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THE MOTOR DEALER REPORT FROM AUSWILD & CO  
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## 2010: THE YEAR AHEAD

One of the “feel good” stories of 2009 was the Australian automotive industry. Official VFACTS figures show that 937,328 new vehicles were sold during the year – exceeding all industry expectations. The only prediction to come remotely close to this figure was that of **Tony Lemmo** from **AutoTeam Australia Consulting** whose prediction of 925,000 units was dismissed by most as overly ambitious 12 months ago when the economy was looking shaky.

Record sales recorded during the month of December (88,708 units) helped the automotive industry achieve this sound result. How much of this volume can be attributed to the Rudd Government’s Investment Allowance bonus – who knows? The guesstimates are anywhere between 20,000 and 80,000 units.

So how did your franchise fare in 2009? Whilst Toyota remained the nation’s top selling manufacturer with 21.4% of the market, it was one of eight nameplates that incurred volume loss in excess of 10% from 2009. The others were Nissan (10.7%), Honda (21.2%), Isuzu (18.9%), Lexus (12.5%), Peugeot (20.8%), Hino (24.9%) and Land Rover (11.7%). For the record, Toyota’s volume loss was 15.9%.

Among the top 20 nameplates, only Hyundai (39.2%), Volkswagen (0.7%), Mercedes (2.5%) and Audi (20.2%) achieved volume growth for 2009.

The top 10 brands for 2009 were Toyota (21.4%), Holden (12.8%), Ford (10.3%), Mazda (8.3%), Hyundai (6.7%), Mitsubishi (6.1%), Nissan (5.6%), Honda (4.4%), Subaru (3.9%) and Volkswagen (3.2%).

For the fourteenth consecutive year, the Holden Commodore was the biggest selling model with 44,387 units sold, 5,400 units more than the next best selling model, the Toyota Corolla. The Toyota HiLux and Mazda 3 again relegated the Ford Falcon to fifth place. The shift in consumer purchasing trends to smaller vehicles has meant that the large passenger car segment continues to drop market share – 20% from the previous year. The light and small segments continue to gain market share of the passenger vehicle segment and for 2009 accounted for 61.1% of all passenger vehicles sold with the Holden Cruze and the Hyundai i30 leading the growth.

### So, where to for 2010?

Although the Rudd Government’s tax break has now ended, most experts believe that the Australian automotive market is set to retain the benefit of the tax breaks into 2010 as many buyers are yet to take delivery of their vehicles. Most car companies are also carrying huge order banks into 2010.

Effective from 1 January, the import tariff rate on passenger vehicles was also reduced to 5% from the previous rate of 10%. This will not affect vehicles imported from Thailand or the USA as we have a free trade agreement with these countries.

Predictions so far are for the industry to maintain its 2009 sales numbers. The FCAI forecasts that the new vehicle sales for 2010 will exceed 940,000 units. This is in line with Ford Australia’s prediction that

the 2010 will exceed this year's levels but at odds with Toyota's expectations that 2010 will be less than 930,000 units.

For the record, **Tony Lemmo** from **AutoTeam Australia Consulting** predicts that the market will achieve 975,000 units – an increase of 4%.

These forecasts appear to be well supported by a new report released by **Roy Morgan Research** which shows a rise in consumer confidence. According to the **Roy Morgan Research Automotive Currency Report** consumer confidence, which fell sharply amid concern of Australia being drawn into the global financial crisis has returned to a comparable level recorded prior to the GFC and suggests that 2010 will be a healthier year for the automotive industry than 2009. It notes that it is usually consumer reaction to an event, rather than the event itself, that has the greatest impact on the economy. However, Roy Morgan also cautions that much will depend on the impact of the removal of the government's stimulus package and the change to tariff levels.

Long suffering Holden dealers can take some comfort in that the report believes the brand is set to be a winner in 2010. Although coming off a disastrous low, the report suggests that the worst may be behind Holden and also points towards a bright year ahead for Mazda, Hyundai & Audi. Subaru dealers will be pleased to know that customer satisfaction and loyalty figures remain well above the brand's direct competitors.

Interestingly for dealers, the report also notes that the internet, which includes traditional content now delivered online, has clearly overtaken newspaper as the media 'considered most useful' when it comes to purchasing a new vehicle, and is a vital medium for automotive communications strategy.

On the financial front, the 2008/2009 financial year was an interesting year for dealers. It started off real slow with many dealers making losses or just breaking even to 31 December 2008. In reaction to the GFC, most of our dealers reduced expenses and inventory levels during this period. From 1 January 2009 to the end of the financial year, dealership profitability increased fuelled by the impact of actions taken by dealers in the first six months of the year, lower interest rates and the government's investment allowance. For many of the **Auswild** dealers, 2009 was financially a better year than the previous year. We had a number of dealers achieving net profits to sales of over 4% with our best performing dealer achieving 5.8%.

Financial reporting to 31 December 2009 has also been very positive with many of our dealer clients showing high profit levels. Whether these results have been achieved as a consequence of the investment allowance, the writing back into profit of reserves or factory bonuses – time will tell. These results again show that dealers are generally a resilient lot – quick to adapt and react to changes in market conditions.

For 2010, we urge dealers to take stock of their businesses and consolidate. Understand the factors that made your dealerships profitable in 2009 and consider what actions you need to take to maintain your profitability levels during 2010.

If you had an ordinary year and only broke even or incurred a loss, consider what you are going to do differently to 2009 to turn things around.

Understand that you cannot control the market you are in or the economy in general. However you can focus on the areas or departments in your dealerships you can control like used vehicles, finance and insurance, aftermarket and service.

And as we keep saying every January, Australians will continue to buy new vehicles in 2010 – just make sure that when they do, they buy it from you!

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