

The Future Australian Automotive Manufacturing Industry

2nd Supplementary Submission to the
Senate Standing Committee on
Economics

October 2015



Australian Automotive Aftermarket Association

Serving the automotive parts, accessories, tools & equipment industry in Australia since 1980.

The Australian Automotive Aftermarket Association

The Australian Automotive Aftermarket Association (AAAA) represents over 1850 companies nationally that are engaged in the manufacture and distribution of automotive aftermarket parts, accessories, workshop tools and equipment in a sector that turns over \$11 billion per annum, exports \$800 million worth of product and employs over 40 000 Australians.

AAAA members manufacture, distribute and fit motor vehicle components that:

- Last the life of the vehicle or are replaced irregularly during the life of the vehicle, usually as the result of a crash or a major mechanical failure – e.g. seats, instrument panels, engines, and transmission; or
- Are replaced regularly throughout the life of the vehicle because of normal wear and tear – e.g. filters, tyres, wiper blades, spark plugs, bulbs, batteries and brake pads.
- Are manufactured and distributed to maintain or enhance the appearance and performance of vehicles, including accessories, safety, comfort, appearance, entertainment and information, functional performance, body components, tools and equipment, mechanical, lubricants, additives and chemicals.

The economic contribution of the automotive aftermarket is significant. The market is growing due to the increase in the motor vehicle stock in Australia. There are 17.6 million motor vehicles serviced by aftermarket component producers and the number of registered vehicles is increasing by 2.5% annually, the average age of all vehicles registered in Australia is over 10 years. The Australian automotive aftermarket has earned an enviable reputation internationally as a supplier of world-class innovative automotive products and Australian manufacturers are known for their flexibility and ability to supply high quality product often in niche volumes in a timely and consistent manner.

Approximately 260 AAAA member companies manufacture product locally with around 65% of these companies (170) actively exporting. Automotive aftermarket manufacturing represents 36% of all automotive manufacturing in Australia - that's \$5.2 billion per annum. And the aftermarket manufacturing sector alone employs 21,000 people directly and exports \$800 million per year of locally manufactured product. The aftermarket segment continues to show strong year-on-year growth.

Not only is the aftermarket segment significant in terms of its size, but it has totally different drivers compared to the Passenger Motor Vehicle Original Equipment (PMV OE) segment. While some aftermarket manufacturers also supply OE components for fitment to Australian made or imported vehicles, the majority of product (85%) is sold to customers external to the car companies and their franchised dealer networks. Customers include wholesalers, retailers, resellers and end-users. Aftermarket products include replacement parts, accessories, vehicle modification and performance enhancement products and workshop

tools and equipment. Many aftermarket manufacturers are expanding through high technology innovation with exports to Asia, Europe, Middle East and the USA.

The global demand for specialty components is growing in line with higher SUV sales and the ageing of the population is supporting demand for specialised vehicle retrofit components. The rise of global platforms, while representing a threat to local OE component producers, is generating opportunities for the development of accessories and modification products, first developed for local use and then exported. The Australian aftermarket has also been successful in branching out into non-automotive industry sectors, such as rail, defence, mining, marine and industrial, creating further opportunities for volume growth through diversification.

However, volume growth is dependent upon strong domestic demand and a sound regulatory framework. This supplementary submission is provided to respectfully request that the Committee address the issue of national harmonisation of in-service vehicle standards.

National Harmonisation

Previous Government Inquiries and Productivity Commission reviews have provided evidence that the absence of national harmonisation of in-service vehicle standards, particularly in relation to vehicle modifications, is detrimental to the automotive manufacturing industry. The lack of harmonisation results in a requirement to manufacture in smaller volumes and it raises uncertainty which threatens future investment decisions. There is an unnecessary requirement for manufacturers to be vigilant about impending changes to vehicle standards because in our long experience with these issues, vehicle modification standards are changed by individual States without sufficient notice and are announced with little or no prior consultation with industry. Issues such as suspension modifications, automotive lighting, emissions testing and vehicle frontal protection are regularly under review and subject to change or different interpretations of the Australian Standards in each state and territory of Australia.

Small production volumes with unclear and contradictory regulations can make the manufacture of some components unviable and close down specific manufacturing lines. Frequent calls for national harmonisation have been made and agreed to and yet here we are in 2015 and as an industry association we are currently involved in advocating to Commonwealth and State authorities on no less than 12 individual issues at a time. We waste the time and effort of our member companies' engineers and product development staff in attending interstate meetings and proving again and again that components meet or exceed Australian and international standards. It is reasonable to expect that industry is producing components that are safe on Australian roads. That is not the issue here. The issue is that the requirements vary on a state by state basis and not for any sound reason. Changes are more often than not associated with the idiosyncrasy of that particular state.

The Productivity Commission review recommended National Harmonisation, a recommendation that we support – but the process for harmonisation commenced 15 years

ago and has made very little progress. In our view this is confusing to both the vehicle owner and the manufacturers.

It may be time for a new approach – the old one is either not working or working too slowly and there could be a more innovative way to approach this issue.

Accordingly it is recommended that:

Consideration be given to formulating a national law that establishes that if a vehicle complies with all Vehicle Standards Regulations in the state in which that vehicle is registered, it is deemed to be a compliant vehicle on all roads in Australia.

This recommendation if implemented could be the required impetus for the States and Territories to finally agree on harmonised standards for the most common areas of modifications: lights, bullbars, suspension and emissions testing. Without a new approach or an increased effort, we cannot see a universal agreement on National Harmonisation proceeding at an acceptable pace – it's already been 15 years in the making without clear progress.

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