesRosiers Automotive Consultants Inc. and Canadian Automobile Dealers Association (CADA)

- **There is significant dealer consolidation from General Motors, Chryslers and Ford during the past five years.**
- **Korean nameplates as a group is the fastest growing dealer franchise in Canada.**
- **British Columbia has the third largest automotive dealer network in Canada.**
- **Toyota has the highest sales per dealer count in 2009 among all mainstream brands. BMW ranked the highest among luxury brands.**

desrosiers AUTOMOTIVE CONSULTANTS INC.

British Columbia Vehicle Age Structure

Vehicle Age Group	2005	2006	2007	2008	2009
1 to 5	30.3%	31.8%	30.6%	29.0%	28.2%
6 to 10	24.4%	24.8%	25.3%	25.2%	26.2%
Over 10	45.3%	43.3%	44.0%	45.8%	45.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Average Age	**9.38**	**9.26**	**9.36**	**9.59**	**9.69**

Source: Registration Data © R.L. Polk & Company, 2009 data released 2010, and DesRosiers Automotive Consultants Inc.

desrosiers AUTOMOTIVE CONSULTANTS INC.

- **There are currently over 21 million vehicles in operation as of July 1st 2009 in Canada.**

- **Of all vehicles on the road in 2009, 55.8 percent are passenger cars and 44.2 percent are light trucks. Detroit nameplate vehicles captured 58.6 percent of the fleet, dropping from 60.4 percent in 2008.**

- **British Columbia has just under three million vehicles registered in 2009. The province has a high concentration of vehicles over 10 years of age, capturing 45.6 percent of its total fleet.**

desrosiers AUTOMOTIVE CONSULTANTS INC.

Canadian and British Columbia Light Vehicle Market

(2000 – 2009, 2010 Forecast)

Year	Canada	British Columbia	B.C. as a percentage of Canada
2000	1,549,441	163,519	10.6%
2001	1,570,629	169,508	10.8%
2002	1,703,246	191,852	11.3%
2003	1,593,506	177,269	11.1%
2004	1,534,415	177,192	11.5%
2005	1,583,291	180,985	11.4%
2006	1,614,701	187,939	11.6%
2007	1,653,362	195,906	11.8%
2008	1,635,986	177,039	10.8%
2009	1,460,581	150,323	10.3%
2010F	1,526,064	159,311	10.4%
Change	4.5%	6.0%	

Source: DesRosiers Automotive Consultants Inc.

- **With the radical loss of market share by the Detroit Three together with bankruptcy at G.M. and Chrysler together with a leaner market in Canada there will be considerable rationalization of the new vehicle dealer body over the next five years**

- **We expect about 500 to 600 dealers to fail although some will convert to another brand or become used vehicle superstores so the NET reduction in the new vehicle dealer count will likely be in the 300 to 400 range … most but not exclusively Detroit-3 dealers.**

- **Loss of service bays is difficult to predict … dealers average 15 bays per store but it is smaller stores that are consolidating so we expect about 6,000 to 8,000 fewer new car dealer bays within 2-3 years … there are about 115,000 total full service maintenance bays in Canada across all players so bay consolidation will be in the 5-6 percent range.**