

Automobile Consumer Coalition
Research Report 2023-2025
The Automobile Shortage and its Impact

February 2025

Organization

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Report title

**The Automobile Shortage and its Impact: An
Affordability Crisis for Consumers?**

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The Automobile Consumer Coalition received funding from the Contributions Program for Non-profit Consumer and Voluntary Organizations. The views expressed in the report are not necessarily those of Innovation, Science, and Economic Development Canada or the Government of Canada.

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LIST OF ACRONYMS

ABR	Automotive Business Regulation
ACC	Automobile Consumer Coalition (also known as Car Help Canada)
AMVIC	Alberta Motor Vehicle Industry Council
APA	Automobile Protection Association
ARA	Automobile Retailers Association
BPCPA	Business Practices and Consumer Protection Act
CPA	Consumer Protection Act
FAQ	frequently asked questions
GAC	Global Automakers of Canada
MDA	Motor Dealer Act
MVDA	Motor Vehicle Dealers Act
OMVIC	Ontario Motor Vehicle Industry Council
OPC	Office de la Protection du Consommateur of Québec
VSA	Motor Vehicle Sales Authority of British Columbia

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EXECUTIVE SUMMARY

The automobile industry experienced significant and critical changes as a result of the COVID-19 pandemic. The global microchip shortage and other supply chain disruptions caused by the pandemic led to a severe industry-wide shortage of new and used vehicles. Consumers were impacted by long waiting periods and record high prices for vehicles. The market conditions led to the emergence of dealership selling practices such as market adjustment fees (markups), tied-selling, transparency and disinformation practices.

In June 2023, the Automobile Consumer Coalition (ACC) began researching the impact of the pandemic. Research covered the current selling practices used by the automotive retailing industry, the extent of these practices and the risks they pose to consumers, and the extent of regulation that explicitly addresses automobile retailing. The ultimate task was to draft a set of recommendations that consumers, dealerships, manufacturers, government and regulatory bodies could use to help protect consumers from potential financial harm.

A few important discoveries were revealed about automotive retailing during a review of published literature and the subsequent interviews with various stakeholders. Automobile prices have risen sharply over the past few years. This is due to price increases from the manufacturers, higher interest rates for financing and leasing, and automobile dealerships engaging in sales practices to charge higher prices to consumers. Potentially non-compliant or unethical sales tactics include charging market adjustment fees, tied-selling, forced financing, misleading advertising, bait and switch, and making unilateral contract changes on ordered vehicles.

In October 2023, the ACC commissioned Decision Point Research to conduct a Canada-wide survey. The survey targeted consumers in order to learn about their vehicle-buying experiences during the pandemic.

The consumer survey data revealed that: 1) 37 percent of respondents who purchased a new vehicle between October 2021 to October 2023 had to pay a dealer market adjustment fee on their vehicle purchase. 2) 41 percent of respondents who purchased a new vehicle had to pay for protection or warranty products that they would not have chosen freely. 3) 21 percent of respondents who financed their vehicle purchase said that financing was mandatory. Only 29 percent of respondents purchased their vehicle using cash, but from those did, four percent had to pay a higher price with a mean cash price premium of \$2,082. 4) 46 percent of respondents said that they had to order the vehicle they purchased and wait for it to arrive. 44 percent of respondents said that the vehicle they ordered from the dealer took longer or much longer to arrive than originally promised.

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INTRODUCTION

Over the course of the past few years, the automobile industry has experienced a severe automobile shortage as a result of the COVID-19 pandemic. The pandemic caused a major crisis in the form of a global chip shortage. The reasons behind the microchip shortage include pandemic-related disruptions, skyrocketing demand, manufacturing capacity constraints, and disruptions in supply chains. This affected car manufacturers worldwide, leading to production cuts, delayed shipments, and even factory shutdowns.

Automobile sales tumbled during the early days of the pandemic as a result of inventory shortages limiting sales. Auto manufacturers built 1.7 million fewer vehicles in 2021 than in 2019, the last full year before the pandemic. With the supply of automobiles dramatically reduced over an extended period, consumer demand quickly began to outstrip supply.¹ Low inventory levels, coupled with surging consumer demand, quickly led to dramatic price increases for both new and used vehicles. From the first quarter of 2021 to the fourth quarter of 2023, the national average price of a new vehicle increased from \$45,439 to \$67,259. During the same period, the average price of a used vehicle increased from \$27,140 to \$36,863.²

Inflation and rising interest rates also make new and used vehicle purchases more expensive. As the Bank of Canada has gradually raised its key rate, the interest rates to finance and lease new vehicles rose to an average of seven percent in 2023 from an average of three percent in 2019. Average monthly payments for used vehicles have ballooned from \$466 in 2019 to \$639 in 2023. Monthly payments have reached an average of \$797 for new vehicles.³

It's not just price; many car buyers chose to buy used vehicles because the new ones they wanted were unavailable. 31 percent of people who bought a used vehicle in 2022 bought one because they couldn't find a new vehicle they were looking for. Many consumers looking to buy a new or used vehicle had to settle with what was available. Consumers who were willing to wait and order a new vehicle were often faced with long waiting periods. In many cases, the waiting periods to order a new vehicle were several months to over one year.⁴

These market disruptions had a broad, sweeping impact on consumers. Not only did interest rates and manufacturer suggested retail prices (MSRP) of new vehicles increase dramatically, but automobile dealerships introduced a variety of sales tactics to increase prices and maximize their profits on their limited inventory. Many new vehicle models were sold by dealerships with

¹ Benjamin Preston, "Global Chip Shortage Makes It Tough To Buy Certain Cars," Consumer Reports. May, 2021.

² Autotrader Price Index Report December 2019 – December 2023.

³ J.D. Power Canada's Automotive Market Metric report, 2023.

⁴ Decision Point Research Survey, October 2023.

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markups, tied-selling of expensive products, and forced financing. As a result, many consumers were forced to pay thousands more on their vehicle purchase than they otherwise should.

The scope of the problems arising from the automobile shortage needs to be defined and evaluated. This raises a few questions as to what actions or policies government and industry need to take in order to reduce the use of these high-risk practices and what options could be proposed or legislated to deal with them.

It is within this context that the following research goals were formulated:

RESEARCH GOALS

- 1) How has the industry-wide shortage of vehicles impacted selling practices at dealerships across Canada?
- 2) What specific selling practices are dealerships using to overcharge or take advantage of consumers?
- 3) How widespread and severe are the selling practices, including;
 - i. Market adjustment fees or markups
 - ii. Tied selling of add-on products
 - iii. Bait and switch
 - iv. Forced financing
 - v. Undisclosed contract changes or price increases
 - vi. Misleading advertising
- 4) What is the extent of regulation and enforcement, and how does it benefit the consumer?
- 5) What recommendations can be made to reduce the potential and actual risks to consumers?

METHODOLOGY

The research encompassed the following:

- Review of previously published literature (including prior research reports and mystery shopping surveys conducted by the ACC, APA, and OMCVIC).
- Analysis of the regulatory and legislative framework (including the *Motor Vehicle Dealers Act* for Ontario, the *Motor Dealer Act* for British Columbia, and the *Consumer Protection Act* for both Alberta and Quebec).
- Interviews with stakeholders, including interviews with dealership organizations, advocacy groups, automobile manufacturers, and regulatory authorities.
- A widely distributed consumer survey developed by the Automobile Consumer

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Coalition and undertaken by Decision Point Research.

- An ACC-affiliated methodologist helped to coordinate, review, and consolidate the research process. The report was reviewed by select stakeholders prior to the completion of a final draft.

REVIEW OF PRIOR RESEARCH REPORTS AND LEGISLATION

The research started with the examination of media reports, previous research reports and surveys on the topic of the automobile shortage and its impacts. The research also included mystery shopping surveys related to the automotive shopping process. The literature was researched and published by the ACC, the APA, and OMVIC. These included recent reports for field research and mystery shopping of dealerships in Ontario, Alberta, and British Columbia. The reports included data from documented visits to dealerships by undercover mystery shoppers.

The literature review also included an analysis of the regulatory and legislative framework in different provinces. The provincial legislation that was reviewed included the *Motor Vehicle Dealers Act* (MVDA) and the Code of Ethics for Ontario, The *Motor Dealer Act* (MTO) for British Columbia, and the *Consumer Protection Act* for both Alberta and Quebec.

STAKEHOLDER INTERVIEWS

The ACC conducted interviews with a list of stakeholders by email, telephone, and in-person over a period of several months. The stakeholders included representatives from consumer advocacy groups, dealership organizations, and various regulatory bodies.

Consumer advocacy groups that were contacted and interviewed included the Automobile Protection Association (APA).

Industry organizations that were contacted and interviewed included the Canadian Automobile Dealers Association (CADA) and the Global Automakers of Canada (GAC).

Regulatory bodies contacted and interviewed included investigators from the Motor Vehicles Sales Authority of B.C. (VSA); the Alberta Motor Vehicle Industry Council (AMVIC); the Ontario Motor Vehicle Industry Council (OMVIC); and the Office de la Protection du Consommateur (OPC) of Quebec.

Automobile manufacturers contacted and interviewed include Hyundai Canada, Kia Canada, and Volvo Cars Canada.

NATIONAL SURVEY

The ACC commissioned Decision Point Research to conduct a Canada-wide survey in October

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2023.

The consumer survey was completed by 1,500 Canadians. The target audience of the survey was adults who purchased a new vehicle from a dealership within the last two years (October 2021 – October 2023).

The survey questionnaire was prepared by the ACC research team. The research objective of the survey was to determine consumer shopping practices regarding vehicle purchasing; exploring dealer sales tactics, the shopping experiences of consumers, and the outcomes of these purchases.

For more information on the ACC-Decision Point Research survey, see Appendix B.

THE AUTOMOBILE SHORTAGE AND CURRENT TRENDS

The shutdown of automobile manufacturing and other supply chain disruptions led to soaring vehicle prices on both the new and used vehicle markets.

In the fourth quarter of 2019, the last full year before the start of the COVID-19 pandemic, the average price of a new vehicle in Canada was \$40,386. The average price of a used vehicle was \$18,900.

In the fourth quarter of 2021, one full year after the market disruptions began, the average price of a new vehicle in Canada had risen to \$50,758, which was a 13 percent year over year increase. The average price of a used vehicle in Canada had risen to \$33,240, a 35 percent year over year increase, during the same period of time.

By the fourth quarter of 2022, the average price of a new vehicle in Canada had risen to \$58,895, which was a 16 percent year over year increase. The average price of a used vehicle in Canada had risen to \$36,240, a nine percent year over year increase, during the same period of time.

By the fourth quarter of 2023, the average price of a new vehicle had risen to \$67,259, a 14 percent year over year increase. And used vehicle prices had risen to \$36,863, a two percent year over year increase.⁵

These price increases are the result of actions by both automobile manufacturers and dealerships. Since 2020, Automobile manufacturers have increased the MSRPs of their vehicles by a substantial amount every year. The market-wide vehicle shortage also led to the disappearance of manufacturer purchase incentives, such as price rebates and reduced interest rates, which further contributed to the rapid increase in vehicle transaction prices.

The increase in interest rates from the Bank of Canada has also contributed to the affordability

⁵ Auto Trader Price Index Report December 2019 – December 2023.

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crisis for consumers. According to J.D. Power Canada's Automotive Market Metric report, monthly payments for auto loans have risen sharply over the past few years. In 2023, the monthly payment for new loans rose to \$860 to \$900, from \$620 to \$660 in 2020. The increase in four-figure monthly payments has been especially high. By 2023, 29 percent of borrowers had auto loan payments of \$1,000 and up per month, compared with just 10 percent back in 2019. 53 percent of Canadians finance their used vehicle purchase through a loan. 74 percent of Canadians finance or lease their new vehicle purchase.⁶

The extended length of auto loans also contributes to the increase in the cost of borrowing. Almost 60 percent of new vehicle loans have a term length of 84 months or longer. Consumers are attracted to these extended term loans for their lower monthly payments, but even with the longer terms, just under 5 percent of loans have a monthly payment that's under \$400. Longer length loans mean higher borrowing costs. Due to the increase in vehicle prices, higher interest rates, and long loan terms, the total cost of borrowing for a vehicle loan was approximately three times higher in 2023 versus 2020.⁷

THE IMPACT OF THE SHORTAGE ON SELLING PRACTICES

Automobile dealership sales practices are the final contributing factor which has led to the rapid increase of vehicle prices. The vehicle shortage has led to a variety of dealership selling practices which are designed to significantly increase profit margins per vehicle transaction. These selling practices include: 1) Market adjustment fees 2) Tied selling 3) Forced financing 4) Bait and switch 5) Contract changes.

MARKET ADJUSTMENT FEES

A market adjustment fee is a form of markup where the dealership inflates the MSRP of a new vehicle. At the peak of the shortage, average dealer markups ranged from \$1,000 to as high as \$10,000 added to the vehicle MSRP.

According to the Decision Point Research survey, 37 percent of respondents who purchased a new vehicle between October 2021 to October 2023 had to pay a dealer market adjustment fee on their vehicle purchase. For 36 percent of respondents, the market adjustment fee ranged between \$1,000 to \$2,999. For 35 percent of respondents, the market adjustment fee ranged from \$3,000 to \$5,999. 11 percent of respondents had to pay between \$6,000 to \$10,000, and four percent paid a market adjustment fee over \$10,000.⁸

Depending on how it is disclosed to the consumer, adding a market adjustment fee, or any other form or dealer markup or charges to a vehicle price, could be an illegal sales tactic.

⁶ J.D. Power Canada's Automotive Market Metric report, 2023.

⁷ Rob Carrick, "High interest rates mean the new normal in vehicle buying is a monthly payment in the \$1,000 range." The Globe and Mail, July 2023.

⁸ Decision Point Research Survey, October 2023.

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Jeff Donnelly from OMVIC explains: “Car buyers are advised to verify that the delivered vehicle matches their order. If the dealer increases the vehicle's price post-contract signing upon delivery, the car buyer has the right to cancel without incurring penalties, and the dealer must refund their deposit. In instances of unilateral price hikes by the dealer, OMVIC may investigate and take action against unethical behavior. In severe cases, the registrar might propose revoking registration due to a lack of honesty or integrity.”⁹

Francis Rémillard from OPC explains: “A lot of dealerships signed contracts with consumers for a vehicle at a certain price, for a specific model year, without knowing when they would receive it from the manufacturer and how much they would pay for it. Very frequently, the price asked by the dealership to the consumer at delivery was higher than the price set by the initial contract.

In times of high demand or vehicle shortages, some dealerships may be less motivated to be transparent because they anticipate customers will accept less favorable terms due to limited alternatives. Some consumers have also reported feeling obligated to accept paying more than what was initially agreed upon or announced by the manufacturer, out of fear that the dealer would refuse to sell to them the vehicle, considering the high demand and low inventory.”¹⁰

According to provincial delegated authorities that regulate dealerships, as long as the market adjustment fee is included in the vehicle’s advertised price and disclosed on the purchase contract at the time of the initial signing, this sales practice is compliant with the all-in price advertising legislation.

Roxanne Spiess from AMVIC explains: “A salesperson or business must not mislead a consumer into believing a fee is mandatory or required by law if it is not. Sometimes, automotive businesses may call an extra cost a market adjustment fee. All fees should be disclosed during the negotiation process and not after the purchase price has been established with a bill of sale. A market adjustment fee cannot be added to the all-in advertised price of a vehicle.”¹¹

Jeff Donnelly from OMVIC says: “Car buyers should recognize they have the right to decline sales arrangements, such as charging a market adjustment fee, and if the dealer refuses, Canadians can walk away and buy elsewhere.”¹²

While the rules vary by province, Alberta, Saskatchewan, Manitoba, Quebec and Ontario are the five provinces that require all-in pricing. George Iny, Director of the Automobile Protection Association says: “There is no provincial prohibition in Canada on [dealerships] selling vehicles for more than MSRP.” Dealers are generally free to inflate prices above the MSRP – as long as they don’t charge the consumer more than they themselves have advertised or agreed to in the sales agreement.

⁹ Interview with Jeff Donnelly, OMVIC, February 23, 2024.

¹⁰ Interview with Francis Rémillard, OPC, November 16, 2023.

¹¹ Interview with Roxanne Spiess, AMVIC, September 8, 2023.

¹² Interview with Jeff Donnelly, OMVIC, February 23, 2024.

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Automobile manufacturers do not seem to have much influence over dealerships and the charging of market adjustment fees either.

Jennifer Szmilko from Kia Canada says: “As a distributor of automobiles, Kia Canada does not have control over customer transactions, as dealers are independently owned and operated and fully responsible for all sales with customers. Our expectation is that every dealer operates within the guidelines set out by their provincial regulator, with a focus on the customer experience.”¹³

TIED SELLING

Tied selling is when a vendor requires or induces a customer to buy a second product. For example, they may refuse to sell a certain product unless the customer also buys something else. The sales practice of tied selling has become very common at automobile dealerships.

According to the Decision Point Research survey, 41 percent of respondents who purchased a new vehicle had to pay for protection or warranty products that they would not have chosen freely. For 33 percent of respondents, these products increased the price of the vehicle by \$1,000 to \$1,999. For 21 percent of respondents, these products increased the price of the vehicle by \$2,000 to \$3,000. And for 12 percent of respondents, these products increased the price of the vehicle by more than \$3,000.¹⁴

The most commonly sold products through tied selling include warranty plans, anti-theft products, exterior and interior protection products, insurance products, and vehicle accessories. Many of these products can have significant profit margins, making them highly profitable for dealerships. In some cases, the aggregated markup on the dealer products makes them more profitable than the vehicle itself.

Jeff Donnelly from OMVIC explains: “As a result of extensive supply chain challenges causing substantial shortages of vehicles in North America, there is a growing trend of requiring car buyers to purchase additional products alongside their vehicle purchase. This is often presented as mandatory, putting pressure on car buyers to comply, or face outright refusal from the dealer.

This has prompted numerous complaints to OMVIC from car buyers who feel compelled to pay for unwanted products. Competing dealers, who abstain from this practice, argue that it diminishes fair competition, harms customers, and erodes public trust in the automotive sales industry.”¹⁵

Francis Rémillard from OPC explains: “Dealerships might include higher hidden fees for services like vehicle preparation and delivery fees or documentation, which may not be clearly

¹³ Interview with Jennifer Szmilko, Kia Canada, February 26, 2023.

¹⁴ Decision Point Research Survey, October 2023.

¹⁵ Interview with Jeff Donnelly, OMVIC, February 23, 2024.

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disclosed upfront. These fees can add hundreds or even thousands of dollars to the final price. In some cases, if consumers choose not to pay these fees, certain dealerships may refuse to sell them the vehicle. This practice is also forbidden by the Consumer Protection Act.

With the same objective as the previous point, some dealerships may bundle features or accessories with a vehicle and insist on selling the entire package at a premium price, even if the consumer only wants the base model. They may also pressure consumers to purchase extended warranties and add-on products, sometimes at inflated prices, as part of the sales process. Some plaintiffs reported that the salesperson mentioned that it's a requirement from the bank."¹⁶

FORCED FINANCING

Forced financing is another sales practice that emerged during the pandemic. This is when a dealership requires the consumer to finance their vehicle at a rate that pays the dealer a hidden commission as a condition of purchase, and they do not accept a cash purchase. Like tied selling and market adjustment fees, financing is another highly profitable tool for dealerships. Depending on the interest rate, size of the loan, and the lender that is used, a dealership can earn a commission between \$50 to \$2,000 per vehicle that is financed.¹⁷

Francis Rémillard from OPC explains: "Some dealerships will sell new vehicles at a higher price to consumers who pay for the vehicle in cash than to consumers who finance their purchase. This practice is also forbidden by the Consumer Protection Act.

All-in pricing is mandatory in Quebec, and ties both the manufacturer and the dealership. Even so, we frequently see junk fees, tied selling add-on products, increased price for a person that does not use financing. It is the most popular subject in OPC's interventions (warning letters, investigations, prosecutions, voluntary undertakings) in the vehicles trade industry. We both follow-up on complaints received (OPC receives a great volume of complaints annually) and organize enforcement programs to seek out these practices. These practices have been observed before the pandemic and the shortage issues. We did not observe an increase during that period, nor did we see a decrease."¹⁸

Not only do some dealerships require their customers to purchase a vehicle with financing, but some dealers tell the consumer that they must finance for minimum period of time, such as six months, before they have the ability to pay off the loan balance. This is often said to ensure that the dealership receives the full commission on the financing.

Roxanne Spiess from AMVIC explains: "Some automotive businesses choose to only sell vehicles through their own in-house financing. Automotive businesses can choose how they accept payment, just as some retailers will not accept certain credit cards and some won't accept cash. Essentially, an automotive business can choose how they accept payments; it is up to the

¹⁶ Interview with Francis Rémillard, OPC, November 16, 2023.

¹⁷ Danielle Nerman, "How 'forced financing' makes some car dealerships more money." CBC. December 2023.

¹⁸ Interview with Francis Rémillard, OPC, November 16, 2023.

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consumer to decide which option is best for them. Under Section 68 of the Consumer Protection Act, consumers have the right to pay off any non-mortgage loan in full any time after signing or to make an extra payment with any scheduled payments without penalty. AMVIC recently issued 11 Director's Orders in relation to automotive businesses informing consumers they must keep a loan for a specified period of time, sometimes advising a penalty will apply if they do not."¹⁹

In the case of dealerships that do not use forced financing, another sales tactic which has become increasingly common is dealerships charging a higher price for a vehicle which is purchased with cash. Some dealerships advertise a vehicle with both a finance price and a cash price, with the cash price sometimes being thousands of dollars higher. In other cases, some dealers will only advertise the lower finance price, in which case, the higher cash price is either hidden in the advertising or not disclosed at all.

According to the Decision Point Research survey commissioned by ACC, 21 percent of respondents who financed their vehicle purchase said that financing was mandatory. Only 29 percent of respondents purchased their vehicle using cash, but from those did, four percent had to pay a higher price with a mean cash price premium of \$2,082.²⁰

MISLEADING ADVERTISING AND BAIT AND SWITCH

The practice of "bait and switch" has been in use by both dealerships and manufacturers for many years. The practice works by advertising a very low priced "bait" vehicle in the hopes of luring consumers into the dealership. The dealership then works to "switch" consumers over to a higher priced vehicle during the sales process. The advertised bait vehicles are usually vehicles that are not available to purchase, or at least not available at the advertised price.²¹

The practice of dealerships advertising vehicles that do not exist and are not readily available to purchase became very common through the pandemic. Many dealerships had very limited inventory, and yet, continued advertising a large selection of vehicles on their websites giving the impression that vehicles were available to purchase.

Dealer advertisements that feature a vehicle that is not available to purchase or show a deceptive low price can put consumers in a frustratingly situation. They expect to find the vehicle that is advertised, but upon contacting or arriving at the dealership, they find that the advertised vehicle is not available to purchase, or not available at the advertised price. Ordering the vehicle for the advertised price is often possible, but may take up to several weeks or months to arrive.²²

Regulatory authorities have pointed out that it is violation of the legislation for dealerships to advertise vehicles that do not exist, or are not available for the advertised price.

¹⁹ Interview with Roxanne Spiess, AMVIC, September 8, 2023.

²⁰ Decision Point Research Survey, October 2023.

²¹ APA Secret Shopper Investigation of Vancouver New Car Dealerships, 2018

²² Dealer Compliance Assessment Via Mystery Shopping, OMVIC, May 2020.

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Francis Rémillard from OPC explains: “Dealerships might include higher hidden fees for services like vehicle preparation and delivery fees or documentation, which may not be clearly disclosed upfront. These fees can add hundreds or even thousands of dollars to the final price. In some cases, if consumers choose not to pay these fees, certain dealerships may refuse to sell them the vehicle. This practice is also forbidden by the Consumer Protection Act.”²³

CONTRACT CHANGES

The severe shortage of new vehicles over the past few years has changed the way many consumers purchase a vehicle from a dealership. Rather than purchase a vehicle that is available on the dealer lot, many consumers were forced to place an order for a vehicle and make a deposit with the dealership.

According to the Decision Point Research survey for ACC, 46 percent of respondents said that they had to order the vehicle they purchased and wait for it to arrive. Out of those who ordered a vehicle, 37 percent had to wait between one to three months for the vehicle to arrive. 27 percent of respondents had to wait between four to six months. 18 percent had to wait seven to more than twelve months.

In many cases, the dealership was not able to provide accurate information as to when the ordered vehicle would arrive. 44 percent of respondents said that the vehicle they ordered from the dealer took longer or much longer to arrive than originally promised.

What is even more concerning is that many dealers would not honour the original price that was stated on the sales contract when the vehicle was originally ordered. Many dealers increased the price on the consumer when the vehicle finally arrived. 13 percent of respondents said that the dealership increased the price from the original price that was charged at the time the contract was signed. Among those respondents, 53 percent said that this was due to an increase in the manufacturer suggested retail price (MSRP) of the vehicle, 40 percent said that it was due to the dealer charging additional fees, and 29 percent said that it was due to the interest rate increasing.²⁴

Jeff Donnelly from OMVIC explains: “Addressing the challenges of each practice requires individual assessment in accordance with the Motor Vehicle Dealers Act (MVDA). In cases of MVDA violations, OMVIC will conduct administrative reviews and take appropriate actions.

Car buyers are advised to verify that the delivered vehicle matches their order. If the dealer increases the vehicle's price post-contract signing upon delivery, the car buyer has the right to cancel without incurring penalties, and the dealer must refund their deposit. In instances of unilateral price hikes by the dealer, OMVIC may investigate and take action against unethical behavior. In severe cases, the registrar might propose revoking registration due to a lack of

²³ Interview with Francis Rémillard, OPC, November 16, 2023.

²⁴ Decision Point Research Survey, October 2023.

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honesty or integrity. However, not all price increases are deemed improper; for example, discontinuation of a vehicle's trim level may lead the dealer to offer an upgraded trim at a higher price, with cancellation remaining an option without ethical violation.

That being said, traditionally, most contracts have a 90-day clause for factory orders, however given the recent supply chain issues, some have extended the terms to 120 days or longer. A person can cancel without penalty if the dealer fails to deliver the vehicle within the stipulated delivery time, so car buyer should review their contract terms.”²⁵

Francis Rémillard from OPC explains: “Since the shortage had an impact on certain types of vehicles, consumers were often proposed to switch-up, i.e. to buy a more equipped version of the vehicle they first ordered, because there was a shortage of the model they first chose.

A lot of dealerships signed contracts with consumers for a vehicle at a certain price, for a specific model year, without knowing when they would receive it from the manufacturer and how much they would pay for it. Very frequently, the price asked by the dealership to the consumer at delivery was higher than the price set by the initial contract. Some contracts even included a provision “allowing” the dealer to unilaterally increase the price under certain conditions (ex: if the manufacturer increased their sale price). Such a provision is forbidden by the Consumer Protection Act. Different interventions were made by OPC to stop the practice. Sometimes, if the consumer wanted to opt-out of the sale after the price was increased, the dealership threatened to keep their deposit. This practice is also forbidden by the Consumer Protection Act.

In times of high demand or vehicle shortages, some dealerships may be less motivated to be transparent because they anticipate customers will accept less favorable terms due to limited alternatives. Some consumers have also reported feeling obligated to accept paying more than what was initially agreed upon or announced by the manufacturer, out of fear that the dealer would refuse to sell to them the vehicle, considering the high demand and low inventory.”²⁶

Many stakeholders explained that the unexpected waiting periods for vehicles were not necessarily the fault of dealerships.

Francis Rémillard from OPC explains: “Representatives from the (new car) dealership association in Quebec claim that they are kept in the dark by manufacturers on these delivery times, as well as the sale price. They also told us that the manufacturer’s price protection policies were drastically changed during the pandemic. According to them, most manufacturers now guarantee a sale price to the dealerships for a period ranging from 3 to 5 months only, whereas these guarantees were closer to a year before the pandemic. We have also been told that disruptions in the supply chain, such as shortages of critical components, have sometimes resulted in delays in manufacturing and, consequently, in delivery times.”²⁷

²⁵ Interview with Jeff Donnelly, OMVIC, February 23, 2024.

²⁶ Interview with Francis Rémillard, OPC, November 16, 2023.

²⁷ Interview with Francis Rémillard, OPC, November 16, 2023.

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Ken Masonville from Hyundai Canada explains: “2022 and 2023 were unprecedented years for the automotive industry due to supply chain challenges. At Hyundai Canada, we always strive to provide full transparency to customers, but working in an unpredictable inventory setting has been challenging to provide clarity and visibility we aim to provide our customers. In many cases, dealers truly did not know vehicle wait times.”²⁸

David Adams from Global Automakers of Canada explains: “A year or more ago this was the situation where dealers, and in some cases, manufacturers didn’t know when product would be delivered. It’s appreciated that this was an extremely frustrating situation for consumers. I would suggest that in the majority of cases there was no intent to mislead consumers, it is truly a situation of dealers and manufacturers not knowing when vehicles would be shipped given a completely disrupted supply chains and logistics services which has become more normalized now. It clearly isn’t in the dealer’s best interest to mislead or not be fully transparent with their consumer as there are many other dealers that consumer can turn to.”²⁹

CURRENT REGULATIONS AND EFFORTS AT CONSUMER PROTECTION

Each province has its own unique set of regulations and, in certain provinces, delegated authorities, which are responsible for enforcing the regulations of the province. Although some of the existing provisions protect consumers from some of the sales practices that occurred during the vehicle shortage, other practices are not being captured.

Divya Shergill from VSA explains: “Consumers in Alberta, BC, Ontario, and Quebec have recourse if there's a problem. OMVIC, VSA, and in any of the other provinces who have something similar, there's somewhere to go with their complaints where they can be dealt with. There are some provinces that don't have that, in which case consumers are left on their own to solve the situation they've been put in.”³⁰

The provinces of Ontario, Quebec, Alberta, and British Columbia all broadly share the following rules which dealerships must follow:

1. Dealerships must conduct business with a certain degree of honesty, integrity, fairness, and respect.
2. The advertisement must not make false or misleading representations. The vehicle must be advertised with accurate and truthful information with regards to its condition, illustrations, and price.
3. Dealerships must disclose all pricing related details of the advertised vehicle including all fees and charges. With the exception of BC, dealerships are required to advertise an all-in price, which includes all charges aside from sales tax and licensing.
4. The advertised vehicle must be in the dealer’s inventory at the time of the advertisement and must be available at the advertised price

²⁸ Interview with Ken Masonville, Hyundai Canada, Oct. 14, 2023.

²⁹ Interview with Ken Adams, Global Automakers of Canada, Feb. 5, 2024.

³⁰ Interview with Divya Shergill, VSA, August 17, 2021.

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5. Instalment or fixed credit type advertisements must disclose financial details such as the annual percentage rate (APR), length of the loan, and vehicle price.
6. The dealership must disclose the past history of the advertised vehicle including past use as taxi cabs, police cars or emergency vehicles.
7. Dealerships must have a physical space or on-site premise for conducting business.

The bibliography outlines the specific regulations which currently exist in these four major provinces.

There are, however, some areas where provincial legislation may be inadequate. These areas of concern include limits on the extent of all-in pricing advertising and tied selling. Although dealerships in several provinces are required to comply with all-in pricing advertising legislation, this legislation does not apply to advertising by automobile manufacturers.

Jeff Donnelly from OMVIC explains: “Under the current legislation, OMVIC does not have the authority to regulate manufacturers and their sales strategies. Unfortunately, in Canada, there is no regulator for vehicle manufacturers.”³¹

The exception to this is the province of Quebec, where manufacturers are required to comply with the all-in price advertising provision.

Francis Rémillard from OPC explains: “All-in pricing is mandatory in Quebec, and ties both the manufacturer and the dealership. Even so, we frequently see junk fees, tied selling add-on products, increased price for a person that does not use financing. It is the most popular subject in OPC’s interventions (warning letters, investigations, prosecutions, voluntary undertakings) in the vehicles trade industry. We both follow-up on complaints received (OPC receives a great volume of complaints annually) and organize enforcement programs to seek out these practices. These practices have been observed before the pandemic and the shortage issues. We did not observe an increase during that period, nor did we see a decrease.

An application for authorization to bring a class action against more than 200 vehicle dealers in Quebec has been filed in 2021. The class action is based on the all-in pricing section of the Consumer Protection Act (224c). The Court has yet to authorize it.

The practices (tied selling, markups for cash buyers, forced financing) are already forbidden by different provisions of the Quebec Consumer Protection Act and its regulations. For the last years, they have been the most frequent subject of OPC’s inspections and investigations in this sector. Many warning letters have been sent, many prosecutions have been taken, and a few voluntary agreements signed. Most of the times, a voluntary agreement is signed by the president of OPC and a merchant after the president sent a prior notice to revoke the dealer’s license.”³²

³¹ Interview with Jeff Donnelly, OMVIC, February 23, 2024.

³² Interview with Francis Rémillard, OPC, November 16, 2023.

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With that said, it is clear that the current provisions in the legislations of other provinces do not go far enough to address all of the concerning sales practices that began during the pandemic.

Ian Christman from VSA explains: “Market adjustment fees, tied selling, and other sales practices you listed are not prohibited, per se, by the Motor Dealer Act or the provisions of the Business Practices or Consumer Protection Act that we administer. What may be prohibited is the way that they are represented and/or disclosed. Based on the wording of our legislation, that requires a case-by-case assessment of all the circumstances of the consumer transaction. Breach of contract is assessed by the courts based on the individual terms of the agreement and the surrounding facts of the agreement. The VSA has no authority to arbitrate if there has been a breach of contract. Further, the remedy most consumers would seek, completing the agreement at the agreed to price, is legally called specific performance which is within the equitable jurisdiction of the courts to award. Our legislation does not empower us to compel a motor dealer to complete a transaction on agreed to terms.

The VSA’s provincial regulatory powers are confined to investigating breaches of the BC Motor Dealer Act and those provisions of the BC Business Practices and Consumer Protection Act delegated to us. We may not use those powers to investigate breaches of the Competition Act.”³³

Jeff Donnelly from OMVIC explains: “The current legislation does not forbid practices such as tied selling or forced financing. OMVIC also does not have the power under the MVDA to force a dealer to issue a refund to a consumer.

Under the current legislation, OMVIC’s responsibility is to review the allegations brought forward by a consumer in a complaint and determine if the registrant has breached the MVDA or its respective Code of Ethics. If a breach is identified, OMVIC has several options to address the breach depending on the registrants’ compliance history. This can include mediation, or even referral to the discipline committee and/or proposal to revoke the dealer’s license via the License Appeal Tribunal (LAT).”³⁴

Provincial regulatory authorities are making some effort to address sales practices of concern that became widespread during the pandemic.

Roxanne Spiess from AMVIC explains: “AMVIC protects consumers and industry from unfair practices in the automotive business industry. Consumer protection and a fair marketplace are achieved through an AMVIC-managed mandatory licensing program for automotive businesses and a registration program for automotive business salespeople; educating industry on regulatory compliance, informing consumers of their rights and enforcing consumer protection laws as set out by the Consumer Protection Act of Alberta.

Non-compliance is a significant issue in our efforts to protect consumers and establish a level playing field for the automotive industry. One of the ways AMVIC protects consumers is via

³³ Interview with Ian Christman, VSA, Sept. 11, 2023.

³⁴ Interview with Jeff Donnelly, OMVIC, February 23, 2024.

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industry education and awareness. On Oct. 4, 2022, AMVIC sent out an industry bulletin reminding industry that they should only advertise vehicles in the possession of the business. Having the ability to order a vehicle does not mean the vehicle is in the possession of the business and is available to the consumer. If automotive businesses wish to place a general advertisement noting that consumers can order a type of vehicle, stock number and price don't have to be included in the advertisement. If a price is included in the advertisement, it must be available for purchase at the business at the time the advertisement is placed. All advertisements for a specific vehicle must be removed within 14 days once it has been sold.

In January 2023, AMVIC commenced a major inspection project, the Advertised Price Compliance Inspection and Enforcement Project where only 14 per cent of businesses inspected were fully compliant. One of the Administrative Penalties in relation to this project was \$75,000, the highest Administrative Penalty ever issued by AMVIC.”³⁵

Francis Rémillard from OPC explains: “Many consumers are not comfortable with or do not fully understand the process of buying a vehicle and everything it entails. Some have little to no experience in this matter. This lack of knowledge can make them more susceptible to deceptive practices by dealerships. To address these challenges, it is not only crucial for consumer protection agencies to enforce the regulations and hold dealerships accountable (warning letters, prosecutions, voluntary undertakings etc.) for deceptive practices, but it is also essential to educate consumers about the car-buying process. The Consumer Protection Office is actively working to inform and educate Quebec consumers about their rights and recourses, both over the phone, on our website, or in various consumer awareness initiatives on social media.

Bill 29 has been introduced by the Ministry of Justice, responsible of OPC. This bill proposed an increase in minimum and maximum fines. It was assented on October 5, 2023. Maximum fines now range from \$30,000 to \$175,000. The maximum can be even higher for certain offenses since it can now be adjusted to 5 percent of the total worldwide revenues of the merchant for the past year.

OPC has been more active administratively, sending prior notices to revoke the dealer's license when the noncompliance was continued even after a prosecution and a fine. OPC recently created an automobile trade advisory committee that meets a few times a year. This committee includes representatives from OPC, from new and used car dealers' associations, and from APA. We also developed a communication campaign that targeted both merchants and consumers. It reminded dealers of their obligations and provided tips for consumers.”³⁶

Although regulatory authorities across Canada have been slow to take action and the responses have been inconsistent, the Federal Trade Commission in the United States has taken steps to strengthen consumer protection. On December 12, 2023, the FTC announced the Combating Auto Retailer Scams (CARS) Rule to fight scams in vehicle shopping. These rules are designed

³⁵ Interview with Roxanne Spiess, AMVIC, September 8, 2023.

³⁶ Interview with Francis Rémillard, OPC, November 16, 2023.

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to fight two common types of illegal sales tactics consumers face when buying a vehicle: bait-and-switch tactics and junk fees. The FTC predicts that these rules will save consumers nationwide more than \$3.4 billion and an estimated 72 million hours each year shopping for vehicles.

FTC Chair Lina M. Khan explains: “When Americans set out to buy a car, they’re routinely hit with unexpected and unnecessary fees that dealers extract just because they can. The CARS Rule will prohibit exploitative junk fees in the car-buying process, saving people time and money and protecting honest dealers.”³⁷

What the CARS Rule Requires:

No Misrepresentations: The rule prohibits misrepresentations about key information, like price and cost.

Offering Price, Total Payment, and Add-Ons Optional: Dealers have to provide the offering price—the actual price any consumer can pay for the vehicle; tell consumers that optional add-ons (like extended warranties) are not required; and give information about the total payment when discussing monthly payments.

No Bogus Add-Ons: The rule prohibits dealers from charging for any add-on that does not provide a benefit to consumers. Examples of such add-ons include: warranty programs that duplicate a manufacturer’s warranty, service contracts for oil changes on an electric vehicle, GAP agreements that do not actually cover the car or neighborhood in which it is housed, or other parts of the deal, and software or audio subscription services on a vehicle that cannot support the software or subscription.

Get Consumers’ Consent: The rule requires dealers to get consumers’ express, informed consent for any charges that they pay as part of a vehicle purchase.³⁸

Some automotive manufacturers in Canada have also taken some action to improve the shopping experience for consumers.

Tara Powadiuk from Volvo Cars Canada explains: “In Canada, together with our retailers, we’ve introduced One Price Promise, offered exclusively for all fully electric vehicles. One Price Promise is a straightforward and transparent shopping experience that’s negotiation free, both online and in-store.

Through One Price Promise, all Volvo Cars fully electric vehicles available nationally can be viewed on [Volvocars.ca](https://www.volvocars.ca) so that Canadians can see all trims and specifications available for delivery now and provide Canadians with a clear breakdown of all retailer fees and taxes. When a Canadian visits their Volvo Cars Retailer, the retailer ensures that the pricing the consumer

³⁷ Press Release, Federal Trade Commission, Dec. 12, 2023.

³⁸ Press Release, Federal Trade Commission, Dec. 12, 2023.

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reviewed and saved online is the same price they will receive on their final bill of sale. This is a truly transparent, negotiation free shopping experience.

One Price Promise is rooted in fairness, and it's more than just a price, it's a commitment to consistency, enabling our customers to feel more empowered with their purchase decisions. One Price Promise is a great tool for our retailers too, enabling them to provide exceptional customer service in providing a hassle-free sales process for their customers. Canadians can feel confident that the price and retailer fees they review online will be the same price breakdown they will receive at a Volvo Cars Retailer.

We believe this shift also reflects how Canadians want to engage with brands, choosing when they want to take their experience from online to offline. It empowers our customers to configure their Volvo Car, select accessories, payment configuration, select protection plans, conduct trade-in appraisals, and place a deposit – all from the convenience of their home.”³⁹

SURVEY RESULTS AND ANALYSIS

The ACC commissioned Decision Point Research to conduct a Canada-wide survey in October 2023 using a questionnaire developed by the ACC. The consumer survey was completed by 1,500 Canadians. The target audience of the survey was adults who purchased a new vehicle from a dealership within the last two years (October 2021 – October 2023).

The majority of respondents were located in Ontario, Quebec, British Columbia, and Alberta. The age of the respondents ranged from 18 to 55+ years old, with a near equal split between male and female. 70 percent of respondents had a household income between \$50,000 to \$150,000.

According to the survey, 37 percent of respondents who purchased a new vehicle between had to pay a dealer market adjustment fee on their vehicle purchase. For 36 percent of respondents, the market adjustment fee ranged between \$1,000 to \$2,999. For 35 percent of respondents, the market adjustment fee ranged from \$3,000 to \$5,999. 11 percent of respondents had to pay between \$6,000 to \$10,000, and four percent paid a market adjustment fee over \$10,000.

41 percent of respondents who purchased a new vehicle had to pay for protection or warranty products that they would not have chosen freely. For 33 percent of respondents, these products increased the price of the vehicle by \$1,000 to \$1,999. For 21 percent of respondents, these products increased the price of the vehicle by \$2,000 to \$3,000. And for 12 percent of respondents, these products increased the price of the vehicle by more than \$3,000.

71 percent of respondents financed the new vehicle that they purchased. 21 percent of respondents who financed their vehicle purchase said that financing was mandatory. Only 29 percent of respondents purchased their vehicle using cash, but from those did, four percent had to

³⁹ Interview with Tara Powadiuk, Volvo Cars Canada, March 16, 2024.

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pay a higher price with a mean cash price premium of \$2,082.

46 percent of respondents said that they had to order the vehicle they purchased and wait for it to arrive. Out of those who ordered a vehicle, 37 percent had to wait between one to three months for the vehicle to arrive. 27 percent of respondents had to wait between four to six months. 18 percent had to wait seven to more than twelve months. 44 percent of respondents said that the vehicle they ordered from the dealer took longer or much longer to arrive than originally promised.

13 percent of respondents said that the dealership increased the price from the original price that was charged at the time the contract was signed. From those respondents, 53 percent said that this was due to an increase in the manufacturer suggested retail price (MSRP) of the vehicle, 40 percent said that it was due to the dealer charging additional fees, and 29 percent said that it was due to the interest rate increasing.

78 percent of respondents said that they believe they paid the right price for the vehicle that they purchased. 82 percent of respondents believe that the dealership was professional, honest, and transparent.

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RECOMMENDATIONS

Based on the extensive research conducted on the questions and the survey results presented above, the ACC is making the following recommendations and the following actions could be taken:

- 1) Expand the use of consumer education campaigns so that more consumers understand their rights when shopping for a vehicle.
- 2) Prohibit the sales practice of tied selling and include this provision in the provincial legislation for automobile sales.
- 3) Prohibit the use of market adjustment fees and junk fees. Automobile dealers should be prohibited from charging add-ons that do not provide a benefit to the consumer or are grossly overpriced in relation to the benefit provided.
- 4) Expand all-in price advertising legislation to all provinces.
- 5) Expand mandatory ongoing professional development for all dealership licensees.
- 6) Publicly name dealerships with registered complaints and promote awareness for consumers.
- 7) Ensure regulatory agencies have sufficient resources and accountability. Hire compliance officers dedicated to reviewing and monitoring all forms of advertising and take appropriate disciplinary action when required.
- 8) Expand use of substantial penalties and disciplinary action by provincial authorities for non-compliant dealerships, particularly repeat offenders. The cost of non-compliance needs to be commensurate with profits earned illegally, the size of the business and scope of non-compliance.
- 9) Regulatory authorities should strongly consider streamlining and standardizing the regulations, the enforcement process, the penalties, and the costs across all provinces.
- 10) Require dealerships to provide information in regard to prior infractions and non-compliance in advertising to avoid unfair competition based on price alone.

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Alberta Consumer Protection Act, Cost of Credit Disclosure Regulation

British Columbia Motor Dealer Act

British Columbia Business Practices and Consumer Protection Act

Ontario Motor Vehicle Dealers Act

Ontario Consumer Protection Act

Quebec Consumer Protection Act

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RESEARCH TEAM

Shahram (Shari) Prymak

Shahram Prymak organized the research and composition of the report, conducted interviews with stakeholders and coordinated the project's operation. Mr. Prymak holds Bachelor degrees (BSc and BEd) from the University of Toronto and York University respectively, with Sociology as one of his majors in the former. In the last four years, he has published nearly a hundred articles on many aspects of the automobile industry. His work has appeared on automobile websites as well as in consumer oriented newsletters. As a working member of the Automobile Consumer Coalition, Mr. Prymak's experience as an automobile expert has also helped countless consumers with many aspects of automobile ownership. As well as working in print and on the internet, Mr. Prymak has hosted programs on both television and radio.

Mohamed Bouchama

Mr. Bouchama helped in the development of the report methodology and helped conduct interviews. Mr. Bouchama is Ontario's best-known automobile consumer advocate and is the founder and Executive Director of Automobile Consumer Coalition. For over two decades, he has had daily involvement in assisting vehicle buyers to find the lowest prices and has listened to and helped thousands of consumers with virtually every aspect of vehicle ownership. Mr. Bouchama has hosted automobile related programs on television and radio for fifteen years and has granted hundreds of media interviews during his career and has been featured in *The Toronto Star*, *The Globe and Mail*, and *The Toronto Sun*. Mr. Bouchama has also lobbied on behalf of vehicle purchasers and advised governments at the federal and provincial levels.

Atif A. Kubursi

Atif Kubursi is the report methodologist. Dr. Kubursi is Emeritus Professor of Economics and also taught in the elite Arts and Science Programme at McMaster University. Dr. Kubursi taught economics at Purdue University in Indiana, USA, was Senior Academic Visitor at Cambridge University, UK in 1974/75 and a Fellow of the Middle East Policy Institute at Harvard University between 1989 and 1998.

He also served as the Acting Executive Secretary, and Undersecretary General, of the United Nations Economic and Social Commission for Western Asia in 2006, 2007 and 2008, and as Senior Development Officer at UNIDO in Vienna in 1982. He is the recipient of the Canadian Centennial Medal. Dr. Kubursi has published over 250 articles, 12 books, and many technical reports and is a frequent TV commentator on Canadian economic issues and Middle Eastern Affairs.

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APPENDICES

APPENDIX A:

STAKEHOLDER CONTACT LIST

Ontario Motor Vehicle Industry Council (OMVIC)

<http://www.omvic.on.ca/>

Jeff Donnelly, Consumer Protection Officer

Motor Vehicles Sales Authority of B.C. (VSA)

<http://www.mvsabc.com/>

Divya Shergill, Manager of Consumer Services

Alberta Motor Vehicle Industry Council (AMVIC)

<http://www.amvic.org/>

Roxanne Spiess, Manager of Industry Standards

Office de la Protection du Consommateur (OPC)

<http://www.opc.gouv.qc.ca/>

Francis Rémillard, Directeur territorial – secteur Ouest du Québec

Global Automakers of Canada (GAC)

<http://www.globalautomakers.ca>

David Adams, President and CEO

Automobile Protection Association

<http://www.apa.ca>

George Iny, President

Hyundai Canada

<http://www.hyundaicanada.com>

Ken Maisonville, Executive Director Customer Experience & Aftersales

Kia Canada

<http://www.kia.ca>

Jennifer Szmilko, PR & Communications Manager

Volvo Cars Canada

<http://www.volvocars.com>

Tara Powadiuk, Director of Product & Technology

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APPENDIX B:

NATIONAL CONSUMER SURVEY AND QUESTIONNAIRE



Canadian Car Buyers Survey

Summary report

Prepared for: Car Help Canada

Prepared by: Decision Point Research, Inc.

October 2023

Overview



Timelines

Field work: September 26-October 18, 2023
Reporting: October 2023



Target Audience

- Canadian adults (aged 18+)
- Have shopped for and purchased a new car within the past two years (September 2021-September 2023)



Research Objective

To determine whether consumers were taken advantage of, price gouged, or experienced other issues when purchasing a new vehicle during the time of the shortage/pandemic.

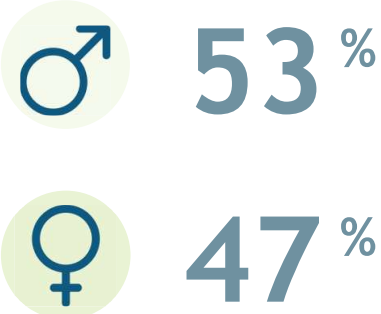


Methodology

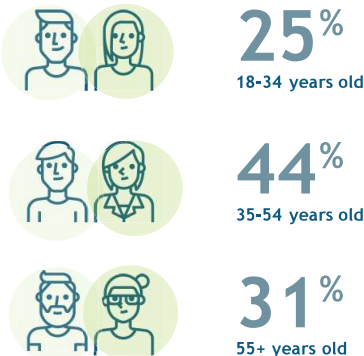
- Quantitative research amongst category consumers
- Online, self-administrated survey
- Total N=1,500

Respondent profile

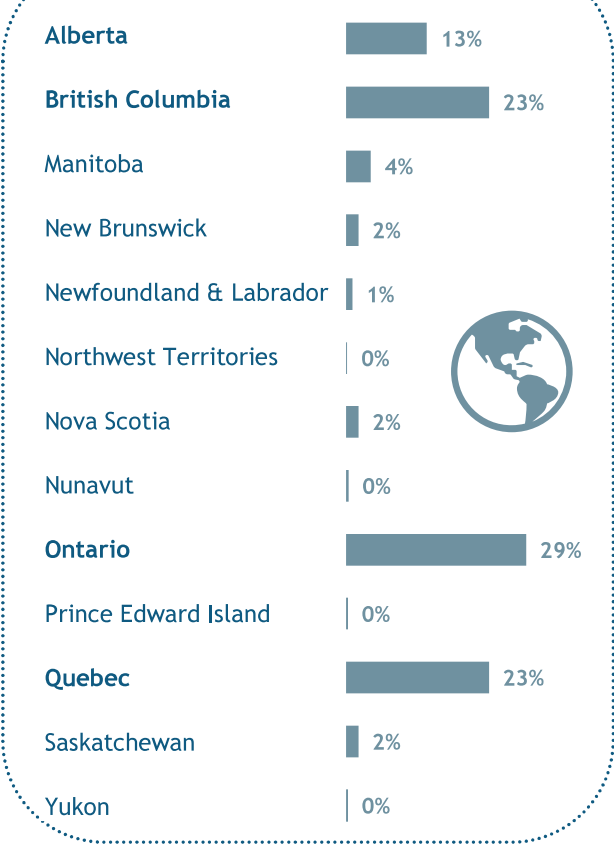
Gender



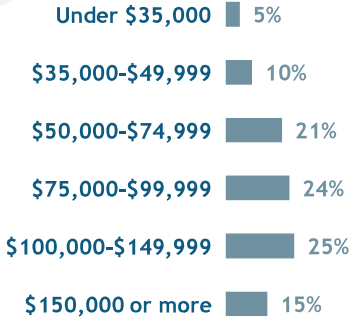
Age group



Location



Household Income



Summary of results

Vehicle price and payment method

- Just over half of new car buyers were able to negotiate the price of the car and did not have to pay a markup over the original MSRP of the vehicle.
- Of those who were required to pay a markup, most paid a markup between \$1,000-\$6,000.
- Most chose to finance their vehicle purchase, while many financed because it was mandatory and many paid cash without a premium; very few had to pay a higher price because they paid in cash.

Additional products and charges

- Many new car buyers were required by the dealer to purchase additional products that they would not have purchased otherwise, including extended warranty protection and anti-theft/etching/security protection.
- These additional charges increased the vehicle price for most by \$1,000-\$2,000.

Vehicle availability and wait times

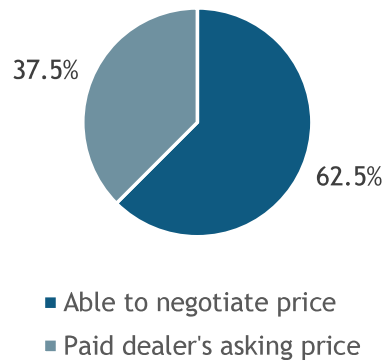
- Most new car buyers had to order their vehicle, with most reporting that the vehicle arrived on time as promised.
- The majority of new car buyers waited between 1 and 6 months for their vehicles and paid the original price.

Overall impressions

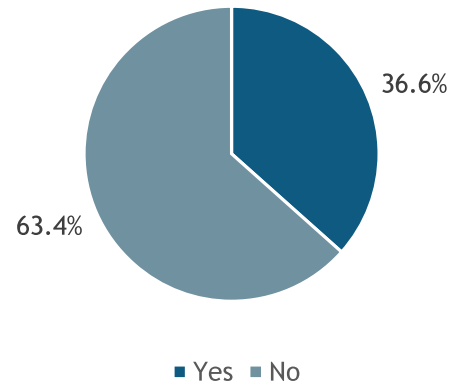
- Most new car buyers believe they paid the right price for their vehicle.
- Most new car buyers believe the dealer was professional, honest, and transparent.

Vehicle Price

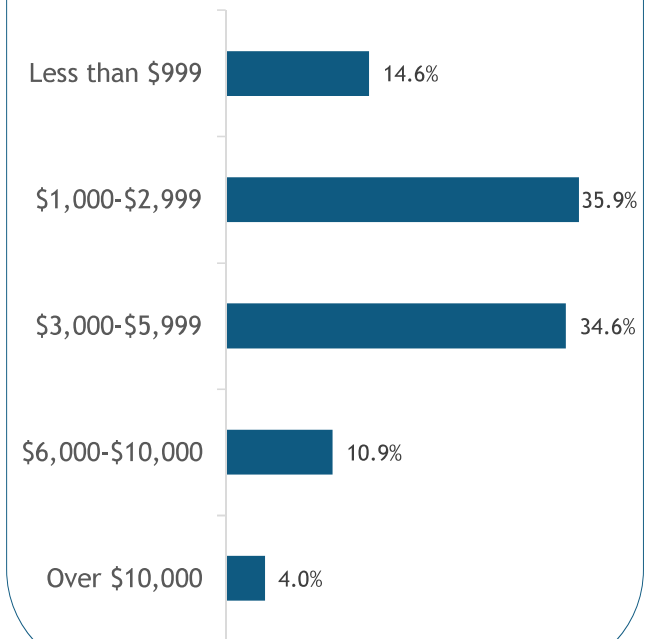
Were you able to negotiate price or did you have to pay dealer's asking price?



Did the dealer require you to pay a markup over the original MSRP?

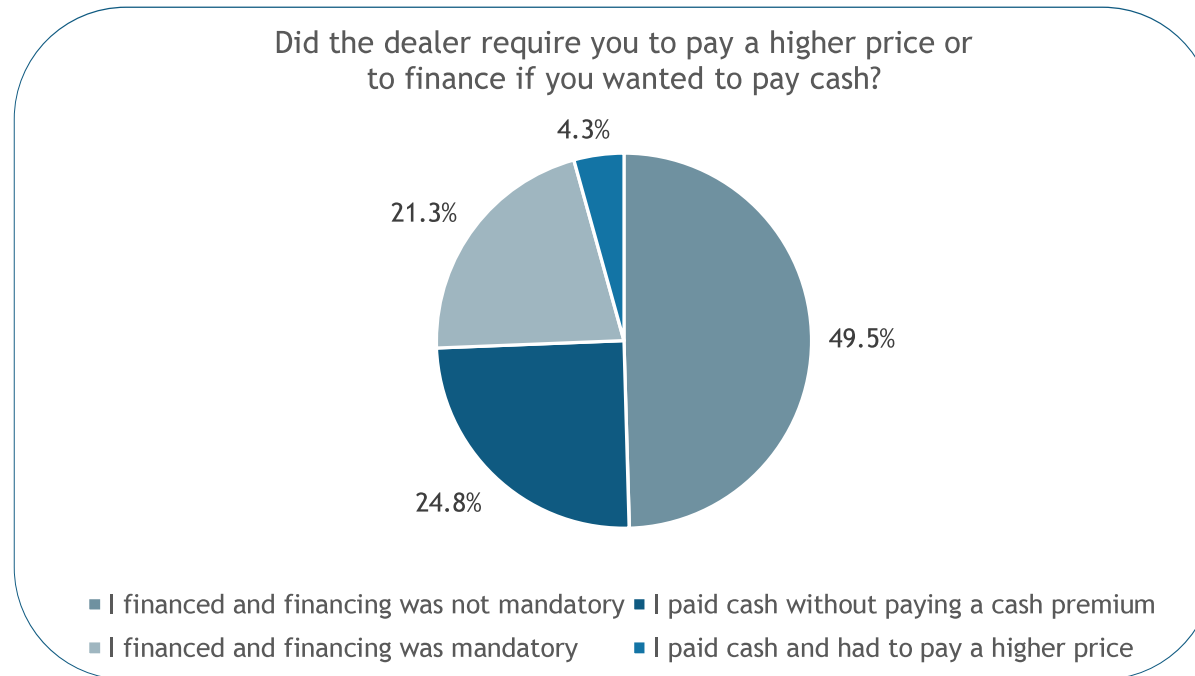


If yes, amount of markup or market adjustment fee over original MSRP



Most new car buyers (63%) were able to negotiate the price of their new car. Also, most (63%) were NOT required by the dealer to pay a markup over the original MSRP. Of those who WERE required to pay a markup, most (71%) paid a markup of between \$1,000 and \$6,000 (split roughly equally between \$1,000-\$2,999 and \$3,000-\$5,999).

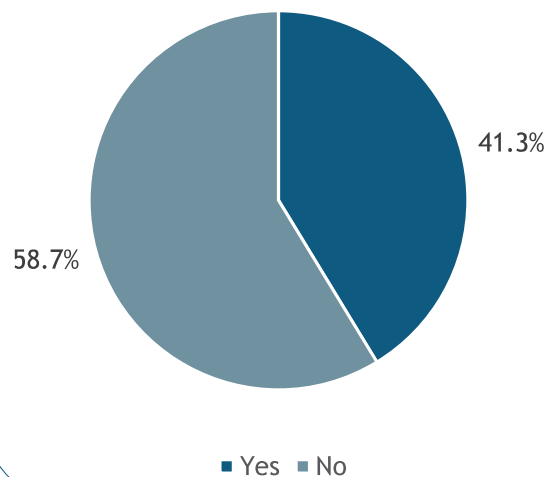
Payment method



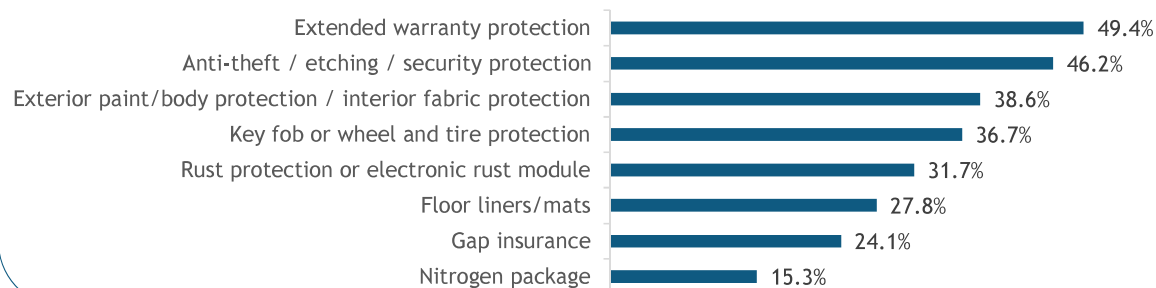
Half of new car buyers financed their new vehicle purchase even though financing was not mandatory, while just over one fifth financed with financing being mandatory. Meanwhile, one-quarter paid in cash without paying a cash premium, and just over 4% paid cash and DID pay a fee (mean=\$2,082, median=\$1,550).

Additional products and charges

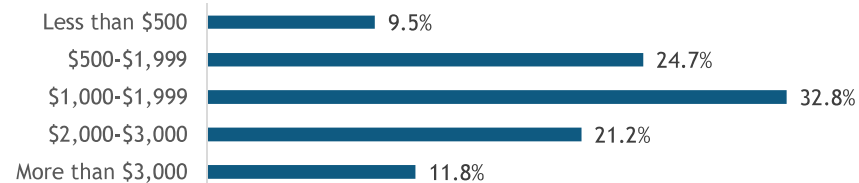
Did the dealer require you to pay for any protection/warranty products that you would not have chosen freely?



If yes, which ones?



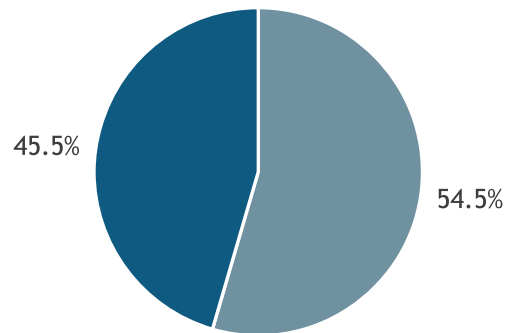
And how much did they increase the price of the vehicle?



Many new car buyers (41%) were required to pay for protection/warranty products that they would not have chosen freely, the most common being extended warranty protection (49%) and anti-theft/etching/security protection (46%). These additional costs increased the price of the vehicle for most by \$500-\$3,000.

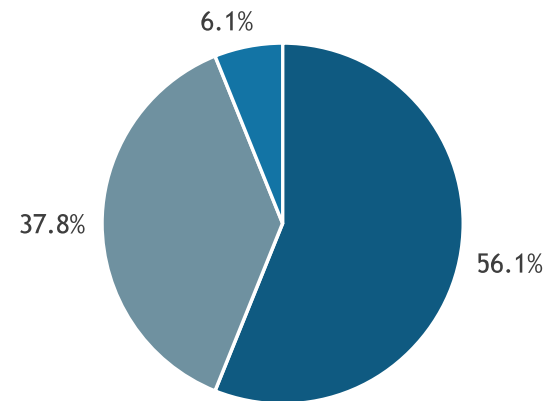
Vehicle availability and wait times

Did you have to order the vehicle or was it available for purchase on the dealer lot?



- I had to order it and wait
- It was available on the dealer lot

Did the vehicle take longer to arrive than the dealer originally promised?

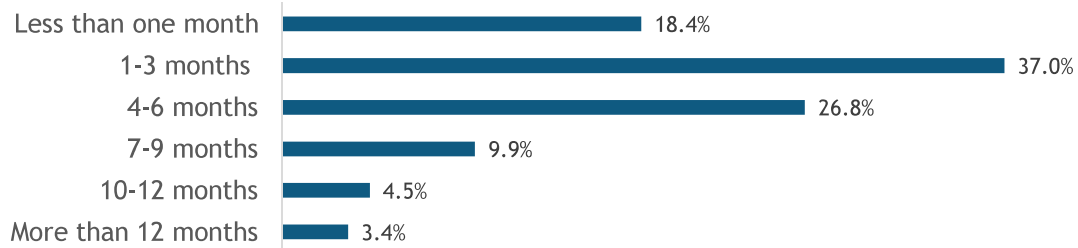


- The vehicle arrived on time as promised
- The vehicle took longer to arrive than originally promised
- The vehicle took much longer to arrive than originally promised

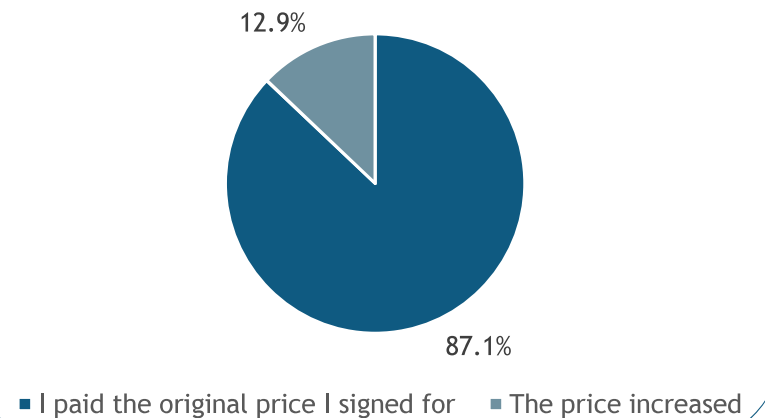
Just over half of new car buyers (55%) had to order their new vehicle and wait for it to arrive. For most (56%), the vehicle arrived on time, but many (38%) reported that it took longer to arrive than originally promised, and a few (6%) said that it took much longer to arrive (in weeks, mean=4.5 and median=3; in months, mean=5.7 and median=3).

Vehicle wait times and price adjustments

How long did you have to wait for the vehicle to arrive?



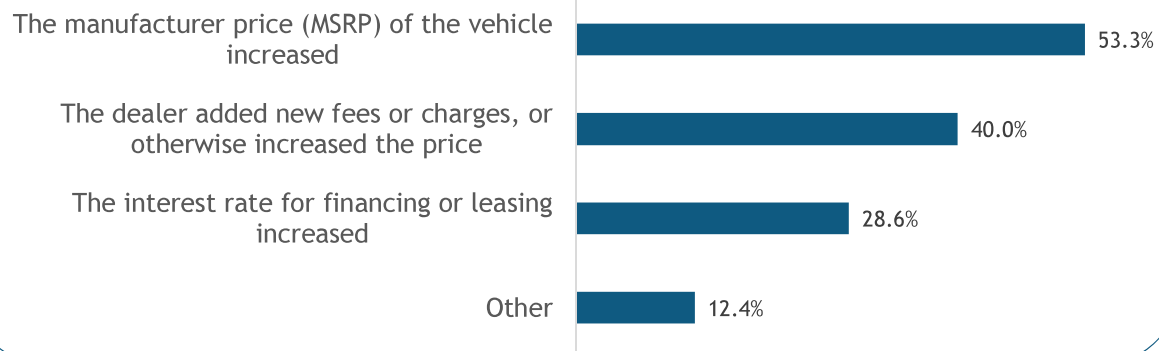
Did the dealer honour the original price you signed for at the time the order was placed or did the price increase?



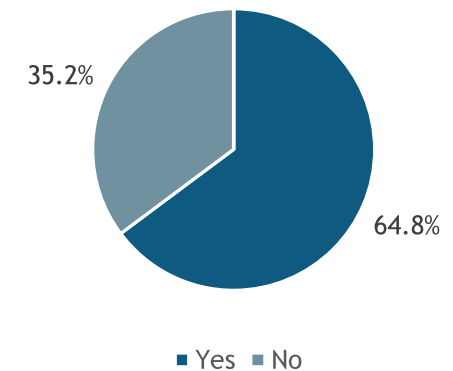
The majority of new car buyers (82%) waited up to 6 months for their vehicle, with most (37%) waiting 1-3 months. The majority (87%) also reported that the dealer honored the original price.

Price adjustments

What was the cause of the price increase?

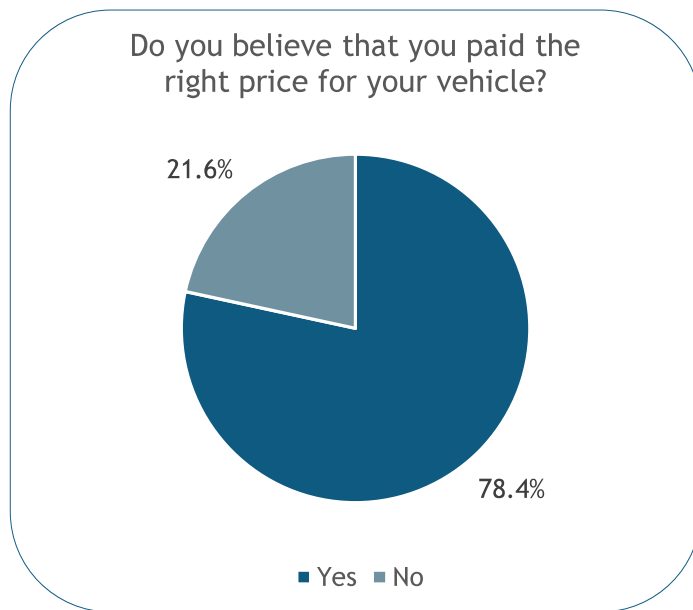


Did the dealer give you the option to cancel your order and return your deposit?



The most common cause of the price increase was that the MSRP of the vehicle increased, and the most common “Other” response (9/13 respondents) was that buyers ended up receiving a new model year. When faced with the higher price, most new car buyers (65%) were given the option to cancel their order and have their deposit returned.

Overall impressions



The majority of new car buyers (78%) believe that they paid the right price for their vehicle, while those who don't believe they overpaid by \$5,880 (mean) or \$5,000 (median). Also, the majority (82%) believe that the dealer was professional, honest, and transparent with them.

Thank you for your attention!

Decision Point Research Inc.

www.decisionpointresearch.ca