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THE MOTOR DEALER REPORT FROM AUSWILD & CO  
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## 2017: THE YEAR AHEAD

In another exceptional outcome for the automotive industry, official VFACTS data released by the Federal Chamber of Automotive Industries (FCAI) show that Australia has posted its third new car sales record in four years with 1,178,133 new passenger cars, SUVs and commercial vehicles sold in 2016, an increase of 2% on 2015.

Releasing the 2016 full-year sales results, FCAI Chief Executive Tony Weber said the past decade had seen a remarkable change in the traditional composition of the Australian vehicle market as evidenced by the success of the Hilux as the nation's top-selling vehicle for the first time ever in 2016, and the ever-growing strength of Sports Utility Vehicle (SUV) sales.

"It is an intriguing and exciting time for industry watchers as there's little doubt we are observing a significant and dynamic transition in consumer preference. While buyer demand for traditional passenger cars remains healthy, it's clear consumers are gradually transitioning into other segments," said Mr Weber.

"The growth, as was witnessed in 2016 and appears certain to continue in 2017, is in SUVs and light commercial vehicles, particularly dual cab utilities."

"New models with significant performance and comfort attributes, combined with the existing vehicle mix, continued to make Australia one of the most competitive new car markets in the world. It's this level of competition, and the diversity of more than 400 models on offer, which drives value for the Australian consumer. This variety of choice and value, combined with 24 quarters of national economic growth and low interest rates has created a confluence of positive factors to encourage motor vehicle sales."

Mr Weber said SUV sales, in particular, continued to grow in 2016 with that vehicle type now accounting for 37.4 per cent of the market, up from 35.4 per cent in 2015.

However, what was conveniently swept under the carpet and not mentioned in all this talk of record sales numbers was the inclusion of "cyber vehicles" or pre-recorded vehicles by several manufacturers. Cyber vehicles are vehicles that have been reported as retail sales by dealers, generally to achieve factory targets and bonuses, but have not actually been sold and delivered to a retail customer.

According to **AutoTeam Australia Consulting's Tony Lemmo**, these pre-recorded vehicles destroy the integrity of the vehicle sales numbers being reported.

Some industry estimates put the pre-recorded vehicle volume as between 10 – 20% of the volume reported. That means that potentially up to 200,000 vehicles reported as sold are actually NOT sold!

"Irrespective of the percentage, the reporting of these vehicles greatly distorts the actual "real" retail sales volume number and the strength of the automotive industry in Australia and the Australian economy," said Mr Lemmo.

“Franchised dealer new vehicle department profitability is the lowest that **AutoTeam** can recall and the pre-recording of vehicles as sales is a major factor for this. It results in dealers having to ultimately discount these vehicles heavily and also results in the dealer having to carry too much new vehicle stock. In some instances, these vehicles have been in dealer stock for six months or more. The sooner this practice is stopped, the better for all in the industry.”

So how did your franchise fare in 2016? Toyota again was the nation’s top selling brand with 17.8% of the market – and, why not? It had 3 of the top ten selling models during the year in Hilux, Corolla and Camry. Mazda with 10.0% market share came in second whilst Hyundai (8.6%) relegated the once mighty Holden (8.0%) to fourth spot. The remaining top ten positions were filled by Ford (6.9%), Mitsubishi (6.2%), Nissan (5.7%), Volkswagen (4.8%), Subaru (4.0%) and Kia (3.6%). Of the top ten selling brands, only Holden, Volkswagen and Hyundai ended up selling fewer vehicles in 2016 than they did in 2015.

So, where to for 2017? The FCAI have said that the growth in 2016 is expected to continue in to 2017. For the record, *Tony Lemmo* from **AutoTeam Australia Consulting** forecasts that the market will achieve 1,160,000 units for 2017. Although this is slightly down on 2016 sales numbers, there will still be plenty of opportunities for dealers to make lots of money – “cyber vehicles” notwithstanding.

However, be warned. The winds of change are coming with ASIC expected to release their announcement on flex commissions any day now. This will significantly impact dealers’ ability to earn commissions at present levels.

On top of this the ACCC are also looking at an application by a group of insurance companies to limit commissions and other payments to dealers.

With a number of income streams being attacked by our regulators, perhaps those dealers who have not yet embraced the sales of aftermarket products and accessories should look at and consider how the sales of these products can help bolster the bottom line.

For 2017, we again urge dealers to take responsibility for and control of their businesses. We urge you not to “take your eyes off the ball” and commit to spending more time at your businesses (make that your new year’s resolution for 2017) – to focus on your core business, to support your managers and team, and to drive your team forward towards achieving your goals. If hard decisions have to be made, be there to make them!

Take a microscopic view of your businesses. Understand the factors that made your dealerships profitable in 2016. Look at what you did well and what you didn’t do well. Be honest with yourself. What areas of your dealerships require your immediate attention? What can you do to increase your sales and gross profits this year? Consider what actions you need to take to maintain your profitability levels during 2017.

Finally, we reiterate what we write this time every year. Understand that you cannot control the market you are in, interest rates or the economy in general. There is no point losing sleep over things you cannot control. However you can focus on the areas or departments in your dealerships you can control like the processes, people, inventory levels, used vehicles, finance and insurance, aftermarket and fixed operations. Your ability to prosper in 2017 is entirely in your hands and that of your managers.

And as we keep saying every January, Australians will continue to buy a record number of new vehicles in 2017 – just make sure that when they do, they buy it from you!

For additional information, please contact your  
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