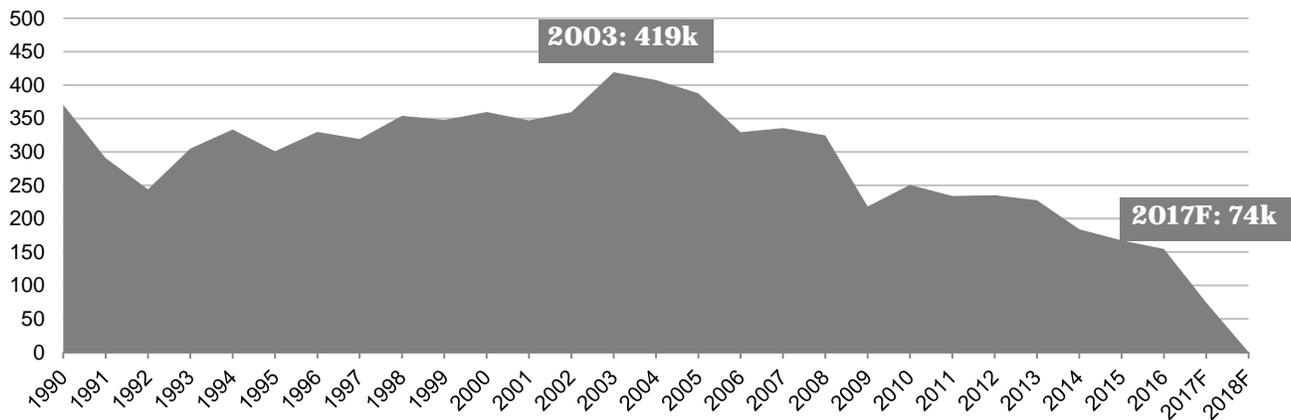


## Australia: So long, down under

### *Nearly a century of vehicle assembly is coming to an end*

Domestic assembly is expected to end in 2017 in Australia, which once produced over 400,000 vehicles annually. The country will become a pure import market with over 1 million units of annual sales, keeping Australia relevant as regional OEMs will need to increase output to meet new demand.

#### Australia: Light Vehicle Assembly 1990 – 2018F (thousands)



Source: Autofacts 2017 Q1 Forecast Release

#### The end of an era

Australia has been home to automotive assembly for over 90 years, but by the end of 2017, the last car is expected to roll off the line. One by one, plants have been closing over the past several decades, leaving Ford, GM Holden and Toyota, the last three OEMs with domestic production “down under.” Ford was the earliest of the major OEMs to start assembling in Australia, with Model Ts rolling off the line as far back as 1925. Since then, a host of automakers established Australian operations, including Toyota’s first fully-owned manufacturing facility outside of Japan. The domestic market evolved and with local manufacturing, niche tastes were factored in as the market grew. Iconic utility vehicles, or “utes,” and large sedans with equally large engines emerged in the latter half of the 20th century as the vehicles of choice for Australians. As the market grew, light vehicle assembly followed in kind,

growing at a compounded annual growth rate (CAGR) of 5.05% between 1992 and 2003, when volumes peaked at nearly 420 thousand units. Since then, output has been on a steady decline. OEMs have all formally announced plans to sunset their respective engine and vehicle manufacturing operations in Australia, and while Ford completed its wind-down of Australian assembly, Toyota and GM-Holden are expected to be done by October 2017. So what happened down under? How has assembly gone by the wayside even as the domestic market continues to register record sales figures?

#### Globalization wins out

Several global developments over the last decade and a half have led to the demise of light vehicle assembly in Australia. Perhaps foremost is the overall shift towards global vehicles with global

platforms. One of the hallmarks of the Australian market was the niche-like demand for the aforementioned utes and large sedans. As OEMs came out of the Great Recession, global platforms and powertrain offerings were a focal point in the quest for cost reduction. This in turn led away from the unique tastes of the local market, rendering them untenable.

Concurrent with this development was the emergence of new assembly bases in ASEAN and China. With the higher labor costs while being in a comparable geographic location, it was only a matter of time before the market succumbed to the pressures of globalization.

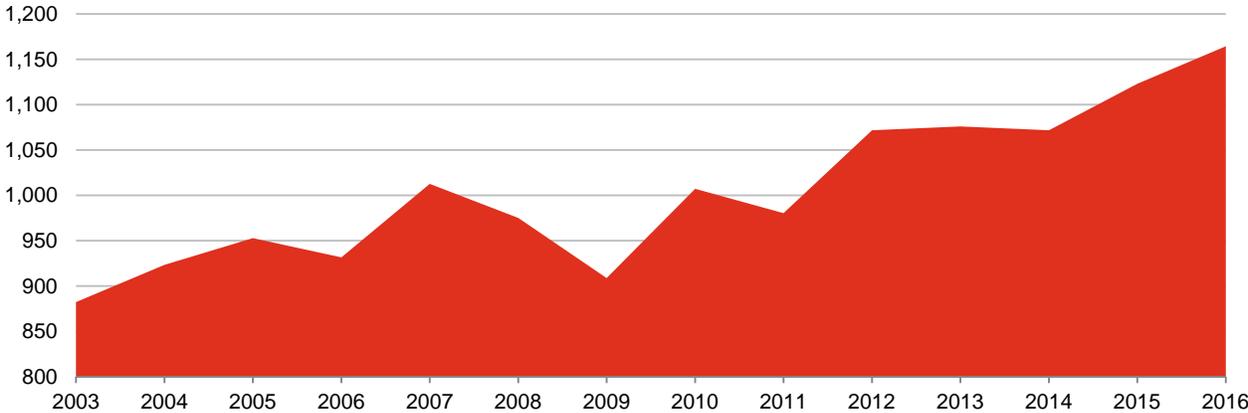
**Life goes on**

Though the sun will set on automotive manufacturing by the end of the year, there is still plenty at stake for OEMs in Australia. A record 1.15 million light vehicles were sold in 2016. New sales

records have been reached in four of the last five years, providing plenty of incentive for automakers to maintain their brand power and performance in the market. Utes and recreational vehicles continue to grow in demand, with less profitable passenger cars falling out of favour. The opportunities for profit remain enticing in Australia even as it becomes a pure import market. Perhaps other automakers could seize this shift as an opportunity to expand while former domestic assemblers forfeit their reputations as locally invested brands. Automakers can also adjust their presence within the market, focusing emerging technology and R&D instead of manufacturing. Indeed, opportunity is still abound for automakers in Australia, even if they don't actually make autos anymore.

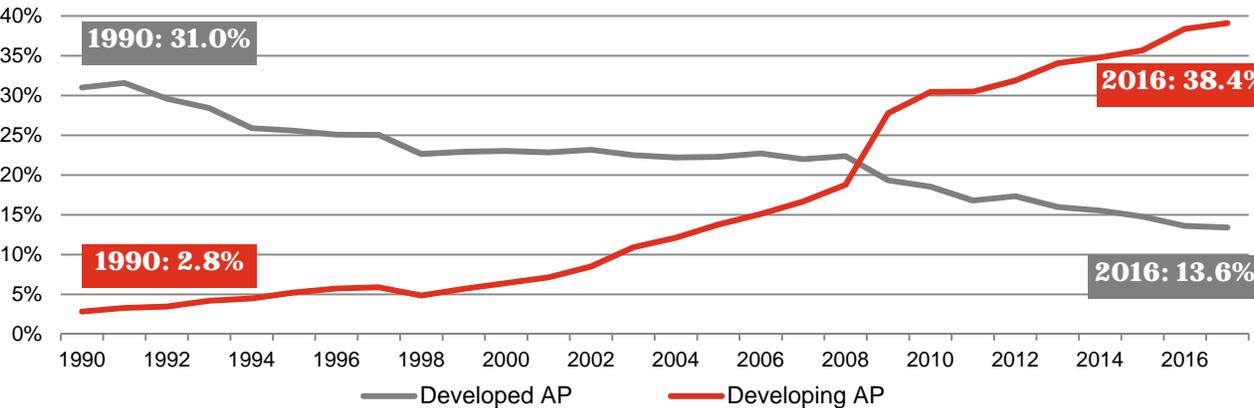
To continue this conversation and find additional information on PwC's automotive capabilities in Developed Asia-Pacific, please visit [pwc.com/auto](http://pwc.com/auto)

**Australia: Light Vehicle Sales**  
2006 – 2016 (thousands)



Source: Federal Chamber of Automotive Industries (Australia)

**Global: Share of Developed AP\* vs. Developing AP Assembly**  
1990 – 2016



Source: Autofacts 2017 Q1 Forecast Release \*Developed AP: Australia, Japan, South Korea

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