

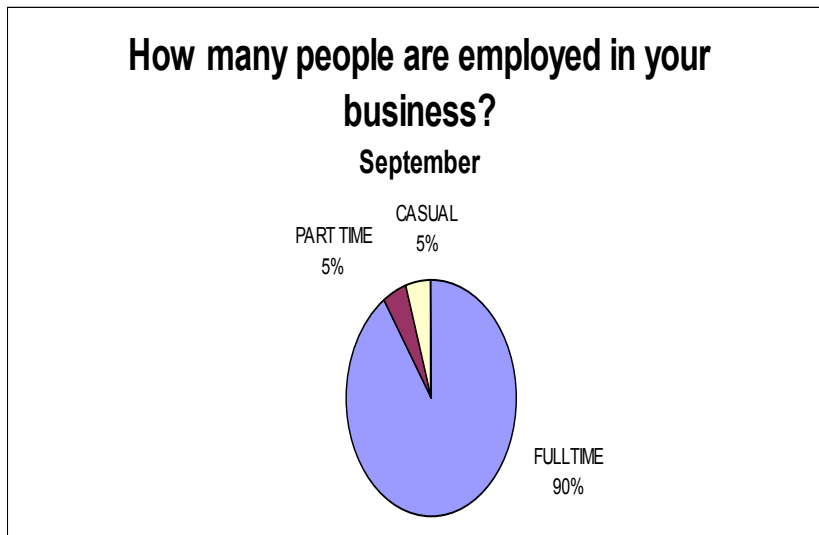
AUTOMOTIVE INDUSTRY ECONOMIC SURVEY NEW SOUTH WALES SEPTEMBER QUARTER 2002

Introduction

The Automotive Industry Economic Survey is distributed to members every quarter via the MTANSW journal. In September Quarter 2002 there were 341 completed survey forms received, rising from 319 in June. Generally, more survey forms are received from rural areas, with 57% of responses coming from non-metropolitan based members in the September Quarter.

Number of Employees in the Business

In September Quarter 2002, 90% of employees from the businesses surveyed were employed on a full-time basis. Just 5% of employees were part-time and a further 5% were casual. The high concentration of full-time employees reflects the highly skilled nature of jobs within the industry, and a general shortage of available skilled labour.

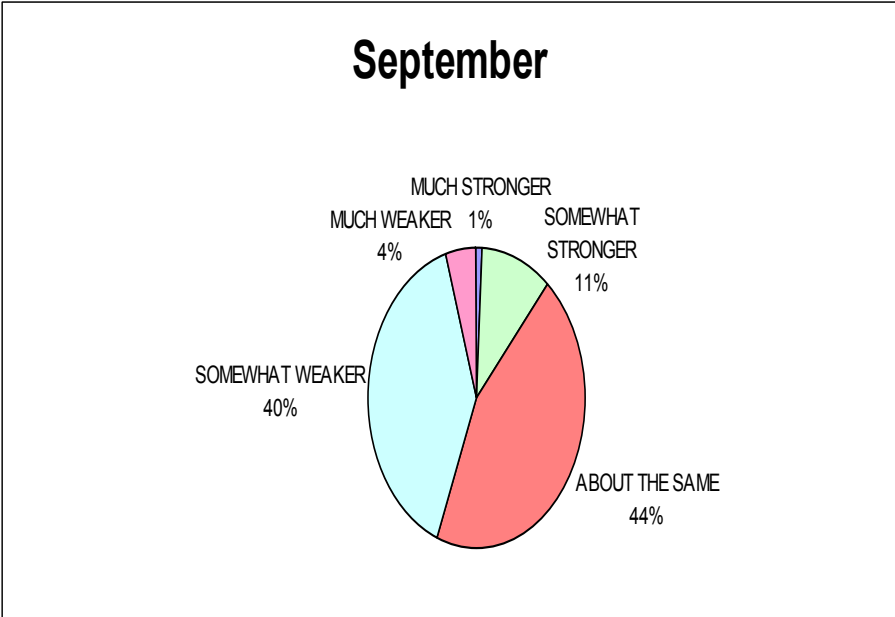


Expectations Over The Next Twelve Months in Comparison to the Past Twelve Months

The Australian Economy

In the September Quarter 2002, respondents were overwhelmingly pessimistic about the expected performance of the Australian economy over the next twelve months, with a net balance of -32%. Just 12% of respondents anticipated a stronger economy in the twelve months ahead, 44% predicted a weaker economy, and 44% thought it would be about the same.

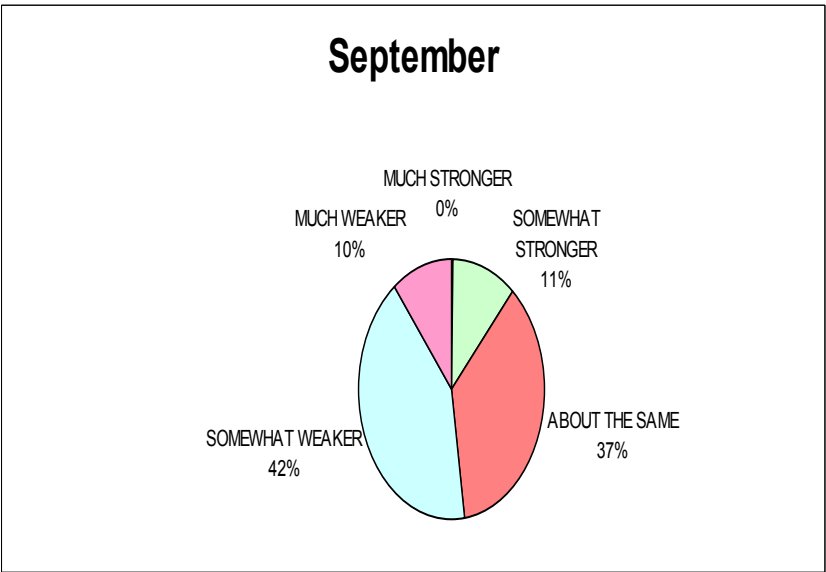
Members' lack of confidence in the Australian economy can be attributed to the threat of war with Iraq as well as severe drought. It is clearly not only farmers who are suffering due to the drought, but also rural business.



The New South Wales Economy

Members also reported a severe lack of confidence in the New South Wales economy. In the September Quarter 2002, 52% of respondents expected the state economy to be weaker over the next twelve months, 11% thought it would be stronger, with 37% expecting little change.

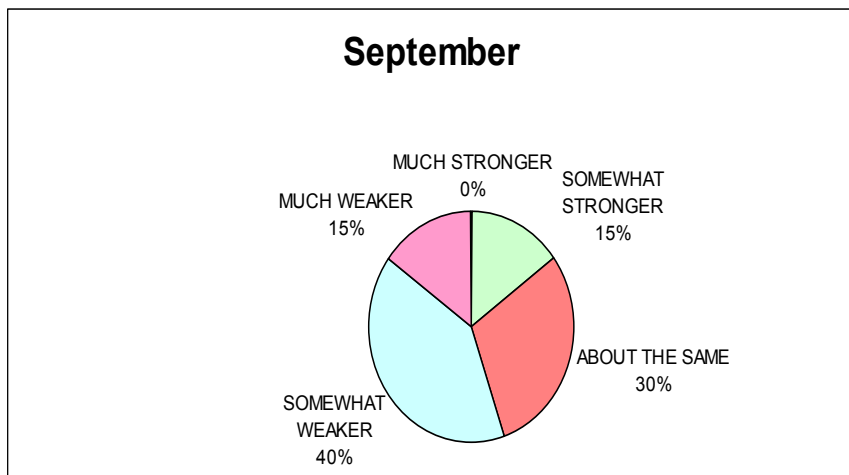
The net balance of -41% demonstrates that members have more pessimistic expectations of the New South Wales economy than of the Australian economy. Much of this sentiment can be attributed to the drought, which has hit rural New South Wales much harder than most other states.



Expectations of the Performance of the Industry Sector

More than half (55%) of all respondents expected weaker conditions in their sector of the automotive industry over the next twelve months, highlighting the tough year ahead for members. Also in the September Quarter, 15% of respondents anticipated a stronger industry sector, whilst 30% thought conditions would remain about the same.

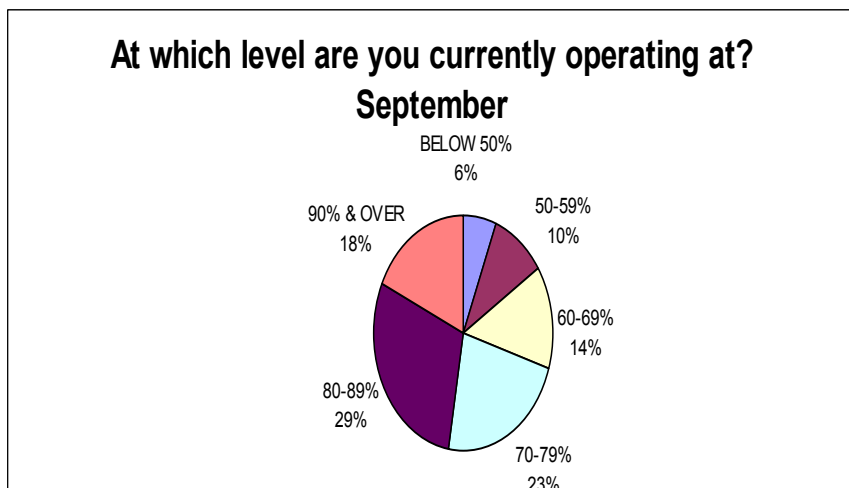
The outlook for non-metropolitan members was even worse. Some 60% of non-metropolitan respondents forecast a weaker twelve months ahead for their sector of the industry, and 13% expected stronger conditions.



Activity/Production Levels

Almost one third (30%) of respondents were operating at below 70% capacity during the September Quarter, with the remaining 70% operating at a capacity of 70% and above. At opposite ends of the scale, 18% of businesses were operating at a capacity of 90% and over, whilst 6% of businesses struggled, operating at below 50% capacity.

The reduction in income in rural New South Wales, due to the drought, is hurting businesses in the retail automotive industry. With many businesses operating at a low or reduced level of capacity, the profitability and sustainability of members' enterprises is in jeopardy.

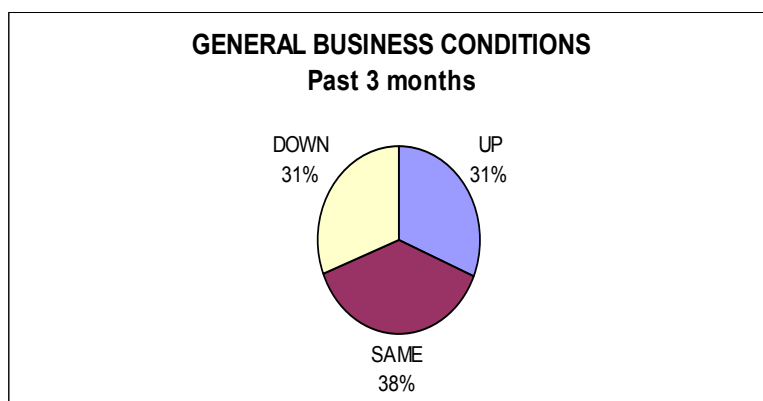


Business Performance

In the September Quarter 2002, respondents were asked how their business had performed over the past three months compared to the previous three months. They were then asked how they believe their business will perform over the next three months compared to the past three months.

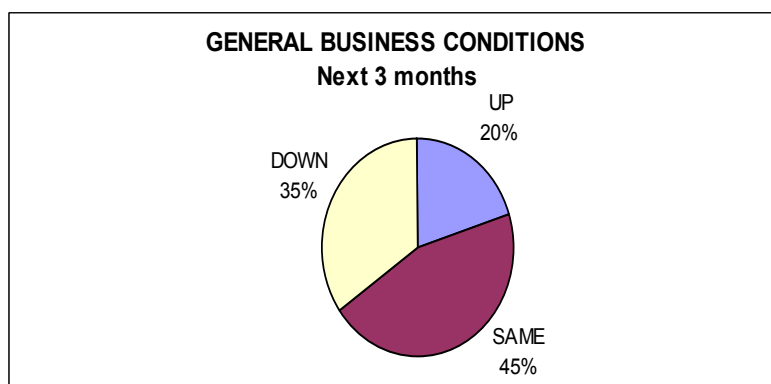
General Business Conditions

As at September Quarter 2002, members experienced little change in business conditions over the previous three months, recording a zero net balance. Some 31% reported an improvement in business conditions, off-set by the 31% who experienced a decline in business conditions. Business conditions remained about the same for a further 38% of respondents.



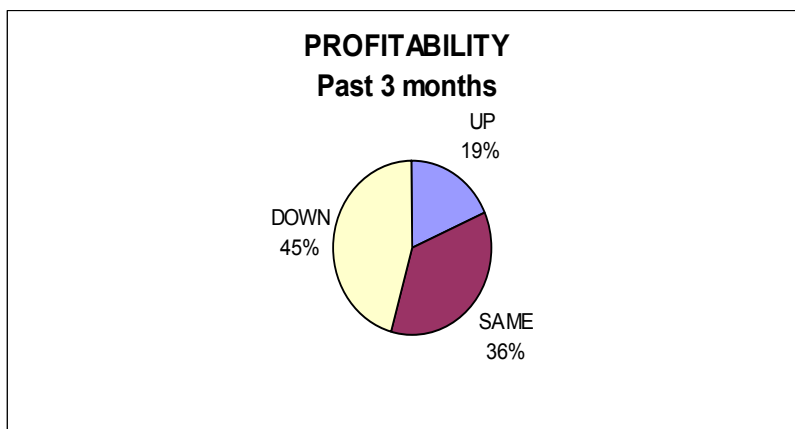
Respondents were less positive in their expectations for the three months of the December Quarter, with a net balance of -15% recorded. This comprised 20% of respondents who expected an improvement in business conditions for the December Quarter, 35% who anticipated a decline, and 45% who expected no change.

These results are a worrying sign for members, particularly as the December Quarter is traditionally a seasonally high period of economic activity for the retail automotive industry.

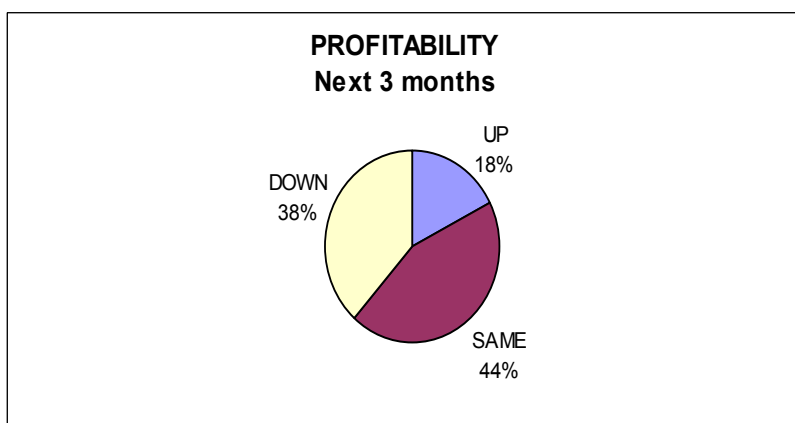


Profitability

In the September Quarter, almost half (45%) of all respondents reported a decline over the past three months in the key business indicator of profitability. Profitability improved for 19% of respondents and remained much the same for 36%, for a net balance of -26%. Factors such as climatic conditions, lack of demand, and taxes and charges, continue to negatively impact on the profitability of members' businesses.



Respondents were more positive in their outlook for the three months ahead, again reflecting the seasonally high level of activity in the industry expected for a December Quarter. Some 18% of respondents expected an improvement in profitability in December, 38% forecast deterioration in profitability, and the remaining 44% expected no change.



Factors Limiting Business Performance

Respondents were asked to list the factors that were limiting business performance during the September Quarter 2002. At the top of the list were climatic conditions (45% of respondents identified this as a hindering factor). The second most limiting factor was lack of orders and demand (43% of respondents), closely followed by taxes and charges (42%) and competitive discounting (40%).

For September Quarter, a new response option 'Insurance Companies' was added to the survey form. This factor was rated as the fifth most limiting factor for businesses in the September Quarter survey (39% of respondents).

The labour market continues to hamper business performance. Shortage of skilled labour was a problem for 35% of respondents, and labour costs were an issue for 31%.

The graph below shows the relative importance of factors limiting business performance during the September Quarter 2002.

