Australian Autoparts and Recyclers Association of Australia (APRAA): Draft strategic plan January 2018

Fostering and promoting a professional, sustainable and profitable Australian auto parts and recycling industry

APRAA is a National Industry Sector Committee of the Motor Trades Association Of Australia

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Key considerations

ARE WE READY TO DISRUPT THE CHANGING MARKET ENVIRONMENT?

WHAT DOES THIS MARKET LOOK LIKE NOW AND IN 1, 2 AND 5 YEARS TIME?

WHAT VALUE ADDING SERVICES SHOULD WE PROVIDE AND WHY SHOULD WE PROVIDE THEM?

HOW WILL WE PROVIDE THEM?

Industry Issues and MTAA Action Items

Industry Issues	***MTAA Action Items***
• **Lack of compliance enforcement against unlicensed traders**: A lack of knowledge and confidence of complaint mechanisms. • **Lack of compliance and enforcement with environmental regulations:** A lack of knowledge and confidence of complaint mechanisms. Business Members are sometimes subject to unfair and costly inspection procedures when undertaking compliance activities. • **Inconsistent and unfair licensing and compliance costs**: Licensing requirements and operation	• **Analysis automotive decommissioning processes and legislation:** Undertake analysis of National and State and Territory decommissioning processes, licensing requirements (including the ability to purchase statutory and repairable write-offs), and legislation (including EPA requirements) and provide a report to members. This report should provide a number of options. • **Develop a national licensing and accreditation scheme:** Seek agreement on whether a national licensing and accreditation scheme is required and

Industry Issues	*MTAA Action Items*
standards differ between states. For example; in NSW some Business Members feel the industry is over regulated with excessive Police checks, whilst WA Business Members advocate for restrictions on the purchase of statutory write-offs for businesses and individuals who are not licensed. • **Importation and exportation of parts:** Although some Business Members benefit from importation and exportation, others believe that exporting parts drives up the purchase prices of vehicles. Business Members also believe the importation of cheap overseas automotive parts makes their products uncompetitive. • **Impact of auction houses and online sales:** There is a lack of understanding concerning the accountabilities and responsibilities of auction houses and online sellers or how they are impacting the market. • **Recycling emerging automotive technology**: Business members are concerned about environmental and privacy issues associated with recycling emerging technology (i.e. electric propulsion systems and tracker systems).	what it would look like in the short and longer terms. ○ If states agree upon a national licensing and accreditation scheme, develop strategies to promote implementation nationally and through State and Territory legislation. • **Analyse the import and export of vehicles:** Identify and report on National and State and Territory legislation regarding the import and export of vehicles and its impact on business members and industry. • **Advocate for compliance enforcement**: ○ Examine national complaint mechanisms and how they are best used by Members to promote compliance and enforcement. Note: complaint mechanisms are often state based. ○ Determine and deliver strategies to advocate for Government enforcement. ○ If available, identify how to access Government subsidies for members to comply with regulatory requirements. • **Advocate for a national End of Life Vehicle (ELV) decommissioning program**: ○ Inform Members of the progress of the research

Industry Issues	*MTAA Action Items*
	reports being undertaken by VACC, MTAA and University of Canberra. (SA, WA, NT and NSW are unaware of this research) ○ Identify potential funding opportunities for ELV decommissioning and determine strategies to access funding. • **Raise awareness of the future automotive recycling environment:** Identify future recycling requirements resulting from the introduction of electric vehicles and information technology (including privacy requirements) and how this will impact Business Members. • **Examine auction houses:** Identify and examine the operations of auction houses across all Australian States and Territories and identify how they are impacting Business Members. Include analysis of legislation. For example, information on vehicle history (i.e. water damage, salt), high resolution photographs provided for viewing online on any one vehicle, fees for recyclers, and checks in relation to purchasers.

Financial considerations

The costs associated with the implementation of most actions and activities contained in this Strategic Plan can largely be accommodated within the existing MTAA budget.

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Appendices

APRAA's Mission

Proactively, effectively and efficiently represent and protect the interests of Australian auto parts and recycling industry members of Motor Trades Associations and Automobile Chambers of Commerce and through them the Australian Auto Parts and Recyclers Association of Australia (APRAA).

APRAA in context

APRAA, through MTAA, seeks to work cooperatively with government agencies responsible for developing and applying policies with a view to encouraging greater recycling of suitable automotive products. It is well placed to do this as its own APRAA Accreditation Program has, since 1997, provided Australian automotive recyclers with a universally recognised accreditation program that provides auto parts recyclers with standards of business presentation, environmental standards, occupational health and safety, customer service and parts traceability.

Key Stakeholders

Automotive auto parts and recycling business owners and members, automotive manufacturers and wholesalers, metal recyclers/buyers, State and Federal Government (i.e. ACCC, Small business and family Enterprise Ombudsman etc.) and consumers (automotive owners)

(The above is always under review. Please feel free to add your thoughts concerning the above)

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Strategic Priorities

1. Industry driven solutions

- **Self-Regulation:** Identify, develop, gain endorsement, and implement industry national standards to respond to change and to contribute to sustainability.
- **Industry policy responses to key issues:** Identify, develop, gain endorsement, and implement national policy responses on issues impacting industry.
- **Strengthened industry-wide collaboration and unity:** Identify, develop, gain endorsement and implement processes and actions to unite and strengthen industry collaboration and commitment.
- **Develop and implement specific tools, processes, actions and initiatives to assist industry adapt to change:** Provision of specific tools to support members changing business requirements.

2. Government partnership

- **Training and skills development:** Advocate for government support of national uniform skills and training requirements and specialist business proficiency programs.
- **Industry Adjustment / Restructure:** Development of industry specific adjustment / restructure packages that provide advice and assistance to industry.
- **Ongoing Representation:** MTAA / APRAA will continue to provide advocacy and representation on issues as they arise.

3. Awareness and advocacy

- **Industry awareness campaign**: Rebrand the industry image to promote a more social, environmental, business and consumer friendly industry.
- **Political and bureaucracy awareness program:** Target positive messaging to key government officials to create political action and ensure affiliated members are key representatives to government on industry issues.

4. Networking and promotion

- **Collaboration and networking activities:** Sponsor events that raise the profile of members and increase their sense of worth, collaboration and fulfillment.
- **Membership campaign:** Undertake a membership campaign that highlights the value of membership for industry.

Disruption and competition

The following industry analysis shows that the auto parts and recycling industry will be required to retail and recycle emerging electric automotive propulsion systems and security related automotive software. The industry also presents opportunities such as government and/or industry supported end of life (EOL) recycling programs like those in operation overseas.

How APRAA reacts to market change and evolution is *key* to developing business strategy. APRAA must accept market disruption so that it can develop a successful strategy to ensure it is relevant to members and industry going forward. New and innovative ways of approaching the market and potential members requires consideration.

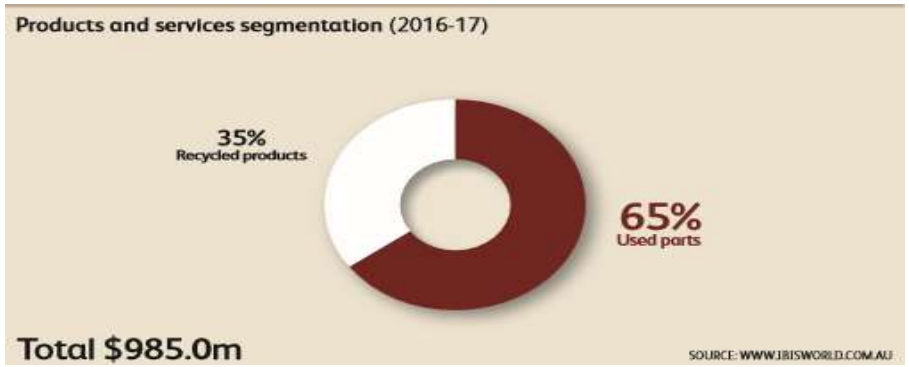
Industry snapshot

The IBIS sourced information below is based on the following definition of the motor vehicle dismantling and used parts wholesaling sector: Operators in the industry are primarily involved in dismantling motor vehicles or motorcycles and wholesaling the used parts obtained in the dismantling process. Industry operators commonly operate from fixed premises but may also wholesale used motor vehicle parts online. This industry snap shot does not include purely online wholesalers (Source: Burgio-Ficca, C. IBISworld, Sep 2016).

Please note: IBIS figures do not always align other industry research (i.e. the Direction's report). As a result, the information may not be an accurate representation of the automotive repair industry or particular industry businesses. Additionally, information used by IBIS world to base conclusions is unknown and may be contradicted by other sources. Consequently, the information presented may have limited accuracy and presents only one version of truth. However, the information presented is useful to show industry trends.

Revenue: $985m	**Annual growth 2012-17**: 0.5%	**Predicted annual growth 2017-22**: 0.2%
Profit: $118.2m	**Wages**: $197m	**Businesses**: 990

(Source: Burgio-Ficca, C. IBISworld, Sep 2016).



(Source: Burgio-Ficca, C. IBISworld, Sep 2016).

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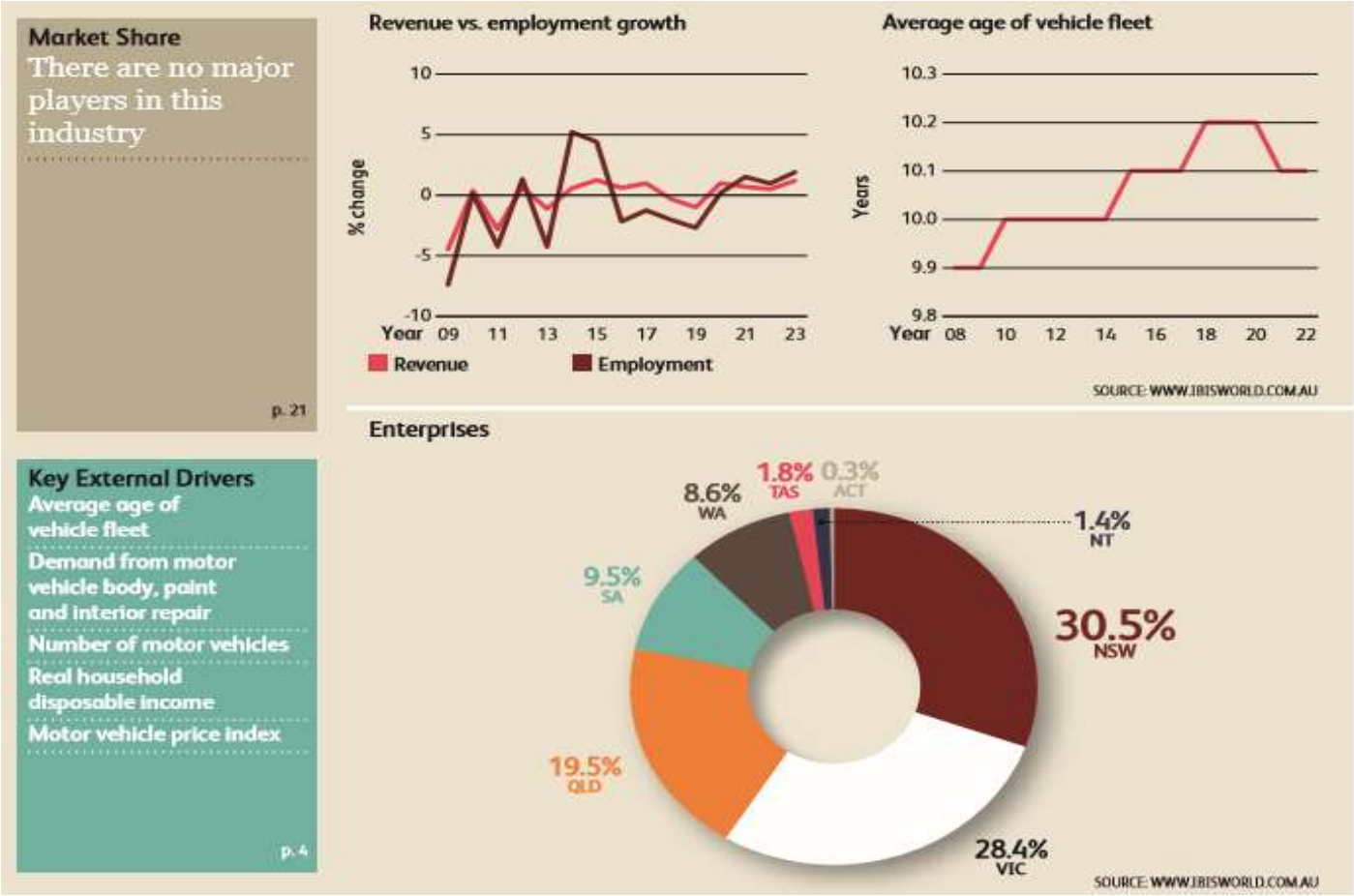

(Source: Burgio-Ficca, C. IBISworld, Sep 2016).

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Table 1: Australian Automotive Industry Profile, post October 2017

Automotive sector	Major activities	Per cent of industry business population
Automotive Repair and Maintenance	Light and heavy vehicle mechanical service and repair; vehicle body, paint and interior repair; automotive electrical services; mining machinery service and repair; mobile plant and equipment service and repairs.	54.0%
Motor Vehicle Retailing	New and used car, motorcycle, truck, trailer and other motor vehicle retail sales.	8.3%
Motor Vehicle and Parts Wholesaling	Car, commercial vehicle, trailer and other motor vehicle wholesale sales; motor vehicle dismantling, recycling and used part wholesaling.	7.6%
Motor Vehicle Parts and Tyre Retailing	Original equipment and aftermarket retail sales of vehicle parts and tyres.	6.2%
Fuel Retailing	Retailing of petrol, LPG & CNG, oils and service station operation.	6.0%
Motor Vehicle and Parts Manufacturing	Specialist vehicles; bus and truck manufacturing; vehicle body and trailer manufacturing; automotive electrical components and other vehicle parts manufacturing.	4.4%

(Source: Directions in Australia's automotive industry: An industry report 2017)

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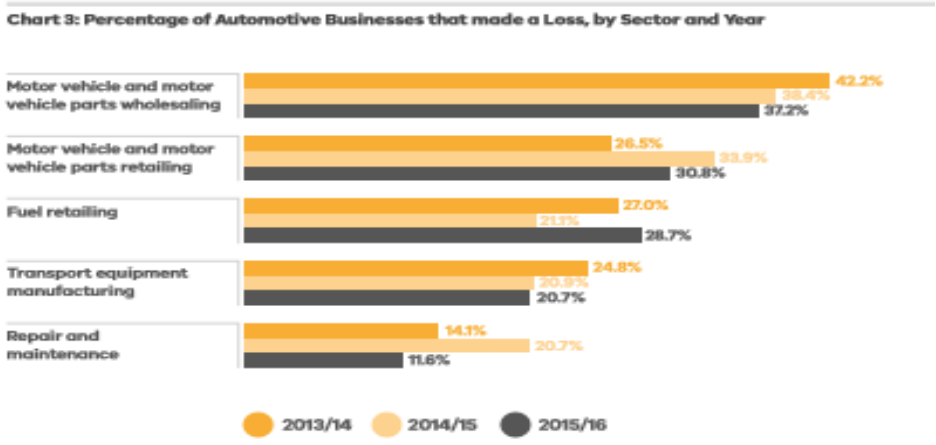

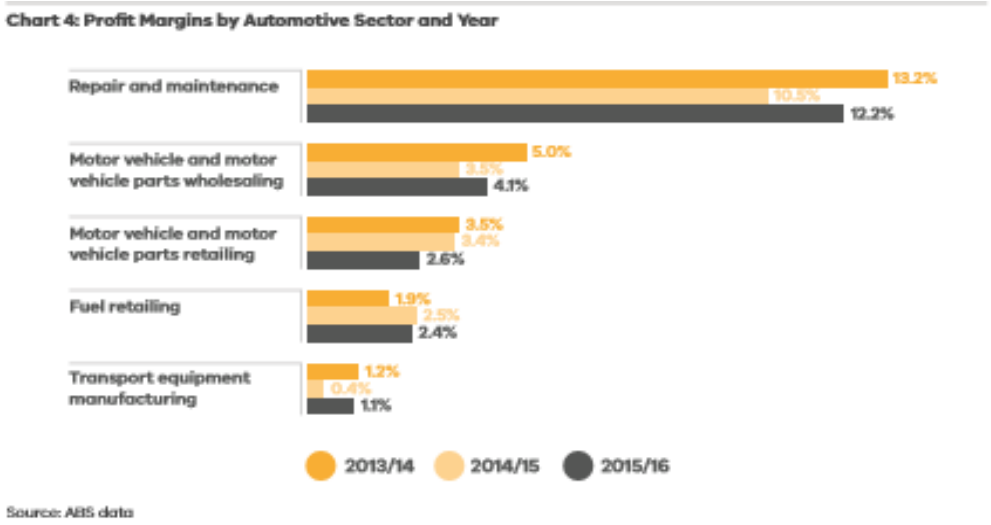

(Source: Directions in Australia's automotive industry: An industry report 2017)

Industry summary

- Due to the relative young age of Australia's automotive fleet and the extended lifespan, reliability and performance of modern vehicles, demand for used parts has stalled somewhat.
- New safety technology that reduces the number of accidents has also reduced the likelihood of accidents which has weakened demand for smash repairers and used parts (also as a cheaper substitute for new parts).
- The increased affordability of motor vehicles, the reduced price of motor vehicles, increasing household incomes and a rising Australian dollar increases the likelihood of consumers purchasing new vehicles rather than repairing their existing vehicle or buying used vehicles. Consequently, there is reduced demand for used parts and increased vehicle disposal and recycling.
- As a result, industry revenue is expected to post weak annualised growth of 0.5% over the five years through 2016-17, to reach $985.0 million.
- Industry revenue is forecast to reach $993.8 million in 2021-22 with an annualised growth of 0.2%.
- Due to a growing Australian car fleet, demand for motor vehicle dismantling and used parts wholesaling is projected not to be effected by increasing new car sales. This is partly due to increased dismantling activities.
- Competition within the sector will remain strong.

(Source: Burgio-Ficca, C. IBISworld, Sep 2016).

Strategic analysis of the industry: market forces

Threat of new entrants and the competitive environment

- Businesses have a competitive advantage if they provide prompt delivery to market, have effective product promotion, have good technical knowledge of the product and provide quality after sales service.
- Wages and rent are the highest costs and there are few barriers to entry. Some states (NSW and Victoria) require more stringent compliance standards (e.g. vehicle administration requirements).

Bargaining power of buyers

- Demand for used motor vehicle parts is spread among different markets, including the retail motor vehicle repair sector (motor vehicle mechanics and smash repairers), motor vehicle retailers with service centres, motor vehicle parts retailers and private motor vehicle owners (the do-it-yourself market).
- Buyers have the option to purchase new parts as an alternative but for a premium price. Thus the bargaining power of buyers for dismantled parts is low depending on the condition of the part.

Bargaining power of suppliers

- Key sellers include the motor vehicle electrical services industry, the motor vehicle body, paint and interior repair industry, automotive repair industry and independent consumers.
- Whether insurance companies are involved in preferential agreements with smash repairers and recyclers is unknown to the author.

Threat of substitute products and services

- Substitute services include purchasing new parts or parts sourced from overseas through online sellers.

(please feel free to amend)

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APRAA review: Strengths, weaknesses, opportunities and threats

Strengths:	Weaknesses
• Peak national auto parts and recycling industry body (exception is QLD) with potentially consistent views and positions to take to government on particular issues. • Auto parts and recycling industry knowledge and experience of key members. • Key member political connections. • Members representing a multitude of auto parts and recycling businesses with various business objectives. • Passion for the auto parts and recycling industry. • Knowledge and links to other industry sectors through MTAA and affiliated member associations. • Strength and standing within the industry of individual state affiliated members.	• No QLD representatives prevent a complete unified national view and united effort on auto parts and recycling related issues. • Individual state bodies with individual priorities and agendas restrict APRAA's ability to act quickly and decisively and to implement and deliver value adding services to members. • Limited resources. • Chasing unattainable objectives that are not linked to strategic priorities. • Different members addressing issues in a non-coherent fashion resulting in too much noise to policy makers and thus, diminishing the impact of communication. • Diversity of priorities in relation to state and federal government policy. • Failure to achieve critical performance milestones. • Failure to seize opportunities to engage with industry, government and internal association stakeholders. • Failure to use opportunities for improved B2B and industry to industry relationships as a means of addressing common issues. • Resistance from government, departments and bureaucrats to working in partnership to address impacts and industry adjustment. • Lack of awareness, understanding, willingness and support for actions designed to enable businesses to adapt to changing market conditions.

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Opportunities	Threats
• Ability to use collective power for political initiatives and commercial activities e.g. Government sponsored end of life recycling initiatives. • Be the single national authority of the auto parts and recycling industry. • Harness Australia's automotive interest. • Improving awareness and knowledge of stakeholder and member base on broader issues, change and its impacts. • Increase Government awareness of the auto parts and recycling industry and relevance to individual state and electorates. • Develop linked initiatives with other automotive sectors. • Sponsor particular events and increase networking and research opportunities. • Provide targeted information and promotional campaigns e.g. provide advice on responses to behaviour of manufacturers and government on environmental issues associated with automotive recycling. • Support industry skills development e.g. mentoring programs. • Redefine relationships and facilitate communications with manufacturers, wholesalers and suppliers. • Research industry needs and target corresponding services. • Obtain Government support and funding for recycling initiatives. • Academic support for continuing research into the automotive recycling industry.	• Emergence of other industry associations that offer services and representation perceived as more valuable and more responsive to market changes and member's needs. • New and existing business not perceiving value in APRAA activities and not joining. • Diminishing membership. • Taking on unattainable issues.

(The above is always under review. Please feel free to add your thoughts concerning any of the above)