

THE FUTURE OF AUTOMOTIVE MANUFACTURING IN AUSTRALIA

By the time this article is published, the doors will have closed on the Australian car manufacturing industry — after nearly a century of car making

Our thoughts are with the many tens of thousands of hard working and loyal employees that, through no fault of their own, face an uncertain future. We only hope that Federal and State Governments will back up their rhetoric and ensure that these workers are provided full support and assistance as they try to secure alternative employment in very challenging economic circumstances. The enormity of this challenge cannot be underestimated as Australia has never experienced the simultaneous shutdown of such a large sector of the economy. We really are in uncharted waters...

While the reasons behind the closure of Australian vehicle manufacturing will no doubt be debated in detail by the media and industry commentators over the coming weeks and months, this article focuses on the future of automotive aftermarket manufacturing in this country.

There are 260 Australian Automotive Aftermarket Association (AAAA) member companies who design and manufacture automotive products locally, with approximately 65 percent of these companies (170) actively exporting automotive products to wide and varied global markets. This equates to the generation of \$5.2 billion worth of business annually, accompanied by strong year on year growth.

The Australian automotive aftermarket manufacturing sector alone employs some 21,000 people directly and generates export income of around \$1 billion per year, purely from locally manufactured product. These export markets are also continuing to grow as more international customers are exposed to the quality engineering and precision manufacturing of automotive components and accessories that emanate from Australia.

For some years now, the Australian aftermarket

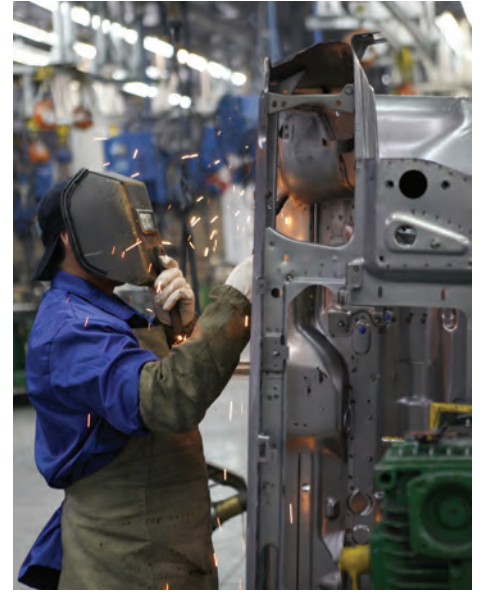
industry has worked solidly to place itself in a strong manufacturing and marketing position both within the local market and as a strong global exporter. As such, our sector is well prepared and ready to lead a revamped Australian automotive manufacturing industry that brings design ingenuity and manufacturing excellence to the fore, geared to service a truly global marketplace.

While some AAAA members were suppliers to the local car manufacturers, the vast majority of our products are sold to customers outside of the car companies and their franchised dealer networks. These companies are designing and manufacturing premium quality aftermarket products that are world class, which is proven by the local and international sales success that these businesses are generating.

With key export markets currently throughout Asia, Europe, Middle East and the USA, our manufacturers are also successfully exploring potential new markets. This is to cater for the increase in global demand for highly specialised aftermarket components which is taking place in tandem with consistently strong global sales for highly customisable vehicles such as SUV and Four-Wheel Drives.

Another factor working in the favour of our manufacturers is the rise of global vehicle platform based car manufacturing. This cost saving measure by many of the world's car manufacturers has opened the floodgates for new opportunities in the development of accessories and safety enhancing or performance based modification products. In most cases, these products are initially developed for the local market and are then made available to international markets.

Furthermore, the innovative product development



and manufacturing capabilities developed by these companies has led some to successfully diversify into non-automotive industry sectors, including rail, defence, mining, marine and general industry.

Our manufacturing industry has been able to grow despite the challenges that it faces by making the decision to move up the value chain. That is, to progress from service parts to high value, speciality products that provide distinct technological and performance advantages. This has required significant investments by these Australian companies in research and development, along with plant and equipment, accompanied by international testing procedures to ensure rigorous Australian and global road safety and performance compliance.

The results have been outstanding, with new or significantly improved Australian designed and manufactured products now available globally. Demand for these products is being driven by their innovation, quality, safety and performance enhancement advantages, as opposed to customers opting for the lowest cost alternative.

So, if you hear that automotive manufacturing in Australia no longer exists, this is far from the truth. While cars may not be assembled in Australia, our automotive product manufacturers are constantly developing, perfecting and exporting world leading products to a constantly growing global market and the AAAA is committed to do everything we can to ensure that the aftermarket industry leads the next phase of automotive manufacturing in this country.



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