

STRONG GROWTH AHEAD FOR AFTERMARKET INDUSTRY

It is an exciting time in the Australian automotive aftermarket, with our recent State of the Industry update revealing strong growth in the last three years, and more to come

Recently I have been proud to present the AAAA's latest State of the Industry update – created with our market research partners Fifth Quadrant – to our members across the country.

Currently there are just under 20 million vehicles (19.7m) in the Australian car parc with an average annual spend of 10 billion dollars on service and repair, with a split of 70 percent consumer vehicles and 30 percent fleet vehicles.

This is a healthy number, and we are also seeing a growth in the number of services with forecasts indicating a 20 percent increase in the number of individual service and repairs undertaken each year by 2030.

What I am also very pleased to report to you is that despite all the tactics of the car industry and dealerships, we are seeing a big swing in market share away from dealerships towards the aftermarket.

In fact, we have seen a 10 percent swing to the aftermarket in terms of the number of consumer services and repairs (60 percent market share) and a five percent swing in revenue (57 percent market share) over the last 3 years.

To put this in perspective, six years ago in 2018 our market share had dipped to 48 percent, so this is a very positive shift for us indeed.

When it comes to the reasons why this swing is happening, the research indicates that relationships and consumer trust play a large part in why more car owners are choosing aftermarket repairers, alongside convenience and competitive pricing.

Dealerships meanwhile find their top drivers coming from familiarity with the car and technical expertise, but when it comes to trust, we are striding ahead – in fact, 71 percent of consumers surveyed said they trust their local mechanic, versus 54 percent for dealerships.

And the move to the aftermarket is even more pronounced when we look at the fleet market.

This segment is worth \$3 billion each year, and since 2021 we have seen our market share grow a massive 23 percent to see us now holding the dominant share of 55 percent, while dealerships have lost 21 percent share.

With fleet vehicles tending to be younger in age this change certainly debunks the myth that the aftermarket only services older out of warranty vehicles.

Another important factor to mention is the data around average spend per service/repair.

While on the consumer side, cost of living and other economic pressures have seen the average

cost of each service and repair drop from \$280 in 2021 to \$250 in 2024, in the fleet segment, we are not seeing a similar trend.

Instead, the average fleet spend per service or repair is \$800. This can be attributed to the increased number of kilometres these cars travel and consciousness of/requirements for workplace health and safety, which means delaying services/repairs is less likely while preventative works are more likely.

It is also important to note it isn't just the big national groups like mycar and Ultratune – which have the advantage of larger footprints than any dealer network – reaping the rewards here; we are also seeing smaller independent groups and individual workshops doing a lot more fleet work, which is a real positive for our industry.

The number of workshops is also growing, with the figures flying in the face of predictions which forecast consolidation and reduced workshop numbers.

In the last five years we have seen the number of workshops increase by 3,500 to 27,700, representing a growth rate of 12 percent.

It is also important to note that the number of 'employing' workshops is also on the rise, and we are seeing the size of existing workshops growing as well.

Of course, there is a downside to all this great news – with industry growth comes the need for more qualified technicians and apprentices, where we already have a critical shortage.

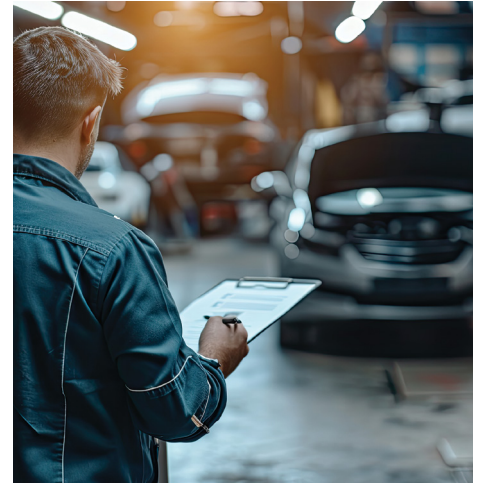
In fact, the research forecasts demand for 79,000 skilled mechanics by 2030, while we are currently short nearly 28,000 technicians, or one technician for every workshop. And we are also seeing a shortage of apprentices, with around 14,000 vacancies currently.

If we keep on going the way we are, we expect of those 79,000 roles, 32,000 will be unfilled – so there really is no doubt the industry needs to work together on solutions.

We want to see government encouraging or subsidising apprentices and providing free apprenticeships, and we want to see our industry's employers embracing and taking on apprentices and doing more to attract young talent to our industry.

We know the number of required services and repairs is going to grow by 20 percent by the end of the decade and we already have more work that we can handle, so we must do all we can to fill the gaps now.

While skilled migration has been one method



for filling vacancies, and we have seen a large 'bounce back' of migration following COVID, there is political pressure building for the Government to make cuts in the overall number of migrants due to housing shortages, so we can't rely on this as a single solution for what is a wide-ranging problem.

On the subject of skilled migration, I want to assure you the AAAA is doing all we can to ensure that automotive trades remain a priority sector during the review of the Government's priority skills list which is currently underway. We are also working hard to combat misconceptions about growing EV numbers equaling a decreased need for repairs and maintenance.

While we must be cognisant of the challenges facing us, the overall growth for our industry is very pleasing. I for one am certainly thrilled to see the Australian automotive aftermarket thriving and I am very excited for the future.

This is just a snapshot of some of the data we have been proud to present recently, and we will be releasing the data in full to AAAA members in the coming weeks.

If you would like an advance copy, please contact the AAAA office on info@aaaa.com.au



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