



Federal Chamber of
Automotive Industries

ANNUAL REPORT **2020**

LIFE MEMBERS

BL Burton CBE

DM Morgan

D I Donaldson AM

P Thomas AM

RC Hunt

PH Hanenberger

WL Dix AO

T Phillips

IA Deveson AO

S Strickland

RH Johnson AO

PM Sturrock

BW Schlickum

TK Amery

JH Conomos AO

RJH McEniry

LP Daphne

L Smalley

MD Gough

DG Dickson

MT Quinn AM

M Yasuda

IF Grigg AM

DS Blackhall

REPRESENTING THE AUSTRALIAN AUTOMOTIVE INDUSTRY

The Federal Chamber of Automotive Industries (FCAI) is the peak representative organisation for companies that distribute new passenger vehicles, light commercial vehicles, motorcycles, and all-terrain vehicles in Australia.

With 65 brands offering around 380 models, sold and serviced by almost 4,000 dealers, Australia's automotive sector is a large employer and contributor to our economy, lifestyle, and communities big and small.

While local production ceased in 2017, some brands retain design and engineering facilities in Australia which support global new model development. Thanks to world's best local expertise, Australia remains a source of components (including aluminium castings and alloy wheels) which are sold to manufacturers in Japan and North America.

The reach of the automotive sector is significant: vehicle importation, distribution, retailing, servicing, logistics/transport, and engineering. Support comes from hundreds of supplier companies, employing thousands of Australians.

New vehicle distributors and Australian new car dealers employ more than 75,000 employees, including many trained at TAFE and other colleges to provide vital service and repair functions. Further, automotive brands themselves are major providers of subsequent specialist training for these technicians, some of whom will diversify into other industries, bringing with them skills honed by the vehicle industry.

A full list of FCAI members is available via www.fcai.com.au/about/members

CHAIR'S REPORT 2020



**Horst von
Sanden**
FCAI President

Little did I realise just how massive the changes we would face in 2020 would be, or how it would turn so many of our fundamental activities such as living, working and recreation completely upside down.

Of course, the biggest agent of change for 2020 has been the COVID-19 pandemic which is currently sweeping the world. The current global statistics for the pandemic are frightening:

- 5.7 million confirmed cases
- Sadly, more than 350,000 deaths

Australia's State, Territory and Federal Governments have acted quickly and decisively to stem the progress of the disease, introducing key protocols to reduce the risk of contagion and keep Australians safe. As we can see by the slowing increase in cases, the strategy is working well.

While the physical health of Australians is the key priority, the Government has also been quick to act in ensuring the economic well-being of our country is maintained.

A Vee-shaped recovery for the Australian economy rather than a U-shaped recovery is absolutely essential to safeguard the future prosperity of the industry and the economy more broadly.

The Morrison Government is trying to kick-start the economy while guarding against a second wave of the virus. Billions of dollars have been invested in stimulus packages

such as the JobKeeper payments program, in an effort to support both individuals and business. Throughout the pandemic, the FCAI has actively engaged with external stakeholders, including industry agencies, governments, and ministerial offices. This has ensured lines of communication remain open and the industry receives accurate and timely information.

In addition, the FCAI initiated regular COVID-19 crisis meetings which provided the latest news on government activity and restrictions, statistics, advocacy actions and media coverage and activity.

Significantly, OEMs have been able to continue trading amidst the escalating restrictions, secure in the knowledge that every effort has been made to establish operational parameters for the industry.

Dealerships across the country have largely been able to continue sales, service, and parts operations, allowing them to generate some income, and still stay in touch with their customers. Other initiatives implemented by our members include new sales procedures such as video demonstrations, contact-free interactions, and socially distanced test drives.

Praise must go to our OEMs for their quick and decisive actions to implement enhanced hygiene and social distancing protocols within their dealer networks.

If nothing else, the COVID-19 pandemic has shown us just how flexible and inventive our industry is, able to think quickly, devise considered plans, and implement them promptly. We don't know what the future holds in terms of the pandemic, but I am confident that we will manage whatever situations we are confronted with.

From a financial viewpoint, results for the year ended 31 December 2019 have been audited and signed by myself and Vinesh Bhindi. The end year result was a rare deficit of \$45,000; however, after many years of prudent financial management, we are well positioned for the future.

Our financial success relies on our sales performance and 2019 has seen a continuation of the tough environment facing the industry over recent times. Challenges included political uncertainty, tightened lending, unfavourable exchange rates, slow wage growth and environmental factors such as fire, flood and drought.

The 2019 sales figures showed an industry firmly on a downward trajectory, with December reported as the twenty-first consecutive month of decline.

For the full calendar year 2019, a total of 1,062,867 new vehicle sales were recorded, a 7.8 per cent decrease on full year 2018. This figure was the lowest annual sales result reported in VFACTS since 2011.

Motorcycle sales fared better, but still recorded a decline. Australia's Motorcycle Market (which includes the ATV/SSV market) fell 6.1 per cent in 2019, with total sales for the full calendar year of 89,199.

At our 2019 AGM, we anticipated there would be change to our business models and

methods of operation. This was certainly true, and while the final decisions weren't made until early 2020, we are now seeing major changes within our own membership.

The difficult environment has taken its toll, and this year we were sad to learn of the withdrawal of a much-loved brand from the Australian market. In February 2020, Holden announced plans to close its local operations – a crushing blow for many Australians. I would like to take this opportunity to say a heartfelt farewell to Holden, an iconic Australian brand which has played a vital role in the FCAI across many years. Holden will always be fondly regarded in the hearts of Australian motorists.

Another company embracing a new way of operating is Honda Australia. After an extensive business review, Honda announced it was transitioning to an agency business model, with the aim of offering a more enjoyable customer experience and lower operating costs.

The times, indeed, are changing, and the FCAI is strongly aware of the need to stay abreast of developing trends. We continue to support our members through this change process.

Topics like Road Safety, Luxury Car Tax, Australian Consumer Law, Franchising, and the Road Vehicles Standards Act are not new but they are still evolving and require constant attention.

Areas where strong gains have been made throughout 2019 include:

- **VFACTS:** The design and implementation of an upgraded VFACTS system, which debuted in January, and provides more robust data for our members.
- **CO2 Emissions:** The design of a voluntary reporting standard for all brands to enable us to enhance our performance and safeguard our future operations.

— **Takata:** A strong and unwavering commitment to safely and accurately completing the Takata Mandatory Recall by all members. Throughout 2019 we pro-actively worked with members to achieve the strongest possible rectification figures. Official figures from the ACCC at 31 March 2020, showed the industry had rectified 2.6 million vehicles, with 196,300 still outstanding. The remaining 216,000 vehicles, representing 7.1 per cent, have been classified as unreplaceable. This means the industry has completed 93.7 per cent of all affected vehicles, and as you will know, this is an outstanding result in any recall.

One area with a disappointing result was that of All-Terrain Vehicles. Despite our best efforts, the Government has mandated fitting Crush Protection Devices to all ATVs. This decision is scientifically unproven and ultimately will be detrimental to the agricultural sector in Australia. It will also result in the departure of some ATV manufacturers from the Australian market.

The FCAI does not just deal with historical or current issues. Every year we are becoming stronger in engaging with innovation in the automotive industry, and 2019 demonstrated a strong focus on the future.

- We hired a dedicated Emerging Technologies Director who supervises a new ET Committee.
- We are working closely with Government and agencies on new topics such as
 - Connected and Autonomous vehicles
 - The proposed Automated Driving System Entity
 - Access to Data and Data Privacy

- Road User Charging
- Zero and low emission vehicles

All these topics contribute to a packed agenda for the Chamber, and I can assure you, the list never gets any shorter.

In summing up, it's clear that 2019 was a difficult year, surpassed only by the challenges we have encountered in 2020. The May sales result of a 48.5 per cent decrease – the largest single monthly decrease since records began – is clear evidence of that.

And looking forward, it is hard to know what the future holds. It is difficult to see things getting back to 'normal' quickly. Our circumstances today could easily be the 'new normal,' so we must retain our flexibility and proactive behaviour to survive.

It is clearly essential the industry keeps working together.

Internally, we must focus on strong continued engagement with our dealer networks, our employees, and our colleagues in the industry.

Externally, the FCAI will continue the conversation with brands, industry, governments and agencies.

There are some green shoots out there. With the easing of restrictions, we are seeing more traffic through dealerships and a reported lift in consumer confidence.

Let's reclaim our positive attitude and grasp every opportunity to re-ignite the automotive industry in Australia.

THE 2020 ANNUAL GENERAL MEETING

The 2020 AGM occurred on Wednesday 27 May. Due to Coronavirus restrictions the AGM was held online via Microsoft Teams.

2020 FCAI BOARD (ELECTED 27 MAY 2020)

Matthew Callachor

(Chair)
Toyota Motor Corporation
Australia

Vinesh Bhindi

(Vice Chair)
Mazda Australia

Kay Hart

(Vice Chair)
Ford Motor Company of
Australia

Stephen Collins

(Treasurer)
Honda Australia

Horst von Sanden

(Director)
Mercedes-Benz Australia

Stephen Lester

(Director)
Nissan Australia

Michael Bartsch

(Director)
Volkswagen Group Australia

Shaun Westcott

(Director)
Mitsubishi Motors Australia

Brad Ryan

(Director)
Yamaha Motor Australia

Mark Cameron

(Director)
Jaguar Land Rover Australia

Paul Sansom

(Director)
Audi Australia

Tony Weber

(Secretary)
FCAI

STATE OF THE AUSTRALIAN AUTOMOTIVE INDUSTRY IN 2019

A total of 916,968 vehicles were sold in 2020, down 13.7 per cent on calendar year 2019 when 1,062,867 vehicles were sold. The decline of 13.7 per cent was not unexpected and is attributed to the financial impact of the COVID-19 pandemic.

However, the new vehicle market in Australia is now showing positive signs of growth. December 2020 recorded 95,652 sales, a 13.5 per cent increase over the same period in December 2019 when 84,239 were sold. This result follows a similar upturn in November 2020, when sales of 95,205 vehicles, a 12.4 per cent gain over November 2019, were recorded.

During the year, Australia's love of the SUV and the great Aussie ute continued, with yet another increase in share for these two popular segments.

SUVs claimed 49.6 per cent of the market during 2020, an increase from 45.5 per cent market share in 2019. A total of 454,701 SUVs were sold during the year, down 5.9 per cent on full year 2019.

Light Commercial Vehicles continued to enjoy strong popularity in 2020, claiming 22.4 per cent market share. A total of 205,597 vehicles sold, down 8.9 per cent on full year 2019.

Passenger vehicle numbers totalled 222,103 vehicles, for 24.2 per cent of the market in 2020. Total Passenger vehicles sold were down 29.7 per cent on full year 2019.

The highest selling brand for the year was Toyota, with an impressive 204,801 vehicles sold for 22.3 per cent market share. In second place was Mazda (85,640 sales for 9.3 per cent market share), Hyundai (64,807 sales for 7.1 per cent market share), Ford (59,601 sales for 6.5 per cent market share), and Mitsubishi (58,335 sales for 6.4 per cent market share).

It's interesting to note that out of the top ten vehicles for the year, seven of them were either SUVs or LCVs. The top selling vehicle for the year was the Toyota Hi-Lux with 45,176 sales, Ford Ranger with 40,973 sales, Toyota RAV4 with 38,537 sales, Toyota Corolla with 25,882 sales, Toyota Landcruiser with 25,142 sales, Mazda CX-5 with 21,979 sales, Hyundai i30 with 20,734 sales, Mitsubishi Triton with 18,136 sales, Toyota Prado with 18,034 sales and Kia Cerato with 17,559 sales.

MARKET SEGMENTATION

Class	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	TOTAL
Passenger	20,504	22,660	21,783	9,158	13,839	25,043	18,156	14,758	17,720	17,794	20,711	19,977	222,103
SUV	35,383	39,273	39,162	18,022	28,649	51,924	36,553	32,387	32,647	41,220	50,016	49,474	454,701
Light Commercial	14,035	15,542	18,165	9,436	14,791	28,645	14,898	11,234	15,772	19,152	21,252	22,675	205,597
Heavy Commercial	1,809	2,465	2,580	2,310	2,615	4,622	2,898	2,616	2,846	3,054	3,226	3,526	34,567
TOTAL	71,731	79,940	81,690	38,926	59,894	110,234	72,505	60,986	68,985	81,220	95,205	95,652	916,968

MOTORCYCLE / SSV

Total sales for the year were recorded at 108,926 units, an increase of 19,727 vehicles and 22.1 per cent on full year 2019 when 89,199 sales were recorded.

OHVs demonstrated significant sales growth during the year, with 24,856 vehicles sold. This represents a strong increase of 6,950 vehicles, or 38.8 per cent, over the same period in 2019 when 17,906 vehicles were sold.

Off-Road motorcycles also recorded strong growth, with 44,697 vehicles sold during the year – a 30.3 per cent increase on the 2019 calendar year when a total of 34,298 units were sold.

Similarly, road bikes exhibited an increase in sales, with 34,912 units sold during 2020. This represents an increase of 9.2 per cent, or 2,931 units, on calendar year 2019 when 31,981 units were sold.

Scooters were the only segment of the 2020 motorcycle and OHV full year sales to record a decrease. A total of 4,461 units were sold, 553 fewer, or 11 per cent less, than the 5,014 sales recorded in 2019.

MARKET SEGMENTATION

Segment	YTD 2020	YTD 2019	Percentage +/-	Share
OHV	24,856	17,906	+38.8%	22.8%
Off-road	44,697	34,298	+30.3%	41%
Road	34,912	31,981	+9.2%	32.1%
Scooter	4,461	5,014	-11%	4.1%
TOTAL MARKET	108,962	89,199	+22.1%	100%

FCAI KEY ACTIONS

SUBMISSIONS:

The Secretariat made over 15 submissions to State, Territory and Federal Governments including;

- The NSW Review of the Motor Dealer and Repairers Act
- The New National Road Safety Strategy 2021-2030
- Litigation Funding and Regulation of Class Actions
- The NSW Review of the Motor Dealers and Repairers Act
- ACMA 5 year Spectrum Plan

A full list of submissions is available at www.fcai.com.au/news/publication

KEY MEDIA ACTIVITY:

06 February 2020:

FCAI calls for government support of ALL low emission technologies

23 March 2020:

Australia's automotive brands and dealer network operations remain open

08 April 2020:

Australian automotive industry urges motorists to upgrade vehicle hygiene practices

21 April 2020:

Dealers across Australia are open to provide sales and servicing facilities for consumers

02 June 2020:

Two wheeled solution to COVID challenge

02 June 2020:

Automotive industry questions Government's rushed implementation of Franchising Code

25 June 2020:

Israel ATV myth busted

10 August 2020:

FCAI applauds ARENA initiative

09 September 2020:

FCAI marks World EV Day

16 September 2020:

FCAI comments on latest American study results for operator protection devices on ATVs

25 September 2020:

New Credit Conditions good news for Australian Automotive Consumers

6 October 2020:

FCAI welcomes announcement of 100,000 new apprenticeship programs

13 October 2020:

Car Manufacturers Stress Takata Recall Importance

11 November 2020:

FCAI pans SA Government's 'tax on electric vehicles'

13 November 2020:

FCAI condemns New South Wales Government plan to introduce road user charging on electric vehicles

27 November 2020:

FCAI applauds ACT Government's future focussed endorsement of electric vehicles

01 December 2020:

Car industry campaigns for summer safety

12 December 2020:

Morrison Government panders to dealers

14 December 2020:

Car industry warns counterfeit parts are thriving

All media releases are available through www.fcai.com.au/news



AUDITOR'S REPORT



Independent auditor's report

To the members of Federal Chamber of Automotive Industries Limited

Our opinion

In our opinion:

The accompanying financial report of Federal Chamber of Automotive Industries Limited (the Company) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Company's financial position as at 31 December 2020 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the balance sheet as at 31 December 2020
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the statement of profit or loss and other comprehensive income for the year then ended
- the notes to the financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2020, but does not include the financial report and our auditor's report thereon.

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Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers


Adrian King
Partner

Canberra
17 May 2021



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