



Australian Automotive Industry

Summary

A small automotive sector by world standards, Australia punches well above its weight in product development and exports. The automotive industry is one of Australia's key manufacturing sectors and an important source of employment, and research and development. The survival and success of this industry can be traced to a historical necessity to develop products to suit the isolated continent. When trade liberalization forced companies to become more efficient, Australian companies had to maximize productivity in a low volume environment - in contrast to its competitors, who with high volume can rely on economies of scale. This along with the increasing exposure of this industry to international competition has seen it develop to where it is now competing successfully in global markets. There is also a strong inter-dependence between the car-makers and their suppliers, and strong linkages with the rest of the economy.

Market Overview

The Australian automotive industry consists of four large manufacturers of passenger motor vehicles (PMV) and variants, light commercial vehicles and sports utility vehicles which include - Toyota the market leader holding 21.1 per cent, Holden with 18.6 per cent, Ford with 14.2 per cent and the recently beleaguered Mitsubishi with 6 per cent. The remainder is made up of crash repair parts, oils, lubricants, additives and electrical accessories. The automotive components and accessories market is valued at around US\$ 6 billion - including tyres, engines and engine parts which are valued at around US\$ 12 billion. The largest proportion of this is in vehicle servicing which accounts for 34 per cent followed by other parts and accessories with 32 per cent.

Domestically produced vehicles account for over 99% of large PMV domestic sales. Other segments of the domestic motor vehicle market are less dominated by domestic producers, who account for 35% of total PMV domestic sales, and 22% of all vehicle domestic sales. The Australian market has shown strong demand for vehicles, with total sales of all vehicles reaching a record 909,811 units in 2003.

Australian vehicle production is supported by a supply chain with the capacity to design and manufacture the full range of parts and components. Australia has sophisticated production capacity in areas such as engines, panels, braking and clutch systems, suspension systems, exhausts, transmissions and rear axles, air conditioning, occupant safety, vehicle instrumentation and electronics, lighting and mirrors, and wheels and tyres. There are over 200 automobile component firms, around 500 small firms providing tooling to vehicle and component producers, and a number of other firms that provide specialist automobile services.

Businesses engaged in component production are highly internationalized. Many firms are wholly or partially foreign owned and components are exported to many countries. Major exports of Australian components include :

- engines to Republic of (South) Korea
- braking systems to the United States of America
- mirrors to North America and Japan
- anti-theft systems worldwide
- propeller shafts to the United States of America
- heating, ventilation and air conditioning products to North America and China.

Growth in Australia's aftermarket has averaged more than 5 per cent over the past eight years. The aftermarket for replacement parts and accessories is a very significant element of Australian component producers' total sales. This part of the market is estimated to



be worth approximately US\$ 4.5 billion and is split fairly evenly between local producers and imports. Japan is the leading supplier, accounting for 30.62 per cent of imports, while the United States is the second most important source of supply, with 24.04 per cent of the market or US\$ 394 million.

Market Trends

Even in a booming Australian car market, the price-cutting needed to win sales in the small car market is taking its toll. Due to an overload of too many brands, the small car market is raging with price wars as companies fight to contain costs and stay in the market. It is important that companies worldwide understand that although the Australian car market is thriving, there are certain segments that are more difficult to penetrate than others.

Industry sources explain that in 1992 there were 23 models in Australia's small-medium car market with total annual sales of approximately 139,000 compared to 2002 figures of 46 models and annual sales of 230,000. A car in the small and light segment now retails for a mere A\$ 13,990.

Industry sources say that looking forward, the prospect of the environment shifting in any way other than becoming even more crowded and thus more competitive is not likely. Research also indicates that although the overcrowding of the market is the talk of the industry, this is what Australian customers want.

International Trade

Exports

The Australian automotive sector has become an export success. Much of the growth that contributed to this occurred between 1998-99 and 2000-01, when exports grew by an average of almost 22% per year while exports have since plateaued, the automotive sector remains Australia's leading exporter of manu-factured goods and Australia's sixth largest export performer overall. Automotive exports exceed more traditional exports such as wheat, wool and wine.

In 2002-03 exports of vehicles were nearly \$ 3b, and exports of components and parts were nearly \$ 2b. Major export markets for vehicles were Saudi Arabia, the United States of America and New Zealand, and major markets for components were the United States of America, South Korea and New Zealand.

In 2004, Australia exported 132,000 completely built-up vehicles valued at over A\$ 3 billion and exported components were valued at just under A\$ 1.7 billion.

Imports

In 2002-03 imports of vehicles were \$ 14b and imports of compo-nents and parts were nearly \$ 6b. Major import sources for both vehicles and components were Japan, the United States of America and Germany. Imports have experienced strong growth over the last five years, with an average annual growth of 10%.

Exports to Australia from India during 2001-2005

(USD Million)

Product Group : Transport Equipment

<i>Commodity</i>	<i>2001-02</i>	<i>2002-03</i>	<i>2003-04</i>	<i>2004-05</i>
Transport equipment	7.9	9.13	9.51	15.36

(To be continued at next issue)

(Source : Prepared by the Australia Desk, Chennai)