

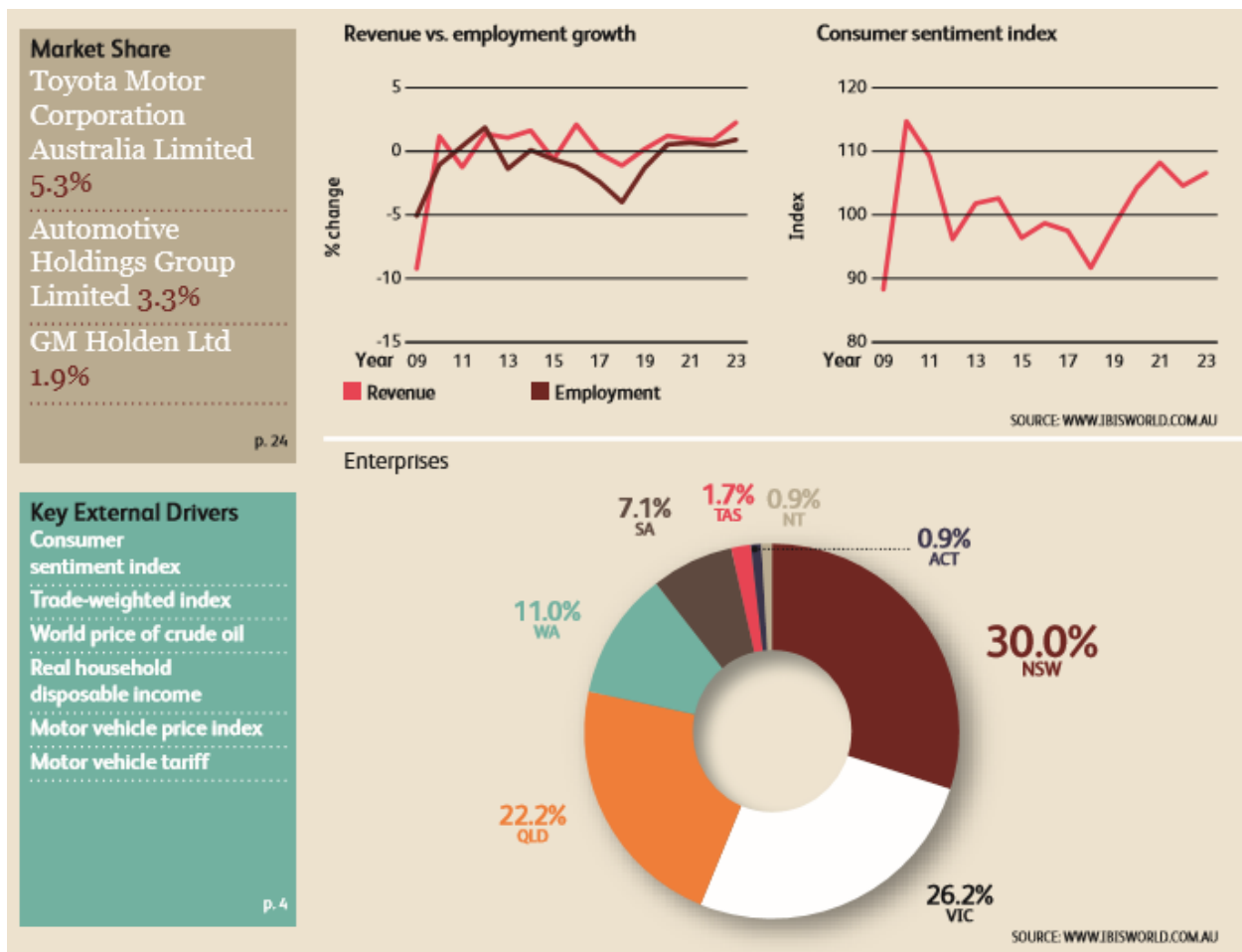
2015-17 Industry snapshot: Automotive industry in Australia

Industry definition

The automotive industry includes motor vehicle manufacturers, wholesalers, retailers, parts suppliers and mechanics that design, research, develop, manufacture, sell and maintain motor vehicles and parts. Motor vehicles are passenger moving cars, trucks, buses, motorcycles, and other recreational motorised vehicles sold to households, businesses and governments (Source: Windle, P. IBISworld. Jan 2017).

Revenue: \$171.8bn	Annual growth 2012-17: 0.8%	Predicted annual growth 2017-22: 0.4%
Profit: \$6.5m	Wages: \$2.7m	Businesses: 51,860

(Source: Windle, P. IBISworld. Jan 2017).



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Industry summary

- The number of businesses in the automotive industry is quoted by VACC (2017) as 69,365 and by Windle (IBISworld. Jan 2017) as 51,860. They operate across a range of smaller industries, whose performances vary across the supply chain (Source: Windle, P. IBISworld. Jan 2017).
- The largest industry sector is the automotive repair and maintenance sector (engine *and* body repair) which is 54% of the industry (Source: VACC, 2017). The second largest is motor vehicle retailing (8.3%) and the third largest is motor vehicle and parts wholesaling (7.6%) (Source: VACC, 2017).
- 96.5% of all automotive businesses are made up of small and family owned enterprises with less than 19 employees (Source: VACC, 2017). However, industry consolidation is occurring and will continue as larger, more powerful businesses strive to increase market share (Source: VACC, 2017).
- In 2016/17, 28.6% of industry participants had turnover of \$50-\$200K and 45.3% had a turnover of \$200K-\$2m (Source: VACC 2017).
- Although the automotive industry is growing, many businesses are struggling to be profitable. According to VACC (2017), the motor vehicle and parts wholesaling industry recorded the highest proportion of businesses making a loss whilst the repair and maintenance sector recorded the highest profit margin (12.2%).
- The industry grew slowly over the five years through 2016-17.
 - Growth was supported by the strong sales of new cars which benefited motor vehicle wholesalers and dealers.
 - As of January 2016, there were 18.4 million registered vehicles on Australian roads which are growing at a rate of 2.1% (Source: VACC, 2017).
- The increasing number of registered motor vehicles on Australian roads supported the profitability of the repair and servicing industries (Source: Windle, P. IBISworld. Jan 2017).
- Australia's largest automotive manufacturers (Toyota, Holden and Ford) will cease manufacturing in late 2017. They traditionally produced larger family sedans and were not able to compete with cheaper and more fuel efficient cars and the increased demand for European brands and SUVs. Nor could they reduce their high manufacturing costs to compete with international manufacturers. Parts suppliers to the manufacturers have been negatively impacted by their closure.
- The shift to smaller, fuel-efficient cars, a strong Australian dollar (over the last 5 years), and reduced import tariffs have benefited importers (Source: Windle, P. IBISworld. Jan 2017).
- Motor vehicle wholesalers have benefited from changing consumer demand towards smaller more fuel efficient vehicles, SUVs and European brands.
- Total automotive revenue grew at an annualised 0.8% over the past five years, to \$171.8 billion (Source: Windle, P. IBISworld. Jan 2017).
- The exit of local motor vehicle manufacturers is anticipated to be partly offset by imports growth and steady growth in demand for repair and maintenance services. Overall, industry revenue is forecast to increase at an annualised 0.4% over the five years through 2021-22, to \$175.5 billion (Source: Windle, P. IBISworld. Jan 2017).
- There is a current shortage of 27,377 skilled workers in the automotive industry that is negatively impacting businesses growth. This is projected to rise to 35,083 in 2018 (Source: VACC 2017).

- Due to the ceasing of automotive manufacturing, the introduction of new technology (i.e. autonomous vehicles and electric propulsions systems) and connected vehicles (with multiple information management systems) the automotive industry is rapidly changing. Businesses will need to change, adapt and transform to survive and thrive into the future.

Sources:

Windle, P (Jan 2017). IBISWorld industry report X0014: Automotive industry in Australia.

Victorian Automobile Chamber of Commerce (VACC) (2017). Directions in Australia's automotive industry: An industry report 2007.