



FEDERAL CHAMBER OF AUTOMOTIVE INDUSTRIES

2012 ANNUAL REPORT



FCAI members

- Ateco Automotive Pty Ltd (Citroen, Alfa, Maserati, Fiat, Great Wall)
- Audi Australia Pty Limited
- BMW Australia (BMW, Mini)
- BMW Motorrad Australia
- BRP Australia Pty Ltd
- Federation of Automotive Products Manufacturers
- Fiat Chrysler Group (Chrysler, Jeep, Dodge)
- Ford Motor Company of Australia Limited
- GM Holden Ltd
- Harley-Davidson Australia Pty Ltd
- Honda Australia MPE Pty Ltd
- Honda Australia Pty Ltd
- Hyundai Motor Company Australia Pty Ltd
- Isuzu UTE Australia Pty Ltd
- Jaguar Land Rover Asia Pacific
- John Sample Automotive Pty Ltd (Aprila, Moto Guzzi)
- Kawasaki Motors Pty Ltd
- Kia Motors 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 (Ducati)
- Nissan Motor Company (Australia)
- Opel
- Peter Stevens Importers (Triumph, Hyosung, Vespa, Piaggio, Gilera)
- Porsche Cars Australia Pty Ltd
- Proton Cars Australia Pty Limited (Proton, Lotus)
- Renault Cars Australia
- Sime Darby Motors Group (Peugeot, SsangYong)
- Subaru (Aust) Pty Limited
- Suzuki Australia Pty Limited
- Suzuki Motorcycles Australia
- Toyota Motor Corporation Australia Limited
- Volkswagen Group Australia Pty Ltd (Volkswagen, Skoda, Bentley)
- 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

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, component manufacture and distribution, retailers, servicing, financing, logistics and transport. Automotive manufacturing is the largest manufacturing sector in Australia.

In 2012:

- 1,112,032 motor vehicles were sold in Australia.
- 115,488 motorcycles, ATVs and scooters were sold.
- There were 64 automotive brands in the Australian market.
- There were more than 110,000 businesses in the Australian automotive sector.
- Annual turnover in the Australian automotive industry exceeded \$160 billion.
- The industry paid more than \$10 billion in tax to the Australian Government.
- More than 50,000 people were directly employed in Australia's three vehicle manufacturers, dozens of importers and hundreds of related component manufacturers.
- More than 313,000 people were directly employed in motor vehicle and parts manufacturing, wholesaling, retailing and automotive repair and maintenance.
- The Australian automotive sector exported around \$3.7 billion worth of vehicles and components.
- The automotive industry was the largest contributor to manufacturing research and development in Australia, investing around \$694 million in 2010–11.
- Passenger vehicles contributed to 7.7 per cent of Australia's greenhouse gas emissions.
- The average new vehicle emitted 21 per cent fewer CO₂ emissions than in 2002.
- 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.

President's report



2012 presented the Australian automotive industry a number of considerable challenges.

While Australia fared well economically, the same could not be said of our main trading partners, with economic growth in the United States, Europe and Japan left wallowing in the shallows. This had impacts across the Australian automotive sector, with the most notable being the continued strength of the Australian dollar.

In 2012, 972,236 imported passenger vehicles were sold. These were sourced from at least 28 countries and represented around 85 per cent of the total market. Toyota, again, was market leader with 19.6 per cent of the market.

Australia remains one of the few nations in the world to have the ability to take a new motor vehicle from first concept through to final manufacture. We cannot take this rare and unique ability for granted. The Australian automotive manufacturing industry is at a critical stage in its history.

We have an unprecedented number of car brands selling into the Australian market, ranging from established brands through to new entrants like Geely, Great Wall and Foton, and even the re-emergence of brands such as MG.

Consumers have been the great winners out of this increased competition. In 2012, more than 1.1 million new cars entered the Australian fleet, breaking all previous sales records. However, this number needs to be put into perspective with a fleet of 16.7 million registered vehicles in the country. This means that to replace every vehicle currently on the road would take 15 years at the rate of 2012 record sales.

While increased levels of competition is undoubtedly good news for consumers, bringing quality vehicles at low prices and improved safety and emissions outcomes, this has contributed to tougher times for Australia's domestic manufacturers, with around 220,000 motor vehicles produced domestically (down from 325,000 in 2008, of which 160,000 were exported). In an industry where economies of scale are important in achieving cost

competitiveness the current lack of volume is a real disadvantage, both in itself and in flow on to major parts makers.

Domestic manufacturers have been doubly hurt by the current historically high value of the Australian dollar exchange rate (appreciating by 30 per cent versus the US dollar since 2009) and the impact of other nations intervening to dampen their currency. This has damaged the efforts of the three domestic manufacturers to offset a lack of domestic demand through expanded production for export.

The combined impact of these developments has made it more challenging for domestic manufacturers. While the three manufacturers are up for the challenge, they need to be matched with a globally competitive automotive policy framework.

The platform for a viable and vibrant Australian manufacturing industry demands that the Australian Government gain reciprocity of access to overseas markets to enable investment in design and manufacturing to reap the benefits of economies of scale. A key aspect of this access is delivered through free trade negotiations. To date our industry finds that non-tariff barriers remain despite these FTAs and, considered together with the abovementioned exchange rate issues, result in very few and limited opportunities.

As we move into an election year, it is timely that there be a focus on government support for the industry. The FCAI welcomes the commitment by both the Federal Government and the Federal Opposition to support the domestic automotive manufacturing industry.

The commitment is timely in light of the fact that certainty of government policy and a commitment that extends across the political divide is crucial if Australia is to continue to have a domestic automotive industry.

It is often overlooked that the domestic automotive manufacturing sector provides an enormous economic stimulus to the broader Australian economy. Failure by government to commit to internationally competitive levels of support will place additional pressure on the industry in its attempts to remain competitive. This in turn puts at risk the positive economic and social benefits that stem from having this important industry.

The FCAI has continued to engage at all levels with government through 2012 and has had a strong advocacy focus on behalf of its members. It will continue throughout 2013 with obvious focus on the upcoming Federal election.

On the policy front, the FCAI strongly welcomed the appointment of William Angove as the Automotive Supplier Advocate. Mr Angove was appointed to this newly-created position by the Prime Minister and the Minister for Industry and Innovation as part of the Australian Government's Automotive New Markets Initiative. The appointment not only recognises the importance of maintaining a successful domestic automotive industry, but also Mr Angove's considerable experience in the sector. The timing of Mr Angove's appointment was important given that Australia's automotive industry is today at a significant point in its 100 year history.

Of particular interest to members has been the issue of cross border transfer pricing. The Federal Government has been pursuing significant changes to the legislation determining how the pricing for our international transactions are assessed under Australia's taxation system, in particular the international transfer pricing provisions. The changes, while not targeted at our sector in particular, have significant potential impact to our business planning and cost certainty. The FCAI Taxation Committee, along with a range of other professional bodies, has been keenly engaged in the legislative process to minimise the potential impact of these changes and ensure as far as possible that our industry has the capacity to plan ahead with the highest degree of certainty when it comes to taxation matters.

The sheer number of brands and the volume of cars being sold into the Australian market has naturally placed great pressure on our port infrastructure. The ability to

move our vehicles, parts and accessories into and out of the country quickly and efficiently is but one important aspect of our complex businesses. The FCAI Vehicle Logistics Committee constantly engages with the Port authorities around Australia to ensure that the automotive trade not only remains at the forefront of future port development considerations, but that the cost effectiveness of these operations is continually improved. This includes those at the new Webb Dock West Automotive Terminal currently being developed in Melbourne.

The Australian International Motor Show Joint Venture (comprising the FCAI and the Victorian Automobile Chamber of Commerce) confirmed earlier this year that the 2013 Australian International Motor Show scheduled for Melbourne in June will not proceed. The decision to not proceed with the 2013 show was based on a consensus view of the automotive industry to focus members' limited marketing budgets in 2013 on firm specific activities, rather than an industry based motor show. The pause in this year's show follows a global trend where individual cities do not always have a Motor Show. Most recently, Motor Shows in London, Zagreb and Amsterdam have been postponed or cancelled. The Joint Venture will continue to explore market research and opportunities as to how the event can best meet the needs of the industry and the public in the future.

I would like to thank the FCAI Secretariat for their advocacy and representation efforts through 2012 on behalf of the Australian automotive industry. In a year of significant staff movement at the Secretariat, the ability to represent the sector's interests has been welcomed by the industry.

It is also important to recognise the generous contributions and efforts of my fellow directors on the FCAI Board throughout the year. Your counsel and views have been to the collective benefit of the industry.

2013 is shaping as a great year for the automotive industry, with car sales continuing strongly and consumers' continuing to be offered what is one of the largest choices of any country on the planet. But it is also a year in which we cannot underestimate the enormous policy and funding decisions that need to be taken by government and manufacturers alike.

Robert Graziano

FCAI President & Chairman

Chief executive's report



2012 presented many challenges for Australia's automotive industry. Over the past 12 months, FCAI's focus has been on a range of issues concerning the industry.

In the lead up to the federal election in 2010, the then Prime Minister announced that CO₂ emissions standards would be mandated. The starting point for discussion was targets of 190 g/km in 2015 and 155 g/km in 2024. FCAI supported this proposal and has been actively involved in discussion with the Federal Government on various aspects of the standards including the targets, credits, penalties, legal issues and timing. The FCAI continues to work with the Government in the development and release of these standards. It is anticipated the matter will be considered by the Government post the 2013 election.

Right to repair is emerging as a very significant issue for our industry. The Service Managers are actively considering how to deliver on a robust, transparent code of conduct that allows access to service and repair information yet does not undermine the investment our industry and our dealers have made, and continue to make, in state of the art facilities and the latest industry training. With assistance from the Legal Committee, it is expected that by the end of 2013 a preliminary code will be available for wider industry consideration.

Our sector is one of the most internationally active in the Australian economy and the Federal Government changes in respect of the legislative provisions governing transfer pricing has captured the attention of the corporate taxation community. It is an incredibly complex area and is being handled by the FCAI Tax Committee. While a range of issues that have been raised in our submissions have been acknowledged as requiring more investigation, we are yet to see a legislative response that reflects our views in the law. It is an important area for our industry and one we will continue to engage in.

Central to our members operations is the ability to be able to import and export vehicles efficiently. A range of

developments are either underway or proposed at various ports around Australia. The new Webb Dock West development in Melbourne has the opportunity to be a truly world class facility and the FCAI Vehicle Logistics Committee continues to liaise with the Government about the development, and in particular the transition from the existing to the new facility.

VFACTS continues to enjoy significant demand from both within the industry and from external parties. We will continue to ensure the relevance and accuracy of the VFACTS data and also look to opportunities that enable us to leverage commercial opportunities of this data.

As a collective we have a great deal of information available to us. In some circumstances, and always subject to privacy and Australian Consumer Law provisions, there may be opportunities for the FCAI to collate information from each of the members to provide valuable management tools for our industry. The FCAI is finalising a procedure and a protocol that members can apply if they believe there is an opportunity to build on collective industry information to better drive their business outcomes.

The FCAI's ongoing engagement with the Government was a feature throughout 2012. Our Friends of Manufacturing events were held at Parliament House in Canberra on Wednesday, 12 September. The events were well attended by Government and Opposition members and senators, and attendees were presented with a demonstration of the industry's design capabilities within Australia from each of the local manufacturers. These events were complemented by ongoing engagement by the FCAI with key MPs and senators across the Government and Coalition.

A prominent feature of the FCAI's political and policy activity in Canberra during 2012 was our engagement with both the Minister for Industry and Innovation, the Hon. Greg Combet MP and with Coalition shadow ministers, including the Leader of the Opposition, the Hon. Tony Abbott MP, industry spokesperson, Sophie Mirabella MP and shadow Treasurer, the Hon. Joe Hockey MP. Through this engagement the FCAI was able to demonstrate not only the value of the domestic automotive manufacturing sector, but also the significant and important social and economic spillover benefits to parliamentarians.

As a new initiative, the FCAI is considering commencing a program of 'boardroom dinners' in which member company CEOs are invited to meet with other members and FCAI Secretariat directors over a private dinner to discuss key issues. This program will form an important part of the engagement strategy with members to ensure that the Secretariat has the very latest views and perspectives of all members and better enables us to represent these views and perspectives as part of our advocacy and representation efforts to Government.

There were a number of significant staff changes at the FCAI secretariat throughout 2012, with a turnover of senior staff including the roles of Chief Executive, Technical Director, Operations Director and Policy Director.

I want to express my sincere thanks to the secretariat staff who have continued to work diligently on behalf of FCAI members. I would also like to thank the Board for their commitment to ensuring the FCAI maintains its position as the industry's pre-eminent advocate for its members, and to the many FCAI committee members who dedicated their time and knowledge to policy development and submission preparation.

It has been, at times, a difficult year for the industry. But, it has ended strongly for members both in the marketplace and through the FCAI's continued representation and advocacy. The FCAI looks forward to representing the interests and needs of our membership through 2013, which is shaping up to be a similarly challenging year.

Tony Weber

FCAI Chief Executive

2012 FCAI board



Bob Graziano

*FCAI President & Chairman
President & CEO,
Ford Motor Company of Australia Limited*



Lindsay Smalley

*Vice President
Senior Director,
Honda Australia Pty Ltd*



Masahide Yasuda (Max)

*Vice President
President & CEO,
Toyota Motor Corporation of Australia*



Doug Dickson

*Hon Treasurer
Managing Director,
Mazda Australia Pty Ltd*



Mike Devereux

*Director
Chairman and Managing Director,
GM Holden*



David Blackhall

*Director
Managing Director,
Jaguar Land Rover Australia*



Robert Toscano

*Director
Managing Director,
Honda Australia MPE Pty Ltd*



Rob Dommerson

*Director
Managing Director,
Peugeot Automobiles (Sime Darby Motors Group)*



Ian Mearns

*Director
Government Affairs Director,
Ford Motor Company of Australia Limited*



Juergen Sauer

*Director
President & CEO,
Mercedes-Benz Australia/Pacific*



Michael Winkler

*Director
Managing Director,
Porsche Cars Australia*



Tony Weber

*Secretary
Chief Executive, FCAI
(From September 2012)*



Ian Chalmers

*Secretary
Chief Executive, FCAI
(To May 2012)*

State of the Australian automotive industry in 2012

Australian market stays strong

The 2012 full year sales figures signified the continued strength of the Australian market with over 1.1 million new vehicles sold—a 10.3 per cent increase on 2011 sales.

For the second year running, motor vehicle sales have finished comfortably above the one-million mark. A total of 1,112,032 new passenger cars, SUVs and commercial vehicles were sold to the Australian market in 2012.

A 25.3 per cent rise in SUV sales from 2011 to 2012 shows Australian consumer tastes are changing. SUVs are now holding a market share of more than half that of passenger motor vehicles.

Demand for new vehicles was spread across private, business and rental buyers, which all showed significant growth compared to 2011. However, purchases by government were disappointing, down by 12.3 per cent compared to the levels in 2011.

The increasing brand presence in the Australian market is providing great value for consumers. This increase has, in part, been driven by the lack of demand in northern hemisphere markets, where the impacts of the Global Financial Crisis continue to abate, yet still affect.

Light commercial vehicles continue to be popular

Australians are increasingly choosing light commercial four wheel drive vehicles, with sales in this category coming in third in 2012, behind small and light passenger vehicles.

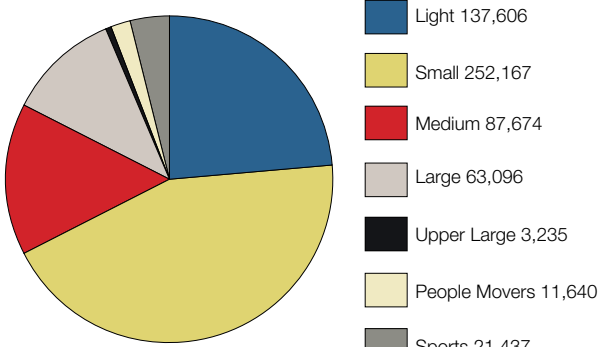
Light commercials are now more popular than large SUVs, with 124,536 4x4's sold in 2012, compared to 120,363 large SUVs. It is expected this growth will slow as the impacts of the 'mining boom' recede in Queensland and Western Australia.

In summary

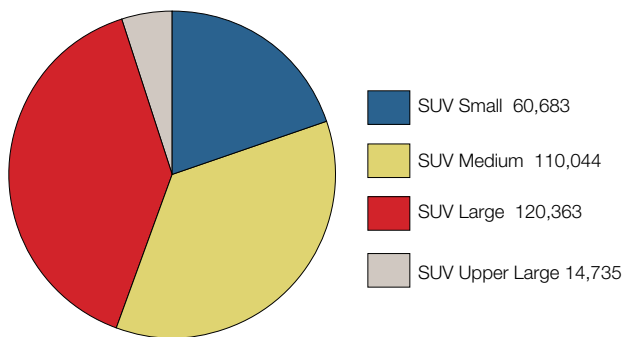
- The total passenger car market reached 576,855, a slight 3.1 per cent or 17,541 increase on 2011 numbers.
- Sales of SUV's, in particular small and medium SUV's, showed a significant increase over the 2011 levels.
- Sales of small SUV's were 53 per cent higher and medium SUV's 22 per cent higher than 2011 levels.
- Overall sales of passenger vehicles rose by only 3.1 per cent over the 2011 levels.
- Light commercial vehicles, in particular four wheel drive dual cab utilities, continued to grow in the market, with an increase of 12.2 per cent or around 22,000 vehicles in 2012, compared to 2011.
- Heavy commercial vehicles increased by 9.9 per cent or 2,789 units in 2012.
- Toyota maintained its lead as the highest volume brand with a market share of 19.6 per cent, reflecting sales of 218,176 vehicles, followed by GM- Holden with sales of 114,665 and 10.3 per cent market share.
- The top selling vehicle, for the second year in a row, was the Mazda3 with sales of 44,128. It was followed by the Toyota Hilux (40,646), the Toyota Corolla (38,799), the Holden Commodore (30,532) and the Holden Cruze (29,161).

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

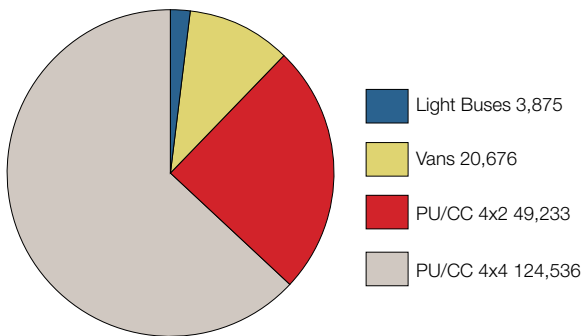
Passenger motor vehicle sales 576,855



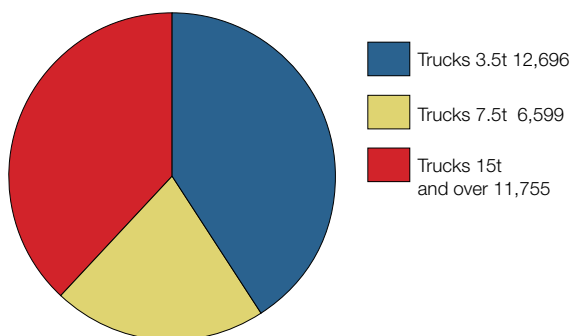
SUV sales 305,825



Light commercial sales 198,302



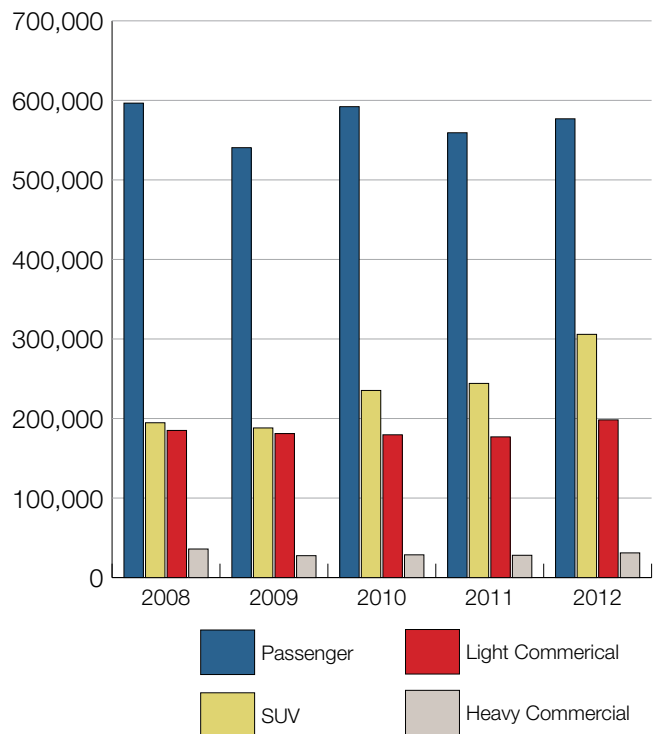
Heavy commercial sales 31,050



Top 10 Vehicle Sales by Brand

Rank	Change	Brand	2012		2011	
			Volume	Share	Volume	Share
1	↑	Toyota	218,176	19.6%	181,624	18.0%
2	↓	Holden	114,665	10.3%	126,095	12.5%
3	↑	Mazda	103,886	9.3%	91,243	9.0%
4	↓	Hyundai	91,536	8.2%	88,333	8.8%
5	↓	Ford	90,408	8.1%	87,008	8.6%
6	↑	Nissan	79,747	7.2%	67,926	6.7%
7	↓	Mitsubishi	58,868	5.3%	61,108	6.1%
8	↑	Volkswagen	54,835	4.9%	44,740	4.4%
9	↑	Subaru	40,189	3.6%	34,011	3.4%
10	↑	Honda	35,812	3.2%	30,107	3.0%

Australia's new vehicle market



Motorcycle sales up 5.4 per cent

Motorcycle sales in Australia grew steadily throughout 2012, with a total of 115,488 new motorcycles, all-terrain vehicles (ATVs) and scooters delivered to customers. This is a 5.4 per cent increase on 2011 sales, which totalled 109,067.

While sales of off-road motorcycles grew by 917 units, road motorcycle sales grew by 4,889 units. Much of this

growth can be attributed to smaller capacity (entry level) motorcycles. The only segment to record negative growth for 2012 was the scooter segment, where 1,016 fewer sales were recorded.

By contrast ATV sales continued to grow in 2012; however, sales did not match the 18.4 per cent growth seen in 2011. ATV sales grew 5.1 per cent (1,140 units).

Top 10 motorcycle sales by brand

Brand	2012	2011	% change
Honda	26,034	24,024	8.4
Yamaha	20,185	20,152	0.2
Suzuki	12,463	13,671	-8.8
Kawasaki	10,908	9,745	11.9
Harley-Davidson	7,825	6,427	21.8
KTM	5,808	4,868	19.3
Polaris	5,326	4,854	9.7
Triumph	3,057	3,078	-0.7
CF MOTO	2,247	1,308	71.8
BMW	2,125	1,705	24.6

In summary

- A total of 23,570 ATVs were sold in 2012, up 5.1 per cent (or 1,140 units).
- More than one in five motorcycles sold last year was an ATV.
- The scooter segment finished the year with 10,680 sales, down 8.7 per cent (or 1,016 scooters).
- Sales of road bikes were strong throughout the year, finishing 12.6 per cent ahead of 2011 with 43,539 sales.
- In contrast to 2011 the off-road motorcycle segment grew slightly, with sales volumes increasing 2.5 per cent (917 sales).
- The off-road segment remains the second largest, accounting for 37,699 sales, which is 32.6 per cent of the total market.

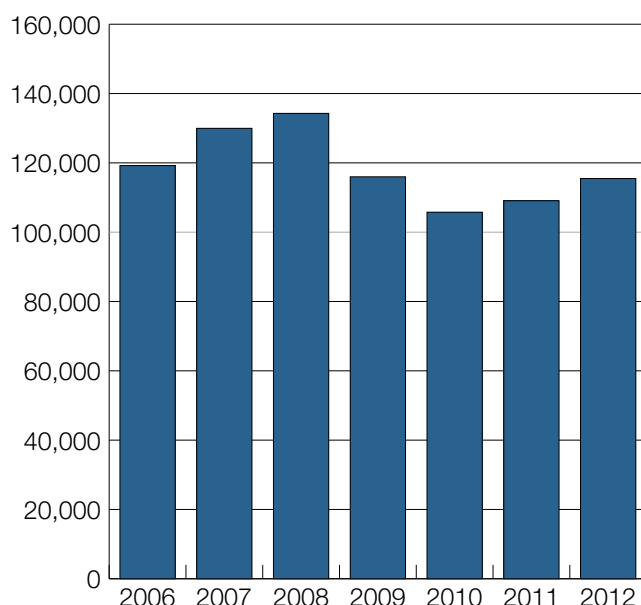
Looking across all segments, Honda was the leading volume manufacturer for 2012 with 26,034 units sold, followed by Yamaha with 20,185 units, Suzuki with 12,463 units and Kawasaki with 10,908.

In the on-road motorcycle segment, Honda led the volume race with 8,783 units sold; however, several of the premium European and American brands showed notable growth rates such as Aprilia (up 58%), BMW (up 24%), Harley-Davidson (up 22%) Ducati (up 21%) and Moto Guzzi (up 17%).

Yamaha was the leading volume off-road producer for 2012 with 11,024 units sold, and Honda headed the ATV sales list with 5,491 units.

While scooter sales softened overall, Piaggio sales increased significantly, moving the brand to the top of the scooter volume table with 1,640 units which is an increase of 28 per cent versus their 2011 number.

Motorcycle sales 2006–12



Friends of manufacturing

In September, the FCAI hosted breakfast and lunch briefings in Parliament House to highlight the level of innovation in automotive manufacturing. This event gave Federal politicians a greater insight into the significant role this manufacturing industry plays in Australia.

FCAI President Bob Graziano and Chief Executive Tony Weber spoke at the 'Friends of Manufacturing' briefings, highlighting to the audience why strong bipartisan support for the automotive industry is needed, and the wide-ranging returns that the Federal Government's investment makes to the economy. This includes through employment, skills, research and development, exports and more. For example, automotive manufacturing employs over 50,000 people in Australia and returns billions of dollars to the economy every year.

In his opening address, Bob Graziano said the industry has a pivotal role in developing a smart, innovative and technologically advanced Australian economy.

Tony Weber noted automotive manufacturing is much more than "screwing cars together". He said "it is the intersection of manufacturing, design, high-skilled engineering and the integration of the supply chain". He also noted these capabilities are being transferred to other areas of activity. The mining, medical, aeronautics industries and defence have all been beneficiaries of automotive manufacturing skills, technologies and developments.

Mr Graziano and Mr Weber's comments helped drive home the message to politicians that the fabric of the Australian economy would be completely different if there was no automotive manufacturing capability.

Showcasing just how advanced and diverse automotive manufacturing is, Ford Australia's CEO and President Bob Graziano, GM Holden's Design Director, Andrew Smith and Toyota Australia's Product Design Manager, Nick Hogios, gave captivating presentations on the product design, development and manufacturing capabilities at their respective organisation. Their presentations also helped the FCAI show the politicians how important automotive manufacturing is to the country's innovation system.

The briefings were well attended and showed cross-Parliament support for automotive manufacturing in Australia. Politicians from Government and Opposition—Shadow Minister for Small Business and Competition Policy Bruce Bilson, Parliamentary Secretary for Industry Mark Dreyfus; and Member for Wakefield Nick Champion—spoke about their support.

In his closing remarks, Bob Graziano said "the automotive industry has always been a highly competitive playing field in which manufacturers must constantly demonstrate innovation, resilience and determination. The stakes have never been higher because we are playing for our survival. But rest assured, we don't intend to give up".



Key activities

Submissions

In 2012, the FCAI submitted responses to a range of government reviews. These submissions can be downloaded from www.fcai.com.au

April

- Tax Laws Amendment Exposure Draft.

July

- NSW Fair Trading review of the regulation of motor vehicles in New South Wales.
- Senate Committee Submission—Tax Laws Amendment (Cross-Border Transfer Pricing).

September

- Department of Infrastructure and Transport in response to the Discussion Paper on a new approach to comparing the environmental performance of vehicles on the Green Vehicle Guide.

October

- Safe Work Australia Review of Design and Engineering Controls for Improving Quad Bike Safety.

November

- The House of Representatives Economics Committee Inquiry into Australia's Oil Refinery Industry.
- Australian Commonwealth Consumer Affairs Advisory Committee on the sharing of repair information in the automotive industry.

CO₂ and the Green Vehicle Guide

During 2012, the FCAI was actively involved in discussions with the department and office of the Federal Minister for Infrastructure and Transport on proposed mandatory CO₂ targets and changes to the Green Vehicle Guide (GVG).

In September, the FCAI responded to the Transport Department's discussion paper on proposed changes to the GVG. The FCAI supported the abolition of the overall star rating and the Department's proposal to make a CO₂ rating the central element of the guide.

The FCAI recognises that the GVG provides a centralised resource for customers on the environmental performance of vehicles and that this is beneficial particularly in being able to compare different models. While the predominant focus of the GVG is on new vehicles and the original purchase decision (consistent with the emphasis of the fuel consumption label of ADR 81/02), the FCAI suggested that there is an opportunity to highlight ways vehicle owners can reduce fuel consumption, e.g. regular maintenance.

Reducing CO₂ emissions

Average new car CO₂ emissions have reduced by 21 per cent since 2002.

Year	Average CO ₂ emissions (g/km)*	Annual change
2002	252.4	n/a
2003	249.5	-1.1
2004	246.5	-1.2
2005	240.5	-2.4
2006	230.3	-4.2
2007	226.4	-1.7
2008	222.4	-1.8
2009	218.6	-1.7
2010	212.6	-2.7
2011	206.6	-2.8
2012	199.0	-3.7

* National average CO₂ emissions for new passenger and light commercial vehicles

Source: National Transport Commission

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 reductions in CO₂ emissions every year with a 4 per cent reduction in 2012.

The local industry also made significant contributions with CO₂ emissions of locally made cars reducing by 8.8 per cent, more than double the industry average.

Fuel Standards

The Australian Government began a review of fuel quality standards in late 2012, focussing on the impact of sulphur levels in gasoline (petrol) on in-service compliance of vehicles meeting Euro 5 and/or Euro 6 emission standards. The FCAI responded to the Government on the matter. A desktop review of existing technical reports and a final report is expected to be finalised by mid-2013.

The FCAI response concerned the introduction of Euro 5 and Euro 6 emission standard. In particular, the FCAI highlighted that for vehicle brands to deliver the expected environmental benefits from CO₂ targets and more stringent vehicle air pollutant emission standards, it is necessary to have market fuel that meets appropriate fuel quality standards. The absence of a concomitant fuel quality standard for in-service fuels may limit expected emissions reductions and cause operability problems (i.e. the vehicle may not operate as designed/expected) leading to a failure in public policy, as well as owner dissatisfaction and reputational damage to brands.

Advertising Code of Practice

Following discussions with the Parliamentary Secretary for Infrastructure and Transport, the FCAI agreed to review the content and operation of the Advertising Code of Practice. The primary purpose of the voluntary code is to allow the industry to self-regulate and provide guidance to advertisers on the appropriate portrayal of images, themes and messages relating to the safe and responsible use of vehicles. The review will occur in 2013.

NSW Fair Trading Review

In July, the NSW Government initiated a legislative review of the regulation of motor vehicles in NSW to simplify industry regulation and reduce red-tape. In preparing for the review, the NSW Motor Vehicle Industry Advisory Council requested the regulation of relationships between motor dealers and distributors be included in the scope. The stated purpose for the inclusion was to allow disputes to be heard by the Consumer Trade and Tenancy Tribunal. The FCAI made a submission to the review and contested any change to the current national regulatory framework.

Sharing of repair information

In 2012, the FCAI continued to work with the Commonwealth Consumer Affairs Advisory Committee (CCAAC) on the sharing of repair information in the automotive industry. This follows a CCAAC review on the matter in 2011. The FCAI Board has agreed to development of a voluntary code of practice for the availability of repair information. It is expected the voluntary code will be developed in 2013.

Automotive Component Donation Program

Since 1992, FCAI has been involved in a component donation scheme (ACDP) involving a number of TAFE colleges which teach automotive skills. Over this time, a conservative estimate of approximately \$46m worth of donations, ranging from new vehicles to small component parts and other equipment, has been distributed to participating educational institutions.

Since June 2009, ACDP has been administered by the FCAI. Unfortunately over the last few years, the ACDP has not been as effective and various brands established individual relationships with particular TAFEs for the supply of vehicles or components. In 2012, it was agreed to close the ACDP.

The FCAI thanks the staff at the Kangan-Batman TAFE in Melbourne for their assistance with the operation of the Program.



ATV Code of Practice

As part of FCAI ATV members' commitment to improving safety of ATVs through the promotion of safe and responsible use of ATVs, a code of practice for the use of ATVs in the workplace was released in November.

This document is intended to help ATV users operate ATVs safely with practical guidance based on the worldwide experience of the ATV industry in the safe use of ATVs. The code was also intended to assist those using ATVs in the workplace to meet their workplace health and safety legislative requirements.

ATV safety

The past 12 months have seen a significant increase in the attention ATV safety has received from both national and state regulators. The FCAI promotes the safe use of ATVs and asks users to:

- Choose the right vehicle for the task.
- Undertake an appropriate ATV training course.
- Always wear a helmet and other PPE.
- Ride only age appropriate ATVs and prevent children under 16 accessing adult sized ATV's.
- Never carry a passenger on single seat ATVs or overload vehicles.
- Never ride under the influence of alcohol or other drugs.

For more information, visit www.atvsafety.com.au



Auditor's report



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

Report on the financial report

We have audited the accompanying financial report of Federal Chamber of Automotive Industries (the company), which comprises the balance sheet as at 31 December 2012, and 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. These Auditing 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 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 2012 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*.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report of Federal Chamber of Automotive Industries (the company) for the year ended 31 December 2012 included on Federal Chamber of Automotive Industries web site. The company's directors are responsible for the integrity of the Federal Chamber of Automotive Industries web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

PricewaterhouseCoopers

David Murphy
Partner

Canberra
19 April 2013

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