



**Federal Chamber of
Automotive Industries**

**Annual Report
2014**



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 Australia
- 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
- Tesla Motors Inc
- Toyota Motor Corporation Australia Limited
- Victory and Indian 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.



President's Report

Australia's new car market is highly competitive with some 67 brands selling over 350 models. Coupled with strong car affordability, competitive pricing and continuous improvements in technology and design, there has never been a better time for Australians to buy a new motor vehicle.



Bob Graziano

...it is important that the Government and consumers understand that while a vehicle made for sale in another country may look identical to one made for the Australian market, it is not.

The most recent CommSec Car Affordability Index shows that car affordability in Australia is the best it has been in 40 years, since the Index began. We believe many consumers are seeing this, and this shows with Australians purchasing over 1.1 million new cars in 2014, for only the third year ever. And when we look at the strength of new car sales in the first quarter of 2015, we expect new car sales to again exceed 1.1 million in 2015.

Supporting the competitive nature of the new car market in Australia, in 2014, the FCAI undertook benchmark research into car pricing in Australia and in comparable right-hand drive markets. The research showed that for the majority of new cars, prices were competitive if not cheaper than in comparable markets.

With this evidence it is concerning that the Government appears to be basing policy recommendations on a misguided perception that car prices in Australia are unreasonably high.

Throughout 2014, the FCAI continually engaged with Government and other stakeholders to dispel myths and educate them on the realities of the Australian automotive industry. This has been, for the most part, in response to a Government proposal to allow the personal importation of motor vehicles into the country, citing that the proposal would result in cheaper cars for consumers and more competition.

Setting aside the fact that cars are highly affordable and Australia already has the most competitive new car market in the world, it is important that the Government and consumers understand that while a vehicle made for sale in another country may look identical to one made for the Australian market, it is not.

Vehicles made for sale in Australia are engineered with Australia's unique conditions and safety specifications in mind. This means they are designed to cope with the Australian climate, lifestyle and roads. This includes having the appropriate engine and transmission cooling systems to cope with Australia's hot climate, towing requirements and fuel quality. It also includes having specifically calibrated convenience items such as sat-nav, air-conditioning and infotainment systems.

It is for these reasons you simply cannot purchase a vehicle from an overseas dealer, made for another country and expect it to operate to a high standard in Australia.

It is disappointing that the Competition Policy Review Panel, in its report to Government, has discounted the complexities of the automotive industry and supported recommendations to allow the parallel importation of new and second-hand cars.

This narrow thinking is clearly driven by a theoretical view of the world. It does not take into account the real-world situation and simply looks at the purchase price of a vehicle—which is not necessarily comparable to the Australian model—not the complete cost of ownership. The FCAI will continue to engage with all areas of Government to ensure the complexities of this matter are well-known. We will work to ensure the Government does not implement any policy option that would jeopardise the safety and consumer protection of Australians.

With this in mind, it is perplexing that the very industry association charged with representing the interests of motorists is leaving that role to the FCAI. Despite what they say, we do not mind competition, but we are very concerned for the safety of the consumers buying vehicles in Australia, and the maintenance of their investment. We would have thought this was a core platform for the association representing motorists, as well.

Also looking to the safety of Australians, in 2014, the FCAI continue to identify ways to promote the value of genuine parts, and inform consumers of the safety and other risks involved in use of non-genuine parts in service and repair.

This included ensuring the Industry Agreement on Access to Service and Repair Information, signed in December 2014, included conditions that will ensure Australian consumers are better informed about their vehicle repair by being informed if non-genuine parts are used to service and repair their vehicles.

Service and repair information provided by car manufacturers is designed around the use of genuine parts. It is important that if non-genuine parts are used the consumer is made aware of any risks that may arise.

The Industry Agreement is underpinned by Codes of Practice specific to the membership base of each industry organisation involved.

Despite assertions in the media in late 2014, many car manufacturers already provide the minimum information referred to above, and more, to a range of independent repairers. The FCAI's Code of Practice ensures this will continue into the future as vehicles become more complex.

In 2015, the FCAI will undertake a range of activities to raise public awareness of the importance of genuine parts and the use of appropriate tools and training for modern vehicle maintenance and repair.

The FCAI Motorcycle Strategy 2014–2016 continues to guide the advocacy efforts of the Chamber on behalf of the motorcycle industry. In 2014, the FCAI undertook a significant advocacy role in relation to transport policy and urban planning matters, rider safety, off-road licencing and land use, and design standards. These efforts will continue into 2015.

A key motorcycle issue for the FCAI in 2015 is the penetration of ABS (Anti-lock Braking System) into the Australian motorcycle fleet. Impending European regulations requiring road registered motorcycles to be equipped with ABS is a positive development that has seen nearly 60 per cent of Australia's new road motorcycle fleet become equipped with ABS. However, it is important that road registered off-road trail and enduro bikes are excluded from this regulation, as ABS is not appropriate for off-road riding.

The FCAI will also continue to stress publicly and in state coroner's inquests the importance of known safety practices and training when it comes to ATV use. The FCAI recognises the important role ATVs play in farming, mining, and other industry areas of Australia and we want to ensure all users undertake training and to be aware of the safety practices that will help keep them safe.

The proposition by some agencies calling for the introduction of a star rating for ATVs or the fitting of roll bars to ATVs is a concern for the FCAI. Such calls are based on research that lacks sufficient correlation with the real-world performance of an ATV, and distracts the media and public from practices that are proven to have an immediate impact on ATV safety. This includes following the manufacturers' instructions and recommendations for ATV use, wearing helmets and never allowing children to ride adult-sized ATVs.

I thank all FCAI members for their support of the FCAI's activities in these areas and on other key issues, throughout 2014. As committee members, committee chairs, Board members and FCAI delegates, your input helps the FCAI Secretariat in its representation of the Australian automotive industry to governments, other industry bodies and the Australian public.

I thank the FCAI Secretariat for their strong and constant advocacy efforts on behalf of the industry. Your commitment to securing a robust and appropriate regulatory environment for the Australian automotive industry is of great benefit to the industry and does not go un-noticed.

While 2015 is giving rise to new and important Government reviews, it is also seeing us continue to address the big challenges of 2014, such as the proposal to allow the personal importation of vehicles. I am confident that we as the industry are up for this challenge and through the FCAI and our collective voices we will continue to promote the benefits of the automotive industry and the need for consistent and long-term Government policy.

Bob Graziano
2014 FCAI President

Chief Executive's report

In 2014, the Australian new car market topped 1.1 million for only the third year ever.



Tony Weber

In particular, we saw SUV sales continue to boom in 2014 with these vehicles now accounting for 31 per cent of the market. We see that the continuing popularity of SUVs is a reflection of the versatility of these vehicles and we expect the popularity of SUVs to continue into 2015.

Looking at motorcycle sales, 2014 was a steady year, with Australians buying over 111,000 motorcycles, ATVs and scooters. This is only slightly fewer than in 2013.

Road bike sales were strong, increasing 1.5 per cent compared to 2013 and accounting for 40 per cent of the total market.

One of the disappointments for the year was the continuation of the decline in the scooter market. Overall scooter sales were down just under 20 per cent.

Motor Vehicle Standards Act Review and personal imports

A key area of focus for the FCAI in 2014 was the Australian Government's review of the *Motor Vehicle Standards Act 1989*.

The Motor Vehicle Standards Act is the legislation that provides the regulatory framework to control the importation and first supply of road vehicles in Australia to ensure government policy objectives and consumer protection objectives are both met.

It provides a national set of vehicle design and performance standards relating to safety, environment and anti-theft technologies; the Australian Design Rules.

While the FCAI recognises that there is an opportunity to improve the Motor Vehicle Standards Act to better deliver on the Government's policy objectives, the FCAI has advocated its strong opposition to the Government's recommendation, as part of this review, to increase the concessions for personal importation of motor vehicles.

FCAI member brands are continuously working to improve safety, security and environmental features; along with other attributes that Australian consumers' demand.

A vehicle built for an overseas market could not provide an Australian consumer with the reliability and satisfaction they expect from a modern vehicle.

This is something we continually advocated to Government in 2014, and it is a message we are continuing to communicate in 2015.

FCAI member brands are continuously working to improve safety, security and environmental features; along with other attributes that Australian consumers' demand.

Communication

This advocacy and communication feeds into the FCAI's ongoing work to increase the profile of the Australian automotive industry, to ensure governments, the media and the Australian public are aware of the breadth of the industry and the quality, safety, affordability and fuel efficiency of the new cars available for sale in this market.

This follows comments by FCAI President Bob Graziano last year, who acknowledged that the industry and the Chamber needed to do a better job of communicating these messages.

The work of the Secretariat and the FCAI Communications Committee in increasing government and media engagement, and public communications in 2014 and so far in 2015 will help the industry in its future advocacy work to ensure that there is no excuse for uninformed policy development by any government into the future.

Genuine parts

A further area which the FCAI is increasing its public communication on in 2015 is the importance of genuine parts.

For many years now, the FCAI has been concerned about the increased risks to consumers through the use of non-genuine parts in service and repair.

In 2014, the FCAI began looking at ways to educate Australian road users of the value of genuine parts and the potential heightened risk to their safety through the use of substandard parts and repair practices.

In 2015, we will ramp up our communications in this area to help raise consumer awareness of genuine parts and the consumer right to choose.

Independent repairers and access to service and repair information

In 2014, the FCAI member brands continued to show their commitment to consumers and the Government to continue to make available access to service and repair information, through the FCAI signing of an industry principles agreement along with other industry associations.

The agreement follows a 2012 Treasury review, which found that there is no evidence of consumer detriment relating to access to service and repair information in the automotive industry, but which recommended an industry agreement be developed to ensure current access to service and repair information continues as motor vehicles become more complex.

The agreement will be underpinned by codes of practice specific to each signing organisation and their members.

The FCAI Code was first released in September 2014 and further improved in February 2015. This Code represents a minimum standard for the provision of service and repair information to independent repairers.

The Agreement was signed by agreement by the Australian Automobile Association, Australian Automotive Aftermarket Association, Australian Motor Industry Federation, Australian Automotive Dealer Association and the FCAI, in front of Small Business Minister Bruce Bilson.

CO₂

In the last few months, we have seen the Federal Government return to a focus on CO₂ emissions from motor vehicles. The FCAI has prepared submissions relating to CO₂ standards that recognises the significant work being undertaken by vehicle manufacturers to develop and deliver new technologies that reduce their vehicle emission.

Any policy consideration on this matter should also recognise that fleet-wide vehicle emissions depend on many factors including consumer preference for vehicle type, engine size and power, fuel type, and transmission, among other things; and the increasing use of vehicles in heavy congestion.

The FCAI is continuing our dialogue with Government on environmental matters through various review processes in 2015. This included reviews into fuel standards, post-2020 emissions targets and the Government's national clean air agreement.

Automotive Transformation Scheme

In 2014, the FCAI continued to advocate for the Parliament to reject cuts to the Automotive Transformation Scheme.

In 2014, the Australian Senate was firm in its support of our position, and understood that reducing the ATS would have serious consequences for the 45,000 workers directly employed, and the more than 100,000 workers indirectly employed in the automotive sector, around Australia.

In early 2015, the Government announced it would not go ahead with its planned cuts to the ATS. The FCAI will continue to work with the three domestic manufacturers and the Government in 2015 to advocate for ATS funding to be directed to activities that will support the Australian automotive industry into the future.

Motorcycle Show

The FCAI partnered with Troy Bayliss Events in 2014 to deliver the Melbourne Moto Expo, an interactive motorcycle show. Moto Expo showcased a range of motorcycles, ATVs and scooters from FCAI member brands, and included a wealth of stunt riding and racing.

The show was a success with almost 20,000 people visiting over the three days.

The FCAI is continuing its partnership with Troy Bayliss Events in 2015 for the Sydney Motorcycle Show.

ATV safety

ATV safety continued to be a big issue in 2014, with the FCAI participating in a QLD Coronial Inquest into ATV related deaths.

The QLD Coronial Inquest has continued into 2015, and at the same time, a similar inquest is being held in NSW.

The FCAI continues to advocate for attention to be placed on known safety practices, which have been shown to have an immediate and positive impact on ATV safety.

These practices include wearing a helmet, being trained, not using the ATV for tasks or in environments which it is not suited, not using an ATV under the influence of drugs or alcohol, not allowing children on adult-sized ATVs and not overloading the ATV.

The FCAI will continue to look at ways to further communicate these safety practices and advocate for all users to undertake training.

Conclusion

I have just touched on a few of the many areas that the FCAI, through the Secretariat and committees, has been active in over the past twelve months. There are a wide-range of other activities that have also been of particular focus. These include the treatment of GST on dealer incentives, the likely impact of further port privatisations around Australia, the Government's Competition Policy Review, the new Franchising Code, and other legal, logistic, trade and sales issues.

It has been another challenging year for the automotive industry, but our strong government engagement and focus on communication has helped us make significant achievements and is laying the groundwork for further achievements in 2015. Importantly, none of this happens without the support of our members.

As we move through 2015, we continue to ensure the Chamber follows and builds on the strategic direction work we undertook in 2014. As Bob Graziano said in last year's President's report, strategically we see that "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".

The FCAI continues to work tirelessly to ensure the policy environment is responsive to the needs of the industry and ensures members can provide the best products for Australians.

Tony Weber
FCAI Chief Executive



2014 FCAI Board



Bob Graziano
FCAI President
President,
Ford Motor Company of Australia



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



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



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



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



Horst von Sanden
FCAI Director (from February)
President and CEO,
Mercedes-Benz Australia/Pacific



Mike Devereux
FCAI Director (to February)
Chairman and Managing Director,
GM Holden



Michael Winkler
FCAI Director
Managing Director,
Jaguar Land Rover Australia



Gerry Dorizas
FCAI Director (From May to October)
Chairman and Managing Director,
GM Holden



Richard Emery
FCAI Director (From May)



Martin Benders
FCAI Director
Managing Director,
Mazda Australia Pty Ltd



Tony Weber
FCAI Board Secretary
Chief Executive, FCAI



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

State of the Australian automotive industry in 2014

2014 New car sales results

In 2014, the Australian new car market topped 1.1 million for only the third year ever, with Australians buying 1,113,224 new cars.

The close race between last year's top seller, the Toyota Corolla, and the Mazda3 came to an end with 422 more Australians taking home the Toyota Corolla. A total of 43,735 Toyota Corollas and 43,313 Mazda3s were sold in 2014.

Further highlighting the popularity of small cars, the Hyundai i30 also appeared in the top five—it was the nation's fourth highest selling car. The Toyota Hilux was the third highest selling vehicle and the Holden Commodore was the fifth.

Releasing the 2014 full-year sales results, FCAI Chief Executive Tony Weber said SUV sales continued to boom in 2014, with the vehicle type now accounting for around 32 per cent of the market.

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FCAI Chief Executive Tony Weber (right) with Toyota Executive Director, Sales and Marketing Tony Cramb at the 2014 new car sales results announcement.



“The increase in SUV purchases is a reflection of the versatility these vehicles provide and the increasing range of these vehicles available in the market,” Mr Weber said.

“SUVs and light commercial vehicles now account for almost 50 per cent of new car sales in Australia. Passenger car sales have dropped 6.1 per cent to hold 47.8 per cent of the market.”

New South Wales was the only state to see growth in 2014, with sales up 1.5 per cent on 2013 figures. Sales fell 9.7 per cent in Tasmania, 8.1 per cent in Western Australia, 4.1 per cent in Queensland, 3.5 per cent in the Northern Territory, 3.3 per cent in the Australian Capital Territory, 1.5 per cent in Victoria and 1.2 per cent in South Australia.

Business sales were slow in 2014, with 6.6 per cent less vehicles sold to business than in 2013. Government purchases rose 3.4 per cent compared to 2013 and private sales remained steady—up 0.5 per cent.

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Toyota was the top selling brand with 18.3 per cent of the market. It was followed by Holden with 9.5 per cent, Mazda with 9 per cent, Hyundai with 9 per cent and Ford with 7.2 per cent.

More information about new vehicle sales is available at fcai.com.au

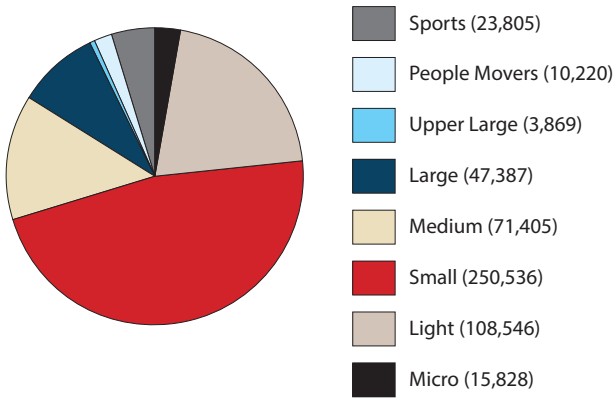
Market segmentation

Segment	2014	% of total	2013	% of total	Variance (%)
Passenger	531,596	47.8	566,404	49.8	-2.0
SUV	352,347	31.6	333,561	29.4	2.2
Light Commercial	197,956	17.8	204,566	18.0	-0.2
Heavy Commercial	31,325	2.8	31,696	2.8	0.0
Total Market	1,113,224	-	1,136,227	-	-2.0

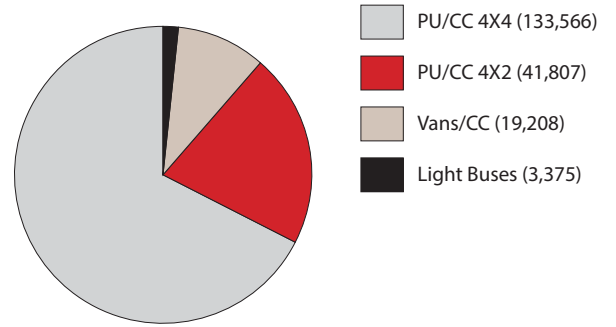
Top 10 Vehicle Sales by Brand

Rank	Brand	2014	2013	% change
1.	Toyota	203,501	214,630	-5.2
2.	Holden	106,092	112,059	-5.3
3.	Mazda	100,704	103,144	-2.4
4.	Hyundai	100,011	97,006	3.1
5.	Ford	79,703	87,236	-8.6
6.	Mitsubishi	68,637	71,528	-4.0
7.	Nissan	66,025	76,733	-14.0
8.	Volkswagen	54,801	54,892	-0.2
9.	Subaru	40,502	40,200	0.8
10.	Honda	32,998	39,258	-15.9

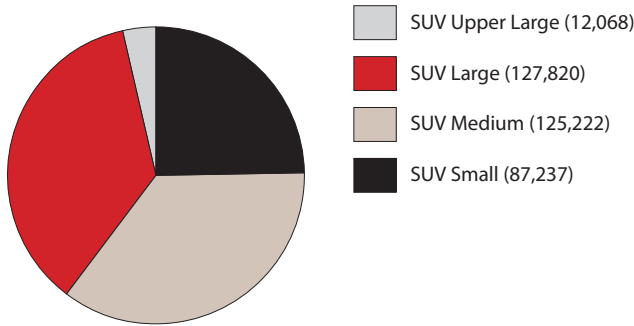
Passenger motor vehicle sales
566,454



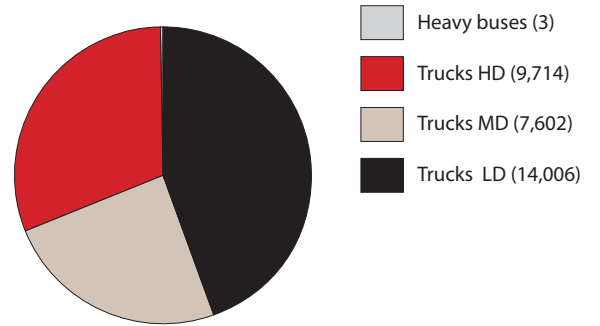
Light commercial sales
197,956



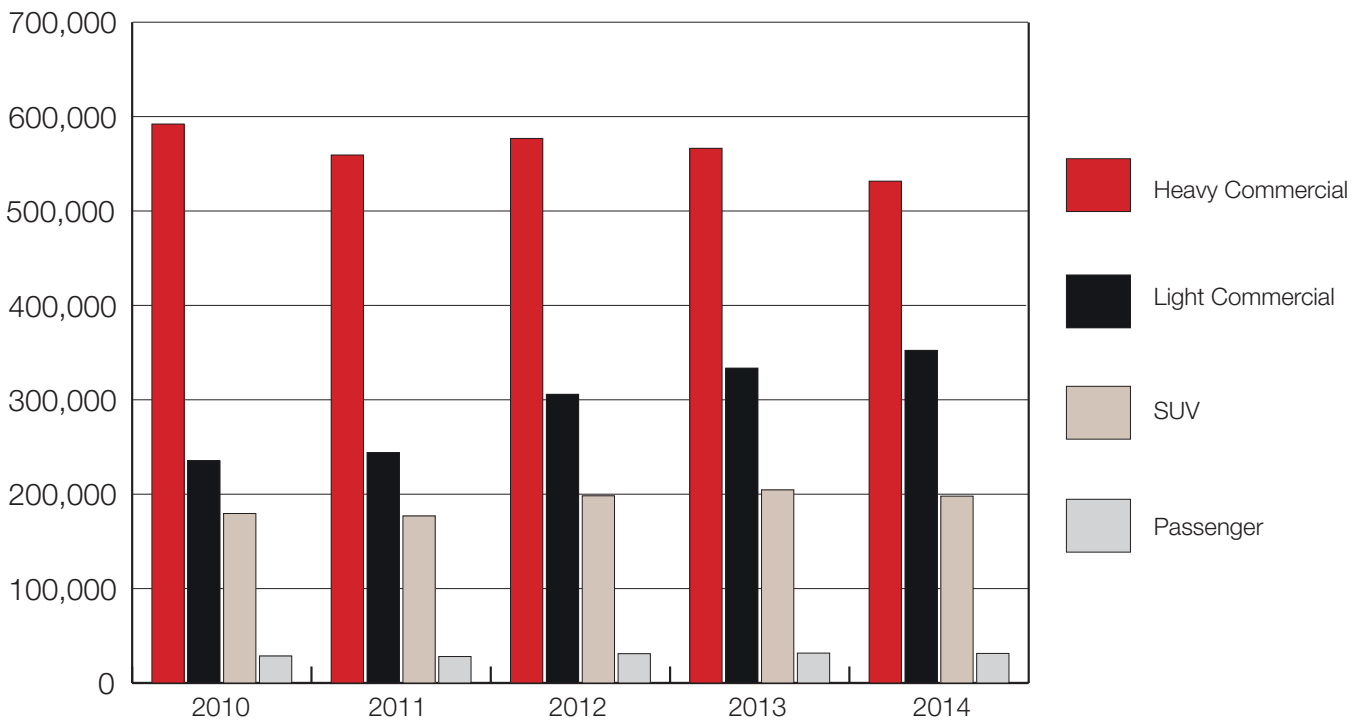
SUV sales
352,347



Heavy commercial sales
31,325



Australia's new vehicle market



Road motorcycle sales finish strong in 2014

Australia's new motorcycle market was solid in 2014, with total motorcycle, ATV and scooter sales reaching 111,599—2.2 per cent lower than 2013 figures.

Road bike sales were strong, increasing 1.5 per cent compared to 2013 and accounted for 39.9 per cent of the total market. Total road bike sales were 44,530. Honda took out top position for sales in this category. Honda's 9,011 new road bike sales accounted for 22.3 per cent of the total road bike market and also helped Honda become the top selling brand in 2014. Honda sold a total of 24,866 new motorcycles, ATVs and scooters in 2014.

In second place for total sales was Yamaha with 18.3 per cent of the market (20,394). Kawasaki was third with 9.9 per cent (11,024), Suzuki was fourth with 8.7 per cent (9,745) and Harley-Davidson was fifth with 7.7 per cent (8,577).

In the road bike category, Harley-Davidson was the second highest selling brand with 19.3 per cent of road bike sales (8,577). Harley-Davidson was followed by Kawasaki with 13.4 per cent (5,964), Yamaha with 11.9 per cent (5,290) and Suzuki with 6.8 per cent (3,017).

Off-road motorcycle purchases accounted for almost 33.7 per cent of total sales, with 37,670 Australians taking home a new off-road bike. The popularity of these vehicles has fallen since 2013, with the 37,670 sales representing a 4.3 per cent decrease on 2013 figures.

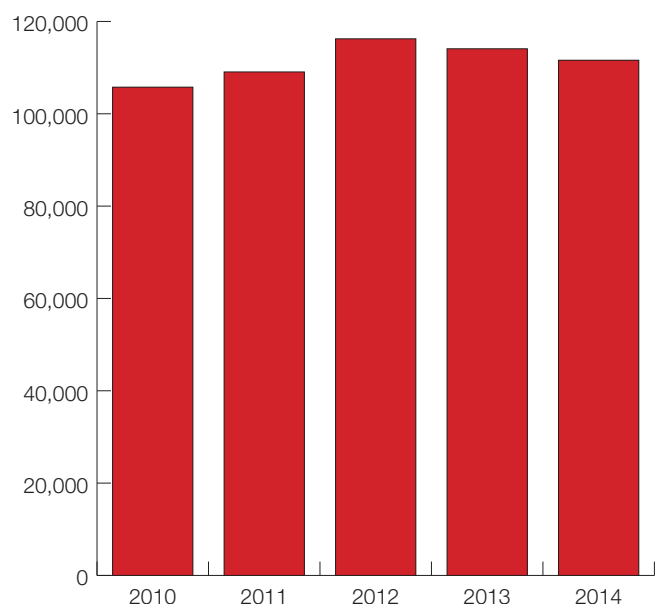
Yamaha led the market for off-road motorcycles, selling 30.1 per cent (11,356) of the total off-road bikes sold. Yamaha was followed by Honda with 26.2 per cent (9,871), KTM with 15.2 per cent (5,730), Suzuki with 11.7 per cent (4,417) and Kawasaki with 10.4 per cent (3,920).

The ATV market grew by 2 per cent in 2014 (compared to 2013), with a total of 21,723 ATVs sold. The total sales represent 19.5 per cent of the total 2014 motorcycle market. Polaris was the leading brand in the ATV market, selling 27.1 per cent (5,892) of the total ATV sales. Honda was second with 23 per cent (5,007), Yamaha was third with 15.6 per cent (3,391), Suzuki was fourth with 10.2 per cent (2,215) and BRP was fifth with 8.5 per cent (1,853).

Scooter sales continued to decline in 2014, with total sales down 19.7 per cent on 2013 sales figures. Piaggio topped the list in the scooter market, selling almost 16.8 per cent (1,295) of the total 7,676 scooters sold. Vespa came in second with 14.8 per cent (1,140), Honda was third with 12.7 per cent (977), SYM was fourth with 8.7 per cent (670) and Kymco was fifth with 7.2 per cent (550). Scooter sales represented 6.9 per cent of the total motorcycle market.



Motorcycle sales 2010–14



Market segmentation

Segment	2014	% of total	2013	% of total	Variance (%)
Road bikes	44,530	39.9	43,883	38.4	1.5
Off-road bikes	37,670	33.7	39,349	34.5	-4.3
Scooters	7,676	6.9	9,565	8.4	-19.7
ATVs	21,723	19.5	21,294	18.7	2.0
Total Market	111,599	-	114,091	-	-2.2

Top 10 motorcycle sales by brand

Brand	2014	2013	% change
Honda	24,866	25,432	-2.2
Yamaha	20,394	20,087	1.5
Kawasaki	11,024	11,683	-5.6
Suzuki	9,745	10,818	-9.9
Harley-Davidson	8,577	8,217	4.4
KTM	7,178	7,407	-3.1
Polaris	5,892	4,450	32.4
Triumph	2,855	3,029	-5.7
BMW	2,706	2,198	23.1
CF MOTO	2,254	2,496	-9.7

Key activities

Submissions

In 2014, the FCAI submitted responses to a range of government reviews. These submissions can be downloaded from the FCAI website, fcai.com.au

January

- Submission to the Australian Competition and Consumer Commission for the Review of the Consumer Product Safety Standard for child restraint systems for use in motor vehicles.

February

- Submission in response to the Productivity Commission's position paper for the inquiry into Australia's automotive manufacturing industry.

June

- Submission to the Australian Government's Competition Policy Review.

November

- Submission to the Australian Government Department of Industry's Energy Green Paper.
- Submission to the Australian Government Department of Infrastructure and Regional Development's Motor Vehicle Standards Act Review

New Vehicle Receiving and Inspection Procedures

In May 2014, the FCAI published the New Vehicle Receiving and Inspection Procedures Manual, which covers the minimum procedures required for the receiving and inspection of all new vehicles. It is a requirement that all personnel who inspect vehicles on receipt are competent and trained in the procedures and requirements of the New Vehicle Receiving and Inspection Procedures Manual.

The Manual is available on the publication section of the FCAI website, fcai.com.au.

CO₂

National Average Carbon Emission

The Australian automotive industry is committed to making a strong contribution to national efforts to reduce the impact of global climate change. Significant improvements in vehicle technology have resulted in new passenger vehicles in the Australian market recording their lowest ever carbon dioxide emissions. The National Average Carbon Emission (NACE) figure for 2014 is 187.7 grams of CO₂ per kilometre, down 2.3 per cent compared to 2013 figures. This decline is highlighted in the National Transport Commission's Carbon Dioxide Emissions from New Australian Vehicles 2014 information paper, released in April 2015.

Australian Government's Energy Green Paper

During 2014, the FCAI welcomed the opportunity to respond to the Australian Government's Energy Green Paper. The FCAI indicated it is supportive of moves by the Government to ensure that Australia continues to have a strong energy future and acknowledged that lower motor vehicle CO₂ emissions deliver better fuel efficiency.

The FCAI supports improved air quality for citizens and fuel efficiency of motor vehicles and has taken a consistent approach that this can and should be done through the consistent application of measures at technological, behavioural and regulatory levels.

The FCAI considers that a whole of Government approach is required to incorporate all associated issues, including fuel quality standards, which have a significant impact on vehicles' ability to meet both CO₂ targets and air pollution emission standards. The FCAI's position that fuel quality standards, Green House Gas emission standards (i.e. CO₂ standards) and pollutant emission standards all need to be considered together, as they are all interrelated, is not a unique one. In fact, it is shared by global industry and regulators alike.

Reducing CO₂ emissions

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

Year	Average CO ₂ 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
2014	187.7	-2.3	-25.6

The car 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 car industry continues to deliver annual reductions in CO₂ emissions, with a 2.3 per cent reduction in 2014.

Motor Vehicle Standards Act Review

The Australian Government announced in early 2014 that it would review the *Motor Vehicle Standards Act 1989*, a move welcomed by the industry, including the FCAI.

The Motor Vehicle Standards Act is the Australian legislation that provides the regulatory framework to control the importation and first supply of road vehicles in Australia. The MVSA provides a national system of vehicle design and performance standards relating to safety, environment (pollutant emissions) and anti-theft technologies-the Australian Design Rules (ADRs).

The FCAI views the Motor Vehicle Standards Act 1989 as having an overwhelmingly positive impact on the supply of motor vehicles into the Australian market, delivering improvements in safety and environmental outcomes, meeting buyer expectations and reduced motor vehicle theft; at the same time contributing to a highly competitive market that delivers vehicles at internationally competitive prices.

In September 2014, the Government released an Option Discussion Paper for the Review. The Paper included consideration of reduction of the barriers to personal importation of new and second-hand vehicles. The FCAI is strongly opposed to this option and put forward its position to Government through workshops for the Review (held in September), and in our written submission. Many member brands also participated in the workshops and provided written submissions.

In our submission, the FCAI acknowledged that the Act is having an overwhelmingly positive impact on the supply of motor vehicles into the Australian market. The FCAI recognises that there is the opportunity to improve the Act to better deliver on the Government's policy objectives. The FCAI supports:

- The need to modernise and strengthen the legislation.
- Harmonisations with international standards (i.e. UN Regulations) where the case exists for a

regulation and streamline the certification process to automatically accept type approvals to UN Regulations.

- Consolidating concession scheme arrangements and applying a risk based approach where higher risk schemes would require a more intensive certification, compliance and auditing regime.

The FCAI submission comprised two parts with the initial part focusing on the impact of large scale parallel imports on the Government's policy objectives of: Community protection (through vehicles that are safe and have low emissions); Consumer protection (through vehicles that meet buyers expectations and are theft resistant); and Competition (through vehicles that are readily available and reasonably priced). The second part addressed the range of questions from the Options Discussion Paper, focusing on: opportunities to reduce red tape and regulation; accelerating harmonisation with UN Regulations and a risk based approach to vehicle certification procedures; and the shortcomings of current low-volume schemes and the need for enforcement activity.



Reducing the barriers to personal importation of motor vehicles

The Motor Vehicle Standards Act provides the regulatory framework to control the importation and first supply of road vehicles in Australia, by putting in place the appropriate checks and balances for supply of new and used vehicles.

Personal imports and used (grey) imports are part of concessional schemes where the requirements (i.e. the standards and burden of proof of compliance) are already lower than for new vehicles supplied in “full volume.”

Throughout the review period, the FCAI repeatedly expressed that it does not support the further reduction of barriers to personal importation of new and second-hand vehicles, as proposed in Option 7 of the Motor Vehicle Standards Act Review Options Discussion Paper.

Again, there is no compelling public policy case for reducing the barriers to personal importation of new or used (grey) vehicles. Any regulatory change that allows older vehicles to be introduced into the market would result in an increase in fleet age and would be detrimental to the Government's community protection (i.e. road safety and environment) objectives.

The highest possible level of consumer protection is available under the current regime, where the vast majority of new passenger cars, motorcycles and light commercial vehicles entering the market are introduced by the vehicle brand and sold via authorised dealerships.

Consumer risk is increased with the personal importation of a motor vehicle. The FCAI has a number of case studies in its submission to the Review that highlight the significant consumer risk with personal importation of motor vehicles.

Specifically, the case studies highlight how and why automotive brands engineer their motor vehicles for each market they are sold in; in particular, how motor vehicles supplied to the Australian market are engineered for our local conditions. Vehicles produced for overseas markets may not be ‘fit for purpose’—i.e., they may have different specifications that will result in a sub-optimal performance in Australia.

Throughout 2014, the FCAI undertook a comprehensive stakeholder engagement program, to raise awareness of the risks associated with allowing the personal importation of vehicles, as outlined in the FCAI submission. This has continued into 2015.

It is expected the Government will respond to the *Motor Vehicle Standards Act Review* in 2015.

New cars affordable and built for Australian conditions

In 2014, the FCAI undertook research into the affordability of cars in Australia. It found that new cars are now more affordable than ever before—and many comparable cars are cheaper in Australia than in other major right-hand drive markets, such as Japan, the United Kingdom and New Zealand, according to a recent study.

An analysis of comparable car prices in key right-hand drive markets has found that many popular models are competitively priced in Australia compared to Japan and the United Kingdom, including comparable cars from Toyota, Holden, Ford and Mercedes-Benz.

For example, the analysis found that:

A Holden Captiva LT that sells for \$36,490 in Australia costs more than \$50,000 in the UK.

A Mazda6 Sport sedan that sells for \$33,460 in Australia costs more than \$43,200 in the UK.

A Mercedes-Benz A180 that costs more than \$42,400 in the UK sells for \$35,600 in Australia.

At the same time, figures compiled by CommSec have confirmed car affordability in Australia is at its best level ever.

In November 2014 the FCAI Chief Executive Tony Weber said the analysis of vehicles made for the Australian market against those in other right hand drive markets demonstrated that while specification levels could differ significantly, when comparing like-for-like vehicles Australian new car prices were highly competitive.

“There has been plenty of misinformation about the cost of new cars in Australia, with some commentators arguing for an open slather approach to the import of new and used cars as a way of supposedly lowering prices,” Mr Weber said.

“In fact, as our analysis confirms, Australia has one of the most competitive right-hand drive markets in the world and this is reflected in the price of new cars in this country.

“When we compare cars with the same level of specification, we find that the majority of cars made for Australian conditions are competitively priced in Australia compared to Japan, the UK or New Zealand.

“And Australian consumers can be assured that cars made for Australian conditions and safety specifications will cope with the Australian climate, lifestyle and roads. This includes having the appropriate engine and transmission cooling systems to cope with Australia’s hot climate, towing requirements and fuel quality. It also includes having specifically calibrated convenience items such as sat-nav, air-conditioning and infotainment systems.”

Mr Weber noted that the high-level of competition in the Australian market also meant manufacturers were continuously working to improve safety, security and environmental features.

“This competition means that Australians are getting world-class cars, built for Australian conditions, at globally-competitive prices,” he said.

Mr Weber also said the FCAI was opposed to any move by the Federal Government to compromise existing safety and specification standards by further relaxing the standards to allow greater access for the personal importation of cars.

He said the changes being considered by the Government would transfer the risk of buying a car from dealers to consumers, many of whom did not have access to all the necessary information needed to compare car specifications, safety regulations and price.

“We believe that allowing the personal importation of motor vehicles into Australia will have a significant negative impact on consumers and to road users more generally,” he said.

“Cars made in the same factory may look identical on the outside but will have very different specifications under the bonnet.

“Further, personal imports would be outside the established brand network and all of the peace of mind that it delivers—servicing, support and warranty assistance.”



Competition Policy Review

In 2014, the FCAI participated in the Australian Government's Competition Policy Review. The Government commissioned the independent 'root and branch' review of Australia's competition laws and policy in recognition of the fact that the Australian economy has changed markedly since the last major review of competition policy in 1993.

The FCAI submission to the Review highlighted the competitiveness of the Australian car market and the fact that motor vehicles are at their most affordable point since 1976. The submission also advised the Review Panel of the serious consequences of opening the Australian car market to parallel imports, as identified in the FCAI Motor Vehicle Standards Act submission.

Among other administrative matters, the submission also addressed the possible extension of unfair contract terms protection to small business. Currently, this protection is limited to consumers and does not come into play in business to business transactions. The FCAI holds that a simple extension of consumer protection policies for business to business transactions is not appropriate.

The FCAI continued to engage with the Review Panel in 2014 in an attempt to advise and educate the panel on the complexities of the automotive industry and the impact some proposed measures would have on the industry and Australians.

Free trade agreements

Throughout 2014, the FCAI engaged with the Federal Government on a number of trade agreement negotiations, including negotiations on the Trans-Pacific Partnership, Regional Comprehensive Economic Partnership, Japan–Australia Economic Partnership Agreement and the China–Australia Free Trade Agreement. Discussions also commenced with the Australian Government on a possible Free Trade Agreement with the European Union.

The Korea–Australia Free Trade Agreement entered into force in December 2014 and the Japan–Australia Economic Partnership Agreement entered into force in January 2015. These follow agreements that Australia already has in place with the United States, Chile, the Association of Southeast Asian Nations, New Zealand, Thailand, Malaysia and Singapore.

These agreements are important for FCAI members, and the web of overlapping FTAs mean that the average tariff rate is around 2.5 per cent. Motor vehicles imported from countries with which Australia has an FTA are landed without being subject to any tariff. Imports from other countries are subject to the 5 per cent tariff.

Sharing of service and repair information

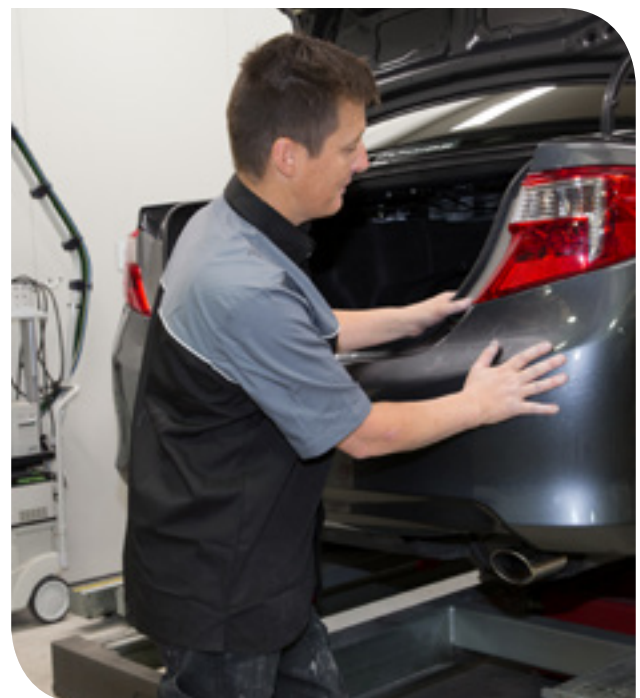
The FCAI continued to show its commitment to consumers and the Government following the 2012 Treasury review of access to service and repair information, through the signing of an industry principles agreement in December 2014.

Australian consumers will benefit from new conditions in the Agreement that ensure they are better informed about their vehicle repair. This includes being informed if non-genuine parts are used to service and repair their vehicles.

The Agreement follows a 2012 Treasury review, which found that there is no evidence of consumer detriment relating to access to service and repair information in the automotive industry, but which recommended an industry agreement be developed to ensure current access to service and repair information continues as motor vehicles become more complex.

The agreement will be underpinned by codes of practice specific to each signing organisation and their members. The FCAI Code was released in September 2014. This Code represents a minimum standard for the provision of service and repair information to independent repairers, by car manufacturers selling vehicles in Australia.

Welcoming the signing of the agreement by the AAA, AAAA, AMIF, AADA and FCAI, the FCAI said all Australians deserved to have their vehicle serviced and repaired to a professional standard, which maintains the original integrity of the vehicle. This is why the FCAI continues to work with the independent service and repair industry to ensure the safety of all Australian road users.



Motorcycle Show

The FCAI has a long history with motorcycle shows and in 2014 we were pleased to enter into a partnership with Troy Bayliss Events for our tenth national motorcycle show.

The Melbourne Motorcycle Show (Moto Expo) was held from Friday 28 November to Sunday 30 November at the Melbourne Showgrounds.

Visitors to Moto Expo were able to experience more than 25,000 square meters filled with everything motorcycling. This included over 130 exhibits and a wealth of live displays. At Moto Expo, FCAI members' unveiled new and exciting motorcycles, including some that meet LAMS (Learner Approved Motorcycle Scheme) requirements. At the Expo, FCAI Chief Executive Tony Weber noted that with the continuing growth in Australians taking up motorcycling either as a form of recreation or for commuting purposes, it is pleasing that the industry is responding with such a wide-range of learner approved products.

Almost 20,000 people attended Moto Expo across the three days of the show.

The FCAI will continue its partnership with Troy Bayliss Events in 2015 for the Sydney Motorcycle Show.

Motorcycle Strategy 2014–2016

The FCAI continues to undertake activities in support of the Motorcycle Strategy 2014–2016.

In 2014, the FCAI continued to advocate on behalf of the industry in relation to transport policy and urban planning matters, rider safety, off road licencing and land use, and design standards.

In particular, in 2014, the FCAI supported the general rider lobbying community in advocating for lane filtering trials and subsequent laws (in NSW and QLD) to allow the safer and more efficient movement of motorcycles through congested traffic.

Our continued membership of the Victorian Motorcycle Advisory Group (and advisory body to VicRoads) enabled the FCAI to contribute to motorcycle safety policy and programs throughout 2014. This included providing advice for inclusion in the motorcycle licencing review in Victoria. The FCAI also contributed to the NSW Road Safety Policy through its participation in the Centre for Road Safety motorcycle group.

In addition, throughout 2014, the FCAI advocated for recreational registration across Australia, and junior licencing schemes that bridge the years before full licence availability, particularly in the off-road riding sphere.

The FCAI collected data on the actual sales of ABS equipped motorcycles into the Australian market, as well as the availability of ABS on motorcycles in fleets across all brands. This enables us to track the penetration of this technology into the motorcycle fleet, and provide evidence that manufacturers are supplying the most technologically sophisticated motorcycles to the Australian Market.





ATV safety

In 2014, 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

QLD Coronial Inquest—ATV safety

In 2014, a Queensland Coronial Inquest investigated seven recent quad-bike related deaths in Queensland. The Inquest aimed to make recommendations to reduce the likelihood of similar occurrences in the future. Safety and industry experts, including the FCAI, gave evidence in the Coronial Inquest in 2014. The Inquest will continue in 2015.

ATV research

The University of New South Wales's Quad Bike Performance Project (QBPP) continued through 2014. The project seeks to develop a system for ranking the relative safety of ATVs and side by side 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.



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 2014, 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*.

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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:

- (a) giving a true and fair view of the company's financial position as at 31 December 2014 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'.

PricewaterhouseCoopers

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

David Murphy
Partner

Canberra
18 March 2015



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