

APRAA Chairman's Report

November 2013



The Suncorp/LKQ joint venture – What does it mean for you?

In August 2013, Suncorp, Australia's largest insurer announced the formation of a joint venture with international automotive parts company LKQ.

LKQ are a North American based global company that specialises in the provision of aftermarket and reconditioned automotive parts including recycled engines, transmissions and remanufactured engines. LKQ operate out of 500 facilities across Europe and the United States.

The Suncorp, LKQ joint venture plans to supply reconditioned automotive parts to the collision/mechanical repair industries by 2014, and then progressively expand the program into the wider market.

The announcement should serve as a warning to the automotive industry and in particular the body repair and parts recycling sectors. The sheer size and market dominance of organisations such as Suncorp and LKQ means that they will have the ability to snap up the lion's share of parts currently in the Australian marketplace.

Suncorp will also have the ability to steer parts distribution to their repairer network which will lead to a decline in market share for the parts sector generally.

One of the key industry concerns is that the joint venture will have first pick of a very large pool of vehicles from Suncorp, constraining the pool of available vehicles for the auto recycling industry and driving prices up. Combine this with an all-encompassing pressure from the insurance industry to lower repair costs and in doing so forcing the price of parts down will only see competition intensify over the next two years.

There is little doubt that the road ahead will be very challenging for the auto recycling sector. The State Motor Trade Associations and Chambers of Commerce, along with the Australian Motor Industry Federation, will be pooling their resources and working hard to ensure that a level playing field is maintained to protect the interests of our members.

Watch this space over the coming weeks for more information, or contact your state association/chamber for further advice.

Chris Cooper

APRAA Chairman