

30-40pc still unsold

Used car prices decline on low resale value

By Aamir Shafaat Khan

KARACHI, Feb 21: Used imported cars have been selling below their cost at the showrooms for the last six months but consumers are not inclined to buy because of their low re-sale value and problems in parts availability.

Market players give a mixed response over the unsold stocks as many say that 30-40 per cent used cars out of over 45,000 units imported in 2005-06 are still at the showrooms. Many of these cars are being offered with CNG kits but buyers appear uninterested.

However, some dealers say that the old stocks have been cleared and new stocks are now available for spot sale. Many showroom owners are worried over the unsold stocks as they want to get rid of them so that they could create space for the new stocks of cars waiting at the port.

Over 45,000 used cars (from 1995-2003 models) had hit the Pakistani road networks already congested during 2005-06 under various schemes. A lot of people,

who have no background of cars business, had taken a plunge in car business.

Some were operating with the help of showroom owners by investing huge money.

Perturbed by late deliveries and high premiums on locally assembled cars, cash rich consumers had virtually gone wild for these colourful and stylish models of used cars. Smelling sudden spurt in demand from the consumers, showroom owners of used cars cashed the situation by charging Rs100,000-Rs200,000 profit on small cars in 2005-06.

Many consumers, who were not aware of the market price of the used cars, ended up paying prices higher than the original value. Consumers from the posh families, who were not bothered about the price and even their after-sales-service and parts availability, made extensive buying of used cars.

Now the showroom owners, who have huge lots of investors'

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cars, are offering discount on almost every used car, especially from 660cc to higher engine capacity vehicles in order to clear the backlog.

Many investors had to shift the unsold stocks to the open plots (which they had either purchased or taken on rent) in Gulistan-e-Jauhar since showrooms are already packed with previous stocks.

For instance, 1995 mini Pajero was sold at Rs360,000-375,000 eight months back but in August 2006, the dealers were seen demanding Rs250,000. However, dealers are now demanding Rs300,000-325,000 but they are not fetching this price.

Mini Pajero 1998 model had arrived at Rs450,000-500,000 but it can now be purchased at Rs365,000-400,000. Toyota Platz 2003 had entered the market at over Rs700,000 but it is now available at Rs550,000-600,000. Toyota Vitz 2003 came at a price of Rs600,000 but it is being sold at Rs525,000-550,000. Honda Accord CL7 2003-04 models, which were priced at Rs2 million-2.1 million last year are now selling at Rs1.7-1.9 million. Toyota Prado Jeep prices have also been reduced by Rs100,000-200,000 on 2003-04 models.

Car dealers said that they were trying to clear the stocks at reduced rates so that they could release the cars from the port in order to avoid paying demurrages. However, they said these used cars even of 1995-2000 models had a very low speedometer reading and they were almost new as far as engine performance is concerned.

Market sources said that the reading of speedometers of these cars has been reversed. They said that the cars after clearing from the ports first find their way to the workshop for denting/painting and for other repairs before bringing them to the showrooms.

Dealers claimed these cars had a very low running abroad so there was no question of any defect. They also claimed that the engine parts of those cars like Vitz, Platz, Toyota Jeeps, Mini Pajero etc, whose volume of imports have increased, were easily available. However, they were not clear about the re-sale value of these used cars.

Many dealers were of the opinion that the government should have not opened the floodgate of imported cars. As a result, investors had plunged in the market, causing huge influx of vehicles and as a result supplies had outstripped demand.

The huge import of used cars coupled with increase in production of locally assembled cars have created a traffic mess as country's road network is inadequate to handle the huge load of both imported and locally produced cars.

However, the main victims of the used car imports during the last one and a half years were

Hyundai Santro, Honda City, Kia Spectra, Kia Classic etc., which had been eaten up by Toyota Vitz. To some extent, sale of Suzuki Liana, launched in July 2006, was also hit by the used car imports.

The maker of Honda City has offered discount of Rs57,000 in the form of Rs30,000 as free registration and free 500 liters petrol. Honda City is available for immediate delivery. Hyundai Santro is also being sold under cost by their authorised dealers.

The availability of used cars has reached a saturation point after over 45,000 units were imported in 2005-06. The government had tried to contain the imports by allowing used cars not older than five years in 2006-07 budget. Imports of used cars are likely to hover between 15,000-20,000 units by the end of 2006-07.

Vice Chairman All Pakistan Motor Dealers Association (APMDA), Tahir Mehmood, said that 30-40 per cent cars out of 2005-06 huge imports are still waiting for the buyers. "Market has been very dull for the last six months in terms of sales of used cars due to paucity of buyers," he said.

Since the government has imposed a restriction of allowing import of used cars not more than five year old in budget 2006-07, the arrival of used cars has been ranging 1,000-1,200 units per month as compared to 3,000-4,000 units a year back, he said.

He said cars like Toyota Vitz and Platz, mini Pajero etc have been selling under cost for the last six months due to oversupply situation. He said out of huge imports the share of small cars from 660cc to 1,300cc is 60-70 per cent.

General Secretary All Karachi Motor Dealers Association (AKMDA), Masroor Ahmed Siddiqui said that actually investors had polluted the market by lifting too many stocks from abroad without knowing the market situation, which has caused a glut.

He said the association had asked the government to allow only those people to import cars, which were members of the association and are sales tax payers. However, he said that the rates of Vitz and Platz have recovered but they are still selling under cost.

General Secretary All Pakistan Motor Dealers Association (APMDA), Mohammad Khalid Yousuf said that usually small cars like Vitz, Platz and Mini Pajero were selling under cost, while decline in Honda Accord and Toyota Jeep prices was because of increase in imports as the market players have switched over to costly vehicles.

However, he claimed that almost all the 45,000 units imported in 2005-06 had been sold out that is why 10,461 vehicles including jeeps, SUVs, etc have been imported during July-December 2006.