



**AUSTRALIAN AUTOMOTIVE
AFTERMARKET ASSOCIATION**

Critical Industry Trends 2021

The Australian Automotive Aftermarket Association is the national industry association representing manufacturers, distributors, wholesalers, importers and retailers of automotive parts and accessories, tools and equipment, as well as providers of vehicle service, repair and modification services in Australia.

The Association and its membership represent:

- Over 4,100 businesses in all categories of the Australian automotive aftermarket
- Major national and multi-national corporations as well as independent small and medium size businesses
- Businesses located in metropolitan, regional and rural Australia
- Employment for more than 40,000 people
- Export of over \$1 billion worth of Australian-manufactured product each year

The AAAA regularly commissions research on behalf of members to assess the health and trends within the broader automotive industry and subsectors. The data gathered provides useful insights and powerful information for business growth and direction. The research also assists the AAAA in affecting regulatory change at a government level on behalf of the future of our industry.



**AUSTRALIAN AUTOMOTIVE
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WORKSHOPS & EMPLOYEES

Workshops & Employees

There are almost 28,000 aftermarket workshops in Australia, employing more than 70,000 technicians and support staff

27.8k

Total Workshops
(2020 ABS Counts of Australian businesses)

All workshops



71.5k

Employees
(2016 ABS Census)

24.6k

Automotive service & repair workshops
(2020 ABS Counts of Australian businesses)

Automotive Service & Repair



13.6k

Employing businesses

53.8k

Owners & Employees
(2016 ABS Census)

10.9k

Non-employing businesses

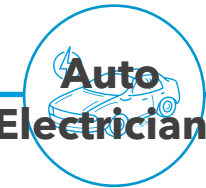
11.8k

Owner managers
(2016 ABS Census)

3.2k

Auto Electric businesses
(2020 ABS Counts of Australian businesses)

Auto Electricians



1.6k

Employing businesses

4.4k

Owners & Employees
(2016 ABS Census)

1.6k

Non-employing businesses

1.4k

Owner managers
(2016 ABS Census)

The Australian aftermarket service and repair marketplace consists of almost 28,000 individual workshops, providing jobs for more than 70,000 technicians and support staff.

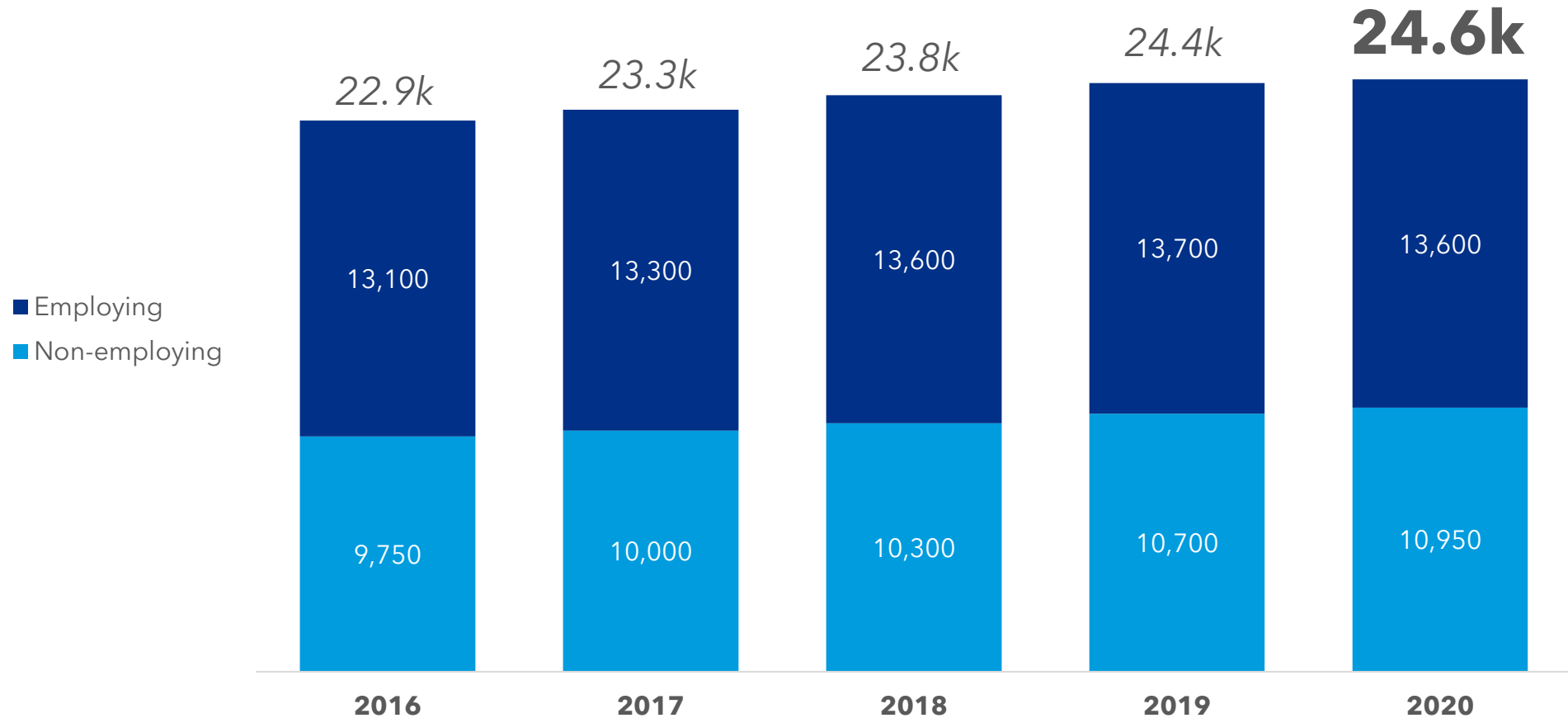
While many workshops are sole operators, most are employing businesses, with an average of four workers (technicians and administrative staff) within the business.

A similar pattern is evident in Auto Electrical, with half of the 3,200 businesses run by single operators. Employing businesses do tend to be smaller than their service and repair counterparts, with an average of 2-3 workers within the business.

Service & Repair Workshops

Looking specifically at service and repair, an additional 1,700 workshops have entered the market since 2016

Employing vs. non-employing Automotive Service & Repair Workshops



The Australian aftermarket service and repair sector added an additional 1,700 workshops since 2016, going from 22,900 workshops up to 24,600 by 2020.

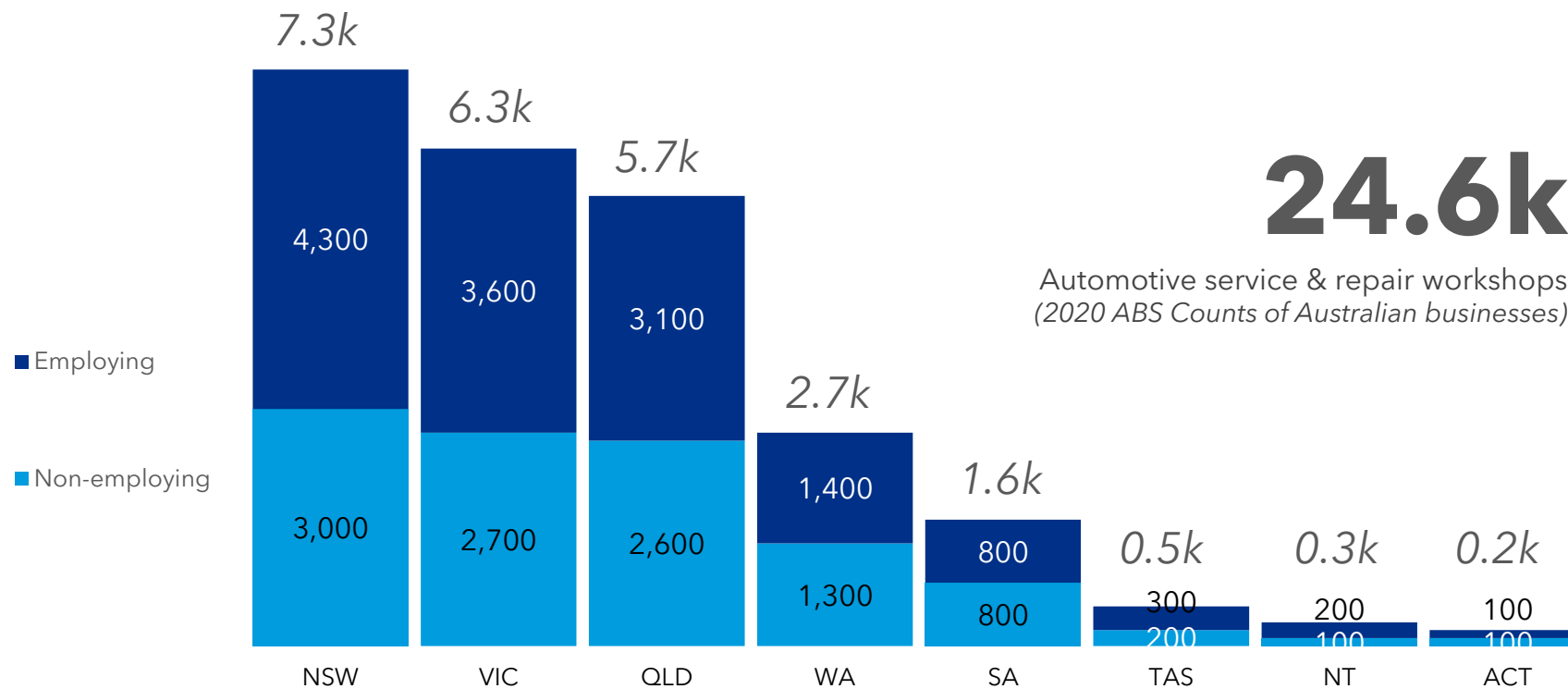
While a certain amount of this will have been driven by growth within larger workshop chains, in many cases it will still be individual operators setting up their own shop.

This is reflected in the relative growth of each group; while there are 500 more employing businesses, there are more than twice as many new non-employing businesses.

Service & Repair Workshops

As could be expected, the vast majority of the service and repair workshops are in NSW, Victoria, and Queensland

Automotive Service & Repair Workshops in each state



24.6k

Automotive service & repair workshops
(2020 ABS Counts of Australian businesses)

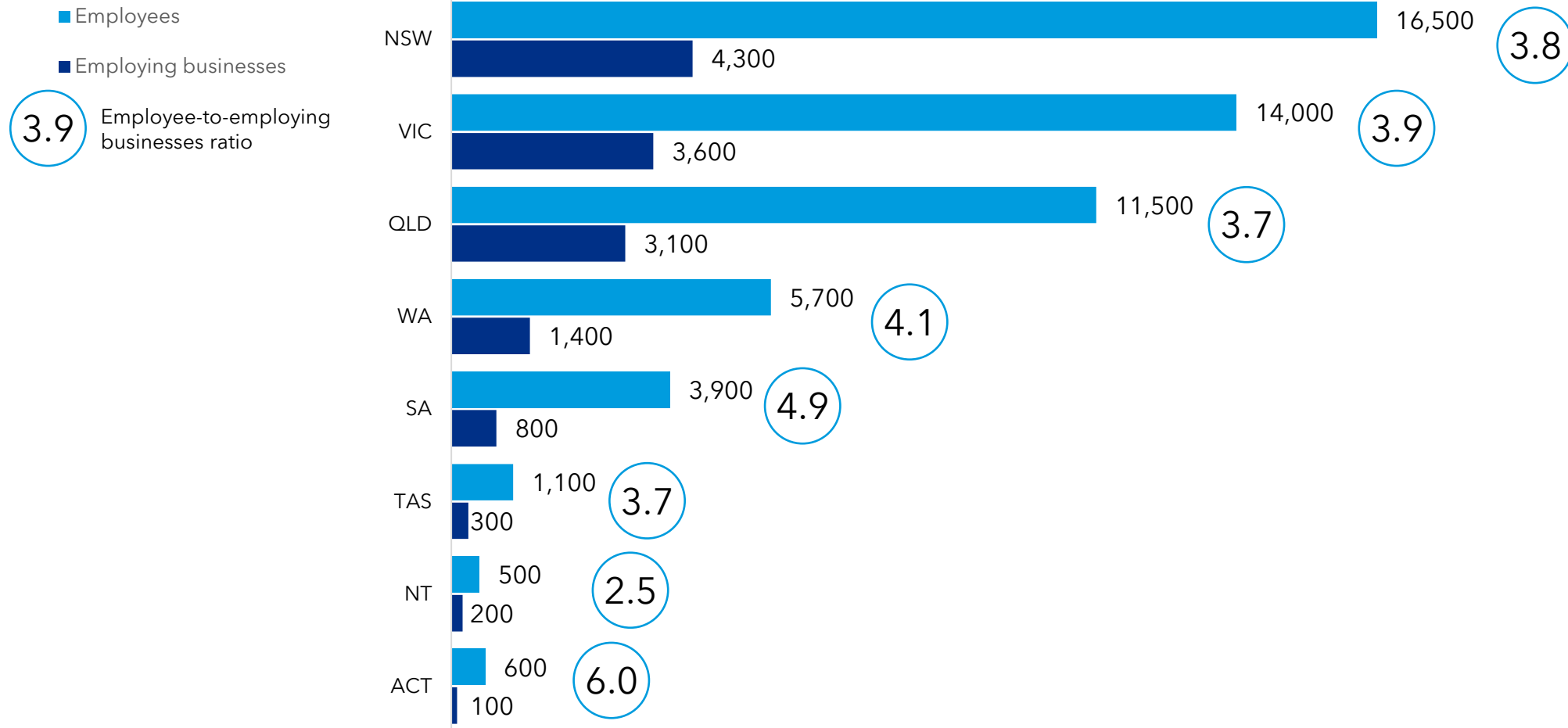
Four in five Australian workshops are located on the east coast, reflecting the distribution of households, businesses, and ultimately vehicles to these larger population centres.

Additionally, vehicle distribution is reflected in the mix of employing and non-employed businesses, with a higher proportion of east coast workshops having employees than those on the west coast.

Service & Repair Workshops

Size is largely consistent, with most states and territories in line with the national average of 3.9 employees per employing workshop

Ratio of employing workshops to employees in each state



Despite the higher incidence of employing workshops in NSW, VIC, and QLD, those that do employ staff are generally comparable in size to those in other states or territories. Regardless of location, employing workshops across the country have an average of 4 staff members.

There are outliers at each end of the spectrum, with the ACT (6 staff per employing workshop), and SA (4.9 staff per employing workshop) generally larger than the average, and the Northern Territory (2.5 staff per employing workshop) skewing in the other direction.



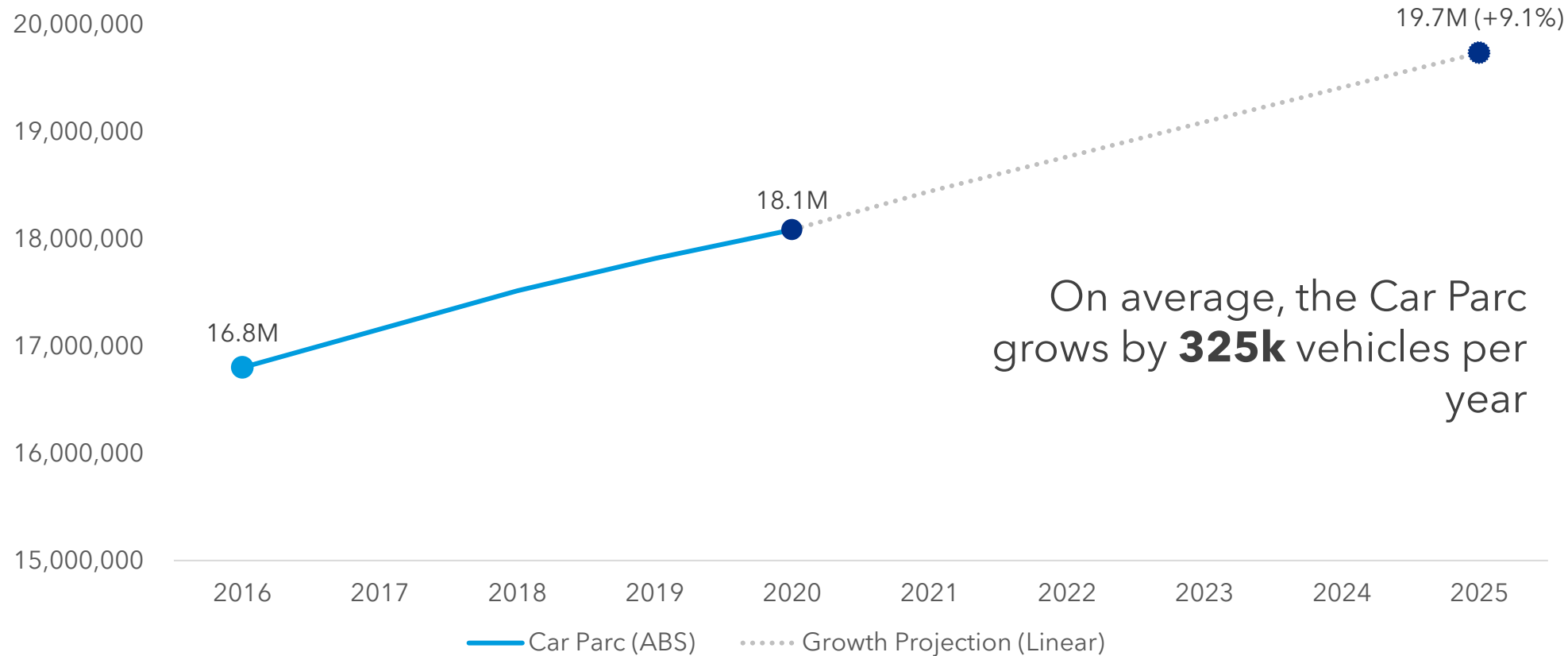
**AUSTRALIAN AUTOMOTIVE
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FUTURE GROWTH

Car Parc growth

The Australian car parc grows by ~300,000 vehicles per year, and is projected to reach 19.7m vehicles by 2025

Projected Growth of Passenger/LCV Car Parc to 2025



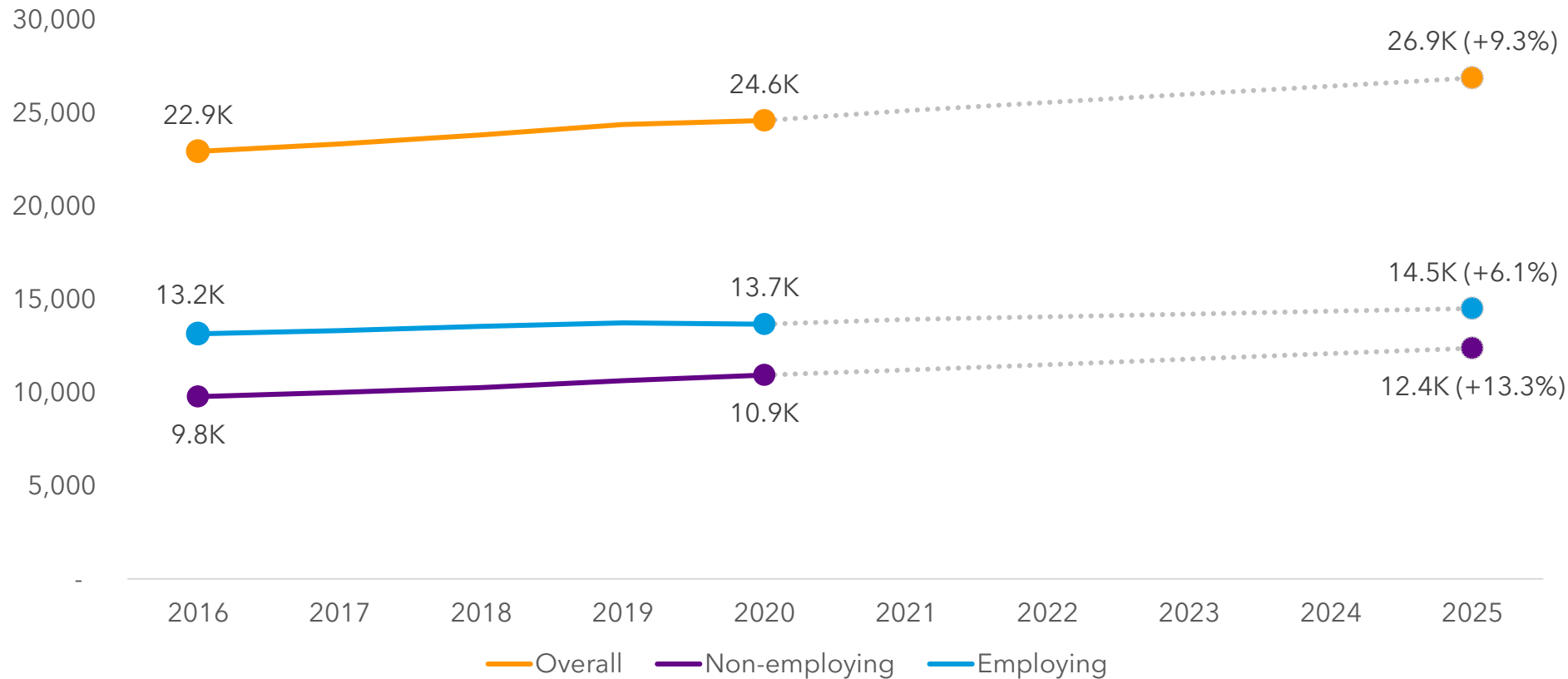
The Australian Car Parc has enjoyed steady growth since 2016; forecasting this to the future, it will grow from 18.1 million vehicles in January 2020 to almost 20 million vehicles by 2025.

Growth is forecast to remain largely consistent over time, even given the disruption to 2020 by the COVID pandemic. Although new vehicle sales were heavily impacted, lower scrappage rates mean that overall car parc growth remained relatively steady.

Workshop growth projection

Similarly, the amount of service & repair workshops is expected to grow by 2.3k by 2025

Projected Growth of Service & Repair Workshops to 2025

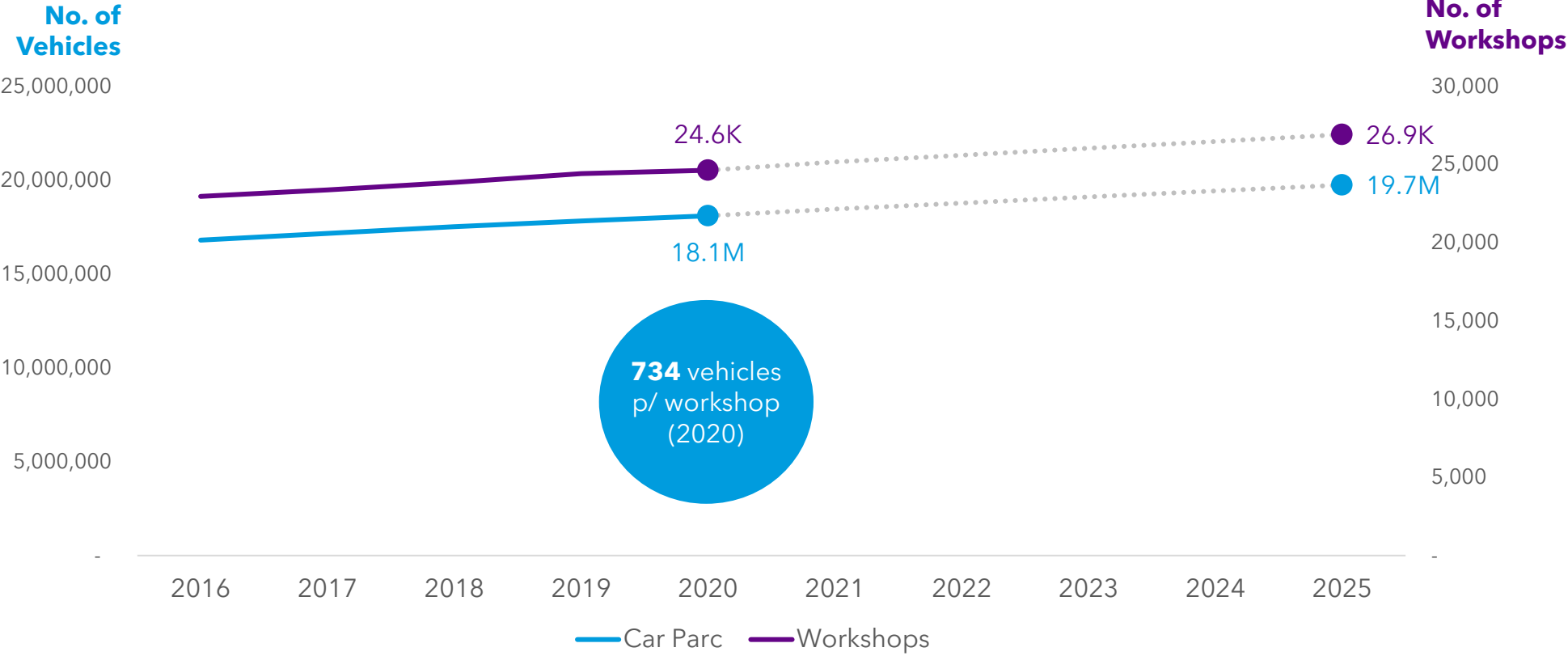


As with the car parc, automotive workshops have enjoyed relatively stable growth over the past 5 years. Based on this, 2,300 more aftermarket workshops are forecast over the next five years, taking the sector to 26,900 businesses.

Breaking this down further, we can see that this growth is largely driven by non-employing workshops, with 1,500 more of these entering the market, as against 800 employing workshops.

Workshop vs. Car Parc growth

While growth trajectories are similar, a skew to non-employed workshops in our new businesses may impact overall capacity



As of 2020, there were 734 passenger cars/LCVs in the car parc for every workshop in operation.

Comparing car parc and workshop growth, we can see that the trajectory of each is largely proportional, meaning that this should remain largely consistent out to 2025.

However, given workshop growth is being driven by non-employed workshops, the overall capacity of these workshops to handle volume may be less than what is expected. As a result, the sector may either need more workshops, or require larger workshops to increase the volume of vehicles serviced.



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SERVICE & REPAIR VOLUMES AND EXPENDITURE

Market Sizing

The Australian service and repair market is worth almost \$10bn per year, with consumers responsible for the bulk of this spending

Number of Vehicles

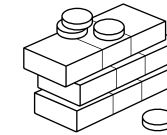


18m

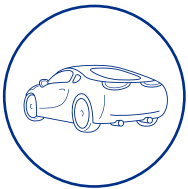
Passenger/LCVs in the Australian Car Parc

Annual Spend

\$9.9bn



Number of Services



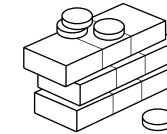
15.1m

Consumer Vehicles

25m

Consumer services p/year

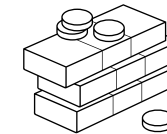
\$7.0bn



2.9m

Fleet vehicles

\$2.9bn



Australian consumers and fleets spend almost \$10bn per year on servicing and maintaining their vehicles.

While more than two thirds of this spending does come from consumers, that's largely a reflection of the significantly higher proportion of vehicles that are privately owned.

Comparing spend at a vehicle level, fleets are well ahead of consumers, spending an average of \$1,000 per vehicle per year, against consumers at \$465.

Total Number of Consumer Service & Repair Jobs

Amongst retail consumers, there are 25 million service & repair jobs conducted each year

15.1m

Consumer passenger/LCVs
(2020 ABS Motor Vehicle Census)

x

1.66

Avg. number of services p/vehicle
(2018 ACA Consumer Auto Survey)

=

25m

Service & Repair Jobs p/year
(Calculated)

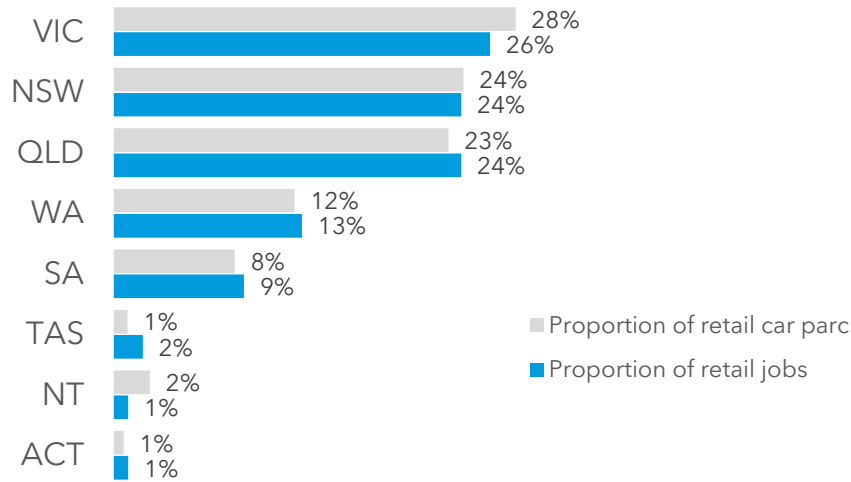
Consumers service their vehicles an average of 1.66 times per year, with a total of 25 million services conducted across the country each year.

These largely occur in line with car parc distribution. The higher incidence of employing workshops on the east coast is not a reflection of consumers in these regions servicing more often, just the fact that there are more vehicles located here.

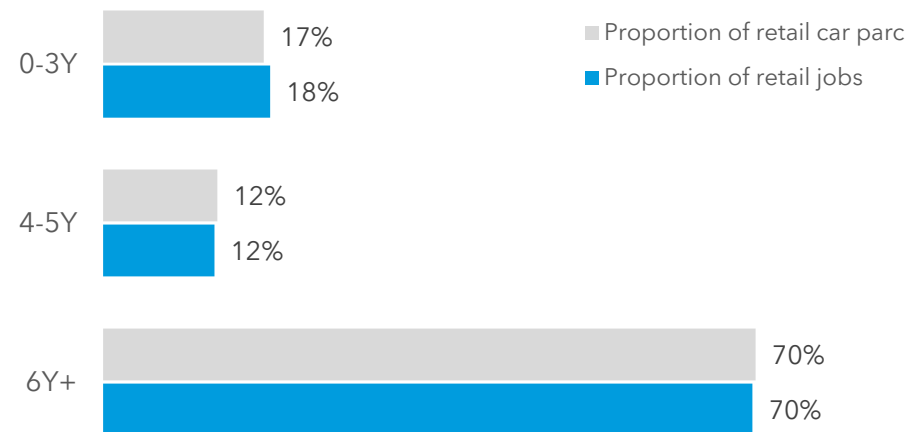
Share of Total Service & Repair Jobs



By state



By vehicle age



Share of Consumer spend on Servicing & Repair

These 25m service & repair jobs equate to \$7bn in total annual consumer servicing revenue

\$280

Median spend p/service

(2018 ACA Consumer Auto Survey)

x

25m

Service & Repair Jobs p/year

(Calculated)

=

\$7bn

Total consumer spend

(Calculated)

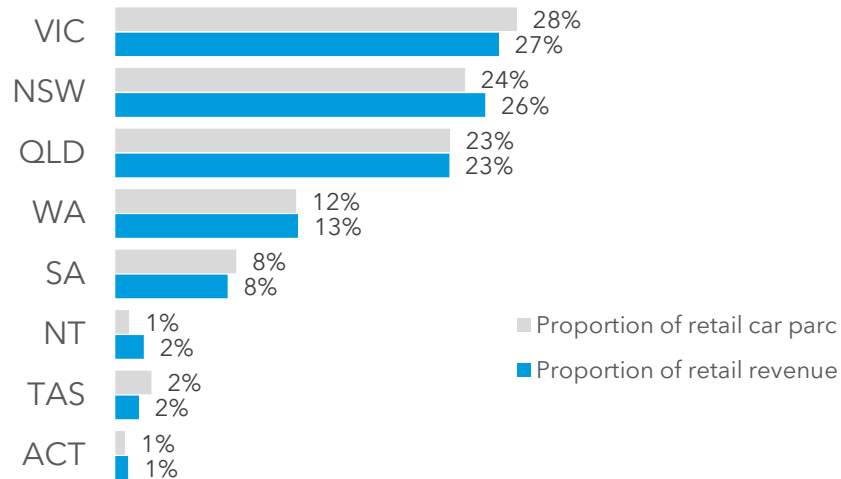
The total annual value of consumer servicing and maintenance is \$7bn, calculated based on a median spend of \$280 per service.

Despite variations in regional car parc by vehicle and model, this is again distributed proportionally around the country.

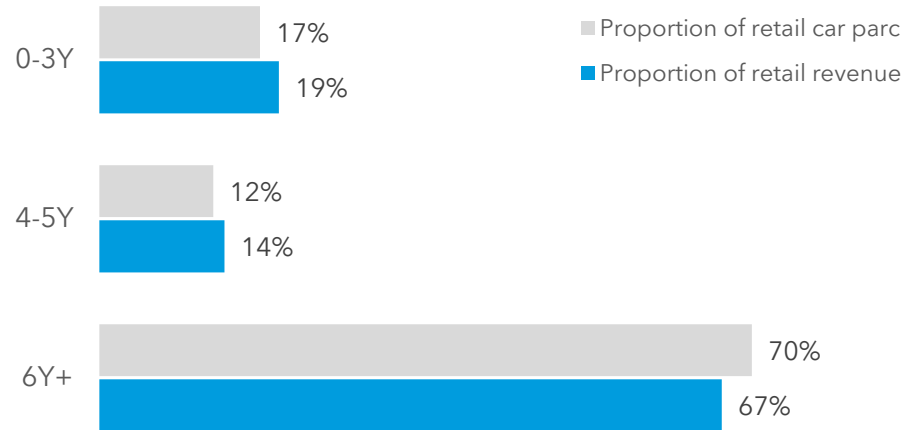
Share of Total Consumer Spend



By state



By vehicle age



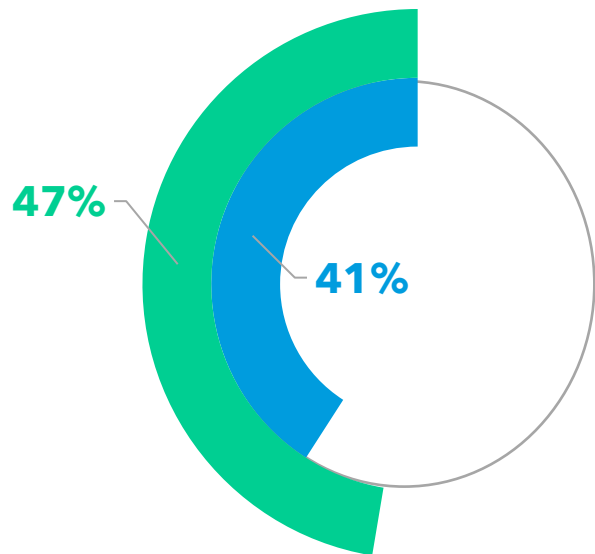
Servicing Channel

Looking at the share of services vs. revenue shows dealerships taking up a higher proportion of revenue relative to its share of jobs

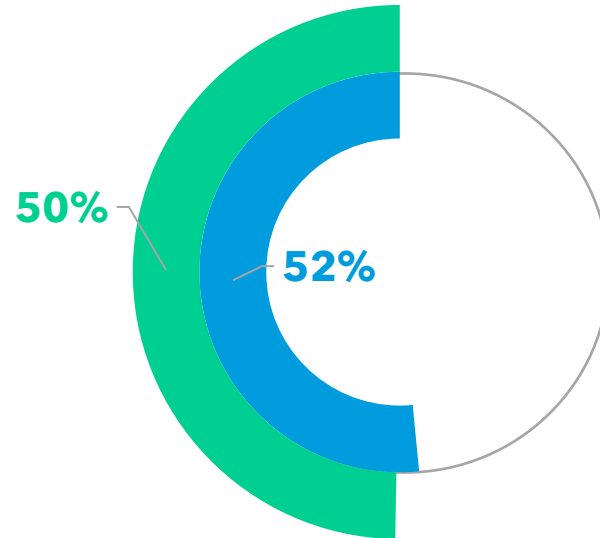
Consumer share of services vs. revenue

● Share of consumer revenue ● Share of consumer services

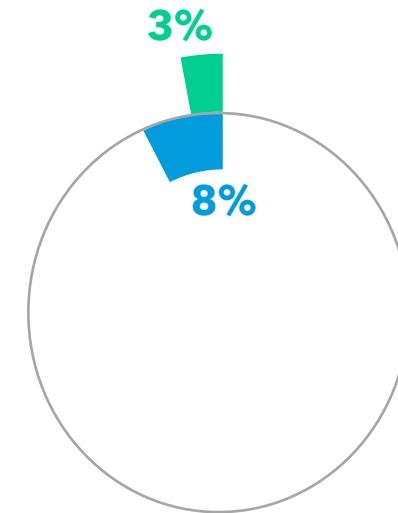
DEALERSHIP



AFTERMARKET



SELF-SERVICE



We can however see some variation when we compare share of spending against the share of services conducted through different channels.

Reflecting their skew to newer, in-warranty vehicles, dealerships capture just under half of servicing revenue despite conducting just 41% of total services. While the aftermarket is ultimately larger (with 52% of revenue), this is based on delivering half of the total volume of services each calendar year.

Share of Fleet Spend on Servicing & Repair

Fleets spend more per vehicle on servicing & repair, with dealerships capturing almost two thirds of the \$2.9bn total revenue

\$1,000

Median spend p/vehicle

(2020 ABS Counts of Australian businesses)

x

2.9m

Fleet passenger/LCVs

(2018 ACA Consumer Auto Survey)

=

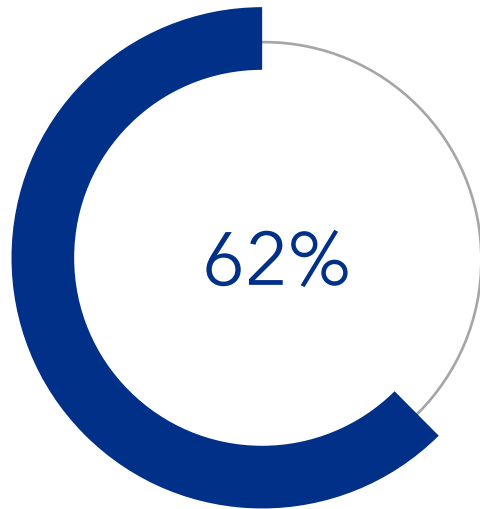
\$2.9bn

Total fleet spend

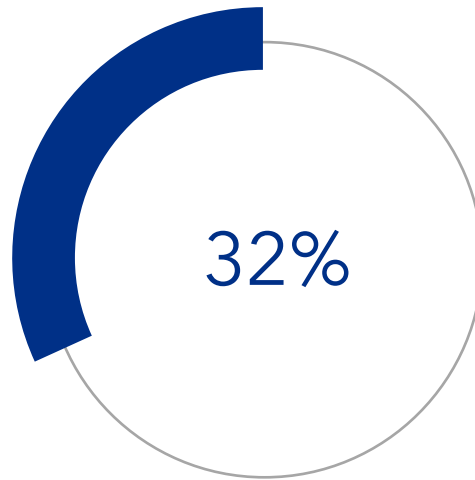
(Calculated)

Share of Total Fleet Spend

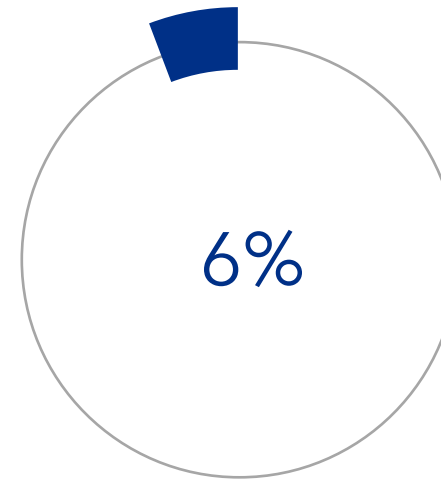
DEALERSHIP



AFTERMARKET



SELF-SERVICE



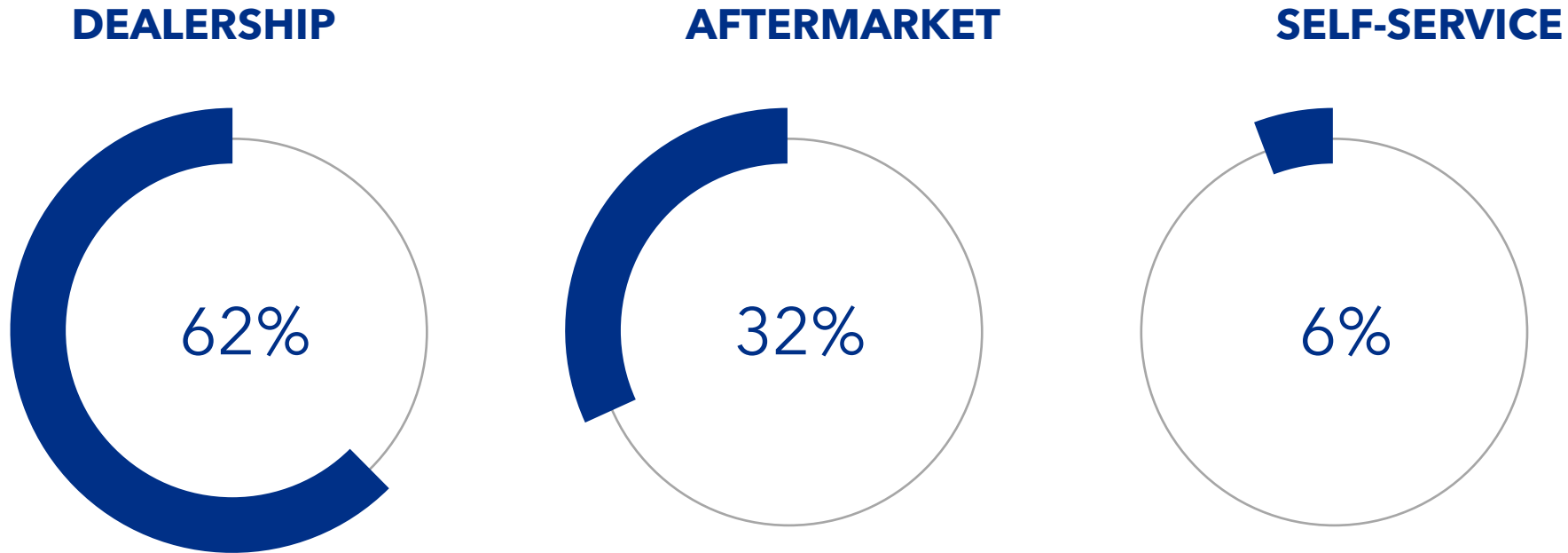
Fleet operators spend more on servicing vehicles each year than their consumer counterparts, with the median cost of \$1,000 per vehicle per year, meaning that the 2.9 million passenger and light commercial vehicles they operate equate to \$2.9 billion in annual spending.

Dealerships capture almost two thirds of this revenue, while the aftermarket owns one third of this market. This reflects the younger age profile of the vehicles owned and operated by fleets, with a higher proportion of business vehicles having been purchased new, and therefore sitting within warranty periods.

Share of Fleet Spend on Servicing & Repair

Dealerships perform the bulk of servicing within the fleet market, capturing almost two thirds of total revenue

Fleet share of revenue by workshop



Dealerships also play a more prominent role in servicing fleet vehicles, capturing almost two thirds of the revenue from this cohort. Conversely, the aftermarket owns one third of this market, with the remainder managed through in-house workshops.

This reflects the younger age profile of the vehicles owned and operated by fleets, with a higher proportion of business vehicles having been purchased new, and therefore sitting within warranty periods.



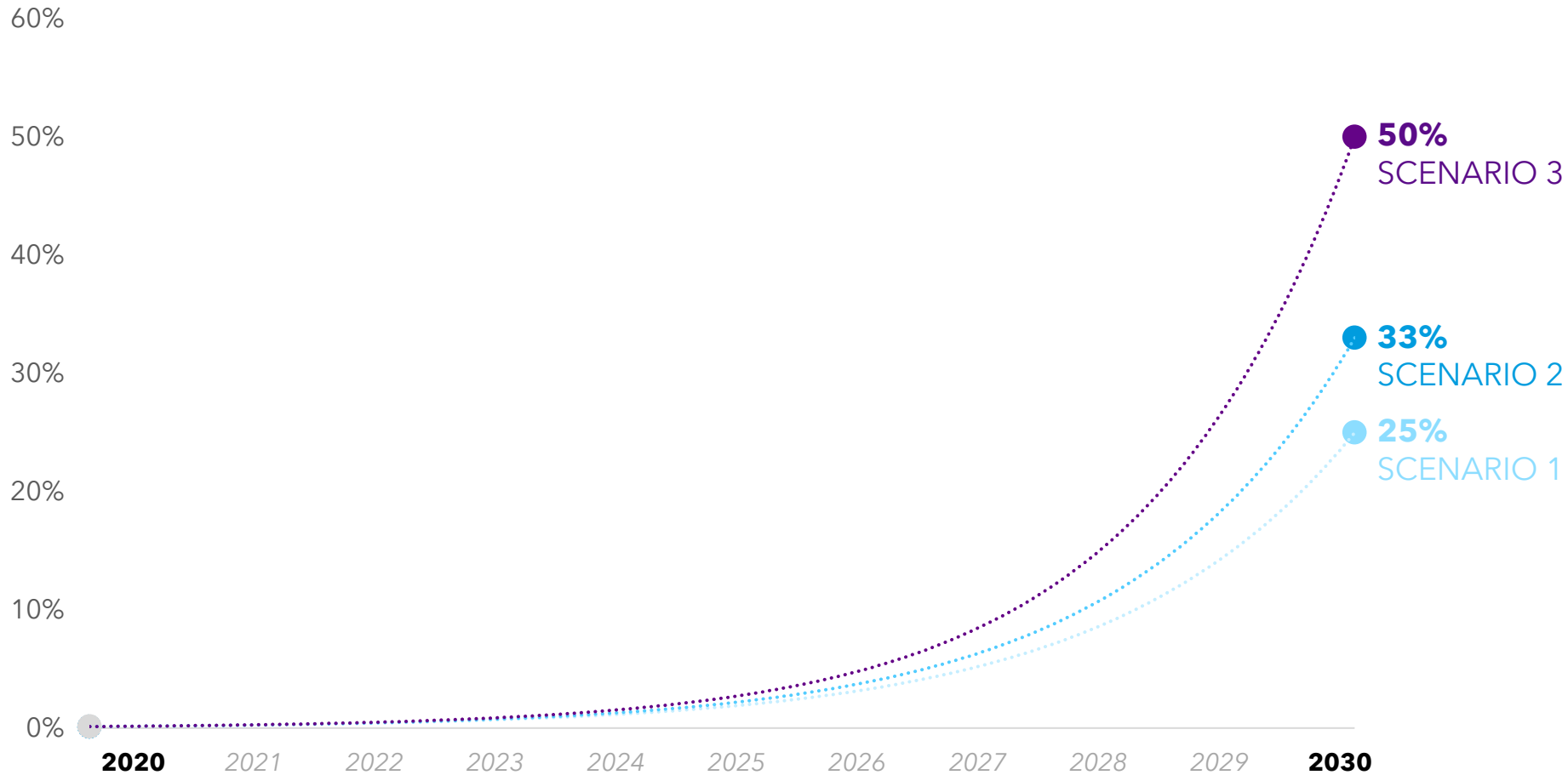
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THE FUTURE OF ELECTRIC VEHICLES

Projected Growth of EV New Vehicle Sales

The transition to electric vehicles will accelerate in coming years, but the precise trajectory will depend on a range of external factors

EVs as a proportion of New Vehicle Sales



While the rise of EVs has been anticipated for quite some time, we are still recording low rates of take-up, with EVs making up less than 1% of new vehicles sales.

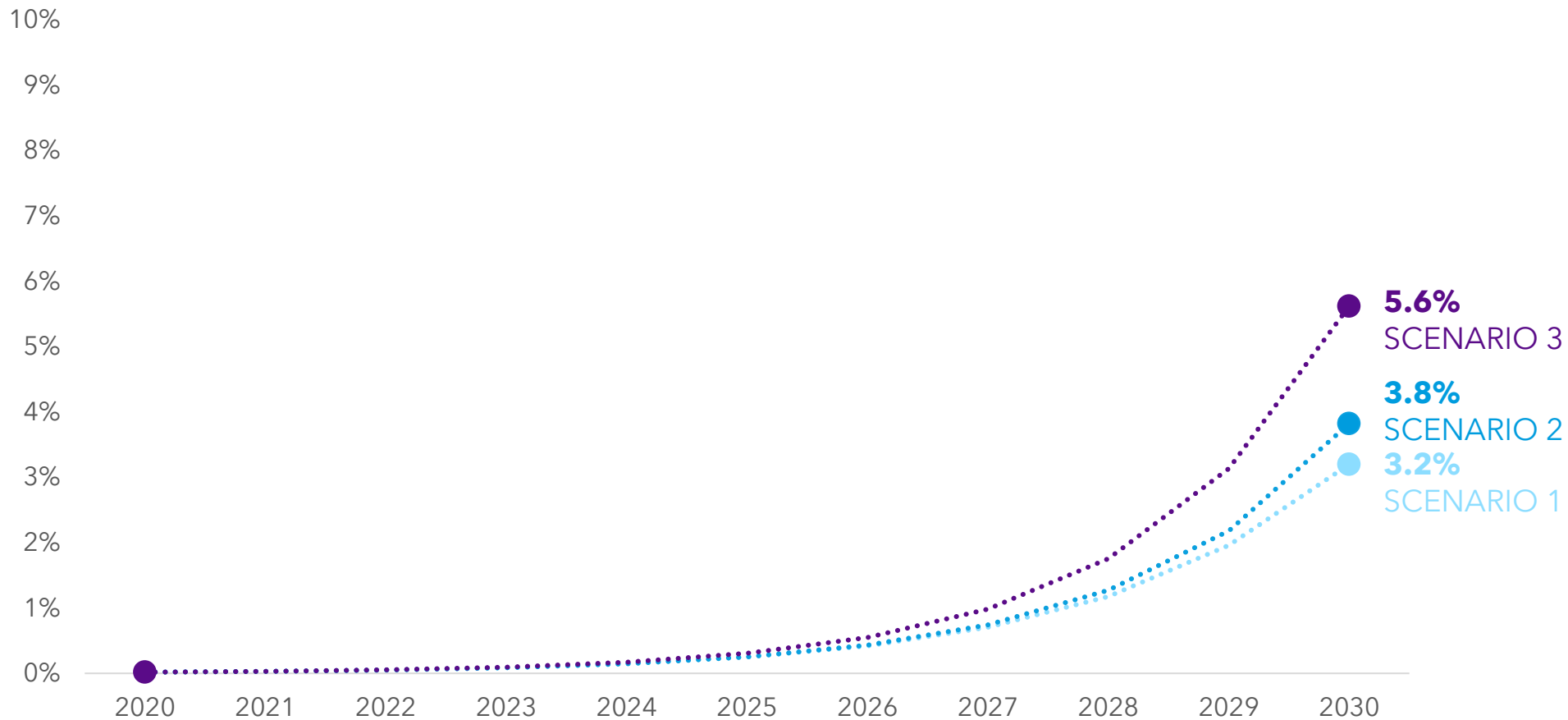
Given the more mature nature of global automotive markets, and the growing prominence of the conversation locally, this will change in coming years.

Looking at EV uptake in countries such as Norway, we know that uptake is likely to increase exponentially once certain thresholds have been reached. Three alternative scenarios have therefore been modelled, taking Australia forward to a future state in 2030 where electric vehicles make up 25%, 33%, or 50% of new vehicles sold.

Projected Share of EVs in Car Parc

Despite the most optimistic scenario seeing more than 500,000 EVs sold in 2030, ICE vehicles would continue to dominate the car parc

Projected EV Share of Car Parc in 2030



Sales of electric vehicles will grow significantly in the coming decade, but how will this impact the car parc more broadly?

To get a sense of the position EVs will occupy in 2030, we use:

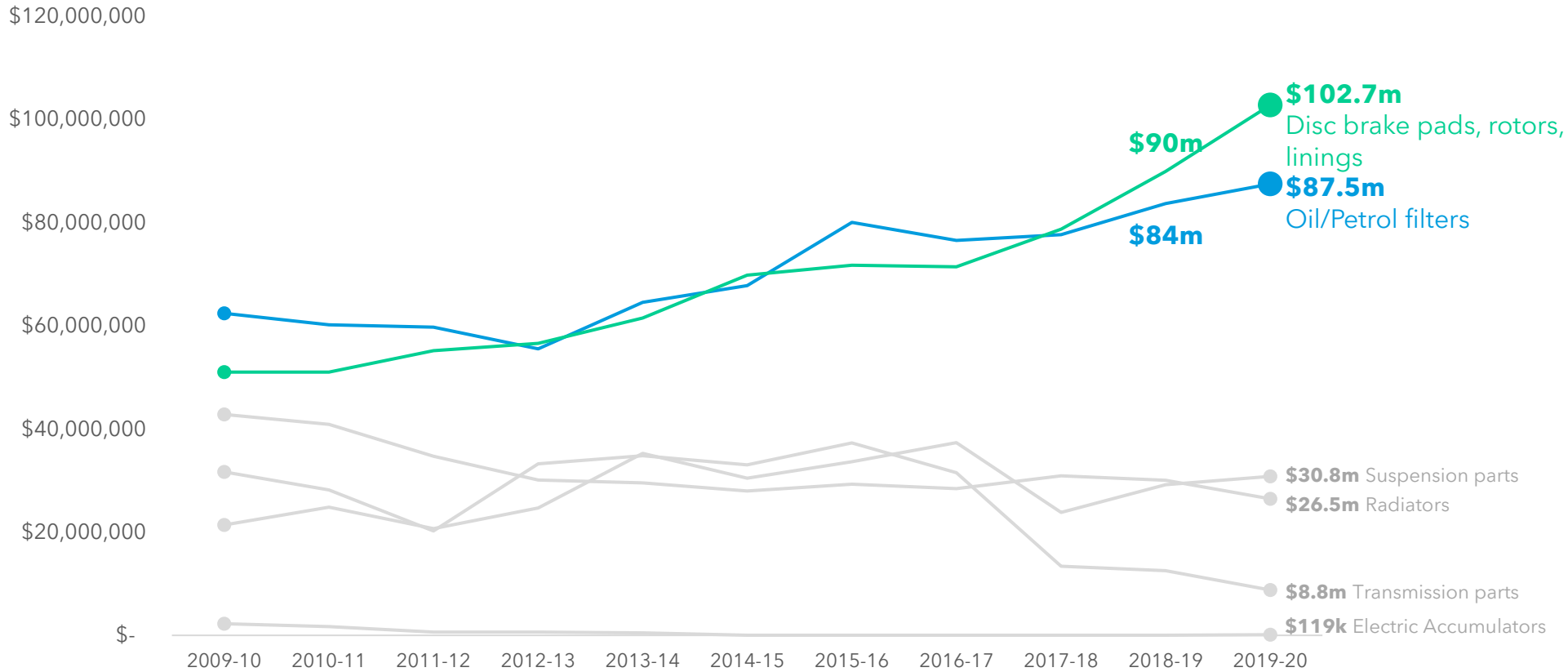
- Projected new vehicle sales (excluding the impact of the COVID-19 pandemic)
- EV share of new vehicle sales according to our three scenarios
- Projected growth in the overall car parc

The key takeaway here is that even on the most optimistic scenario, EVs would make up just 5.6% of the car parc in 2030. While this equates to approximately 1.2m EVs, it is clear that combustion engines are here to stay for the foreseeable future.

Parts Supply

Australia has seen strong growth in automotive consumables, with electric vehicle components now also likely to move into a growth phase

Value of imports over time



Looking at the value of imports since FY 2010, we can see a steady rise in automotive consumables such as disc brake parts and filters, with imports of friction products recording particularly strong growth since 2016-2017.

Anecdotal evidence suggests that this has continued through the course of the COVID-19 pandemic, with high levels of DIY and Do-It-For-Me servicing activity.

While numbers for electric accumulators for vehicles remains low, we can expect to see a level of growth in aftermarket parts over the next 10 years as EVs become more common.



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ADVOCACY

Workshop Breakdown

There are
an average of

163

**workshops per
federal
electorate**

For every workshop,
there are an average of...

336

Australian Households,
each owning an average of
1.8 vehicles

734

Vehicles (across consumers
and fleets)

On any given day, the Aftermarket services:

35.7k

Household (consumer)
vehicles

At a cost of:

\$11.9m

By 2025, there will be:

1.6m

More vehicles in the car parc that need servicing

To meet this demand, Australia will need...

2.3k

new workshops

At least
5.3k
additional workers
(across technicians and administrative staff)



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