



**AUSTRALIAN AUTOMOTIVE
AFTERMARKET ASSOCIATION**

**Australian Automotive
Aftermarket Association Ltd**



Dear committee secretary,

The Australian Automotive Aftermarket Association (AAAA) warmly welcomes the opportunity to provide a submission to the inquiry into the Australian manufacturing industry.

This inquiry comes at an opportune time; Australia's manufacturing industry must identify its strengths and opportunities for growth in a rapidly changing global industrial environment, especially given the uncertainties that have been a result of the coronavirus pandemic.

Appendix I of this submission contains a report of the AAAA's recent research into Australia's 4WD automotive industry. This report addresses the Inquiry terms of reference d., e., f. and g., specifically as they pertain to our 4WD industry.

The 4WD industry already plays an integral role in Australia's manufacturing sector. With 2,100 businesses employing 73,000 staff in Australia spanning the entire industrial supply chain, the industry totals \$6 billion of revenue. 13% of these businesses are in the manufacturing sector. All six states are home to 4WD aftermarket product manufacturers.

Australia has a unique advantage in the 4WD industry. The diverse range of landscapes across our expansive continent has long been a playground for keen 4WD enthusiasts. This has allowed our domestic 4WD industry to expand rapidly while driving growth in exports. Domestic manufacturers expect a growth in exports of 13% in the coming 2-3 years, more than double that of other sectors in the industry. The export industry is looking to further tap into globally unmet requirements for quality products and to expand into maturing export markets in the USA, Middle East and Africa. This gives the industry a firm prospect of becoming a global leader in the 4WD automotive industry.

Australian designed and manufactured 4WD aftermarket products already dominate our domestic market. Companies such as ARB, TJM and Pedders Suspension are only a few of the many manufacturers who produce Australia's trusted bull bars, tow bars, suspension kits, gross vehicle mass (GVM) upgrade products and a range of other 4WD accessories. They are continuing to develop their brands globally, and are becoming more recognised in international markets for their high quality, cutting edge products. The opportunity exists now to expand Australian brands into the growing international 4WD accessory markets.

This inquiry provides the opportunity for the Federal Government to support this growth industry. 33% of businesses in the industry are impeded by the lack of harmonisation between Federal and State regulations. 28% do not believe that industrial regulations provide them with the ability to stay in touch with consumer demands. Counterfeit products from overseas have affected 22% of the industry.

A skills shortage in the industry may also hamper opportunities to expand the design and development of products.

The Federal Government has the opportunity to address these problems and provide the funding necessary to help this growth industry develop through the Modern Manufacturing Initiative (MMI). In particular, the collaboration and commercialisation streams could provide immense benefit to the growth of the industry. We believe that the MMI's foundation principle that funding is provided on a co-investment basis will ensure significant support can be afforded to the industry.

YOUR INDUSTRY VOICE

It is therefore very disappointing that a majority of Australia's manufacturing industry - including the 4WD aftermarket sector - is shut out of access to the MMI's programs, as it does not fit into the MMI's six priority categories. Our industry, and many other industries are deprioritised and unable to access the funding and support required to operate and grow in a difficult global environment.

By failing to recognise the opportunity this industry presents, this confusing exclusion could mean the forfeiting of Australia's competitive advantage in this sector.

The narrow focus of the MMI's priorities exclude many industries that could be worthy of funding. Not every worthy industry is included in the six priority categories - and not every activity in the priority sectors is automatically worthy of funding.

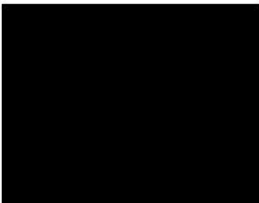
Recommendation:

This is why we recommend that **Advanced Manufacturing is re-instated as a priority sector**. Whilst this may appear to be a broad category, the fund guidelines can further articulate that the government is seeking to support industries in which Australia has a natural advantage. In our view the growing 4WD aftermarket sector is exactly that - a sector for which Australia is uniquely placed to compete, with global recognition that we are world leaders in designing vehicle components that support the modifications of emergency, recreational and work vehicles to ensure that these are safe and fit for purpose.

We already have significant Australian brand recognition in many countries and participation in a programme such as MMI has the potential to escalate our growth and embed our global reputation for design, quality and product reliability.

This opportunity may be one that we cannot afford to miss, and we hope that this inquiry can recognise the significant growth potential of our industry.

Yours faithfully,



Stuart Charity
Chief Executive Officer

AAAA

4WD INDUSTRY RESEARCH REPORT

December 2020



STRATEGIC OBJECTIVE

To quantify the size of the
Australian 4WD aftermarket,
unpacking key trends and
behaviours across the
manufacture, distribution,
sale and fitting of 4WD
parts and accessories

KEY TAKEAWAYS

This report identifies and explores four key areas of insight for 4WD parts and accessories businesses in Australia

MARKET SIZING	BUSINESS PROSPECTS	PRODUCT ORIGIN	EXPORT MARKETS
<p>INSIGHTS</p> <ul style="list-style-type: none"> The Australian 4WD sector consists of more than 2,000 businesses, employing over 70,000 Australians, and generating \$6bn annually from the manufacture, distribution, and sale of parts and accessories These businesses work along the entire supply chain, manufacturing, wholesaling, retailing, and fitting parts and accessories to customer vehicles <p>OPPORTUNITIES</p> <ul style="list-style-type: none"> As the national demand for 4WD parts and accessories continues to accelerate, this market will continue to grow and diversify, delivering to the varied demands of Australian consumers 	<p>INSIGHTS</p> <ul style="list-style-type: none"> There is a significant level of confidence about the 4WD parts and accessories market, with companies looking to expand and improve their range, and developing more robust production, distribution, sales and marketing platforms Businesses will however have to overcome significant regulatory challenges, and inconsistent legislation across jurisdictions <p>OPPORTUNITIES</p> <ul style="list-style-type: none"> Innovative 4WD manufacturers will bring new products to market that build on their existing range and customer base The AAAA will play a key role in helping the industry face these challenges, advocating on its behalf for regulatory changes 	<p>INSIGHTS</p> <ul style="list-style-type: none"> While most businesses use at least some 4WD products manufactured in Australia, around one in four are still sourcing all of their parts and accessories offshore Regardless of their current usage patterns, businesses are generally looking to increase usage of 'Australian-made' 4WD parts and accessories <p>OPPORTUNITIES</p> <ul style="list-style-type: none"> The current environment has accelerated the demand for local manufacturing (and raw material suppliers feeding into this process). While the global market is likely to reset over the next 12 months, opportunities exist in the short-term to build and entrench local supply relationships 	<p>INSIGHTS</p> <ul style="list-style-type: none"> Two thirds of 4WD manufacturers are already selling into overseas markets (primarily focusing on the US, NZ, and Asia), although there is scope to build this out further, generating increased revenue from overseas sales of Australian-made parts and accessories <p>OPPORTUNITIES</p> <ul style="list-style-type: none"> There is an opportunity for Australian firms to further tap into offshore opportunities with unmet needs for quality products. This is likely to include a combination of expanding sales into existing markets (e.g. the US), while also exploring new opportunities in maturing markets across Africa and the Middle East

INDUSTRY SNAPSHOT



NUMBER OF BUSINESSES

The Australian 4WD sector consists of more than 2,000 businesses, employing over 70,000 Australians, and generating \$6bn annually from the manufacture, distribution, and sale of parts and accessories

TOTAL NUMBER OF BUSINESSES INVOLVED IN THE MANUFACTURING, SALE AND DISTRIBUTION OF 4WD PARTS AND ACCESSORIES

2,100

4WD BUSINESSES



\$6BN

REVENUE FROM
4WD PRODUCTS



73,000

TOTAL NUMBER OF STAFF
EMPLOYED IN AUSTRALIA



Base: All Respondents (n=84)

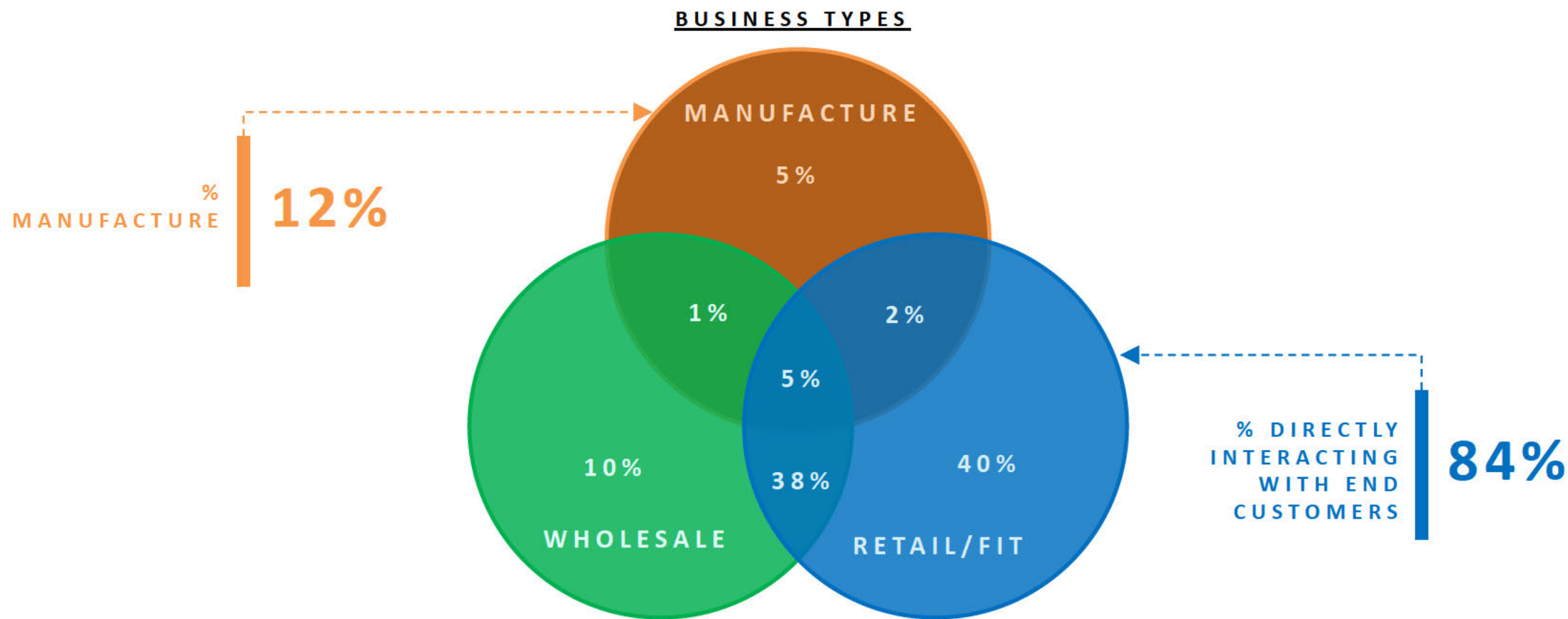
S1. How would you describe your business?

Q12. Which of the following annual revenue ranges is applicable to your organisation in total?

Q12. How much of that is generated by the manufacture, distribution, sale, and/or fitting of 4WD parts and accessories?

NUMBER OF BUSINESSES

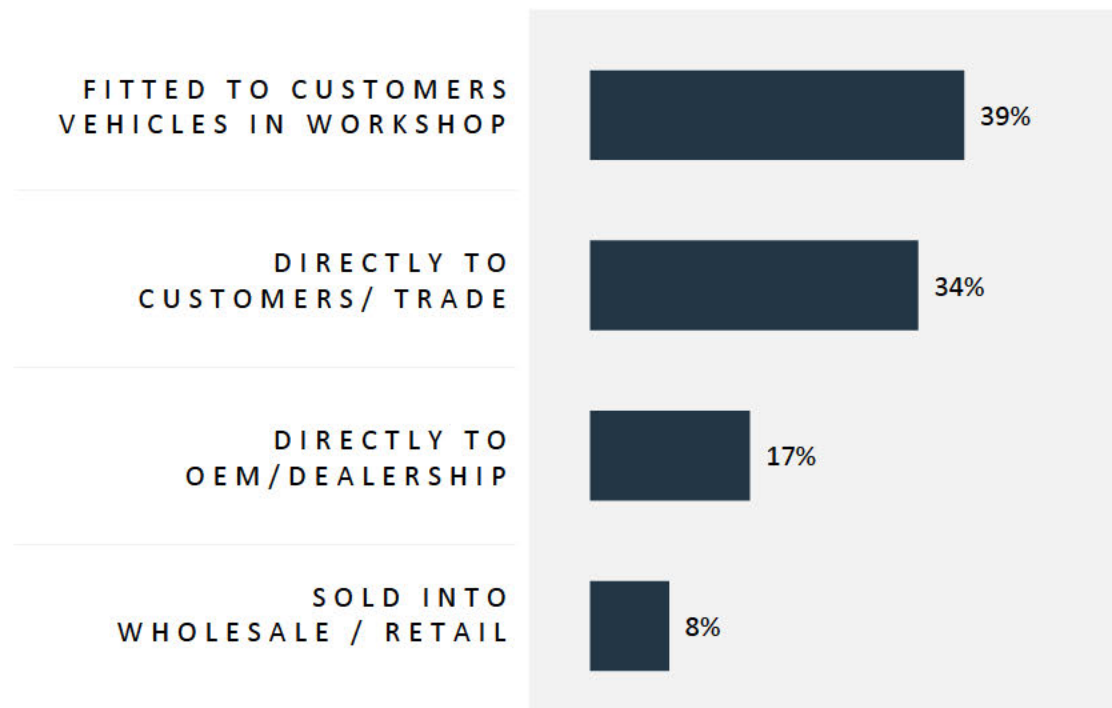
These businesses work along the entire supply chain, manufacturing, wholesaling, retailing, and fitting parts and accessories to customer vehicles



4WD PRODUCTS

Reflecting the high level of interaction with end customers, the bulk of sector revenue is generated by the fitting of parts and accessories to customer vehicles, or direct sales to consumers and trade

WHO 4WD ACCESSORIES AND PARTS ARE SOLD TO IN AUSTRALIA



KEY INSIGHT

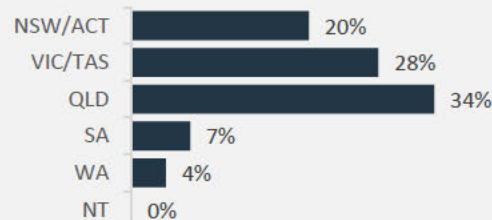
Over 1 in 5 manufacturers sell their 4WD parts and accessories into **wholesale/retail**, with 1 in 2 selling directly to customers/trade

NUMBER OF BUSINESSES

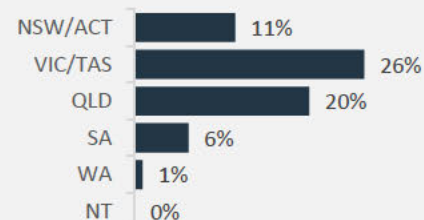
There is a clear skew to Queensland when it comes to head office and project planning functions, but retail outlets and workshops are spread around the country; this demonstrates the truly national demand for 4WD parts and accessories

LOCATION OF BUSINESS UNITS

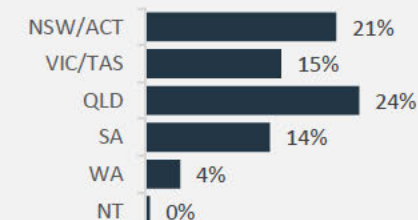
HEAD OFFICE



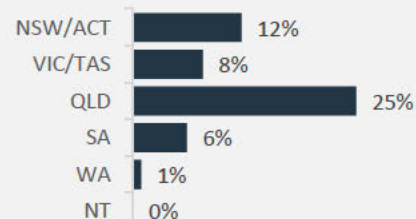
DESIGN



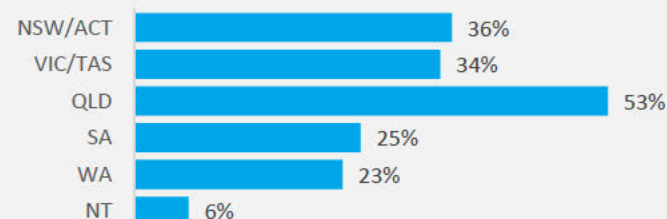
ENGINEERING



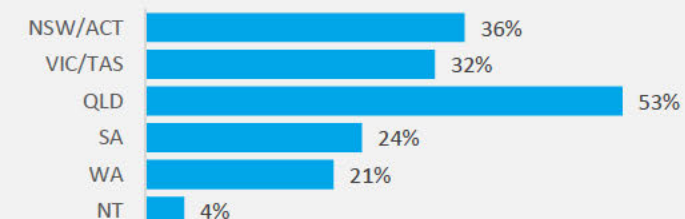
MANUFACTURING



RETAIL OUTLETS

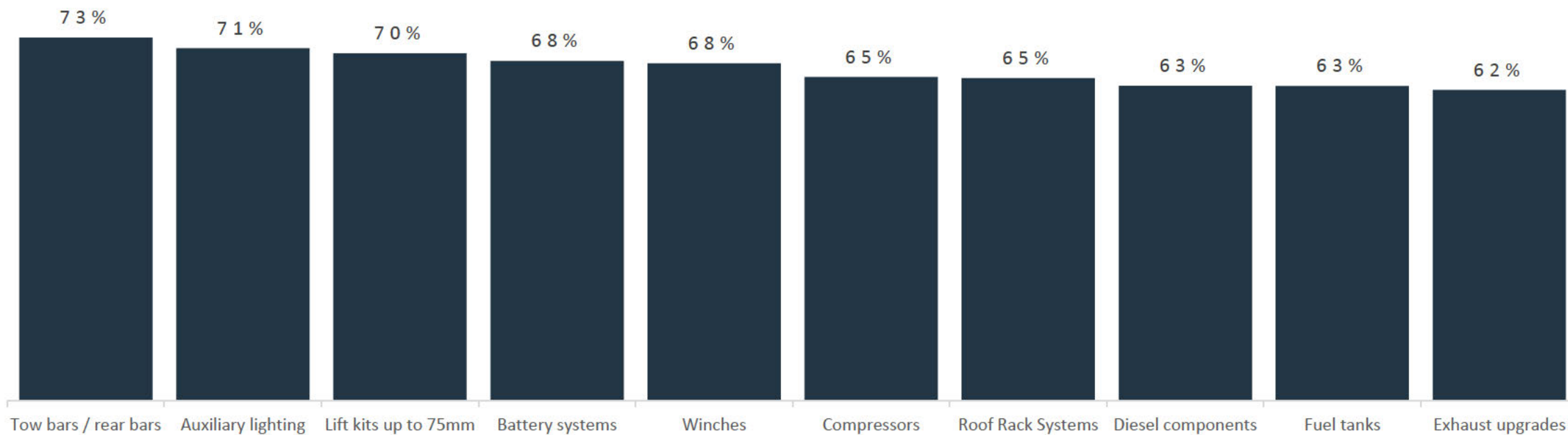


WORKSHOPS



PRODUCT OFFERING

With the range of products on offer highlighting the diverse nature of the sector; the top 10 products in market encompass storage, lift kits, engine and exhaust upgrades, towing, and electrical systems

TOP 4WD PRODUCTS CURRENTLY OFFERED

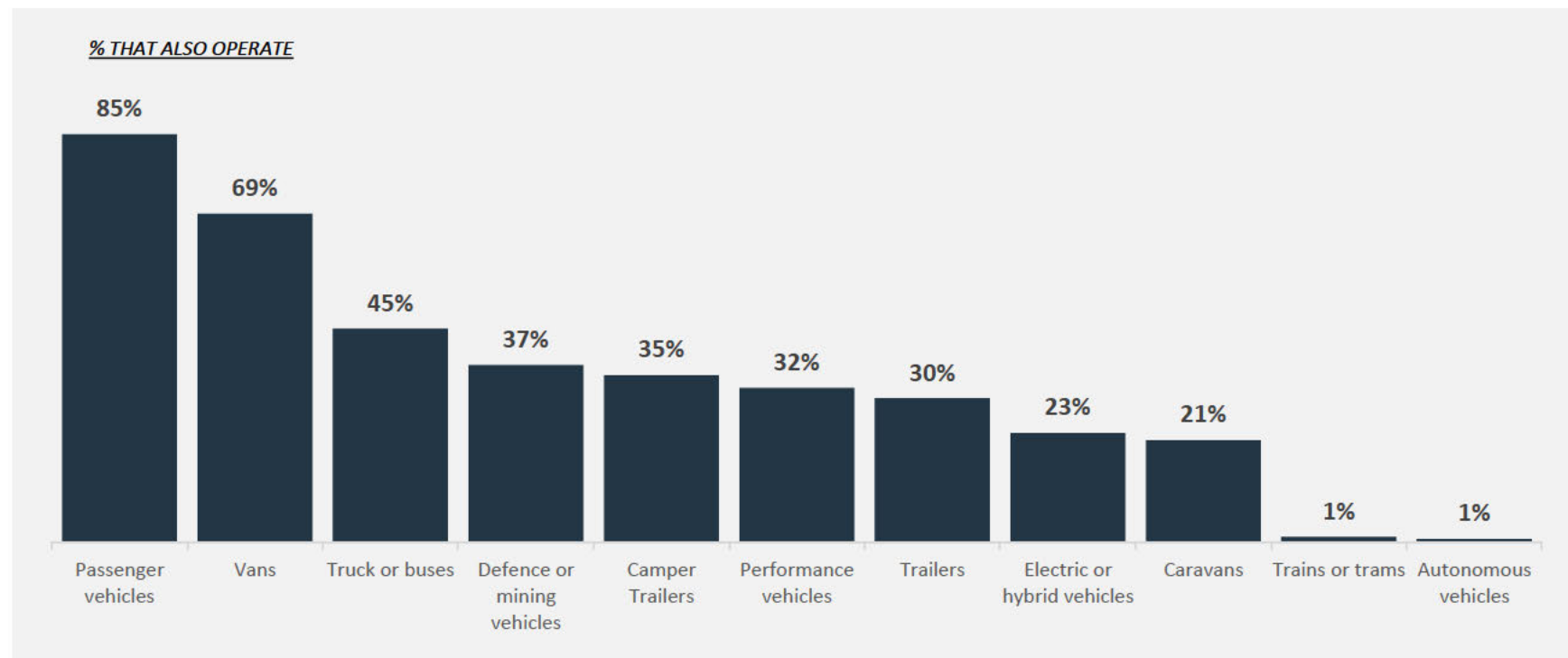
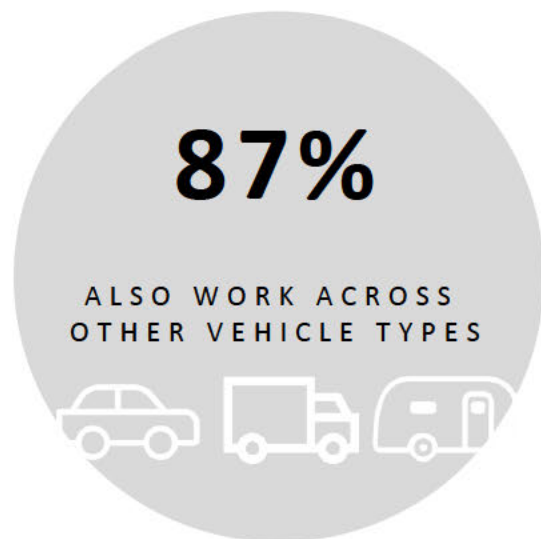
BUSINESS PROSPECTS



OPERATION WITH OTHER VEHICLE TYPES

It is important to recognise that while the 4WD market is substantial, the vast majority of these businesses also operate more broadly; this includes other passenger and light commercial vehicles, as well as specialised functions such as defence, camping, or performance vehicles

OTHER VEHICLE TYPES WORK WITH



EXPECTED NET CHANGE IN AUSTRALIAN REVENUE IN NEXT 2-3 YEARS

Looking forward over the next 2-3 years, there is however a significant level of confidence about the opportunities for growth in 4WD parts and accessories; manufacturers in particular expect this to outpace growth in their business more broadly

EXPECTED CHANGE IN AUSTRALIAN REVENUE IN NEXT 2-3 YEARS

+17.5%

4WD PRODUCTS



EXPECTED NET
CHANGE IN
AUSTRALIAN
REVENUE IN
NEXT 2-3 YEARS



KEY INSIGHT

Manufacturers are expecting the growth in their Australian revenue of 4WD products (+13%) to be double that of their overall business (+6%)



STRATEGIES FOR GROWTH

This growth is fundamentally underpinned by ongoing expansion in the range and quality of parts on offer; this is being supported by investment in marketing and promotional activities, and more robust production, distribution, and sales platforms

TOP 5 STRATEGIES TO GROW REVENUE OVER THE NEXT 2-3 YEARS

**DEVELOPING NEW
PRODUCTS / PARTS**
21%



"Continue to introduce innovative and unique product lines to the market"

**PRODUCT RANGE
EXPANSION**
17%



"Growth of product range to cover more vehicles in operation"

**MARKETING /
PROMOTIONS**
17%



"We will increase our marketing and promotion activities"

**DEVELOPING E-
COMMERCE
PLATFORMS**
11%



"Further investment in ecommerce platform"

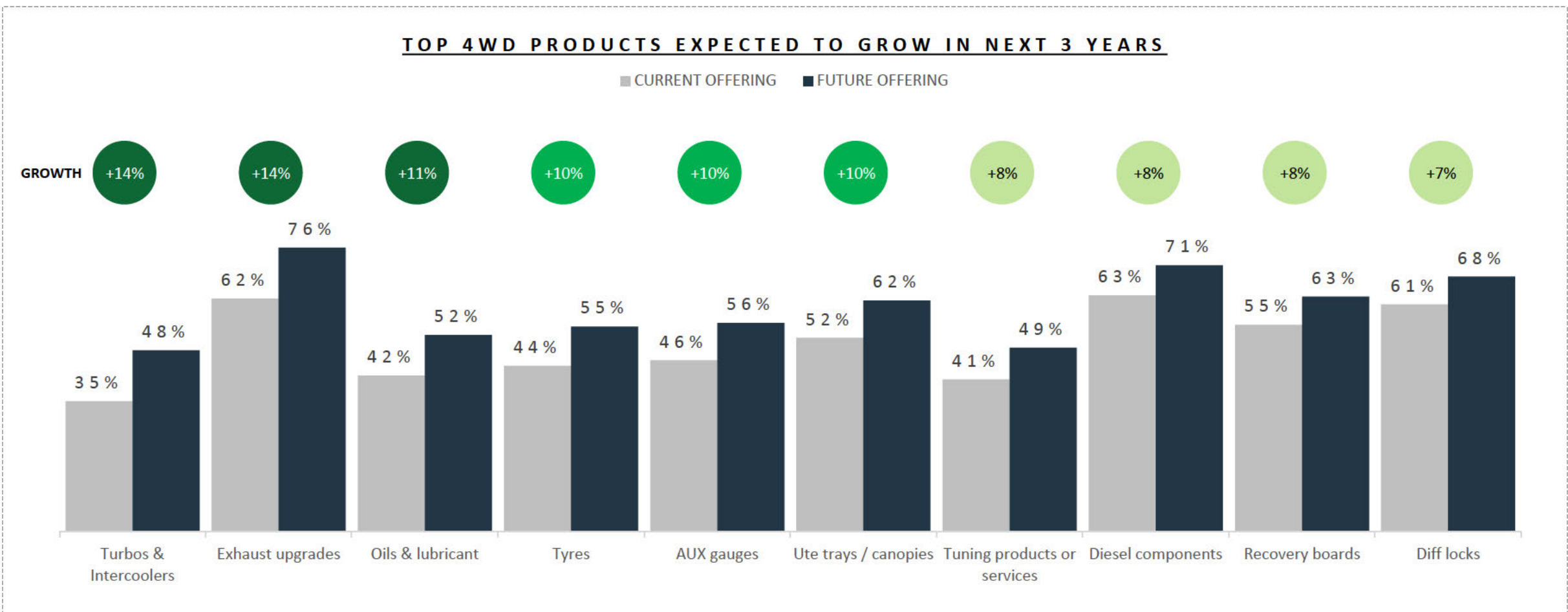
**INCREASING
PRODUCTION
CAPACITY**
11%



"Invest in our facilities. grow design team. introduce more automation for processes"

FUTURE PRODUCT OFFERING

Looking to specifics, we can see that Australian businesses are planning to bring new products to market across a broad range of areas; this further highlights the scale of the opportunity



Businesses will however have to overcome some challenges to achieve these goals, particularly when it comes to the regulatory environment; concerns primarily related to a lack of harmonisation across jurisdictions, and restrictive regulations lagging the market

POTENTIAL FUTURE IMPACTS ON 4WD PARTS / ACCESSORIES



33% LACK OF HARMONISATION WITH STATE REGULATION



28% REGULATION OUT OF STEP WITH CONSUMER DEMANDS



25% ADVANCEMENTS IN VEHICLE TECHNOLOGY



22% COPY / COUNTERFEIT PRODUCTS

OTHER FACTORS

"State regulations are a major problem - Having a product we could sell to the market then the state regulators legislate it out of the market"

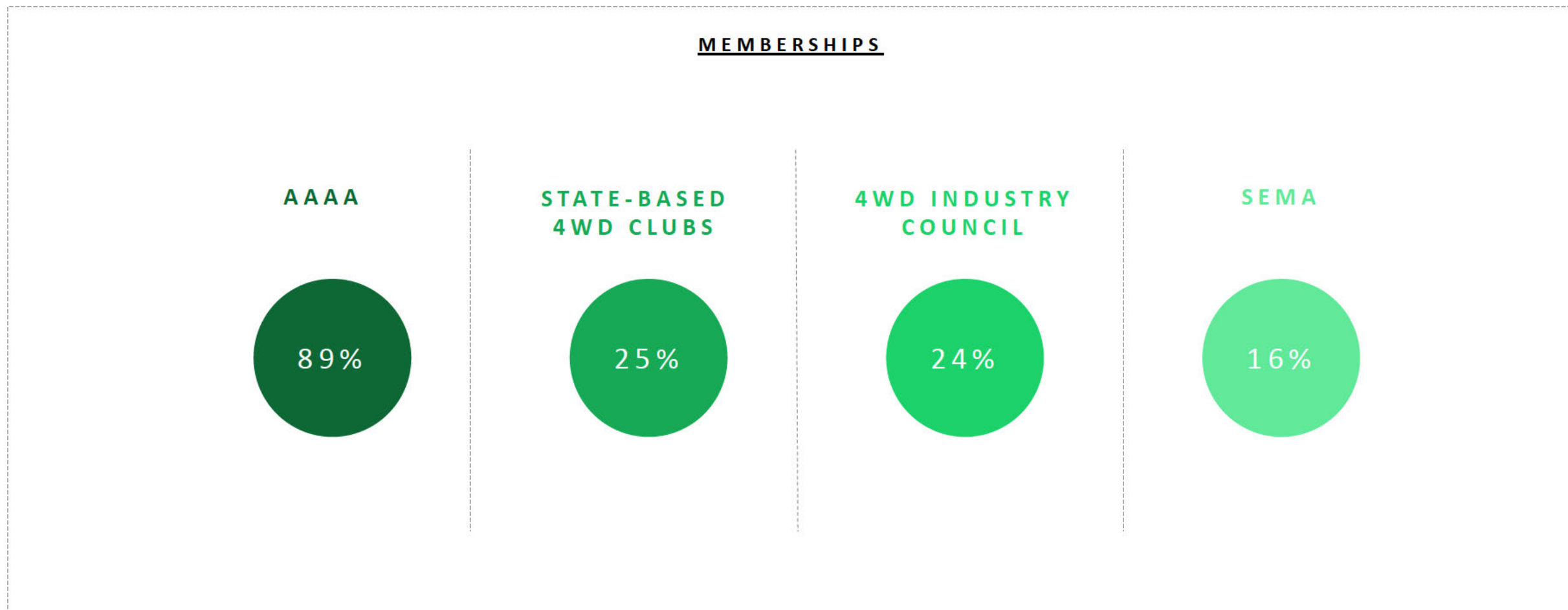
"Government legislation and modification rules being tightened will impact the ability to upgrade a vehicle post initial new vehicle sale"

"Vehicle technology integration"

"Need to stop cheap copy's from flooding the market"

MEMBERSHIPS

As the most prominent membership organisation across our sample, the AAAA will play a key role in advocating for consistent updates to regulations across Australia's states and territories



PRODUCT ORIGIN



WHERE BUSINESSES MANUFACTURE THEIR 4WD PRODUCTS

Most 4WD businesses manufacture or source products locally, tapping into other parts of the Australian supply chain; beyond this, they are typically looking to key Asian manufacturing markets

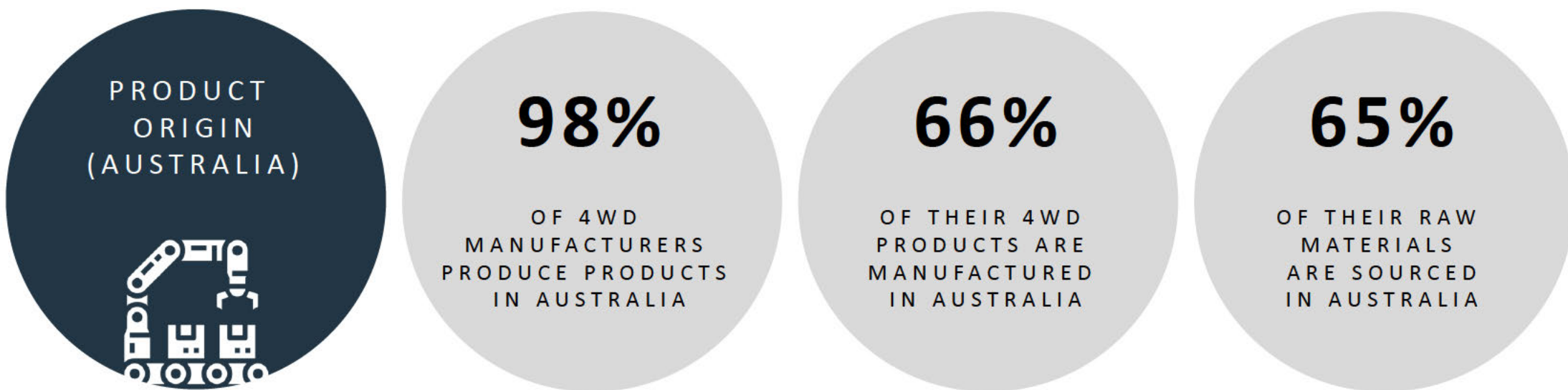
PRODUCT ORIGIN – BUSINESSES THAT USE AUSTRALIAN MADE



LOCAL MANUFACTURING OF 4WD PRODUCTS

Focusing specifically on our 4WD manufacturers, two thirds of their total production happens in Australia; two thirds of their raw materials are also sourced locally, supporting the local economy more broadly

PRODUCT ORIGIN – BUSINESSES THAT USE AUSTRALIAN MADE



EXPECTED CHANGE IN MANUFACTURING LOCATION OVER THE NEXT 2-3 YEARS

Regardless of the current origin of their products however, there is a universal push to increase the proportion of Australian-made stock within their range; while this is potentially a by-product of the COVID-19 pandemic, it highlights the scale of the opportunity for local manufacturing

EXPECTED NET CHANGE IN MANUFACTURING LOCATION OVER THE NEXT 2-3 YEARS

THOSE WHO CURRENTLY USE AUSTRALIAN-MADE PRODUCTS

71% OF BUSINESSES

AUSTRALIA



+32%

OVERSEAS



-14%

THOSE WHO DON'T CURRENTLY USE AUSTRALIAN-MADE PRODUCTS

29% OF BUSINESSES

AUSTRALIA



+34%

OVERSEAS



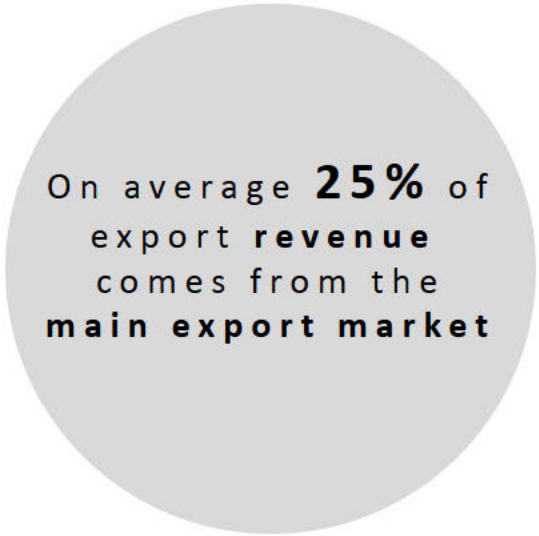
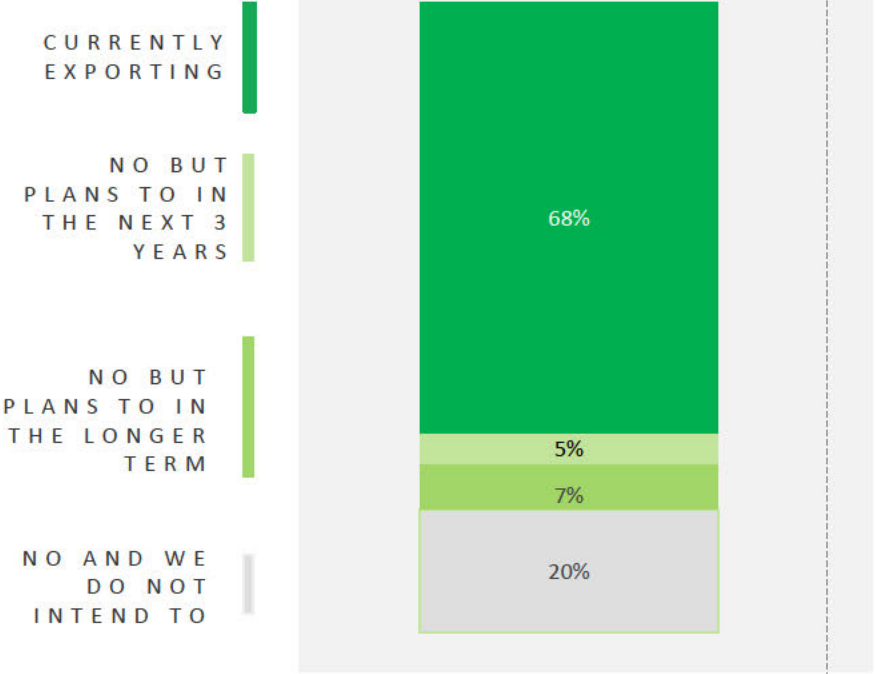
-25%

EXPORTS (MANUFACTURERS ONLY)



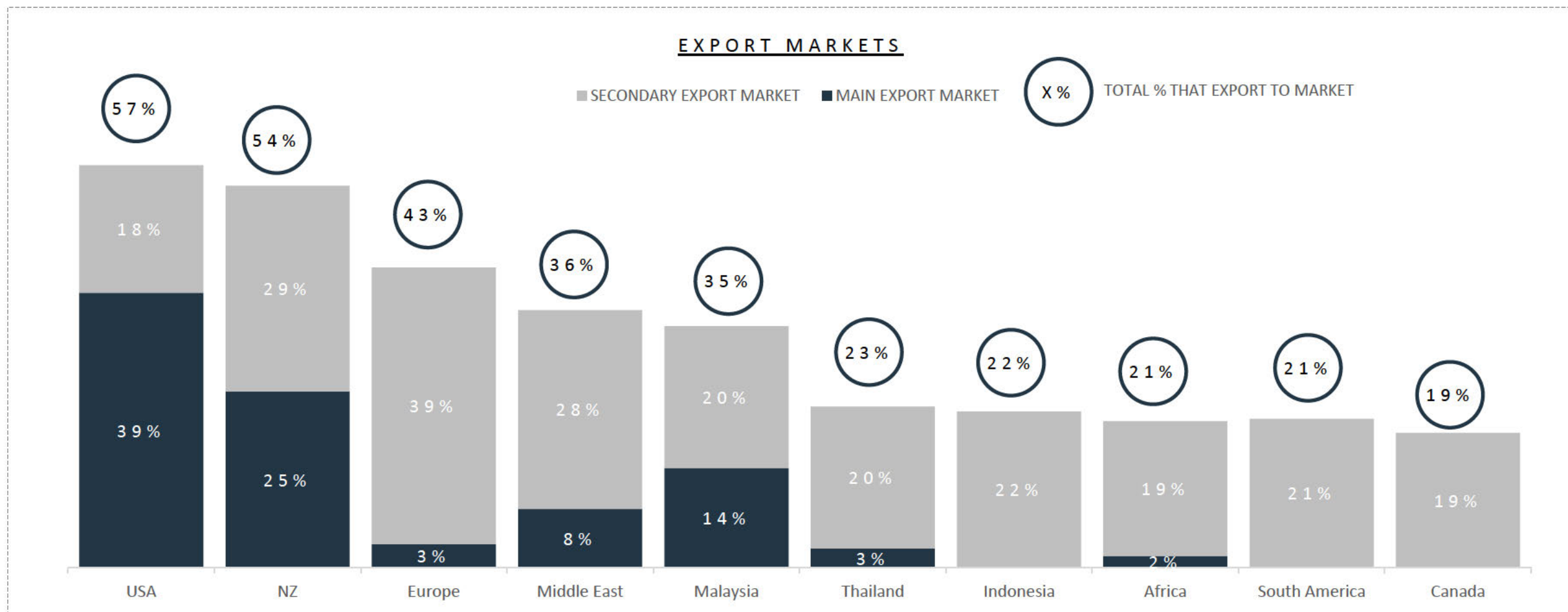
Two thirds of 4WD manufacturers are already selling into overseas markets, although local sales continue to provide the bulk of their revenue from Australian-made parts and accessories; there is an opportunity for Australian firms to further tap into offshore opportunities

EXPORTS OF 4WD PARTS / ACCESSORIES



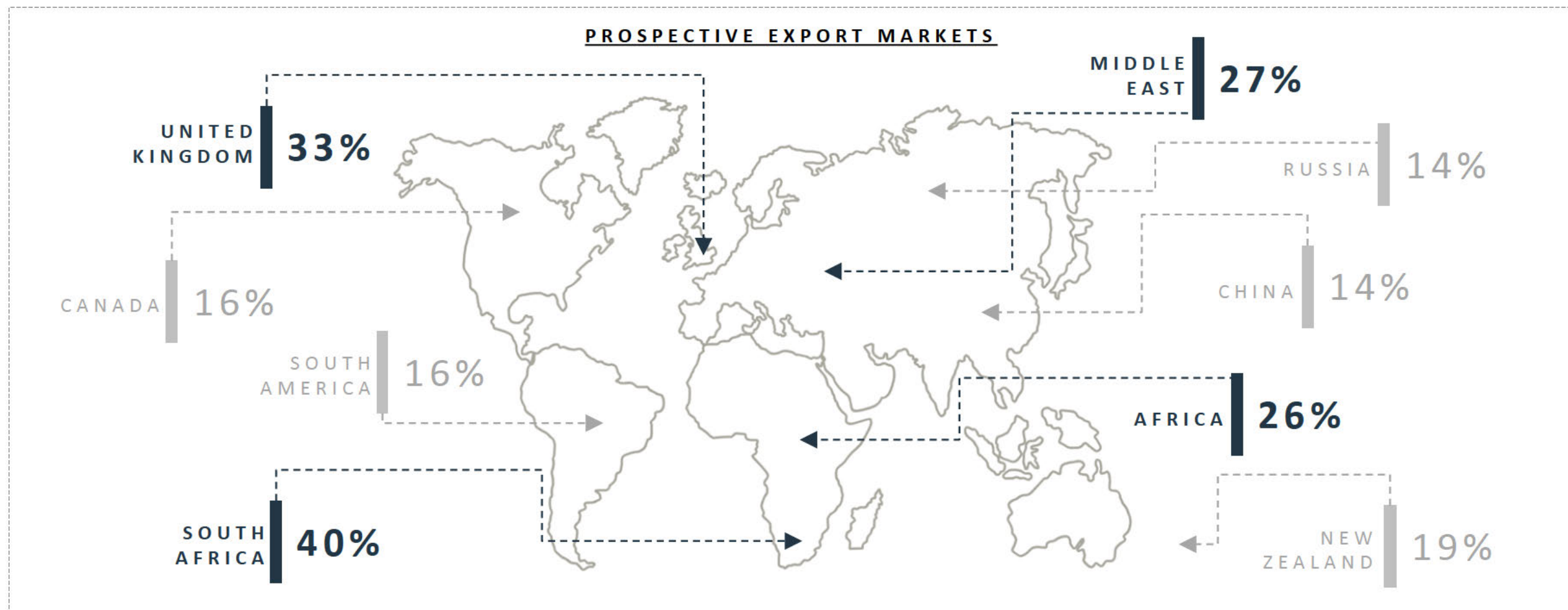
PRODUCT OFFERING

Reflecting the appetite in the US for modified recreational vehicles, it stands out ahead of NZ as the top export market for Australian-made 4WD parts and accessories, although they are also being distributed across Europe, the Middle East, Asia, and Africa



PROSPECTIVE EXPORT MARKETS

The US is currently the most compelling offshore market, but Australian manufacturers also see significant opportunities for growth in Africa, the United Kingdom, and the Middle East



EXPORT COUNTRY POTENTIAL

While entry into these markets is fundamentally dependent on a similar car parc, the opportunities are driven by audiences that increasingly demand quality products, and an inability for their less mature domestic manufacturing operations to cater to this unmet need

REASONS FOR CONSIDERING OTHER EXPORT MARKETS

SIMILAR CARPARC

48%



"Large 4x4
Carpark" - USA

"Similar vehicles and
market, ie; right hand
drive" - NZ

GROWING INTEREST

IN 4WDs

22%



"All have a large or rapidly
growing middle and upper
class that wants access to
Australian 4x4 products,
Overlanding products, and
Outdoor ranges" - UK

IDENTIFIED A GAP IN

THE MARKET

19%



"It is an untapped
market for us" -
UK

EXPANDING TARGET

MARKET

19%



"As the population
becomes wealthier,
there is more
demand" - India

GEOGRAPHICALLY

CLOSE

7%



"Close to Australia
geographically" -
Malaysia

ABOUT THE RESEARCH



Our sample of Australian manufacturers, distributors, retailers, and fitters has been weighted to be the 4WD sector by business type and size



MAIN RESEARCH
SAMPLE

N = 84



KEY
SEGMENTS

MANUFACTURER

DISTRIBUTOR

FITTER / RETAILER

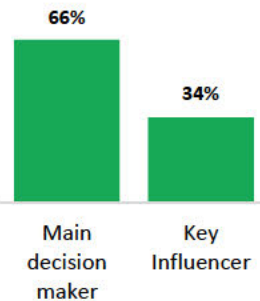


SURVEY
METHOD &
TIMINGS

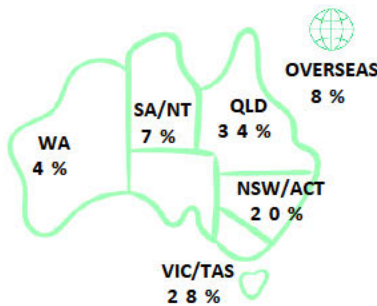
- October 12th – November 10th 2020
- Online survey

WEIGHTED SAMPLE PROFILE

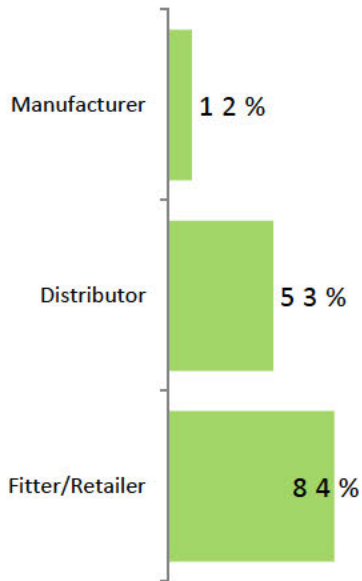
BUSINESS
INVOLVEMENT



HEAD OFFICE
LOCATION



TYPES OF
BUSINESS





THANK YOU

CONTACT US:

NIGEL BISHOP
LESLEY YATES

