

Market Update

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The race to beat the tax!

Monthly new vehicle registrations hit an all-time high in March 2022 as “buyers” sought to avoid the Clean Car fees coming into effect on 1 April.

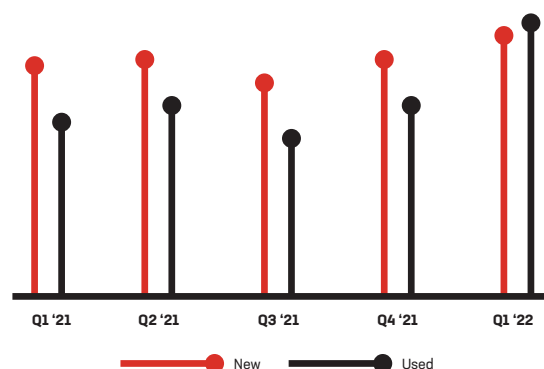
Not surprisingly the three top sellers for the quarter were utes, the Triton, Ranger and Hilux, with the D-Max and Navara in 6th and 7th place. With 257 utes registered to vehicle traders in the whole of 2021 and 466 in just the first quarter of 2022 it seems that if the vehicle was on the ground and able to be registered, it has been registered. We should expect to see a steep decline in comparative ute registrations in Q2 2022.

When comparing Q1 2022 to Q1 2021 the two sectors that are showing the largest increases are utes and saloons, the latter of which will be the increase in EV registrations - with the Tesla Model 3 alone increasing by 917 units against Q1 2021.

Used import registrations are also very high with 48,700 units registered in Q1 2022.

Truck and motorcycle registrations have remained relatively steady between 2021 and 2022.

NZ Vehicle Registrations



Volumes / Key Models:

- The Mitsubishi Triton (4,239), Ford Ranger (3,993) and Toyota Hilux (2,971) make up the top selling vehicles of Q1 2022.
- EV's also feature in the Top 10 with the Tesla Model 3 (1,301) in at number 5. There are vehicles with good electric pedigree also in the Top 10, including the Outlander (2,354), Rav 4 (858) and Kona (819).
- Two more utes round out the Top 10 for Q1 2022, the D-Max (1,115) at number six and Nissan Navara (962) at number 7.
- Rental registrations are buoying the Outlander (232) and Rav 4 (227).



Beating the tax, the quarter in numbers...

- Utes are up from 23% of registrations in 2021 to 32% in Q1 2022.
- Used vehicle registrations seem uncharacteristically high in March 2022, and we suspect this is high emitting units being registered prior to 1 April.
- Average monthly used petrol registrations through 2021 are 7,500 per month. In March 2022 used petrol registrations were up nearly %300 at 21,773.
- SUV registrations are slightly lower at 42% of all new registrations, but still high compared to all other body types.

The top 20 makes YTD are below:

MAKE	Q1 '21	Q2 '21	Q3 '21	Q4 '21	Q1 '22
Toyota	6,762	6,768	6,941	5,119	5,893
Mitsubishi	4,796	5,428	4,815	8,801	8,302
Ford	3,812	3,917	4,422	5,137	4,914
Kia	3,456	3,125	1,709	1,893	2,519
Mazda	3,041	2,562	2,083	1,579	2,163
Nissan	2,096	2,350	1,353	2,730	1,759
Suzuki	2,005	2,265	1,944	1,646	1,589
Hyundai	1,940	2,048	1,743	2,303	2,428
Volkswagen	1,519	1,750	1,204	967	938
Honda	1,192	959	806	1,035	1,206
Mercedes-Benz	760	825	737	560	871
Isuzu	979	1,204	857	898	1515
Subaru	862	836	542	598	689
MG	808	783	1,049	1,188	1,489
BMW	525	566	457	283	511
LDV	625	808	620	764	1,353
Audi	486	491	395	381	455
Ssangyong	455	312	318	292	496
Land Rover	430	437	186	139	465
Jeep	399	427	230	250	360
Others	4,863	4,893	4,5,926	5,874	6,715
New	41,811	42,754	38,338	42,437	46,630
Used	31,087	34,404	29,111	48,728	48,728



The Road To Electrification



EV sales only restricted by supply

With the increases in fuel prices and the introduction of the Clean Car Programme EV sales have jumped once again.

Most dealers are selling EV's as quickly as they can land them in the country which saw used EV registrations jump 50% in March 2022.

New EV registrations also increased with the Tesla Model 3 (1,301) coming in as the 5th biggest new vehicle seller in the first quarter of 2022. All the non-commercial vehicles in the Top 10 have EV's or PHEV's that have contributed towards their success, for example, Outlander (153), Rav 4 (348), Kona (230) and MG ZS (201).

Supplies of new EV's continue to be constrained and this is driving up the values of used EV's. There have been listings of used EV's at prices higher than the RRP of a new equivalent, but with waiting times of more than 6 months, some buyers are willing to pay a premium to escape the grips of fossil fuels and their soaring prices.

While supply is constrained there are more and more EV's coming to NZ shores. This time last year we identified 27 pure EV's available for sale in the NZ market, today that number is closer to 60 pure EV's.

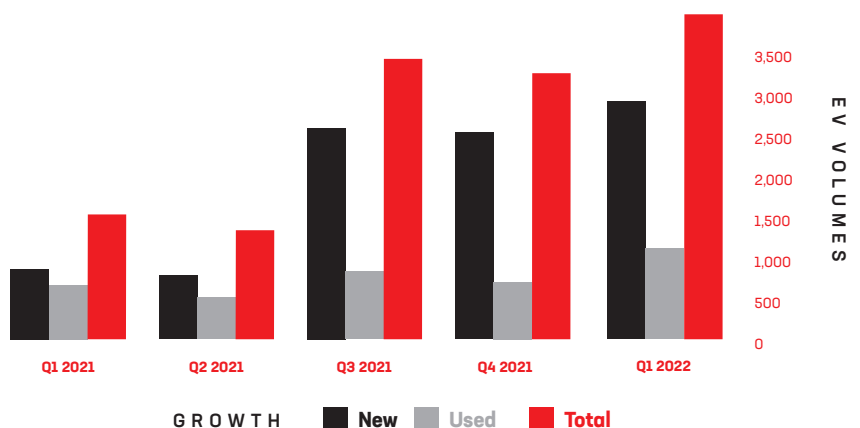
Just a few of the EV's on the horizon include:

- Tesla Model Y
- VW ID.3 and ID.4
- Mercedes EQS, EQB and eSprinter
- Rivian R1S
- BYD Han
- Cupra

With global EV uptake ever increasing, shipping delays, semi conductor shortages and NZ's geographical position all conspiring against us, getting our hands on more EV's will be extremely difficult for some time to come. Plan ahead!

However, with rising petrol prices, Government rebates and a very firm shift in consumer sentiment, it seems only logical that demand will remain very high.

With low supply and high demand, used prices for EV's don't look like they will be dropping anytime soon.



Europe switches from Diesel to EV

According to the Association of European Manufacturers (ACEA), Europeans bought as many hybrid cars as they did diesel in Europe in 2021 for the first time ever. The European Commission has stated its intention is to ban the sale of petrol and diesel vehicles by 2035.

Sales of standard Hybrid electric vehicles (HEVs) were up 60% on the previous year and amounted to almost 20% of the total market share.

That is now on a par with ordinary diesel vehicles, the traditional European favourite, sales of which fell by 31% across Europe.

Plug-in hybrids (PHEV) sales increased by 70% while fully electric (BEV) vehicles increased by 63%.

Fully electric vehicles (BEV) now amount to 9.1% of all vehicles sold, dramatically up from just 1.9% in 2019 and 5.4% in 2020.

China ahead of plan

According to China Passenger Car Association (CPCA) China's NEV market, or New Energy Vehicle market, is on track to reach the 20 per cent nationwide market penetration goal this year, well ahead of the government's 2025 target. NEV volumes increased year on year by 169 per cent to a record 2.99 million units, or 14.8 per cent of new sales in the world's largest vehicle market.

Smaller, denser batteries, less cabling and faster charging equals a more cost-effective transport solution for all.



800 Volts = Faster Charging and Less \$

As we head towards 2030 many OEMs are backing 800-volt EV architecture to replace 400-volt technology, because they charge faster and require smaller batteries. Hyundai and VW Group already offer the solution. The new US EV brands Rivian and Lucid (the Lucid Air sedan is 920 V), Kia, Stellantis, Volvo and many of the Chinese brands look poised to follow. General Motors has committed to 800 V architecture going forward. Higher voltages also supply the same amount of power with less current, which means electric cables can be made lighter and less cabling means less copper, the price of which has (like everything else) been rising dramatically.





Global Impacts – War in Ukraine

The ongoing supply chain and Chip shortages have no quick solutions.

Recent events have seriously deepened the challenges. Prior to the Ukraine invasion on February 24, the global auto industry had spent 18 months or so struggling to meet demands. This led to huge pent-up demand globally.

The loss of economic confidence (higher oil and raw material prices, weak stock markets, and increasing interest rates) could worsen as the various scenarios play out (some of which are unthinkable) and may dramatically impact production, but equally lessen consumer demand.

Ukraine supplies approximately half of the high purity neon to the semiconductor industry, where the element is used in the lasers that etch the complex patterns onto chips. Ukraine also produces vehicle wiring harnesses for vehicles to its European neighbours, impacting the likes of BMW, Mercedes and VW group.

Russian mines produce sizeable chunks of

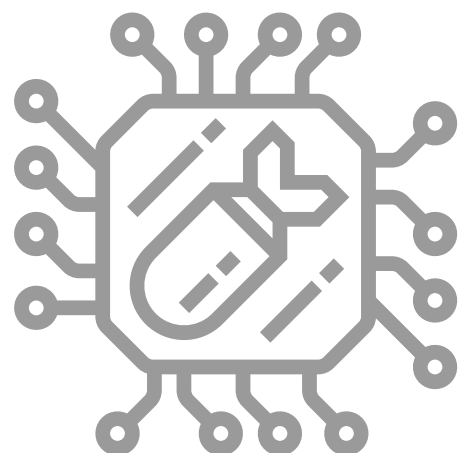
the world's nickel, palladium and platinum. Nickel is used in EV batteries and palladium also has the potential to become an industry headache. Russia produces approximately 40% of the world's mined palladium according to a United States Geological Survey. Around two thirds of palladiums use is in vehicles, where it, or platinum, is the active element in catalytic converters. If Russian palladium, platinum, and nickel supply were impacted by ongoing sanctions, or Russia held back supply, the production of all vehicles relying on those sources would be impacted. Sourcing alternatives would prove costly and time consuming.

China's latest strict shutdowns are a further blow to recovery.

China's COVID-19 cases are at a 2-year high and have led to full quarantines. As well as being a major focus of the financial industry, Shanghai is a major hub for semiconductor,

electronics and car manufacturing. It is also the world's busiest shipping port. Plant closures in north-eastern chip manufacturing hubs, including Shenzhen and Changchun will cause further disruption.

The timelines to 'normal' production have just been pushed out further.



State of the Nation



This quarter we spoke to Michael Tappenden, Dealer Principal at South Auckland Motors, who shares his useful insights on the impacts of the last few years, supply shortages, the CCCFA, the impact of the shift to electric vehicles on dealerships, and the shiny new Ford Ranger.

How has the disruption of the last two years impacted your dealership, how have you coped?

Our dealership like most have fared very well over the last two covid impacted years but the lockdowns and subsequent trading under alert level and traffic light systems have been a real strain on our team. At South Auckland Motors the customer interface plays an integral part in the culture of our business. To try and develop or maintain a relationship without face-to-face contact or whilst barricaded behind safety screens and barriers is a departure from everything we teach our staff, it has required a big change in mindset for our people and customers alike. It has been a challenge for all, but as we work towards our new normal, I see we have a more resourceful and resilient team as a result.

When do you see vehicle supply shortages easing for NZ?

We have had to deal with shortages with both of our brands in most model lines. Ford and Mazda have done an exceptional job of keeping a supply of key models arriving at frequent intervals which has meant that every month we are able to get good volumes of cars delivered to their new owners.

Semiconductors have played a big part in supply constraints to date, I would expect to see more of the same well into 2023. Of greater concern in the medium term will be the local supply of so-called clean vehicles that will meet the governments aggressive Clean Car Discount and Clean Car Standard targets and timelines. As many government's around the globe adopt similar policy, albeit with more practicable timelines, there will be immense pressure upon manufacturers to meet the surge in global demand. As a small market at the bottom of the world, each brand represented in NZ will need to fight hard for a fair share of product allocation, some will be more successful than others.

"In a nutshell, I think we should get used to waiting for our new vehicles".

What impacts have the changes to the CCCFA finance regulations meant for you, and for your customers?

As the regulations rolled out in December and into January, we experienced much longer turnaround times on applications from our finance providers. Customers have been extremely frustrated at the level of scrutiny involved in an application

for finance. These two factors combined turn financing a vehicle into a lengthy interrogation for the new owner, rather than a time to celebrate a new vehicle. In many cases the new regulations have removed the customers' ability to make their own financial decisions. The changes have definitely cost our business money and greatly diminished customer satisfaction. As time has marched on our finance providers have invested in new technology and more human resource to speed up the process, as a result we are seeing a reduction in approval times. As a dealer it is frustrating to observe the wide and varied interpretation of the new regulations by the finance companies. It would appear the new regulations have missed the mark in terms of what they were hoping to achieve. Mainstream lenders were already lending responsibly. Irresponsible lenders loaning to vulnerable groups at high interest rates hold little regard for the CCCFA regulations, more severe consequences are the most effective tool to deal with the offenders.

How do you see the role of the car dealership evolving over the coming decade?

Dealers have always relished change, no doubt the pace of change has accelerated sharply in recent years. In terms of gathering data and demonstrating the product, we know that a customer makes less dealership visits pre purchase than they did in the past. The onus is on us to ensure any dealership visit is memorable and productive. Technology plays a big part in this, and we see more and more interactive

software becoming available. VR is becoming more common with virtual walk arounds and walk throughs. We see the internet delivering a better quality more interactive experience for customers and are beginning to see E-commerce platforms integrated into these sites. The time is upon us where a customer if they choose to could finalise an entire purchase online. This suits many and will even excite some, but for most a vehicle purchase is still a special one, often the households second most valuable asset. In my experience our customers still enjoy touching and feeling a car and pressing the flesh with real people who live and breathe the brand while they are in the decision-making process. As long as dealerships keep the ever-changing needs of the customer front of mind at all touch points within the dealership, we will remain relevant for many decades yet.

Are there any specific challenges for dealerships with the increasing adoption of electric vehicles?

There are plenty of things to consider. Operationally, charging infrastructure is a high priority. Dependant on the age and layout of the dealership getting power routed to stations around the dealership to points that will be convenient for charging, can be a challenge. Brand specific technician training and appropriate tools are vital given the risks involved in electricity. Salesperson training is also important; given that for most customers it will be their first EV purchase, the sales approach requires deeper

qualification. Many new owners expect that charging by plugging into a wall socket in the garage should do the job, in reality the buyer should have their wiring at point of charge inspected to confirm it can handle the loads and seek out a reputable company that can sell and install a home charging point.

The Ranger has been NZ's most successful model, and the new 2022 model looks better still. What key features do you think will keep it on top of the Ute market in 2022?

The tough front end treatment, with plenty of F150 influence (North America's best-selling truck for 40+ years), will draw the attention of our current Ranger customers and many more looking for a change. Ford have done an amazing job in distilling a huge amount of customer feedback sought from 180 countries around the globe to deliver a truck that not only looks great, but is extremely versatile, and all delivered at an exceptionally competitive price. Features include the inbuilt wellside step, more space between the wellside wheel arches which allows room for a pallet, and a tailgate with clamping points so it can be safely used as a work bench. That's before you start talking about the engine line up that delivers something for everybody. The clean and economical 2.0 bi turbo, the monstrous torque of the V6 diesel and the one I can't wait to get my hands on, the Raptor V6 Twin Turbo petrol delivering 400 horsepower, that's gotta put a smile on the dial of every petrol head!

