



NOVA SCOTIA AUTOMOBILE DEALERS ASSOCIATION

Leasing's death was grossly exaggerated

The financing option is not as popular today as it was in the mid-2000s

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Leasing is the second most popular way of financing new vehicle transactions and about one-fifth of purchases are done this way.

The most popular method is getting a loan, while cash purchases are third.

Just five years ago, it looked like the obituary for the leased vehicle was being written. For that year, 71 per cent of new vehicle transactions were done this way.

Remarkably, in 2005, leased vehicles made up 45 per cent of transactions, slightly more than loans (44 per cent), according to figures from the Canadian Automobile Dealers Association (CADA).

There was a reason behind this sudden and swift decline.

"To be able to lease, the finance companies that offer those instruments have to be able to turn around and sell that paper into the market to raise funds for the next lease," said CADA economist Michael Hatch.

When the recession and credit crunch of 2009 hit, this threw a wrench into the ability of financial institutions and manufacturers'

captive-finance companies to be able raise the money needed to offer leasing. (In this context, a captive-finance company is one that provides financing to customers to buy an auto manufacturers product. The manufacturer is also the parent company of that finance company.)

But why did the popularity of leasing explode in the first place? Hatch says a lot of manufacturers focused on leasing because customers wanted to pay the lowest possible monthly payment on a vehicle.

"Leasing usually delivers a lower monthly payment," said Hatch.

The reason is lease payments essentially pay the depreciation on the vehicle plus interest for the duration of a lease term, while a financed vehicle purchase covers the total purchase price plus interest. If the amortization periods are the same, then a lease will have a lower payment amount.

With interest rates at zero or near zero per cent today, more people are opting to go with a loan and amortize it over a longer period of time, which is making the monthly payment amount for a loan much closer to that of a lease.

Hatch says 10 to 15 years ago, the typical amortization period for a new vehicle loan was 36 to 48 months, while these days it is around 60 to 65 months.

The fact not as many vehicles are being leased helps limit the number of used vehicles dealerships have access to, which causes a couple of interesting side effects.

Given the law of supply and



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demand, used vehicle purchase prices get pushed up because of the reduction in supply. Perhaps even more interesting, this means the price gap between new and used vehicles shrinks.

"This probably pushes a few consumers into the new car column because the price differential between new and used has narrowed," said Hatch.

He says people used to be pretty consistent as to whether they bought new or used vehicles, but today, people often jump between the two categories because the price gap is not as much as it used to be.

Hatch says we likely won't ever see leasing represent about half of new vehicle financing transactions, but rather, leasing will probably consistently represent about 20 per cent of transactions.

HOW GREEN ARE ELECTRIC VEHICLES?

For car drivers looking to lighten their environmental footprint, electric vehicles theoretically best

represent that idea.

That's because when in operation on the roads, they generate zero emissions.

This sounds particularly appealing given that conventional automobiles generate pollutants such as nitrogen oxides, volatile organic compounds and carbon monoxide as a byproduct of gasoline combustion, says a recently-published report which looked at whether electric vehicles were greener.

The report — Spatial and temporal heterogeneity of marginal emissions: Implications for electric cars and other electricity-shifting policies — reached the conclusion that electric vehicles may be the greener option, depending on where a person lived and how electricity was generated in that jurisdiction.

"Plug-in electric vehicles simply trade tailpipe emissions for emissions generated at the smokestack of electric power plants," says the report.

This raises the question of how the electricity is generated in the first place. For an electric vehicle to be the greenest option, ideally the power to charge the vehicle should be generated from renewable sources.

What does that mean for drivers in Nova Scotia?

Unfortunately, over half of the electricity generated by Nova Scotia Power comes from coal. In 2014, 61 per cent of electricity was generated from it.

In 2014, 12.5 per cent of electricity was generated using natural gas.

Renewable sources accounted for 22 per cent of electricity generation in 2014.

The good news is greener energy sources are on the way because of legislation imposed by the province.

By this year, 25 per cent of electricity must come from renewable sources. In 2020, renewables must account for 40 per cent.

Numbers are in: 3rd-party economic impact report of new-car dealerships

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We've long known new automobile dealers are an important contributor to Nova Scotia's economy, but to get a better handle on this, the Nova Scotia Automobile Dealers Association (NSADA) hired the Atlantic Provinces Economic Council

(APEC) to take an in-depth look.

In January, the report was released. For NSADA, it was important to use a respected third-party provider like APEC to ensure the findings were ones we knew would hold up to rigorous analysis.

For the year 2013, Nova Scotia's new automobile dealerships sold almost 53,000 new vehicles, resulting in total retail sales of \$2.5 billion.

This represented almost one-fifth (18.2 per cent) of the province's total retail sales.

For those working at dealer-

ships, the average weekly wage was \$888, 11 per cent above the all-industry average.

Coupled with the fact these dealerships employed about 4,400 people, they represent an important part of the workforce.

(Particularly noteworthy is that between 2008 and 2013, the average weekly wage of Nova Scotia auto dealer employees increased by 18 per cent, compared to an 11 per cent increase at the national level.)

Over the last five years, house-

hold expenditures on new motor vehicles have grown, while business spending on new motor vehicles has not returned to pre-recession levels.

Looking to the future, opportunities and challenges lie ahead for the industry in Nova Scotia.

The federal shipbuilding project being carried out by Irving Shipbuilding could lead to more vehicles being sold because of higher employment numbers and increased income.

As well, if gas prices can be

sustained at lower levels, this could translate into more vehicles being sold.

Some of the challenges include Nova Scotia's aging population, which would likely mean fewer drivers on the road and thus fewer cars on the road.

As well, the threat of a spike in interest rates is another concern.

Regardless of how future events play out, Nova Scotia's new automobile dealers will continue to be an important contributor to the provincial economy.

FROM PAGE G1: USED V8 GUIDE

CAR: B6 AND B7 AUDI S4

Why: Because your A4's 2.0T engine just isn't cutting it. The S4, instead, got a throbbing 4.2-litre V8, Quattro AWD, and looks discreet enough not to generate too much suspicion from the wife, or the local radar cops. You could have a wagon too, which is slick.

The compact and potent V8 loved to rev, sounded lovely, and made 340 horsepower: the correct amount required for snow-drifting around the Wal-Mart shopping-cart return after the lights go out.

Also, S4 has room for your kids, room for your things, and can be driven easily, all year round.

The test drive: Start your test-drive with a full check of the S4's tires and brakes, ensuring the seller isn't hoping you'll pick up the bill for the parts they've worn out.

When shifting an S4's manual transmission, ensure the clutch 'bites' hard, and works without slippage.

Some owners report electronic dialing-back of engine power when shifting quickly if the clutch is slipping, intended to increase the life of the clutch.

Note that hesitation, lumpy acceleration and poor performance could be the result of bad ignition coil packs, so if any of these problems is apparent on your test-drive, be sure to have the car investigated carefully.

Check the oil level and condition, and be 200 per cent sure to do some homework on potential well-documented issues with the engine's timing chain tensioning system, which can turn your wallet inside out.

CAR: CHRYSLER 300 SRT8

Why: New or used, a Chrysler 300 SRT8 is a tasteful deal on a

sophisticated business sedan that's comfortable, handsome, and capable of on-demand burnouts when you kill the traction assist and leave the office parking lot early on Friday afternoon.

As easy to drive gently as it is to drive hard, this one came automatic only, and got a fire-breathing HEMI V8 with no fewer than 425 horsepower, Brembo brakes, track-tuned suspension and more.

All of that in the most discreetly up-styled SRT model out there: most people can't tell an SRT8 from that V6-powered base-model 300 that their neighbour's wife drives to Sears.

Neither can the cops, unless they hear the machine-gun exhaust note. Look for a big-ass stereo system, navigation, heated leather and plenty more.

The test drive: Once you've made the all-important standard checks of the fluids, tires, brakes and service records, be sure all of the 300 SRT8's electronics stuff works as expected, checking steering wheel controls, navigation, lights, the stereo, and anything else that runs on electricity.

More so in second-generation models, a check of the battery and charging system is advised, as infrequent driving and lower-than-required battery voltage can cause niggling issues.

Mechanically, listen to the rear diff for signs of unwanted noises while turning sharply at low speeds, and have a Chrysler mechanic check the driveshaft for signs of wear on first-generation models.

This looks like a solid performer in a used luxury rocket sled.

CAR: PORSCHE PANAMERA

Why: A wise man once asked me at the gas station: "Why the hell would I want a Porsche that has room for the wife and kids?!"



The Chevrolet Corvette C6 Z06. **FILE**

Forget the wife and kids, I'm taking the Panamera to Vegas for a week of debauchery with my buds.

Whatever you're planning to use your Panamera for, you'll get one of the most gorgeous four-seat cabins in the business, ride quality and comfort levels that are road-trip ready, and plenty of selection on a V8-powered model in the used market.

Look for a PDK paddle-shift transmission on all used models, available All Wheel Drive, world-class stereo systems and plenty more.

With a 4.8-litre V8 under the hood, you'll get no less than 400 horsepower, that figure bumping to 430 in the snorty Panamera GTS, and past 500 if you're looking for a Turbo or Turbo S.

The test drive: Ensure the Panamera you're considering isn't suffering from a coolant leak, possibly from a cracked thermostat housing or leaky water pump.

Check the coolant level and condition, and if you're unclear or concerned, be sure to visit a Porsche dealer's service centre for a full going over.

Some owners of earlier models have reported excessive oil consumption, though given the limited number of Panamera owners, and even more limited number of them taking to the web to share

their stories, it's unclear if this is a worrisome issue.

Run the air suspension, if equipped, through its standard and 'lifted' settings several times, checking for any warning messages in the process.

Note that the demanding and complicated electrical system in the Panamera can suffer issues if the battery isn't fully charged, perhaps if the seller drove the car on an infrequent basis.

If you're planning to leave your Panamera in the garage for extended periods, consider investing in a trickle charger.

Finally, examine the exterior for missing or damaged badges and ornamentation.

CAR: FORD MUSTANG

Why: The new one is out, and the old ones are going to turn rapidly into trade-ins as owners upgrade.

For you, the used shopper, that means better pricing, better selection and easier shopping to upgrade from that V6-powered, cheerleader-grade Stang you've been rocking for years.

Perhaps you'll go for a GT model with the lusty, free-revving five-litre V8? Or even the super-charged Shelby GT500?

Look for 411 horsepower as a minimum, and over 660 from a newer used Shelby. (Cue evil

laughter). All Shelby units came with a six-speed stick, and so did the GT with the 5.0, though you can get an automatic on the five-litre if you like.

Feature content included heated leather, mood-lighting, navigation, premium audio and a slick available glass roof if you can't decide between a coupe or convertible.

The test drive: Think 'TRANSMISSION' if you're opting for a model with the manual.

Numerous well-documented issues with the manual gearbox in this generation Mustang have been discussed at length in owner's forums, with those owners suggesting that used Mustang shoppers feel very carefully for signs of slippage, biting back, grinding, popping out of gear, and the like.

Especially from first to second gear at or near full throttle, a consistently difficult or 'rejected' shift is a sign of trouble.

Note that although transmission related issues may stem from abuse and not favour any specific given year or model of Mustang in this generation, earlier five-litre Mustangs (2011 and 2012) and any Shelby GT500 model are the prime candidates for a very careful and thorough transmission check.

If the Mustang you're considering performs poorly or sporadically, possibly with a Check Engine light illuminated in the instrument cluster, a bad engine control sensor may be to blame.

Be sure to investigate and diagnose sporadic performance issues or warning lights before agreeing to purchase.

Finally, be sure to feel and listen for any unwelcome vibrations from the used Mustang's driveline on a test-drive, which could indicate a problem with the rear differential or driveshaft.