the HERALD Outlook

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877-2201 877-8822

PUBLISHER
David A. Beattie

EDITOR
Brian MacLeod

AD MANAGER
Dan Taylor

STAFF WRITERS
Ben Dummett Donna Kell

SPORTS EDITOR
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ACCOUNTING
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It's a car-buyer's market right now

Diane Maley
Your Business
Thomson News Service

General Motors calls it a heartbreaker sale. Ford calls it the best thing going. It's the fall car sale, complete with cut-rate prices, free air conditioning and cheap financing. It's a heartache for car makers but a joy for car buyers.

As the new model year approaches, the deals being offered on unsold cars are better than they have been in some time. Car sales by the Big Three North American automakers came to a screeching halt in August, tumbling 14 per cent from a year ago. Sales fell despite the incentives to buy.

Ford, for example, is offering cash rebates, 6.9-per-cent financing and free air conditioning on certain models. GM and Chrysler are offering similar deals, as are Japanese automakers. Yet, the public is reluctant to buy.

To spur people on, Ford grudgingly announced it would offer even better deals from now to the end of the month. The new model year begins Oct. 1.

Part of the problem can be traced to the economy. Interest rates have risen dramatically this year and job growth has slowed. After several years of bounding growth, people may have all the cars they need.

Besides, car buyers have come to expect incentives, says Kenneth Harrigan, president of Ford Canada. "You have to do it to stay competitive."

ROLLING RECESSION

Whatever the reason, a "rolling recession" has rolled right over the North American auto industry, leaving workers afraid for their jobs and some dealers worried about going broke. Rolling recessions are slowdowns that hit one industry at a time, rather than dragging down the entire economy.

The auto industry accounts for a big portion of North American output and employment.

South of the border, carmakers are slowing production, cutting costs and laying off workers, some for a week or two, some for good.

Meanwhile, the U.S. dealers' association says nearly half of the country's auto dealers are losing money or breaking even, and many may not survive until next year. The dealers' pre-tax profit has shrunk to less than one per cent so far in 1989, compared with 1.8 per cent last year, said Ron Tonkin, president of the National Auto Dealers Association.

He blamed the shrinking profit on incentives. "Some automaker must step up and say, 'No more rebates'," he said.

TIME TO BUY

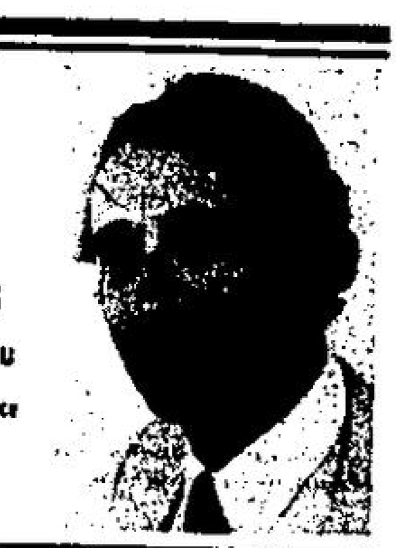
Given how slow sales are, that is not likely to happen soon. Indeed, industry watchers in Canada predict that car deals over the next 12 to 15 months will be better than they have been in years.

Recognizing this, would-be car buyers seem to be waiting for even better deals ahead. If consumers' smugness has carmakers and dealers exasperated, car buyers are enjoying being back in the driver's seat.

SNAFU® by Bruce Beattie

"I'm here about the ad for the psychic you just decided to put in next week's paper."

Experts dispute the benefits of new national tax



Vic Parsons
Ottawa Bureau
Thomson News Service

Economics is a cold-blooded, as well as a dismal, science.

That's probably why there is a deficit of Robin Hoods, bleeding hearts and employee-huggers among practitioners of the trade.

And there seem to be none more hard-hearted than those who want you folks out there to swallow the bitter medicine of the nine-per-cent Goods and Services Tax (GST).

Denizens of the Finance Department, led by Michael Wilson, want Canadians to take their word that the proposed GST, when it comes into effect on Jan. 1, 1991, will be good for them.

"Sure," they admit, "there'll be a onetime inflationary hit that will take away about one of every hundred of the average Canuck's after-tax dollars. But you can live with that for the greater glories to come, can't you?"

In other words, they want you to resist the subversive notion that you should try to recoup any income you might lose to higher consumer costs arising from the tax.

Unfortunately, there are a large number of qualified experts who dispute the benefits of the proposed tax. They calculate that the initial adverse impact will be worse than the government lets on.

One of the latest is the investment dealer Wood Gundy Inc., which challenges the Finance Department's figures. For example, the government says 35,000 jobs will be created because of the tax in the first year; Wood Gundy sees a loss of 75,000. Consumer prices will rise 2.25 percentage points in Year One, says Wilson; three points, says Wood Gundy.

DIFFERING VIEWS

Wages will hardly budge at all as a result of the GST, Finance argues; they'll increase 1.1 per cent as workers try to regain their losses, says the investment dealer. There will be no rise in short-term interest rates, the government claims. Sorry, they'll go up two points, opines Wood Gundy.

Now, Wood Gundy could be wrong. But there are other independent analyses that fall in line with its conclusions, such as a recent study by the Conference Board. And it's tempting to conclude the government would want to minimize negative effects of the GST so it will be an easier sell.

Let's look a little closer at the wages and interest-rate impacts of the GST.

Wood Gundy assumes that workers will successfully negotiate additional pay raises that offset about half of the consumer-price rise, a not unreasonable assumption. But it suggests that this is where John Crow, the governor of the Bank of Canada, will cast a chilly eye on proceedings.

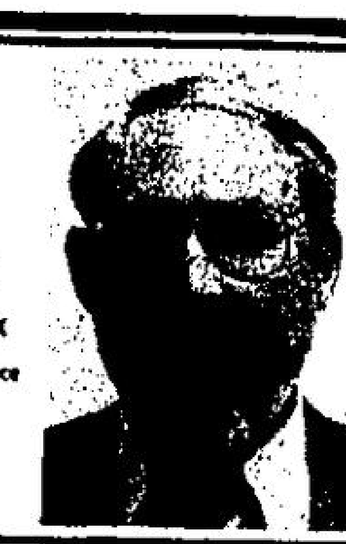
Crow, who continues to monitor pay hikes closely, would take tough action "until rising interest rates raise unemployment sufficiently to temper wage demands," Wood Gundy argues. That could mean a jobless rate rising to double-digit levels from the current eight-per-cent range.

PUNISHING RATES

In short, employees who try to maintain their living standards by seeking more pay to offset inflation will be punished by the central bank. This punishment would take the form of increased interest rates, already high by historical standards, that will cause more layoffs and shrink job-producing, business-investment plans.

There's some irony to this. The government says deficit reduction is part of its goal with the GST.

French-only program sparks bitterness



Derek Nelson
Queen's Park
Thomson News Service

How do you make people bitter and resentful towards bilingualism?

It's easy. You take a program for which there is a demand in English, or in English and French - and you convert it into French-only.

This is done at a time when the federal and Ontario governments are trying to assure people they aren't playing language favorites on behalf of francophones.

One wouldn't think they'd be that stupid. But, in fact, that is exactly how Ottawa and Queen's Park have acted.

The University of Ottawa offers a PhD extension program in clinical psychology to northeastern Ontarians, but only in the French language. Originally, it was to be a program for all Ontarians in that area, which meant it had to be eitehr English-only or bilingual.

No such luck. When implemented in 1988, the program, supposedly for any psychometrist in northeastern Ontario who had the appropriate degrees, was taught in French-only, automatically excluding the majority of those qualified for the program.

This program wasn't established on the spur of the moment. It took several years, and numerous man-hours, during which time the idea that it would be unilingual French was never considered.

In fact, most of those who initially expressed interest in the program are now pointedly excluded from it.

The question is why?

No one working in the psychiatric field in Ontario today lacks English as a skill. The initial 45 prospective candidates for the extension course all spoke English, the majority being unilingual anglophones and the minority bilingual francophones. Why, then, this insistence that those willing to upgrade their skills must do so in the French language?

When asked, the provincial Ministry of Colleges and Universities ducks the question, saying universities are autonomous in making these decisions.

ONLY FRENCH PORTION

The university says it would have liked to offer the program in both French and English, but can't, since the province won't fund it, and the only money available is from the federal government through a joint languages program with the province. Ottawa, however, will only pay for the French-language portion.

The obvious result - the program now exists for French-language students only. Worse, anecdotal evidence suggests that these are all francophones. No French-speaking anglophones are included, even though those in charge have, in at least one case, had to go out and actually recruit a francophone to fill the program.