



2016 Top Markets Report **Automotive Parts** Country Case Study

Australia

Type: Mature; Diverse Market with Modest Growth

Australia’s auto market is mature with modest growth expected going forward. BMI forecasts that new vehicle sales in Australia will increase 6.8 percent between 2015 and 2019, growing to 1.2 million units in 2019. Australia was the seventh largest destination for U.S. auto parts exports in 2015, and the market has relatively few barriers for U.S. companies. Since auto production in Australia is winding down over the next couple of years, future U.S. parts exports will be for aftermarket use.

Original
Equipment
Rank

17

Aftermarket
Rank

12

Overview of the Automotive Parts Market in Australia

In 2015, sales of new passenger cars, SUVs and commercial vehicles in Australia totaled a record 1.2 million units, which was an increase of 3.8 percent from 2014. Passenger cars accounted for 44.6 percent of the market; SUVs accounted for 35.4 percent of the market; light commercial vehicles were 17.2 percent of the market, and heavy trucks were 2.8 percent. Market leaders were Toyota (17.8 percent market share), Mazda (9.9 percent), GM Holden (8.9 percent), Hyundai (8.8 percent) and Mitsubishi (6.2 percent). Australia is one of the most open automobile markets in the world with almost 70 brands and 350 different models being offered for sale. Popular vehicles include the Toyota Corolla, Mazda3, Toyota Hilux, Hyundai i30 and the Ford Ranger.

Currently, there are three vehicle manufacturers and approximately 140 original equipment suppliers

producing in Australia. For the first 10 months of 2015, BMI reported that auto production was 143,349 units, a decrease of 4.5 percent from 2014’s first 10 months.

However, by the end of 2017, Australia’s vehicle production is expected to end. Ford will stop producing vehicles and engines in Australia in October 2016. In addition, both Toyota and GM Holden will no longer produce vehicles and engines in Australia by the end of 2017. The automakers will still sell and distribute their imported vehicles in the country. Ford also plans on maintaining vehicle development and engineering capabilities in Australia, and Holden plans to continue to design and engineer vehicles. Australia’s low tariffs for imported vehicles, relatively high production costs for the region, reduced economies of scale (for automakers and suppliers), and the value of the Australian dollar contributed to the decisions to end local vehicle production.

Figure 1: 2015 Australian Automotive Market

Sales (units)	1,155,408
U.S. Auto Parts Exports to Australia	\$1,291,505,053
Total Australian Auto Parts Imports	\$7,150,362,174
Total Domestic Vehicle Production	172,000 (est.)
Vehicles in Operation	~17 million
U.S. Auto Parts Export Growth 2009-2015	+88%

After vehicle assembly ceases in Australia, some original equipment suppliers in Australia are expected to survive by exporting, producing for the aftermarket and/or diversifying their products; many suppliers, however, are expected to close. Some are relocating production to low cost markets.

Australia has one of the highest vehicle ownership rates in the world, with an estimated 764 vehicles per 1,000 people. The average age of all vehicles registered in Australia is 10.1 years, and there are approximately 17 million total vehicles in operation. The average annual growth rate for passenger cars registered from 2010 to 2015 was 10.4 percent. Gasoline vehicles accounted for almost 78 percent of the total vehicle fleet, and diesel vehicles accounted for almost 20 percent of the total vehicle fleet.

The Australian aftermarket for replacement parts and accessories is estimated to be worth between \$5 and \$6 billion and is split fairly evenly between local producers and imports. Annual Australian exports of aftermarket parts are estimated by the Australian Automotive Aftermarket Association (AAAA) to be \$800 million.

U.S. auto parts exports to Australia have grown from approximately \$1.1 billion in 2010 to almost \$1.3 billion in 2015. In 2014, the United States and China were virtually tied in being Australia's top source of imports of auto parts, each with 19 percent of the import market. Japan was the third largest supplier, comprising 11 percent of the imports, followed by Thailand, Germany and Korea.

There are approximately 4,000 vehicle dealer franchises in Australia. The AAAA estimates that

over 60 percent of vehicles are serviced in Australia's independent aftermarket, and 70 percent of the replacement parts and accessories sold in Australia are from channels other than vehicle dealers.

Challenges and Barriers to Automotive Parts Exports

The Australian auto parts market is competitive, and U.S. companies compete with a well-established domestic manufacturing industry as well as with other global suppliers for both new and remanufactured parts. The large number of global automakers selling in the market, as well as the market's growth, has aftermarket suppliers from around the globe competing for sales. Although Australia has a free trade agreement with the United States, it also has free trade agreements with other large trade partners, including China, which came into force in December 2015. In addition, currency exchange rates can obviously affect demand for U.S. products and suppliers' price competitiveness. Australia's long distance from the United States must also be taken into consideration when shipping products and when providing support and service to Australian customers.

Opportunities for U.S. Companies

Although Australia will no longer assemble autos after 2017, opportunities remain for certain segments of the aftermarket, particularly for U.S. specialty equipment and aftermarket products for trucks and SUVs. U.S. manufacturers have a good reputation in Australia for making high-quality, well-engineered auto aftermarket and specialty products.

Currently, there are relatively few barriers to exporting automotive products to Australia. If products can be classified as automotive items of minimum 51 percent U.S. content, there are no customs tariffs under the U.S.-Australia Free Trade Agreement. Documentation stating the rules of origin should accompany the shipment of goods.

U.S. aftermarket parts for off-road vehicles and SUVs, such as suspension components, have excellent potential in Australia. According to 4x4australia.com, the top-selling 4x4 vehicles in Australia are Toyota Hilux, Ford Ranger, Mitsubishi Triton, Holden Colorado, Toyota Prado, Nissan

Navara, Jeep Grand Cherokee, Isuzu D-Max, Mazda BT-50 and Toyota Land Cruiser 200 Series.

Australians also enjoy high-performance and luxury vehicles, which increases opportunities for related U.S. aftermarket parts. Mercedes, BMW and Audi are leaders in luxury vehicle sales, with Mercedes possibly becoming one of the top 10 selling vehicle brands in Australia in 2016.

The importation of remanufactured, re-built and/or used motor vehicle parts is permitted into Australia. All parts, whether new, used or remanufactured, are treated the same by Australian customs.

Australia, which uses right-hand drive vehicles, is the seventh largest destination for U.S. exports of new passenger cars. Aftermarket parts for these vehicles (such as the Toyota Highlander or the Kluger in Australia, Ford Mustang, Nissan Pathfinder, and Dodge's Ram 2500 and 3500 pickups) have export potential. In 2015, U.S. exports to Australia of new passenger vehicles and light trucks totaled 58,567

units with a value of \$1.6 billion. In addition, Australia was the third largest destination for medium and heavy duty truck exports by value (almost \$120 million) and the seventh largest by unit (1,217).

Since auto production will end in 2017, an increase in number of U.S. vehicles exported to Australia is expected, which will only increase export opportunities for the U.S. aftermarket and specialty parts for these vehicles.

The Australian government is considering allowing Australian consumers to bypass Australian dealers and import new vehicles that are right-hand-drive, are less than a year old and have less than 500 kilometers on the odometer. The vehicles would, at least initially, have to be sourced from Japan or the United Kingdom (both are right-hand-drive markets).

A \$12,000 (Australian dollars) tax on imported used cars will end in 2018.