

## **“There’s more to the motor sector than new car sales”**

### **Motor industry expert Stephen Healy sits down to talk about growth of the motor industry in Ireland while touching on the challenging issues coming down the line.**

The Irish motor industry has experienced many ups and downs in recent years, from the Celtic Tiger era to the recession, but the last two years have been particularly challenging for the market for very different reasons.

Following a period of exponential growth for the new car market from 2013 to 2016, when the market doubled in size, the new car market in Ireland declined by 14.4pc in the following two years. This decline can be attributed to the impact of Brexit and subsequent increase in used car imports along with so-called ‘Diesel Gate’. In the four months to April 2019, the new car market is back 8.5% on the same period in 2018.

While new car sales figures are down, the market is much wider than just dealers selling new vehicles to buyers, according to Stephen Healy, head of the motor sector in Bank of Ireland.

“One of the mantras I use is that the motor car market is more than glass boxes selling new vehicles,” says Healy. That’s just one sales channel but I consider a motor dealership to be primarily a used car operator with a workshop attached that also happens to sell new vehicles.”

Last year was a record year for used imports with over 100,000 used vehicles imported to Ireland and to put that into some perspective, the new car market for 2018 was 125,000 cars. “You can track the weakening of Sterling with the growth of used cars coming into the country. This year to April, used car imports are up by 2.8pc and there were a couple of spikes due to the two Brexit deadlines in March and April. We’re heading towards another record year this year,” said Healy.

Businesses in the sector have been faced with a number of regulatory issues this year that have impacted the market, such as the 1% increase in VRT on diesel cars and the roll out of worldwide harmonised light vehicles test procedure (WLTP) which is focused on retesting vehicle CO2 emissions. “The EU have forced manufacturers to retest all vehicles that are sold in Europe. This impacted new vehicle supply as production stopped while retesting was in progress, and this created shortages that the industry is still feeling.”

Along with the challenges of VRT and WLTP, the uncertainty surrounding Brexit continues to cause major disruption for the sector, for both dealers and buyers, which are two-fold according to Healy. “The first is the record level of imports that come in from the UK. The effect that’s had on our

customers (motor dealers) is that it impacted used car values.

“Cars coming in from the UK often have an advantage in terms of landed cost and that has weakened used residual values which has increased the cost of change for consumers. This creates a challenge for new car sales and also around how a motor dealer manages their stock levels. The motor dealer has to turn that used stock faster to be ahead of market. Brexit has created the spike in used car imports but also created the devaluation of existing stock and the increase in the cost of change for consumers.”

The motor industry is somewhat different to other sectors in Ireland, with many unique nuances, and this can be most demonstrated in the growth process for companies.

“In terms of growing the business, what we’re seeing mostly is consolidation in the motor sector where you have smaller operators choosing to exit and that has created an opportunity for consolidators and that is the real scale up opportunity. The other scale up opportunity for the sector is understanding that it’s not just about new-car sales. You can scale by focusing on growing used car sales and your workshop (service and parts). Those used car imports become the opportunity,” added Healy.

This year is clearly going to be challenging for the industry, while the 2020s will likely bring more positivity and create an environment where motorists and the industry embrace real change in the vehicles they drive and sell, but Healy isn’t looking too far down the line. “. Once uncertainty around Brexit and WLTP has been removed, more informed market forecasts can be made. Distributors will be scenario planning at the moment, however, the outlook in the sector is for a brighter year next year with forecasts of about 10pc growth in new car sales for 2020. .”

Finishing with a tip for businesses in the sector, Healy said; “If you’re looking to scale and grow, the key areas to focus on growth are in the used car department and the workshop department. If you have those areas performing to benchmark standards, that will be the springboard to enable sustainable growth into the future.”