



Federal Chamber of Automotive Industries

# ANNUAL REPORT 2013

# FCAI MEMBERS

- > Ateco Automotive Pty Ltd
- > Audi Australia Pty Limited
- > BMW Australia
- > BMW Motorrad Australia
- > BRP Australia Pty Ltd
- > Federation of Automotive Products Manufacturers
- > Ferrari Australasia Pty Ltd
- > Fiat Chrysler Group
- > Ford Motor Company of Australia Limited
- > GM Holden Ltd
- > Harley-Davidson Australia Pty Ltd
- > Honda Australia Pty Ltd
- > Honda Australia MPE Pty Ltd
- > Hyundai Motor Company Australia Pty Ltd
- > Isuzu UTE Australia Pty Ltd
- > Jaguar Land Rover Asia Pacific
- > John Sample Automotive Pty Ltd
- > Kawasaki Motors Pty Ltd
- > Kia Motors Australia
- > KTM Australia
- > KYMCO Australia and New Zealand
- > Lexus Australia
- > Mazda Australia Pty Limited
- > Mercedes-Benz Australia / Pacific Pty Ltd
- > Mitsubishi Motors Australia Ltd
- > N F Importers Pty Ltd
- > Nissan Motor Company (Australia)
- > Peter Stevens Importers
- > Porsche Cars Australia Pty Ltd
- > Proton Cars Australia Pty Limited
- > Renault Cars Australia
- > Sime Darby Motors Group
- > Skoda Australia
- > Subaru (Aust) Pty Limited
- > Suzuki Australia Pty Limited
- > Suzuki Motorcycles Australia
- > Toyota Motor Corporation Australia Limited
- > Victory Motorcycles Australia Pty Ltd
- > Volkswagen Group Australia Pty Ltd
- > Volvo Car Australia Pty Ltd
- > Yamaha Motor Australia Pty Ltd

## LIFE MEMBERS

1982	BL Burton CBE
1983	DI Donaldson AM
1987	RC Hunt
1990	WL Dix AO
1991	IA Deveson AO
1993	RH Johnston AO
1994	BW Schlickum
1995	JH Conomos AO
1996	LP Daphne
1997	MD Gough
1997	MT Quinn AM
1998	IF Grigg AM
1999	DM Morgan
2001	P Thomas AM
2002	PH Hanenberger
2006	T Phillips
2006	S Strickland
2007	PM Sturrock
2008	TK Amery
2010	RJH McEniry
2011	L Smalley
2013	DG Dickson
2013	M Yasuda

# REPRESENTING THE AUSTRALIAN AUTOMOTIVE INDUSTRY

The Federal Chamber of Automotive Industries (FCAI) is the peak industry organisation representing the manufacturers and importers of passenger vehicles, light commercial vehicles and motorcycles in Australia.

Australia's automotive industry is a major contributor to Australia's lifestyle, economy and community. It is wide-ranging, involving importers, manufacturers, distributors, retailers, servicing, financing, logistics and transport. Automotive manufacturing is the largest manufacturing sector in Australia.

## In 2013:

- 1,136,227 motor vehicles were sold in Australia.
- 114,094 motorcycles, ATVs and scooters were sold.
- There were 67 automotive brands in the Australian market.
- More than 290,000 people were directly employed in motor vehicle and parts manufacturing, wholesaling, retailing and automotive repair and maintenance.
- All passenger vehicles contributed less than 8 per cent of Australia's annual greenhouse gas emissions.
- The average new vehicle emitted 24 per cent fewer CO<sub>2</sub> emissions than in 2000.
- Up to 75 per cent of vehicle components were recycled or re-used.
- The effective average tariff rate was 3.5 per cent, taking free trade agreements into account, down from over 30 per cent in the 1990s.

## Other key facts:

- The Australian automotive sector exported around \$3.65 billion worth of vehicles and components in 2012–13.
- The Australian automotive sector imported around \$34 billion worth of vehicles and components in 2012–13.
- The automotive industry was the largest contributor to manufacturing research and development in Australia, investing around \$693 million in 2011–12.

# PRESIDENT'S REPORT



Bob Graziano

2013 was another challenging year for the Australian automotive industry.

The lengthy lead-up to the Federal Election presented a period of policy uncertainty for all of us.

The unexpected proposal for a change to the FBT eligibility rules for motor vehicles saw an immediate sales decline in the second-half of the year;

And sadly, Ford and Holden announced their plans to cease manufacturing in Australia in 2016 and 2017 respectively.

Earlier this year, Toyota also announced its intention to cease automotive manufacturing in Australia, meaning that from 2018, Australia will be one of only two G20 member nations without automotive manufacturing capabilities.

With Saudi Arabia currently investing heavily to build a domestic automotive industry, Australia may soon be the only G20 country without car manufacturing.

The Australian automotive industry can thrive as an import-only industry but we must acknowledge the range of new challenges this situation presents.

Historically, the Government has considered the potential impact to the domestic automotive manufacturing industry when making policy decisions.

Now, even more than ever before, we must unite as an industry to advocate the value we add to Australia, and the significant impacts potential policy changes might have on us, and Australia as a whole.

And we remain a very significant industry in our own right. Last year we collectively sold more than

1.1 million motor vehicles and 114,000 new motorcycles, ATVs and scooters.

That represents nearly \$38 billion, just in wholesale terms. With GST, stamp duty and registration charges, this represents a substantial contribution to State and Federal Government coffers.

## LARGE-SCALE IMPORTATION OF SECOND-HAND "GREY" VEHICLES

There will always be challenges for our industry.

One such challenge is the issue of the large-scale importation of second-hand "Grey" vehicles and motorcycles.

In January, the Productivity Commission said "the policy rationale for prohibiting the large-scale importation of second-hand vehicles is weak".

And in the coming months the Federal Government will begin a review of the Motor Vehicle Standards Act to identify options to reduce the regulatory burden and costs, and improve safety, environmental and anti-theft provisions.

The FCAI is discussing this matter with the Federal Government and raising awareness of the negative impact that allowing large-scale second-hand "Grey" imports into the country could have for Australians.

Last month, the Secretariat held meetings in Sydney and Melbourne

to inform Members of progress on this important issue. They also visited New Zealand to gain insight into the impact of second-hand vehicles on the New Zealand market.

New Zealand opened up their market to used car imports in 1988. At that time, new car sales plummeted, and they have never recovered.

Imagine the consequences if next year we sold less new cars than the 522,000 we sold in 1988.

Today, the majority of cars imported into New Zealand are second-hand and the average age of these imported vehicles is 8 years. This has taken the average age of the New Zealand fleet to around 14 years, up from 11.5 years just a decade ago.

In Australia, the average age of our vehicle car parc is 10 years, with the average age declining steadily.

Tony and the team are responding to this threat strongly and with the help of all Members, I hope we can inform the Federal Government, the media and the Australian community about the negative impact of allowing the large-scale importation of second-hand “Grey” vehicles into our market.

We also need to do a better job of communicating the quality, safety, affordability and fuel efficiency of the new cars available for sale in this market.

On a related note, we must also start rigorously promoting the value and importance of consumers using genuine parts for service and crash repairs. For safety reasons alone, there is simply no justification to use sub-standard aftermarket parts.

We are concerned that some non-genuine part manufacturers don’t comply with either corporate standards or national standards for vehicle safety, anti-theft and emissions. This means non-genuine parts may compromise the safety, security and environmental standards of the vehicle they are fitted to.

The FCAI is looking at options for the promotion of genuine parts, to help ensure the integrity of Australian

motor vehicles and motorcycles, and the safety of Australians consumers.

These options range from a collective communications program, through to Federal regulatory approaches.

## MOTORCYCLING IN AUSTRALIA

The issue of non-genuine parts and “Grey” imports is also highlighted in our new Motorcycle Strategy for the years 2014 to 2016.

Last year, the FCAI Motorcycle Group looked carefully at the range of issues affecting motorcycling in Australia and developed a strategy that identifies the role the FCAI will play over the next three years to ensure the motorcycle industry’s needs are considered in relation to key issues such as:

- Transport policy and urban planning;
- Energy efficiency and emissions;
- Safety;
- Off-road licencing and land use; and,
- Design standards and new technologies.

## FREE TRADE AGREEMENTS

In the past year, we have seen a number of developments on the international trade front, which will have significant implications for the automotive industry here in Australia.

Over the course of this year, Australia has concluded negotiations with two of our largest trading partners—South Korea and Japan. These Free Trade Agreements not only have implications for new car and motorcycle sales in Australia, but they also have the potential to impact us more broadly. Take the issue I just referred to, that of second-hand “Grey” imports.

When the Government released the text of the Korea–Australia Free Trade Agreement, we found that it included a provision that will drop the tariff on second-hand cars to zero over three years.

While that is not a major concern for us as domestic Korean vehicles are left-hand drive, the prospect of this being included in Australia’s free trade negotiations with Japan is very concerning.

Japan is uniquely placed to sell its second-hand “Grey” cars in Australia because both countries are right-hand drive.

As a result of Japanese Government incentives for consumers to purchase new cars, Japan has a very large pool of second-hand cars, which are already exported around the world.

Owing to this, the FCAI lobbied the Federal Government to ensure there are no provisions in the Japan–Australia Economic Partnership Agreement that replicated those contained in the Korea–Australia FTA.

Thankfully, while the full text of the Agreement is yet released, we have it on good authority that we have been successful in our efforts to ensure the primary \$12,000 tariff on second-hand “Grey” imports will remain in place.

Looking further at international trade, we all know too well that Australia is the most open and competitive car market in the world.

Already, vehicles from the United States, Malaysia and Thailand arrive in this country without any automotive tariffs.

With the Government concluding FTA discussions with South Korea and Japan, soon vehicles from those countries will also land in Australia without any automotive tariffs. This means, when those agreements are fully in effect, around two-thirds of all motor vehicles coming into Australia will do so duty-free.

I expect this will only further increase competition in our already crowded marketplace, making

Australia one of the most affordable countries in the world to own and operate a modern car or motorcycle.

As we wait for the full text of the Japan–Australia Economic Partnership Agreement, I am pleased that as an industry we were quick to dispel the myth touted in media reports that consumers would see a 5 percent drop in the retail price of new vehicles as a direct result of the 5 percent tariff reduction.

It was important that Australians were made aware that the 5 percent tariff applies to the Ex-Factory or Free On Board (FOB) value of an imported car, not the retail price.

## THE AUTOMOTIVE TRANSFORMATION SCHEME

The FCAI has been actively lobbying the Federal Government about the design and structure of funding support for domestic manufacturing, as Ford, Holden and Toyota transition their operations.

The FCAI remains of the very strong view that the Federal Government should not cut \$500 million from the ATS, and that the ATS program should be restructured rather than abolished in 2018. It is critical for everyone who works in the automotive industry, that there is an orderly exit from manufacturing.

If left unaddressed, this situation could bring about an early closure of the entire domestic automotive manufacturing industry, particularly due to increased financial pressure on companies in the supply chain, many of which have factored ATS into their long-term business strategies.

## THE FUTURE

As the industry transitions away from domestic manufacturing, the FCAI must respond to the changing environment. The FCAI Board acknowledges that the announcements regarding domestic manufacturing will affect the way the FCAI is able to advocate on behalf of the broader industry.

With this in mind, earlier this year, the Board asked the Secretariat to prepare a vision for the future, which would underpin a new long-term strategy for the automotive industry's advocacy and representation.

The Board has recognised that this will become more important in the future as domestic manufacturing will no longer be able to provide the policy leverage it has in the past.

The question we asked the Secretariat was a tough, but simple one—how do we maintain relevance in Canberra and with the decision-makers as wholesalers of motor vehicles and motorcycles?

The answer that came back from Tony and the team is straight-forward and clear.

Unlike those who seek to erode and undermine the long history of motor vehicle and motorcycle standards in this country, our brands must stand united in providing the very best new car and motorcycle safety, environmental and security standards to Australian consumers.

We are about lifting the bar higher and further to ensure that the great Australian passion for driving and riding continues into the future, with the best products available anywhere in the world.

This translates into safer cars and motorcycles, with lower accident rates, better environmental and security outcomes to provide enhanced driver and rider experiences.

The Secretariat and the Board are working through the details of how this will translate into a coherent strategy but you can be assured that this unifying theme will be present through the advocacy and representation the FCAI does on behalf of our important industry.

I would like to thank Tony for his strong leadership throughout 2013 and the members of the Secretariat for their advocacy and representation efforts on behalf of the Australian automotive industry.

I also recognise the generous contributions and efforts of my fellow Directors plus the chairpeople and members of the many FCAI Sub Committees throughout the year. Your counsel, views and hard work have been to the collective benefit of the industry.

While the year ahead looks challenging, I am confident the FCAI and all the Members here today are up for the challenge.

Thank you.

**Bob Graziano**

# CHIEF EXECUTIVE'S REPORT



Tony Weber

2013 was a record year for car sales, with Australians buying 1.13 million new cars—2.2 per cent more than the previous record set in 2012.

It was also a steady year for motorcycle sales, with Australians buying 114,000 new motorcycles, ATVs and scooters.

When I announced these sales results at the start of the year, I highlighted some interesting trends. These included:

- the continuing popularity of small cars and, a large increase in small SUV sales;
- a significant increase in private buyers purchasing light commercial vehicles; and
- a steady increase in off-road motorcycle sales.

As we move through the first half of 2014, we are seeing some of these trends continue, while some new trends emerge.

The automotive policy landscape is also changing rapidly.

## DOMESTIC MANUFACTURING

For some time now, Australia's domestic automotive manufacturers have been operating in a difficult environment.

Sadly, since the last AGM, all three of Australia's domestic automotive manufacturers have announced they will cease their Australian manufacturing operations by 2018.

As we move forward, a key focus will be to establish an environment where we retain our key operations in engineering, design and R&D.

## FBT

In July, the industry was challenged by the announcement of the immediate removal of the statutory formula method for salary-sacrificed and employer-provided cars.

This announcement was made without industry consultation and had an immediate effect on vehicle sales.

In our subsequent communication with Government and the media, we explained that the automotive industry requires long-term planning certainty to enable OEM and dealer networks to invest with confidence.

The Chamber welcomed confirmation from the incoming Government that it would not proceed with FBT change.

## NSW MOTOR DEALERS AND REPAIRERS ACT

In October, the Chamber called on the NSW Parliament to reconsider proposed changes to the NSW Motor Dealers and Repairers Act which would introduce confusing and nationally inconsistent regulations for both manufacturers and dealers.

In dealings with the Federal and NSW government, the FCAI explained that these relationships were appropriately covered by the provisions of the Federal Government's

- Competition and Consumer Act; and
- National Franchising Code.

Unfortunately, given the balance of power in the NSW Parliament, these changes have become law.

We continue our dialogue with the NSW Government on this matter.

Independent repairers and access to service and repair information

The Chamber has been working to develop a voluntary code of practice for the sharing of service and repair information.

This followed a 2012 Commonwealth inquiry into the availability of service and repair information to independent repairers.

We are working with the Government and other parts of the industry to finalise the voluntary code, which we plan to release shortly.

The Code will also be linked to a 'heads of agreement' document, which will outline the obligations of other parties associated with these activities (including AMIF, AAA, AAAA, VACC) to provide greater certainty and clarity around their members obligations to consumers.

## ANCAP

In late 2013, ANCAP proposed alignment with the European NCAP after the expiration of the current road map. To achieve alignment with Europe, ANCAP is considering moving to the Euro NCAP ratings and scoring system from the beginning of 2018. We see this as a positive development and we are working on our aim of having ANCAP develop a sensible transition to 2018.

## MOTOR VEHICLE STANDARDS ACT

In mid-2013, the Government began a review of the Motor Vehicle Standards Act, which included public consultation to consider the currency of the Act, and whether it remains effective and efficient.

In our response, the Chamber outlined the industry's need for national vehicle standards that are harmonised with the United Nations regulations.

Further to this, in 2014, the Government will undertake a comprehensive review of the Act, with a view to reducing regulatory costs to business and improving the safety of road vehicles.

In response to the review, the Chamber will continue to advocate for the harmonisation of vehicle standards with UN regulations.

The Chamber will also strongly advocate against potential changes that we understand are being considered to allow the large-scale importation of second-hand vehicles.

Fundamental to our approach in this area is the establishment of a new working group which has representatives from a number of members from both motorcycles and cars.

## IMPORTATION OF NON-GENUINE PARTS

As we move through the first-half of 2014, the Chamber continues to look at strategies to prevent the importation of parts and accessories that compromise Australian vehicles and consumer safety.

The parallel importation of parts and accessories has a negative impact on the business of authorised distributors and dealers.

More importantly, it has the very real potential to undermine the integrity of the motor vehicle. This increases the risk of adversely affecting not only the consumer's investment but also the safety of the motor vehicle. Without doubt, the importation of non-genuine, second hand and counterfeit parts is a significant concern.

The FCAI Communications Committee has been tasked with looking at ways we can assist industry-wide promotion of the value of genuine parts accessed through the authorised dealer network. On a related topic, the Chamber is of course very aware of and engaged in the current Federal Government Review of the Competition and Consumer law.

## GST AND DEALER INCENTIVES

A key issue for members has been the significant uncertainty around the GST treatment of incentives in the motor vehicle industry, which has arisen from the Federal Court decision on the AP Group case.

The Chamber has been in discussions with the Treasury and the ATO recently on this matter to gain clarity on, and raise concerns over, the tax issues arising from the Federal Court decision.

We will also continue to lobby the federal and state governments for support to amend the legislation and provide business clarity.

## PORTS

Around Australia, imports of motor vehicles continue to be delayed due to contamination issues. The Chamber is working with the Federal Department of Agriculture, our overseas counterparts and overseas governments to reduce contamination incidents.

In particular, we continue to work with state governments and port authorities to ensure the capacity of Australian ports to efficiently and effectively handle motor vehicle and motorcycle imports and exports.

## MOTORCYCLES

In 2013, the FCAI released the Motorcycle and Scooter Industries Code of Practice to give riders and dealers the best advice when purchasing new motorcycles. The Code provides dealers with information and guidance, to help ensure riders are well informed at the point of sale.

In November, a record number of visitors attended the 2013 Sydney Motorcycle and Scooter Show. The biannual show is owned by the FCAI and is the premier event for Australia's motorcycle industry.

In 2014, we will partner with Troy Bayliss Events to run a motorcycle show in Melbourne.

Looking forward, the Chamber's 2014 to 2016 Motorcycle Strategy outlines a range of issues affecting motorcycling in Australia and highlights the role we will play over the next three years to ensure the industry's needs are considered. This includes issues relating to:

- transport policy and urban planning
- energy efficiency and emissions
- safety
- off-road licencing and land use
- design standards and new technologies; and
- ATV safety

I want to thank all Chambers' members for their engagement with the Secretariat this year. I would like to acknowledge, in particular, the members represented on our various committees.

The committees are a source of strength for the FCAI because they bring together the collective interests and knowledge of our members.

The importance of the detailed knowledge of the industry is a fundamental strength in our advocacy work.

2014 has already presented the industry with new challenges, including the potential threat of policy changes, including those that would allow the large-scale importation of second-hand vehicles into Australia.

As we continue through 2014, we will continue to address issues such as this, and represent the automotive industry and promote its importance in Australia.

The FCAI must evolve in line with the changing environment in which we find ourselves working in. In response to this need, the Board has asked the Secretariat to develop a strategy paper for Chambers future. This paper will be presented to the board at the June Board Meeting.

Central to this strategy is the need for an ongoing effective communications and advocacy strategy, not just to

policy makers but to the broader driving and riding public.

Our message needs to be articulated widely and will require an integrated message across the membership base. This will be a real challenge for our new communications group.

It has been a challenging year, and the coming year looks no different. We can take comfort in the fact that as a unified industry we are a significant economic and policy force in Canberra and beyond. I thank members for their ongoing support.

**Tony Weber**

## 2013 FCAI BOARD



**Bob Graziano**  
FCAI President and  
Chairman  
President and CEO,  
Ford Motor Company  
Australia



**Martin Benders**  
FCAI Director  
Managing Director, Mazda  
Australia Pty Ltd



**Juergen Sauer**  
FCAI Director  
President and CEO,  
Mercedes-Benz Australia/  
Pacific



**Dave Buttner**  
FCAI Vice President  
Executive Vice President  
and CEO, Toyota Motor  
Corporation Australia  
Limited



**Nick Senior**  
FCAI Director  
Managing Director, Subaru  
(Australia) Pty Limited



**Michael Winkler**  
FCAI Director  
Managing Director, Porsche  
Cars Australia (to October)  
Managing Director, Jaguar  
Land Rover Australia  
(from November)



**David Blackhall**  
FCAI Vice President and  
Treasurer  
Managing Director, Jaguar  
Land Rover Asia Pacific



**Robert Toscano**  
FCAI Director  
Managing Director, Honda  
Australia MPE Pty Ltd



**William Peffer**  
FCAI Director  
Managing Director and CEO,  
Nissan Motor Company  
(to September)



**Mike Devereux**  
FCAI Director  
Chairman and Managing  
Director, GM Holden



**Ian Mearns**  
FCAI Director  
Government Affairs Director,  
Ford Motor Company of  
Australia



**Tony Weber**  
FCAI Board Secretary  
Chief Executive, FCAI

# STATE OF THE AUSTRALIAN AUTOMOTIVE INDUSTRY IN 2013

## SMALL CARS A POPULAR CHOICE IN 2013

**The 2013 full-year sales results showed some interesting trends. This included the continuing popularity of the small passenger car, the strong growth in the small SUV market, and the significant increase in private buyer purchases of light commercial vehicles.**

A total of 1,136,227 new passenger cars, SUVs and commercial vehicles were sold in the Australian market, in 2013. Passenger cars were the largest selling category, with 49.9 per cent of the market. However, this is a slight decrease compared to 2012, where passenger cars held 51.7 per cent. Sales of small passenger cars, specifically, increased 5.6 per cent compared to 2012, with around 266,500 sold.

The SUV and light commercial segments increased their share of the market in 2013, holding 29.4 and 18 per cent, respectively, compared to 27.6 and 17.8 per cent in 2012. There

was exceptional growth in the small SUV market in 2013, with sales up 23.3 per cent compared to 2012.

Sales in most states and territories across Australia rose in 2013 compared to 2012; however, sales in the Northern Territory, Queensland and Western Australia decreased slightly (by around 12 per cent in each jurisdiction). Tasmania saw exceptional growth, up 14.6 per cent compared to 2012. Sales in the Australian Capital Territory and New South Wales grew by around 2.5 per cent and sales in South Australia and Victoria grew by around 4 per cent.



In 2013, government purchases were down 20.2 per cent, or 10,291 vehicles. Business purchases were also down, by a total of 1.1 per cent. Business purchases in the SUV segment increased by 5.9 per cent. Private sales were up a total of 8.1 per cent. This included a 37.2 per cent rise in private purchases of light commercial vehicles.

Toyota was the highest volume brand in 2013 with a market share of 18.9 per cent (214,630 vehicles). Toyota was followed by Holden with 9.9 per cent (112,059 sales), Mazda with 9.1 per cent (103,144 sales), Hyundai with 8.5 per cent (97,006 sales) and Ford with 7.7 per cent (87,236 sales).

The most popular car in 2013 was the Toyota Corolla, with 43,498 sales (3.8 per cent of the market). The Corolla was followed by the Mazda3 (42,082), Toyota HiLux (39,931), Hyundai i30 (30,582) and Holden Commodore (27,766).

More information about new vehicle sales is available at [fcai.com.au](http://fcai.com.au)

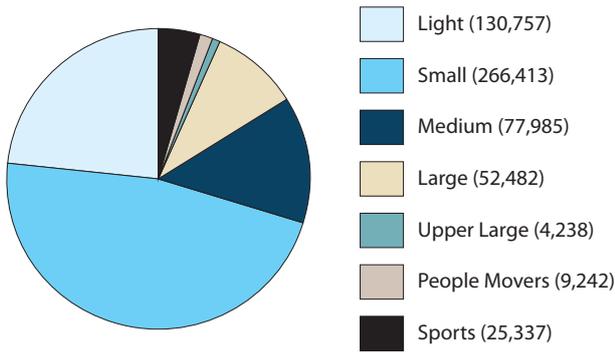
## MARKET SEGMENTATION

Segment	2013	% of total	2012	% of total	Variance (%)
Passenger	566,454	49.9	575,427	51.7	-1.6
SUV	333,511	29.4	307,253	27.6	8.5
Light Commercial	204,566	18.0	197,704	17.8	3.5
Heavy Commercial	31,696	2.8	31,648	2.8	0.2
Total Market	1,136,227	-	1,112,032	-	2.2

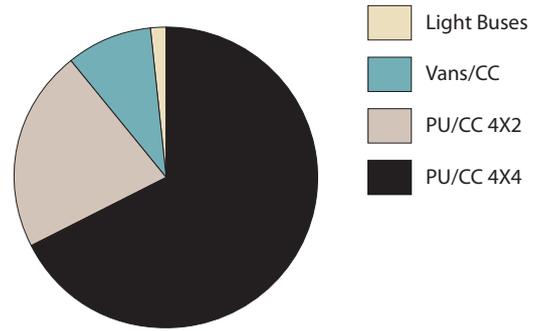
## TOP 10 VEHICLE SALES BY BRAND

Rank	Brand	2013	2012	% change
1.	Toyota	214,630	218,176	-1.6
2.	Holden	112,059	114,665	-2.3
3.	Mazda	103,144	103,886	-0.7
4.	Hyundai	97,006	91,536	5.6
5.	Ford	87,236	90,408	-3.6
6.	Nissan	76,733	79,747	-3.9
7.	Mitsubishi	71,528	58,868	17.7
8.	Volkswagen	54,892	54,835	0.1
9.	Subaru	40,200	40,189	0.0
10.	Honda	39,258	35,812	8.8

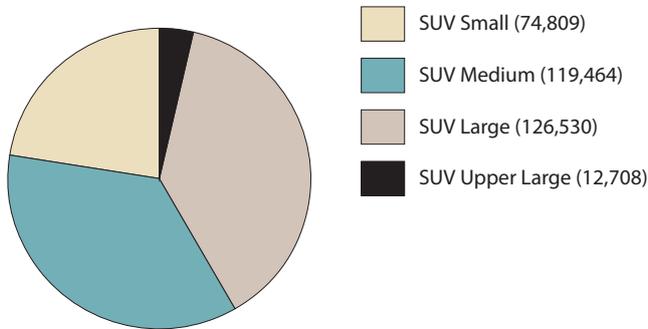
**Passenger motor vehicle sales**  
566,454



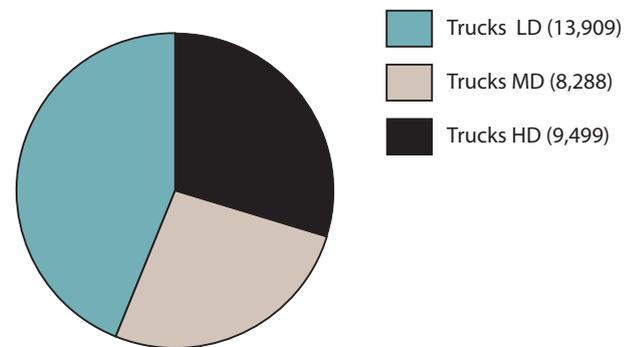
**Light commercial sales**  
204,566



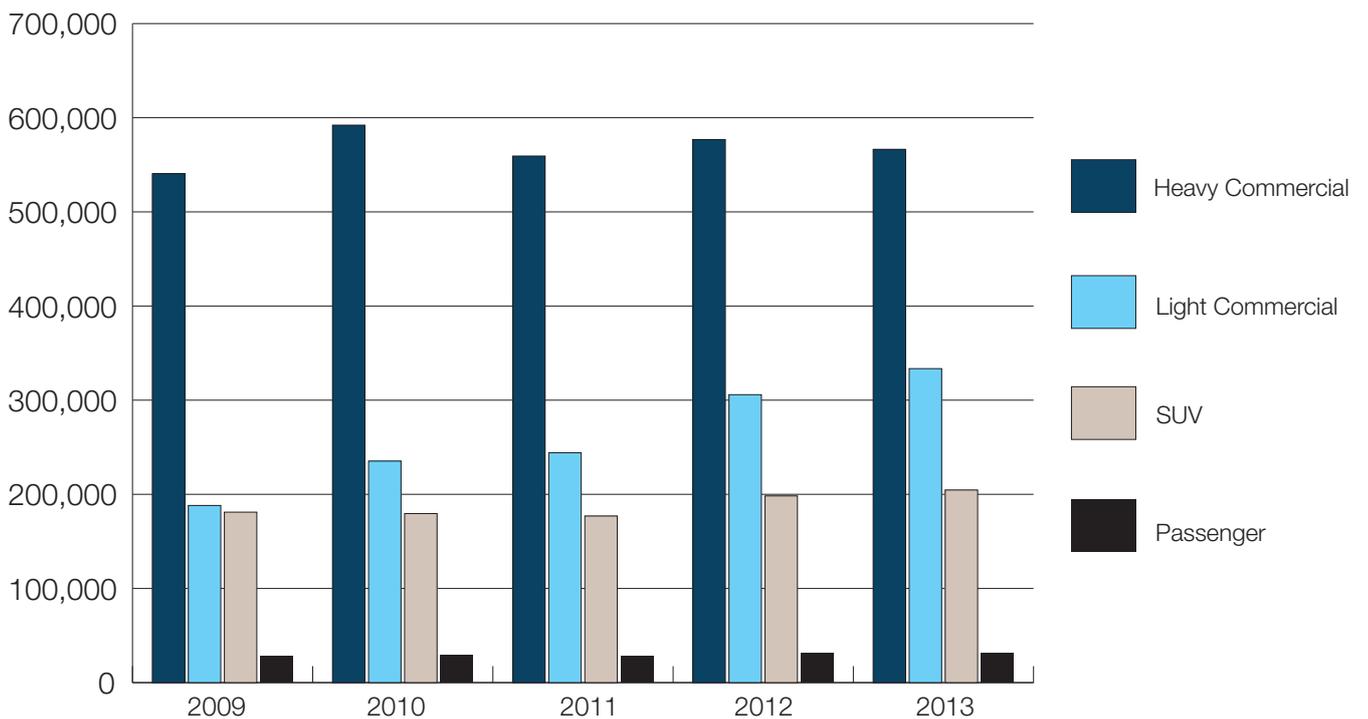
**SUV sales**  
333,511



**Heavy commercial sales**  
31,696



**Australia's new vehicle market**



## MOTORCYCLE SALES DOWN 2 PER CENT

Motorcycle sales in Australia stayed reasonably flat in 2013, with Australians buying 114,094 new motorcycles, All-terrain vehicles (ATVs) and scooters. However, road and off-road motorcycle sales increase, compared to 2012, with sales of road motorcycles up 0.5 per cent and off-road motorcycles up 3.4 per cent. Scooter sales decreased 10.9 per cent and ATV sales declined by 10.6 per cent.

Honda was the leading volume manufacturer for 2013 with around 22 per cent of the total motorcycle, scooter and ATV market (25,432 sales). Honda was followed by Yamaha with almost 18 per cent of the market (20,087). Kawasaki was third with around 10 per cent (11,683) and Suzuki was fourth with 9.5 per cent (10,818).

Road motorcycles were the most popular choice, with almost 39 per cent of buyers taking a road bike home. Around 34 per cent of buyers purchased an off-road bike, almost 19 per cent bought an ATV and around 8 per cent acquired a scooter.

Sales of off-road motorcycles grew by over 3 per cent (or 1,291 units) compared to 2012, while on road motorcycle sales grew only slightly—by 0.5 per cent, or 239 units.

Yamaha led the market for off-road motorcycles, selling more than 29 per cent (11,552 units) of the total 39,566 off-road bikes sold. Yamaha was followed by Honda with around 26 per cent (10,317) and KTM with around 16 per cent (6,754).

Honda was the top seller in the road bike category, selling more than 20 per cent (8,998 units) of the total 43,822 road bikes sold. Harley-Davidson was second with almost 19 per cent (8,218) and Kawasaki was third with around 16 per cent (6,852).

For the second year in a row, scooter sales declined. Sales dropped 12.4 per cent (or 1,184 units) compared to 2012 sales figures.



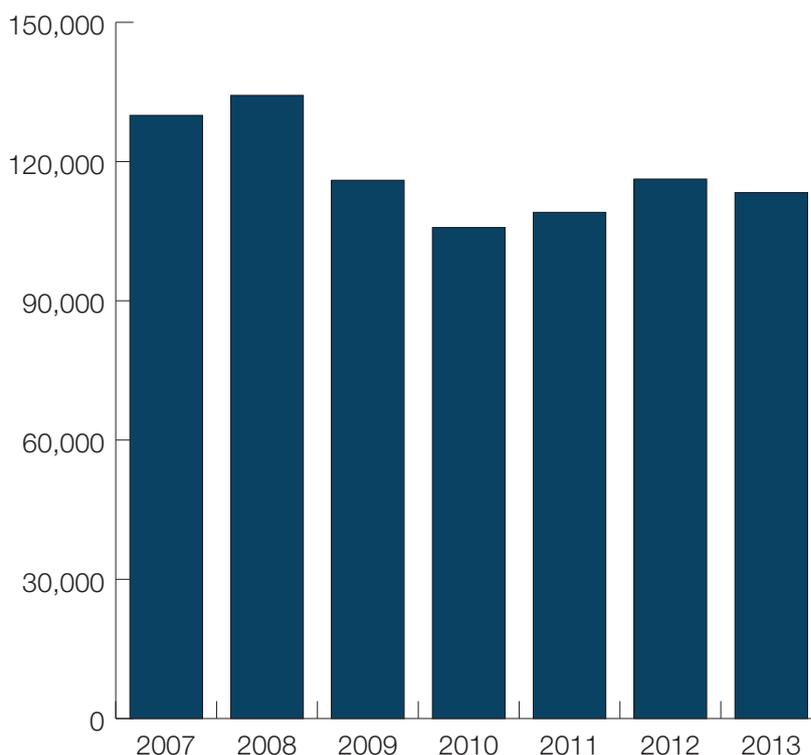
Piaggio topped the list in the scooter market, selling almost 17 per cent (1,634 units) of the total 9,634 scooters sold. BMW and Yamaha were the only manufacturers who saw an increase in scooter sales in 2013. This was BMW's first full year of scooter sales in Australia.

ATVs suffered the largest decrease in sales with 2,498 fewer units sold in 2013 compared with 2012. Honda was the leading brand in the ATV

market, selling more than 23 per cent (4,938 units) of the total 21,072 ATVs sold.

In what was a tough year, Victory Motorcycles increased their overall sales by 10.6 per cent, KTM increased by 20 per cent, Kawasaki increased by just over 7 per cent and BRP Australia increased by nearly 19 per cent.

Motorcycle sales 2007–13



## MARKET SEGMENTATION

Segment	2013	% of total	2012	% of total	Variance (%)
Road bikes	43,822	38.4	43,583	37.5	0.5
Off-road bikes	39,013	34.7	38,275	32.9	3.4
Scooters	9,634	8.4	10,818	9.3	-10.9
ATVs	21,072	18.5	23,570	20.3	-10.6
Total Market	114,094	-	116,246	-	-1.9

## TOP 10 MOTORCYCLE SALES BY BRAND

Brand	2013	2012	% change
Honda	25,432	26,034	-2.3
Yamaha	20,087	20,185	0.5
Kawasaki	11,683	10,908	7.1
Suzuki	10,818	12,463	13.2
Harley-Davidson	8,218	7,825	5.0
KTM	7,097	5,916	19.9
Polaris	4,450	5,326	16.4
Triumph	3,029	3,057	0.9
CF MOTO	2,496	2,247	11.1
BMW	2,198	2,125	3.4



# KEY ACTIVITIES

## SUBMISSIONS

In 2013, the FCAI submitted responses to a range of government reviews. These submissions can be downloaded from the FCAI website, [fcai.com.au](http://fcai.com.au)

### **February**

Federal Government Review of the National Franchising Code.

Productivity Commission Inquiry on the National Access Regime and Competition and Infrastructure Reform Agreement.

### **March**

National Transport Commission's Cooperative ITS Regulatory Policy Issues discussion paper.

### **April**

Senate Economics Committee review of the Tax Laws Amendment (Countering Tax Avoidance and Multinational Profit Shifting) Bill.

### **June**

Transport Department's Regulation Impact Statement for Brake Assist Systems.

Transport Department's Regulation Impact Statement for the Control of Light Commercial Vehicle Stability.

Transport Department's public consultation process on the Motor Vehicle Standards Act 1989.

### **July**

Trade Department's Asian Century Country Strategies.

Resources Department's Mandatory Petroleum Reporting Regime discussion paper.

Industry Department's Review of the Franchising Code of Conduct.

### **November**

Productivity Commission's Inquiry into Australia's automotive manufacturing industry.

Advisory Council on Intellectual Property Submission on Parallel Imports.

Australian Tax Office consultation on incentives in the motor vehicle industry and GST/LCT issues.

## CO2

During 2013, the FCAI continued to discuss the issue of CO2 emissions from new motor vehicles, with the Environment Department and Transport Minister's office. The FCAI also contributed to the development of the eligibility guidelines for the

Emissions Reduction Fund. This included advocating for supply side incentives for low and zero emission motor vehicles.

### REDUCING CO2 EMISSIONS

Average new car CO2 emissions have reduced by almost 24 per cent since 2002.

The automotive industry is one of the few industries in Australia to deliver a reduction in CO2 emissions well over the Australian Government's overall target of 5 per cent by 2020.

The automotive industry continues to deliver reductions in CO2 emissions every year with a 3.4 per cent reduction in 2013.

Year	Average CO2 emissions (g/km)*	Annual change (%)	Change from base (%)
2002	252.4	n/a	n/a
2003	249.5	-1.1	-1.1
2004	246.5	-1.2	-2.3
2005	240.5	-2.4	-4.7
2006	230.3	-4.2	-8.8
2007	226.4	-1.7	-10.3
2008	222.4	-1.8	-11.9
2009	218.6	-1.7	-13.4
2010	212.6	-2.7	-15.8
2011	206.6	-2.8	-18.1
2012	199.0	-3.7	-21.2
2013	192.2	-3.4	-23.9



## ADVERTISING CODE OF PRACTICE

In early 2013, the FCAI completed its review of the operation of the Advertising Code of Practice. The review considered the number of complaints received and upheld by the Advertising Standards Board during the four year period from 2009 to 2012, as a proportion of the estimated annual advertising conducted by FCAI members. The review found a high level of compliance. Less than 2 per cent of advertisements receive complaints and less than 1 per cent of all advertisements by FCAI members were found to be in breach of the Advertising Code.

## VEHICLE STANDARDS AND SAFETY

During 2013, the FCAI worked with the Federal Government on a review concerning the mandating of Brake Assist Systems (BAS) on passenger cars, SUVs and light commercial vehicles; and the mandating Electronic Stability Control (ESC) on light commercial vehicles.

During this process, the FCAI negotiated the introduction timings for the mandates, with the Government. These negotiations resulted in the Government announcing introduction timeframes for BAS and ESC that took into account similar regulations in other major markets, and motor vehicle companies' existing product plans. The timeframes are:

- BAS on passenger vehicles and SUVs (MA, MB and MC category vehicles) from:
  - 1 November 2015 on new model vehicles, and
  - 1 November 2016 on all vehicles.
- ESC and BAS on light commercial (NA category) vehicles from:
  - 1 November 2015 on new model vehicles, and
  - 1 November 2017 on all vehicles.

## MOTOR VEHICLE STANDARDS ACT REVIEW

In June 2013, the FCAI responded to the Federal Government's review of the Motor Vehicle Standards Act 1989, outlining the industry's need for national vehicle standards that are harmonised with the United Nations Economic Commission for Europe regulations. The response also highlighted the importance of adequately resourcing the vehicle certification process, as FCAI members need to have certification of a new model prior to its introduction into Australia.

## FREE TRADE AGREEMENTS

Throughout 2013, the FCAI engaged with the Federal Government on a number of trade agreement negotiations, including negotiations on the Trans-Pacific Partnership and the Regional Comprehensive Economic Partnership. The FCAI argued that as one of the most open markets in the world, Australia also needed reciprocal market access into other markets.

On 5 December, the Government announced the conclusion of negotiations for a Free Trade Agreement with the Republic of Korea. The Agreement provides for a scaled reduction in the tariff level for Korean motor vehicles imported into Australia.

## DOMESTIC MANUFACTURING

Throughout 2013, the FCAI engaged with the Federal Government and the broader Parliament about the importance of long-term certainty in automotive industry policy.

In early 2013, the FCAI commissioned the Allen Consulting Group to prepare a report on the value of the domestic automotive manufacturing industry to the broader Australian

economy. The report was released in November. It showed the Australian economy would be \$21.5 billion smaller if automotive manufacturing left the country in 2018. In particular, Melbourne and Adelaide will be heavily impacted with significant job losses and a long-term fall in gross regional product (GRP). The economic analysis for the report was undertaken by Monash University's Centre of Policy Studies.

On 30 October, Treasurer Joe Hockey and Industry Minister Ian Macfarlane released the Terms of Reference for the Productivity Commission inquiry into the Australian automotive manufacturing industry. The review was anticipated and was a long-standing Coalition commitment.

The FCAI was actively involved in the Commission's Inquiry. In particular, in November, the FCAI provided a written submission, which was based on and included the Allen Consulting Group report, to the Commission. The report detailed the value of the industry, including the returns Australians receive on their tax dollar, through direct foreign investment, employment, skills, training, technology transfer and research. The report also noted the spill-over benefits that flow from automotive manufacturing into other industries and areas of the economy. In December, the FCAI President and Chief Executive attended a public hearing for the inquiry, in Melbourne.

The Productivity Commission is expected to deliver their report to the Government in 2014. The FCAI submission to the Productivity Commission Inquiry and a link to the Allen Consulting Group report are available on the FCAI website, [fcai.com.au](http://fcai.com.au)

Unfortunately, in 2013, two of Australia's three domestic manufacturers, Ford and Holden, announced that they will cease automotive manufacturing in Australia by 2018. In February 2014, Toyota also announced that it will cease motor vehicle manufacturing in Australia by 2018.

## FBT CHANGE

On 16 July 2013, the Federal Government announced it would immediately remove the statutory formula method for both salary-sacrificed and employer-provided cars. The FCAI strongly opposed the measure, noting that it would have negative consequences for Australia's vehicle industry, both locally-made and imported.

The FCAI engaged with the Government, Coalition and a range of stakeholders on this matter, and in the weeks that followed the announcement (through to the result of the 2013 Federal Election), raised awareness of the significant negative effect the change had and would continue to have on the industry.

The FBT announcement negatively impacted new car sales, with sales showing a decline since the announcement. Prior to the Government's 16 July FBT change, vehicle sales had increased, on average, by around 4.8 per cent each month, compared to the same periods from 2012.

The FCAI welcomed the announcement by the incoming Coalition Government to not proceed with the previous Government's FBT change.

## SHARING OF SERVICE AND REPAIR INFORMATION

Throughout 2013, the FCAI worked on the development of a voluntary code of practice for the sharing of service and repair information. This follows the 2012 Commonwealth Consumer Affairs Advisory Committee (CCAAC) inquiry into the availability of service and repair information to independent repairers. It is expected the Voluntary Code will be released in 2014.

## NSW MOTOR DEALERS AND REPAIRERS ACT 2013

From October 2013, the FCAI lobbied against the NSW Government's proposed introduction of the Motor Dealers and Repairers Bill 2013. NSW Fair Trading Minister Anthony Roberts introduced the Bill into the NSW Parliament in October. The FCAI was consulted on the details of the Bill, nor were FCAI members.

Key issues that the FCAI focussed on in its lobbying efforts included, the need for a nationally consistent approach to dealer–distributor legislation through the Australian Consumer Law, and the sanctity of dealers and manufacturers business relationships.

## GST AND DEALER INCENTIVES

From November, the FCAI engaged the Australian Tax Office to gain clarity on, and raise concerns over, law arising from a Federal Court decision (AP Eagers case), which led to significant uncertainty around the GST treatment of incentives in the motor vehicle industry. While addressing specific terms and conditions of five actual incentives put up as a form of test case, the Court decision does not give the broader guidance the industry and the Tax Office were hoping for in respect of GST treatment of rebates and incentives more generally.

## MOTORCYCLE SHOW

From 15–17 November, the motorcycle industry presented itself to a record number of patrons at the 2013 Sydney Motorcycle and Scooter Show. The Show is the premier event for Australia's motorcycle industry and is the only show in Australia currently owned by the FCAI. It is held biannually, and showcases new motorcycles, ATVs, and other related recreational products. More than 28,000 patrons attended the Show,

which also included stunt riding, celebrity interviews and retail opportunities. The Show consisted of over 140 exhibitors, including all FCAI Motorcycle Group members.

In December, the FCAI released an expression of interest to find a suitably qualified organisation to partner with in the management and running of motorcycle shows in Melbourne, the first to be held in 2014. The show is to run every second year, in the alternate year to the Sydney Motorcycle and Scooter Show.

## MOTORCYCLE AND SCOOTER CODE OF PRACTICE

In November, the FCAI released the Motorcycle and Scooter Industry Code of Practice, which promotes rider safety by ensuring motorcycle dealers have the latest licencing information and the guidance they need to help inform riders at the point of sale. The Code helps ensure industry-wide best practice relating to the sale and registration of motorcycles. The Code is available on the FCAI website, [fcai.com.au](http://fcai.com.au)

## MOTORCYCLE STRATEGY 2014 – 2016

In November, the FCAI released the 2014–16 Motorcycle Strategy, which outlines a range of issues affecting motorcycling in Australia and highlights the role the FCAI will play over the next three years to ensure the needs of the industry and riders are considered. The Strategy is available on the FCAI website, [fcai.com.au](http://fcai.com.au)

## RIDE-AWAY CALCULATOR

In late 2013, the FCAI began work, with Polk, to develop a motorcycle ride-away price calculator. This follows the success of the drive-away

calculator, which was launched in 2010. The new calculator will give consumers a ride-away price inclusive of registration fees, compulsory third party insurance and applicable state taxes and charges.

## ATV SAFETY

In 2013, the FCAI continued to promote the safe use of ATVs. Specifically, the FCAI has repeatedly called for ATV users to follow the 'nine steps to stay safe':

- > Select the right vehicle for your purposes
- > Read the owner's manual and watch the safety video provided with the ATV
- > Undertake training
- > Always wear a helmet
- > Children under 16 must not ride adult sized ATVs
- > Do not carry more than the manufacturer's approved number of passengers
- > Do not overload your ATV (check your manufacturer's guide)
- > Never exceed manufacturer's guidelines for loading and towing
- > Do not install ROPS or CPDs

These nine steps and more information on ATV safety is available on the FCAI's ATV safety website, [atvsafety.com.au](http://atvsafety.com.au)

## ATV RESEARCH

The University of New South Wales's Quad Bike Performance Project (QBPP) continued through 2013. The project seeks to develop a system for ranking the relative safety of ATVs and sidebyside vehicles by rating their static and dynamic stability as well as their crashworthiness. The FCAI has been providing technical assistance directly to the researchers, as well as through the Project Reference Group (PRG), since the beginning the project in 2012. It is anticipated that the project will be completed during in 2014.

# AUDITOR'S REPORT



## **Independent auditor's report to the members of Federal Chamber of Automotive Industries Limited**

### ***Report on the financial report***

We have audited the accompanying financial report of Federal Chamber of Automotive Industries Limited (the company), which comprises the balance sheet as at 31 December 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

### ***Directors' responsibility for the financial report***

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

### ***Auditor's responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Independence***

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

### ***Auditor's opinion***

In our opinion, the financial report of Federal Chamber of Automotive Industries Limited is in accordance with the *Corporations Act 2001*, including:

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- (a) giving a true and fair view of the company's financial position as at 31 December 2013 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

A handwritten signature in cursive script, appearing to read 'PricewaterhouseCoopers', written in black ink.

PricewaterhouseCoopers

A handwritten signature in cursive script, appearing to read 'David Murphy', written in black ink.

David Murphy  
Partner

Canberra  
20 February 2014

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