

# Millennial Ownership of Vehicles in Canada

By Dennis DesRosiers

One of the most common perceptions in the automotive sector is that Millennials no longer want to own and drive a vehicle. You hear and read about it everywhere. The theory is that, in the past, vehicle ownership was the primary way millennials interacted socially and that with all the social media options available they are less likely to need a vehicle for this purpose and are thus are not even getting a drivers licence let alone owning a vehicle. A complimentary theory is that youth unemployment rates are higher today than in the past so younger consumers also can't afford to own a vehicle, especially if you add in the cost of insurance, and thus their ownership levels are lower.

I've questioned these theories for quite some time and, although hard to prove it is not true, the evidence I have is that millennials do not want to own a vehicle is one very large myth. I point to two pieces of hard data. First is overall ownership of vehicles in Canada which we have tracked going back for decades. The second is the percent of the population by age group which are licenced drivers.

The following table is actual vehicle ownership levels in Canada going back to 1960. In 1960 ownership per driving age population was only 50.4 percent in Canada with little growth in the following decade. By the year 1990 ownership had grown to 70.1 percent of the driving age population where is flat-lined for the following decade. This all changed at the turn of the century. Over the last 17 years ownership has exploded in Canada and now stands at 87.0 percent. If you don't think that is significant it translates into an additional 9.6 million light vehicles on the road today than in the year 2000.

So I ask ... if total ownership is growing so fast how could it be possible for ownership by millennials to be going down? Mathematically it would be near impossible especially since millennials were about 25 percent of the population in the year 2000 and they remain about 25 percent of the population today.

## VEHICLE OWNERSHIP TRENDS - CANADA

CALENDAR YEAR	TOTAL VEHICLE SALES UNITS Inc HD Truck	VEHICLE USAGE BILLIONS OF KILOMETRES	TOTAL UNITS IN OPERATION	VEHICLES PER DRIVING AGE POPULATION	KILOMETRES DRIVEN PER VEHICLE	NEW VEHICLE SALES AS A PERCENT OF VEHICLES ON THE ROAD	USED VEHICLE SALES	USED VEHICLE SALES AS A PERCENT OF VEHICLES ON THE ROAD
1960	523,188	109	5,937,660	50.4%	18,278	8.8%	N.A.	N.A.
1970	774,372	161	8,111,166	53.8%	19,903	9.5%	N.A.	N.A.
1980	1,263,807	212	11,742,670	63.5%	18,012	10.8%	N.A.	N.A.
1990	1,314,118	308	15,128,911	70.1%	20,365	8.7%	N.A.	N.A.
2000	1,586,083	360	17,100,899	70.1%	21,032	9.3%	2,019,408	11.8%
2010	1,583,388	451	22,001,278	78.4%	20,493	7.2%	2,925,535	13.3%
2017	2,078,000	519	26,771,802	87.0%	19,390	7.8%	3,105,274	11.6%

The second piece of data is licenced drivers by age. We found data for Canada going back to the year 2004 up to the year 2015. The percent of the youngest cohorts with drivers licences has increased from 48.1 percent to 54.6 percent over this timeframe. And most importantly the percent of licenced drivers of the following two cohorts hasn't declined. Some modest changes year to year but for the most part desire for a drivers licence has remained stable. So the view that millennials are not even getting a drivers licence is totally 100 percent false. It is actually increasing for the youngest population of driver's age and is relatively high and stable with the following groups.

## Licensed Drivers by Age - Canada

	2004	2010	2011	2012	2013	2014	2015
< 16	43,915	50,166	48,255	55,920	44,227	54,927	45,659
16 - 19	1,032,339	1,122,387	1,109,801	1,092,146	1,167,315	1,154,574	1,145,409
20 - 24	1,765,983	1,839,605	1,867,038	1,898,178	1,944,985	1,956,245	1,958,105
25 - 34	3,830,149	4,031,464	4,079,460	4,126,659	4,212,564	4,270,233	4,348,087
35 - 44	4,702,331	4,280,431	4,259,702	4,268,517	4,293,237	4,304,219	4,338,716
45 - 54	4,457,527	4,936,411	4,920,970	4,886,521	4,850,946	4,799,227	4,753,845
55 - 64	3,062,424	3,869,719	3,970,345	4,058,898	4,168,899	4,262,421	4,383,313
65 +	2,778,722	3,410,830	3,575,494	3,760,035	3,947,460	4,112,205	4,299,781
Total*	21,673,403	23,541,015	23,831,065	24,146,875	24,629,633	24,914,051	25,272,915

## Percent of Total Population within each Age Group

	2004	2010	2011	2012	2013	2014	2015
< 16	0.8%	0.9%	0.9%	1.0%	0.8%	1.0%	0.8%
16 - 19	48.1%	49.9%	49.6%	49.3%	53.6%	54.0%	54.6%
20 - 24	79.9%	79.2%	79.3%	79.0%	79.5%	79.1%	79.4%
25 - 34	88.7%	86.9%	86.8%	86.5%	87.0%	86.8%	87.5%
35 - 44	91.1%	91.3%	91.4%	91.3%	91.4%	91.0%	91.3%
45 - 54	92.5%	91.1%	90.9%	90.9%	91.1%	91.1%	91.5%
55 - 64	90.1%	90.7%	90.2%	90.2%	90.4%	90.2%	90.6%
65 +	67.3%	71.1%	72.2%	72.8%	73.4%	73.6%	74.4%
Total	67.9%	69.2%	69.4%	69.5%	70.1%	70.1%	70.5%

The highest population group with a licence is 35 to 64 year olds with a little over 90 percent having a licence and not even a hint of a decline. The over 65 age group is also interesting in that those with a licence has increased from about two thirds of their population to a little over 70 percent. The absolute number with a licence has also increased from only 2.8 million to about 4.3 million an increase of 1.5 million more potential older drivers. That is huge. This last group may account for some of the overall increase in ownership from the table above but it doesn't account for all of the increase. Now just because someone has a drivers licence doesn't mean they own a vehicle but it certainly means they are more likely to own a vehicle. And if you had no interest in driving a vehicle then why would you get and maintain a driver's licence?

Combine these two databases and you have fairly conclusive proof that millennial ownership of vehicles is NOT declining it is actually increasing in Canada. We don't have the actual levels in each year but we certainly believe ownership is going up for millennials and also for our oldest consumers.

**There are a number of implications related to these trends.**

**First**, it is positive for overall new vehicle sales levels going forward. For five decades between nine and ten percent of owners of vehicles entered the market and bought another new vehicle. With higher ownership driving is spread out over more and more vehicles. After growing decade over decade kilometres driven per vehicle is declining and is down by couple thousand kilometres per vehicle over the last two decades. This means that the churn of vehicles (percent who purchase each year ) will decline but even with it now below 8 percent it still resulted in an all-time record of new vehicle sales in 2017. So new vehicle sales should hold in the 2 million range going forward. To be sure there eventually will be a correction but in this environment it would be near impossible for new vehicle sales to decline radically.

**Second**, the increase in ownership is even more positive for the used vehicle market. Divide the population into four cohorts based on wealth. The wealthiest and thus the top quartile would have a very high historic ownership of vehicles and most of them would have been purchased new ... we don't know exact numbers but it is likely about 80-20 new to used vehicles when first purchased . The bottom quartile would be the exact opposite. Their ownership of vehicles would be low and they likely purchased their vehicle used rather than new ... a 20 – 80 new to used ratio would be in the ball park. We know ownership is growing rapidly so it isn't a stretch of logic to say that much of this increase comes from the bottom quartile. Some also comes from more multiple vehicle households. But we also now know that millennial ownership is increasing. Since they are more likely to income restrained much of their buying is likely a used vehicle versus a new vehicle ( if you can follow the math? ). The churn of used vehicles is much higher than with new vehicles ... in the 12 percent range ... and is holding better than the new vehicle level .... And this means used vehicle sale has a brighter future than new vehicle sales and this is reflected in the data. In our table new vehicle sales have gone up by about 500K units while used vehicles sales have increased by 1.1 million units. And the faster growth of used vehicle sales is likely to continue into the future.

**Third**, this information highlights the continued importance of seniors. This is the well described and studied 'baby boomer' and they are now the core of the senior market. If you born in 1950 you are 68 years old this year! Millennials have captured the bulk of attention in the automotive sector and I get that ... they are young and during their life they will buy a dozen or more vehicles. Get them while they are young and you might have a customer for life. But look at the stats. The number with drivers licences have increased by about 600K to 700K. Over the same time periods the number of seniors over 65, with driver licences have increased by close to 1.5 million which is at least twice as much. And although those with licences have been going up for both groups it is over 70 percent for seniors and only about 55 percent for the youngest of the millennials. Even though there are a lot more millennials with drivers licences our seniors should never be forgotten.

**Fourth**, closely related to this is the growth in the luxury market. A senior is much more likely to be able to afford a luxury vehicle than a millennial. Yes millennials represents a much higher level of automotive revenue over their life than seniors but seniors represent a significantly higher automotive revenue potential today than millennials. This is one of the reasons why the luxury market has been the fast growing segment in Canada for quite some time moving from less than 5 percent of sales to about 12 percent over the last number of years.

**Fifth**, this analysis clearly shows the problem with current Government policy related to climate change which is focussed almost exclusively on electrifying our vehicles. There are various views and the rate of growth on battery electric vehicles but even if some of the most optimistic forecasts come true it actually will have a very small impact on CO2 emissions. It will help but there are better policy angles to pursue. The 9.6 million additional vehicles on the road is a much bigger issue than the fuel efficiency of vehicles we will purchase in the future. It will also take almost 30 years for 90 percent of the vehicles bought today to be removed from our roads. As vehicle ownership continues to grow we have a thirty year problem forget about any significant improvement in the next ten years. And there are over 12 million vehicles on the road ( many owned by millennials ) that are over ten years old and very few of them have any modern fuel efficiency technology. A policy directed to getting these old gas guzzlers off the road would yield more improvement on the climate change front than any policy to encourage higher sales of electric vehicles.

**Sixth**, there is a lot of discussion that the so-called disruptors (electric vehicles, autonomous vehicles, ride sharing etc.) will seriously damage the independent automotive aftermarket (the repair and maintenance of vehicles by chains and local shops). Given the number of units in operation, especially older ones that are less likely to go back to their dealers, and the fact they are on the road for so long no credible case can be made that the aftermarket will be seriously affected. Technicians may need to be retrained to repair these vehicles but there are going to be no end to the opportunity for players in this part of the automotive sector.

**Seventh**, there are a number of strategic considerations for dealers related to these issues. First and foremost the notion that new vehicle dealers will go the way of the Dodo bird are absolutely unfounded. Dealers will be a critical element of the automotive sector as far out as anyone can forecast. Second, the growth in the size of the vehicle on the road population represents a huge potential for profits from the fixed operations side of a dealership. I can build a case that service bay capacity is one of the biggest shortcomings in the dealer world. Third, most of the profits in a dealership relate to the future history of a vehicle (finance, used and fixed operations) and with new vehicle sales holding at current levels this should translate into the most profitable years in the history of the dealership business. And last, dealers are the best positioned of all channels to increase their focus on used vehicle sales which have been and should continue to grow faster than any other element of the automotive market.