

## Consumer debt

by BRIAN LOCKHART

If you have been looking for a new car or truck lately, you will have noticed that new vehicles are getting quite pricey.

For that reason, the used car business has been very good over the past few years.

The average age of a car on North American streets and highways is now 9 years. Many people can't afford to buy something new and hang on to their current ride as long as they can.

Many new cars sell for more than the average annual income of a typical Canadian.

If you are working in a minimum wage job, and many people are, the price of a new car may seem out of reach.

Many, if not most, new car buyers finance the purchase, meaning in the end, you are paying a lot more for that car. The automotive dealers love it because, over time, they make a lot more money.

The thing is, most people need a car or truck to survive.

The Honda plant in Alliston produces some of the most popular vehicles in the country.

It is a huge plant on a huge property. The costs of running a plant that size must be enormous.

The electricity bill alone, to light a place that big and run a lot of machines, must be astronomical. The property taxes owed on a building that size are huge.

There will be a lot of costs involved in designing a car in the first place.

Obtaining raw materials is a big task that supports other industries.

The manufacturing process means a lot of other companies are involved in producing parts. There are always full-size transport trucks going in and out of the Honda plant. Millions must be spent on transportation.

On top of all that, the plant employs more than 4,000 people, and they are all paid a good wage.

When you figure all that in, it is actually surprising that Honda can sell cars for the listed price.

When Henry Ford started making cars, he revolutionized not only the automotive industry but the entire manufacturing industry.

Ford said he wanted to make cars for a price that everyone could afford. History makes him sound like a nice guy, however, the truth is, it was just good business sense.

An affordable car that everyone could own meant more sales and Ford's fortune grew.

By 1925, through his assembly line process, he got the price down to \$260. That's equivalent to around \$4,500 in today's money.

If you had to pay that kind of money for a car, wouldn't you buy a brand new one?

Of course, you have to take into account that modern cars come with a lot more bells and whistles and outstanding technology so the cost will be higher.

Recent statistics about consumer debt have come out for the new year.

In Canada, household debt in the country is bigger than ever.

There seems to be no absolute data on household debt as different agencies report different numbers.

However, the low figure is just over \$45,000, and the high figure is closer to \$70,000 that the average Canadian household owes on non-mortgage related debt, as reported by financial institutions and media.

That's a huge number to be hanging over your head and may be causing many people to lose sleep.

And it's not like Canadians are reckless spenders.

When you need a new fridge and stove, you buy them, and that often means placing the purchase on a credit card because most people don't have that kind of disposable money lying around.

Now you have credit card debt, but since you don't have the money to pay it off, you start making minimum payments. Now you're in the trap.

Then your car starts making a squealing noise and you need new brakes. There's another draw on the credit card ? and your monthly payments just went up. On top of that, you have to make huge monthly mortgage payments so your family has a place to live.

Our economy must revert back to a situation where rising costs and inflation don't force people to take on debt they can't afford.

It has created a dangerous situation. Some day, a mere blip on the radar could mean someone calling in a loan, which could create a domino effect and cripple the entire economy.

There's just too much money involved for this not to be a realistic concern.

Owning a car shouldn't mean eight years of payments on a depreciating asset.