

## Tijuana dealerships doing brisk business as market changes

by Diane Lindquist

TIJUANA, Mexico - Modern new car dealerships have materialized here in a city where most buyers once shopped for used cars at tiny dirt lots bedecked with brightly colored, flapping plastic flags.

"The market used to be used cars from the United States," said Roberto Gonzalez, manager of a Volkswagen dealership on Boulevard Sanchez Taboada.

"In the last three years, it has become new cars."

A few years ago, Gonzalez was one of the first to build a sweeping enterprise in Tijuana's burgeoning river valley zone. His dealership has a spacious showroom staffed by 15 sales representatives, acres of shiny cars and a service center that can handle 40 vehicles at a time.

TJCARS - New Renault vehicles at the Renault dealership in Tijuana. More people are now able to afford pricier new vehicles because Tijuana's expanding economy has put more money in their pockets. Photo by Earnie Grafton.

TJCARS - New car sales are rising all across Mexico. Since 1999, purchases of autos and light trucks have grown from about 680,000 to almost 1.9 million annually. Photo by Eranie Grafton.

"We're one of the most beautiful dealerships along the Pacific Coast of Mexico," Gonzalez boasted.

On nearby Eusebio Kino, a broad boulevard that cuts through the river valley parallel to the U.S.-Mexico border, trendy glass-and-steel dealerships have sprouted up one after another. There are a dozen new car dealerships in Tijuana's river zone alone.

"It's a boom," said Victor M. Aguilar Murillo, who manages four big dealerships - Dodge, Mercedes, Chrysler and Jeep - on Eusebio Kino.

"It's Tijuana's 'Mini Milla de Carros,' " he said, referring to National City's Mile of Cars, across the border in San Diego County. "It's a very strategic area in the city to be in business."

More people are now able to afford pricier new vehicles because Tijuana's expanding economy has put more money in more pockets.

The area's maquiladora factories are moving up the technological ladder, requiring a large pool of highly paid engineers. The demand for high-cost services has skyrocketed. And the regional construction boom has increased incomes.

"Being one of Mexico's top five cities, we have a lot of affluent people," Aguilar Murillo said.

New car sales are rising all across Mexico. Since 1999, Mexicans' purchases of autos and light trucks have grown from about 680,000 to almost 1.9 million annually.

The number of brands available totals 25, and the number of new models has increased in the past decade from 58 to 351, said Guido Vildoza, senior automotive industry analyst at the Massachusetts forecasting firm Global Insight.

Mexico is experiencing growth in all segments of the market, from luxury to compact cars, he said.

"Momentum will soon start to slow," Vildoza said, "but we still expect a very vibrant market full of choice for consumers across the spectrum."

In Tijuana, car buyers can choose from Hondas, Toyotas, Chryslers, Renaults, Saabs, Mercedes, Mitsubishi's, BMWs, Jeeps - even Hummers.

The number of models is far greater than in San Diego. Of the 14 models Gonzalez stocks at his Volkswagen dealership, eight are not sold north of the border, including a \$9,000-\$12,000 Pointer and a \$13,000 Polo.

Aguilar Murillo's Mercedes dealership sells several models of the Smart Car, which is not expected to enter the U.S. market until next year and will arrive even later in California.

However, the U.S.-Mexico border represents a barrier for San Diego shoppers thinking of making a new car purchase in Tijuana. Dealers on both sides said they are prohibited from selling to residents of the other country.

"Each manufacturer has its own rules," said Greg Vaughn, manager of Jack Harrison Buick Pontiac GMC on the Mile of Cars in National City.

"Somebody who wants to come up here from Tijuana and buy a new car, they can't," Vaughn said.

The reverse is true south of the border, Gonzalez said.

"All the Mexican cars are for the local market," he said. "The factories don't let us sell for the export market."

It is possible to bring a car bought in Mexico across the border, according to the California Department of Motor Vehicles. The requirements are onerous, however, including proper title, permission from U.S. Customs and Border Protection, proof of compliance with California emission standards, and proof of compliance with Federal Motor Vehicle Safety Standards.

Although Gonzalez said he doesn't sell to San Diego residents, he does sell his Volkswagens to Americans who live in Mexico as well as whole fleets to some of the U.S. companies operating factories in Baja California.

"People would expect cars are cheaper here, but they aren't," Aguilar Murillo said. "In many cases, they're the same cars made by the same factories, but it depends on the financing."

Interest rates tend to be higher in Mexico - around 10 percent - he noted, though financing institutions have become more aggressive in recent years by trimming rates a few points.

Mexico's new car dealers are prohibited from offering the discounts and rebates their U.S. counterparts have used to boost sales.

Even if U.S. residents can't buy new cars south of the border, they can have their vehicles serviced in Tijuana at a considerable savings, Aguilar Murillo said.

"Service is cheaper, about 50 to 30 percent," he said. "We offer the same parts at the same price, but the labor is much less. The warranty applies here. And our technicians are certified by the plant. They are trained by the same people as in the United States."

Many of the vehicles sold in Mexico are manufactured in the country. Over the past two decades, carmakers from across the globe have established manufacturing operations from Baja California, Sonora, Coahuila and San Luis Potosi to the state of Mexico and Puebla.

New car shoppers in Tijuana also have a choice of vehicles made in South America, Europe and Asia. Vehicle imports to Mexico have grown from 13 percent of all sales in 1994 to 50 percent in 2001 and more than 60 percent by 2005.

"The idea is to let Tijuana have the best German and Japanese cars available," Aguilar Murillo said of his dealerships.

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