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▶ submission



**project title**

**Caravan Industry Association of Australia  
Vulnerable Supply Chain Position Paper**



**prepared for**

**Australian Government Productivity Commission**



**prepared by**

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## Position Paper

The Australian Caravan and Camping industry is a \$23 billion industry that directly employs 53,000 people, manufactures more than 20,000 vehicles per annum, services over 740,000 vehicles on the road, generates 12 million trips and 60 million visitor nights in caravan parks across the country.

The recreational vehicle (RVs) industry is one of few longer-term 'sovereign' growth opportunities for Australian based vehicle manufacturing, with over 1000 manufacturers, dealerships, and repair businesses associated with the sector. In 2019 Australian manufacturers had an estimated 67% share of unit sales of RVs and caravans, with importers holding the remaining 33%. However, 2020 and the COVID pandemic has highlighted significant risks are evident in the sector's supply chains. The following paper addresses the challenges the sector is experiencing with supply chains and is supported by industry research conducted during April/May 2021.

## Background

Australia's recreational vehicle manufacturing and trade sectors experienced two significant shocks due to COVID-19. Firstly, the initial shutdown of factories and supply chains in China from January to April 2020 which impacted the importation of caravan trailers and components required to manufacture recreational vehicles in Australia. Figure 1 demonstrates the impact of reduced supply from China, which accounts for 90% of the 10,000 caravan trailer units annually imported to Australia. Further to this, components (such as fridges, air-conditioners and computer chips) that are added to locally made RVs to complete to manufacture, are largely sourced from China. The delay in component delivery led to suppliers unable to provide manufacturers with relevant stock, thus leading the manufacturers having a 'logjam' of vehicles that were unable to be completed and delivered.

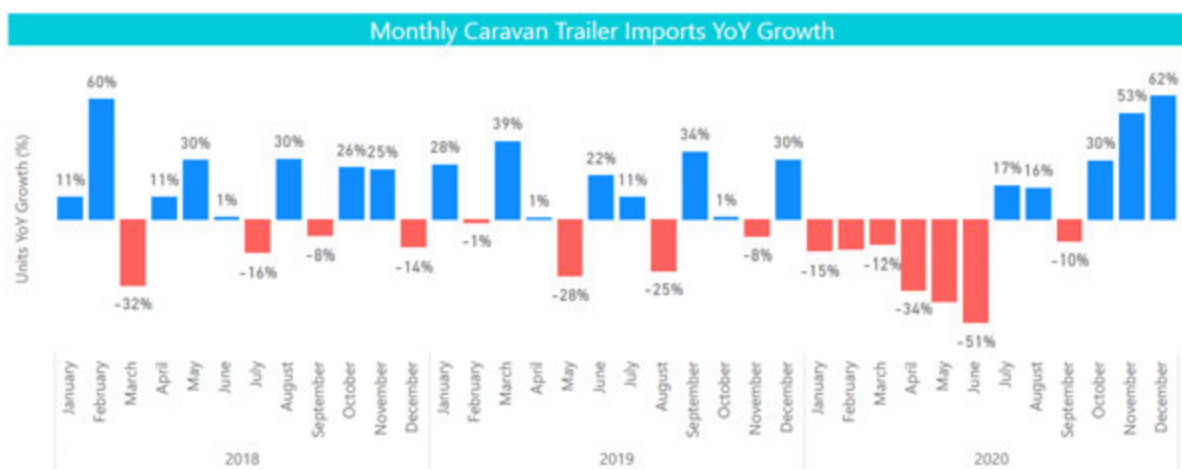


Figure 1 Monthly caravan trailer imports year on year growth. Data Source: ABS, International Trade Data

The second shock occurred in August 2020 with the significant lockdowns that occurred in Victoria. Approximately 80% of all local recreational vehicle production occurs in Victoria, with the closure of factories for two months leading to the catastrophic disruption of the national recreational vehicle supply chain. This led to an 80% reduction in production (-1500 units monthly) for August and September. This has caused further issues of retail outlets that have now run of stock and show displays, which prevent them from taking orders.

The situation for Victoria was disappointing as the industry had shown strong signs of recovery post May as Australians were keen to travel and purchase a recreational vehicle. The delay in manufacturing has led to significant lead times for the delivery of product, with some manufacturers suggesting customers will need to wait until August 2022 to receive product. In addition, orders for vehicles are now being cancelled as the wait time has extended beyond a reasonable time that consumers are prepared to wait for. Thus, the challenge exists in how to increase manufacturing outputs for businesses that have been financially impacted and continue to be under the threat of continued lock downs.

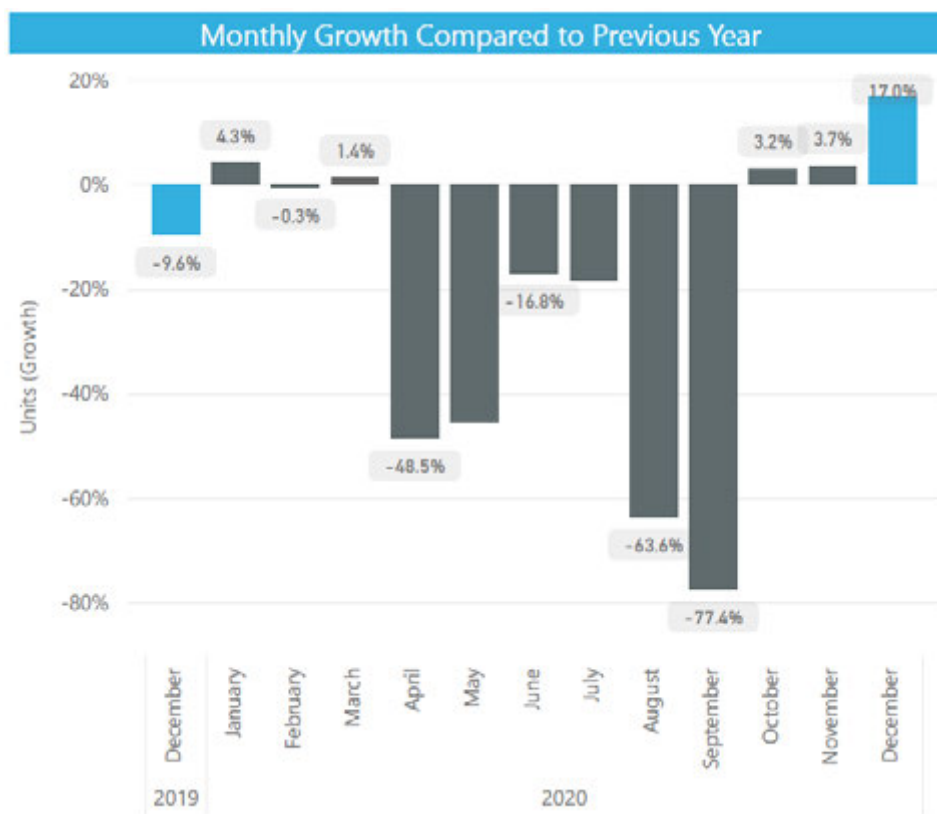


Figure 2 Monthly local recreational vehicle manufacturing. Data Source: Caravan Industry Association of Australia.

## Current Situation

Following the challenges in 2020 and international border closures, there has been significant demand for recreational vehicles in 2021 as Australians choose to travel domestically. This has seen the sector enter a period of growth as the production of recreational vehicles hit the highest level in three decades. Whilst this is positive; due to significant supply chain issues, the issue is now beginning to cap its growth potential. Currently, orderbooks for manufacturers and dealership are beyond 6 months, with many also suggesting that it is in fact closer to 18 months before vehicle delivery.

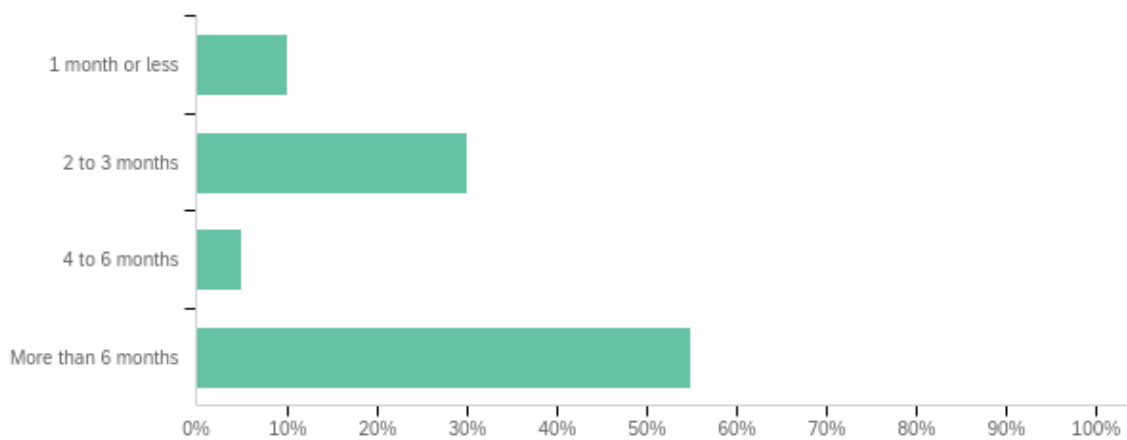


Figure 3 What is the lead time of your current order book? Source: RV Industry Business Survey, May 2021

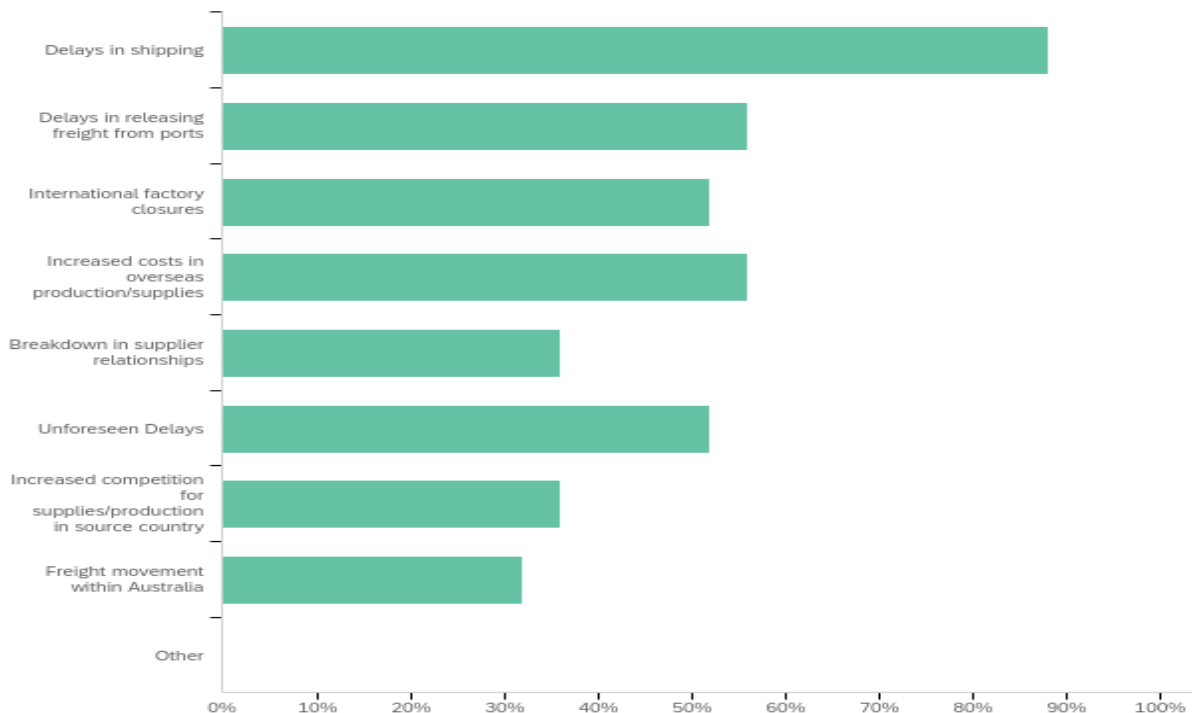


Figure 4 What issues are you currently experiencing in your supply chain? Source: RV Industry Business Survey, May 2021

This supply challenge that is impacting local manufacturers, is also creating unequal market conditions with vehicle importers, with the latter capitalising on local supply chain issues to increase overall imports of caravans into Australia (predominantly from China) for assembly. Figure 5 shows the growth comparison of imports versus local production, whilst figure 6 show an example of marketing communications specifically targeted towards supply chain issues.

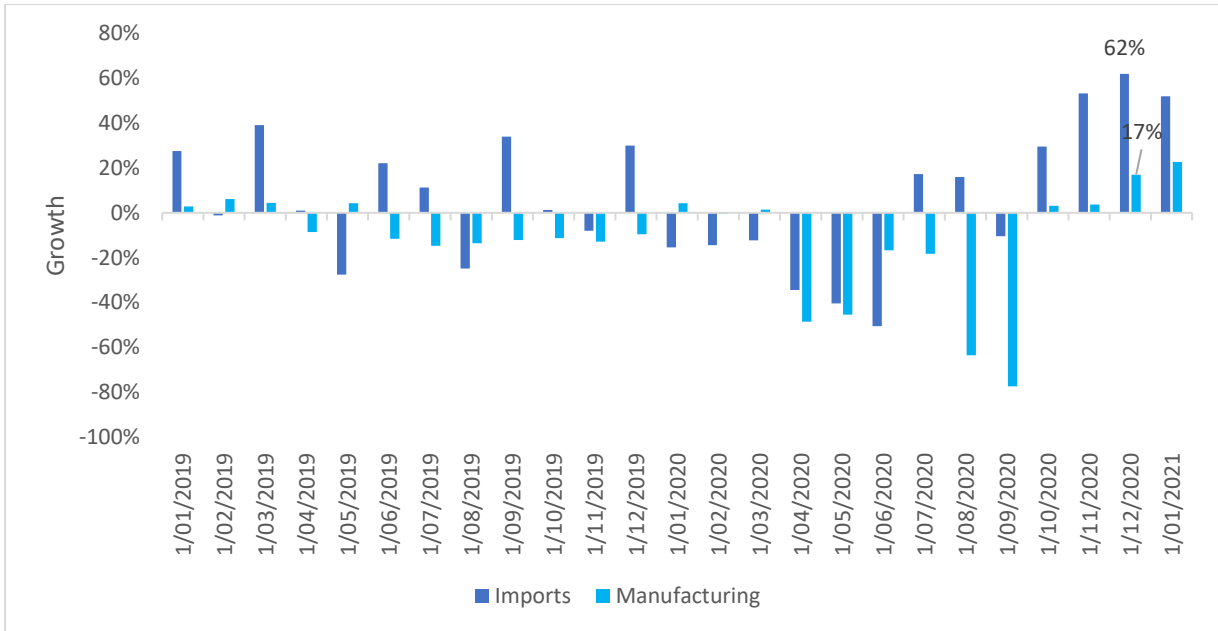



Figure 5 Year on Year Growth of RV Manufacturing and Imports

Our factories are bursting at the seams with \$20,000,000 worth of camper trailer and caravan stock that needs to be cleared.

As a result, our staff no longer have car parks...



**Competitors Struggling With Delayed Delivery Times**

With competitors across the caravan industry unable to fulfill orders for up to 12 months and beyond...

MDC can offer you **IMMEDIATE DELIVERY** on almost every model in our **extensive camper trailer and off road caravan range.**

Figure 6 Example of Caravan trailer importer marketing communications.

Right now, Australians are saving for one of four things: a holiday, a rainy day, to invest or to spend on their house. Although as seen in the below chart, most savings plans are directed towards the house. If we take these planned savings along with the current economic demand trends from the charts above, we see there is significant pressure growing on commodities.

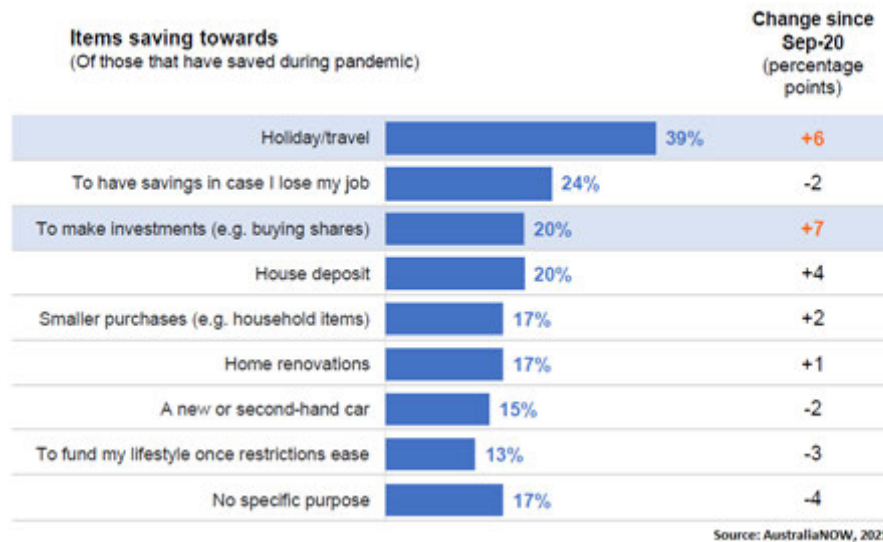


Figure 7 Australian's current savings priorities

This behavioural trend is not just unique to Australia; however, it is evident in many advanced economies around the world. This is leading to enormous pressure being placed on commodity supply chains including timber, rubber, iron ore and steel. This is causing challenges for the recreational vehicle manufacturers and OEMs who are reliant on timber, plastics, steel, and rubber to construct chassis, vehicles and to supply relevant components. Furthermore, as many of these components are imported from a limited number of source markets, the sector is experience significant delays in obtaining goods. Figure 8 shows the reliance that recreational vehicle manufacturers have on international market to source components. This is addition to key source markets in Europe reliant on parts imported from China.

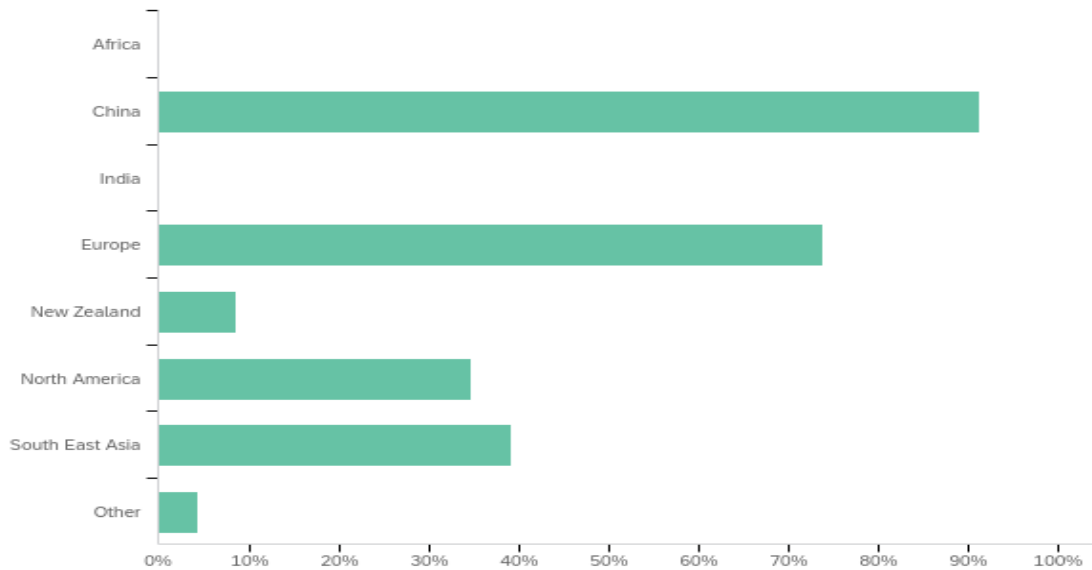


Figure 8 What regions are you reliant on for directly sourcing international supplies/production? Source: RV Industry Business Survey, May 2021

Industry businesses have indicated a range of components that they are currently having difficulties in sourcing, these include:

- Air conditioning units
- Awnings
- Brake components
- Fabrics
- Coupling
- Fans
- Fiberglass
- Fittings
- Fridges
- Hatches
- Plastics/Moulding
- Plumbing Fitting
- Steel Supplies
- Showers
- Stoves
- Tapware
- Tents
- Washing machines

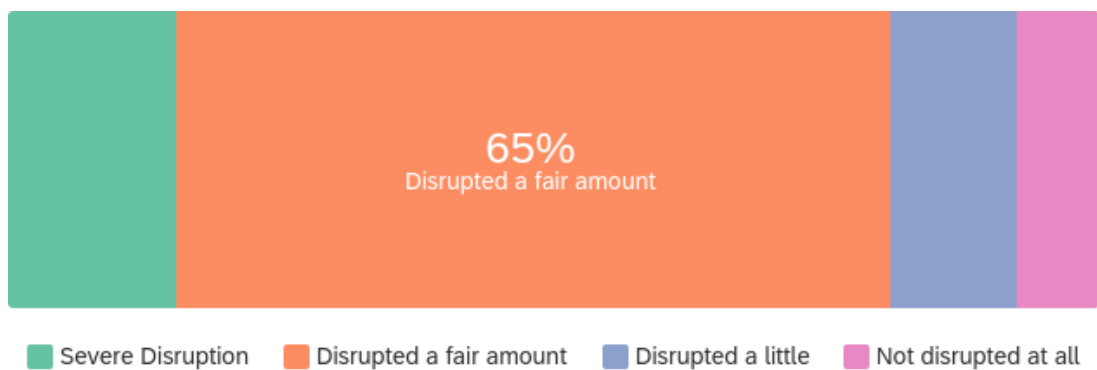


Figure 9 What level of supply-chain disruption are you currently experiencing? Source: RV Industry Business Survey, May 2021

However, the supply chain issue is not just demand related, it is also being exacerbated by COVID-19 disruptions and challenging trade relations. To provide context, Australian caravan manufacturers relies on ply-wood largely imported from Indonesia and Malaysia. These two countries are reliant on migrant workforces from across Asia, of which many of these workers have returned home due to COVID-19. This is leading to supply shortages and the mass purchasing of commodities by larger markets i.e. the US.

These conditions are leading to several broader issues in the caravan and camping sector:

- Order books for recreational vehicles are blowing out, many Australians are now waiting anywhere between 6 to 18 months before they can hit the road and travel. Whilst they are waiting, they are not travelling and creating expenditure.
- The cost to source goods and components is increasing as demand outstrips supply; international ports become lotteries as businesses compete to get their goods on and offloaded; and sourcing locally has a higher cost. This all-impacts manufacturing business and consumers as prices increase.
- Cabin supply, which provides vital accommodation for holidaymakers and workers alike in regional Australia, is disrupted. This is causing challenges for workforces as seasonal workers and holidaymakers compete for the same accommodation.

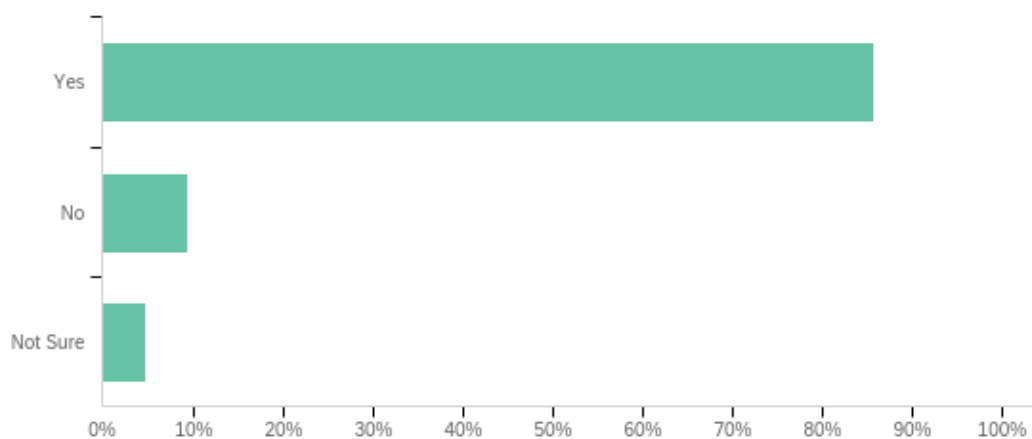


Figure 10 Are current supply chains disruptions leading to increased production costs?? Source: RV Industry Business Survey, May 2021



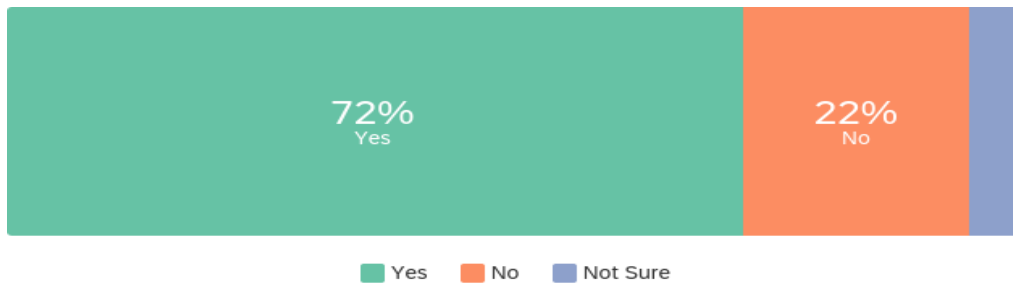


Figure 11 Is this cost increasing the sale price of the final product to the consumer? Source: RV Industry Business Survey, May 2021

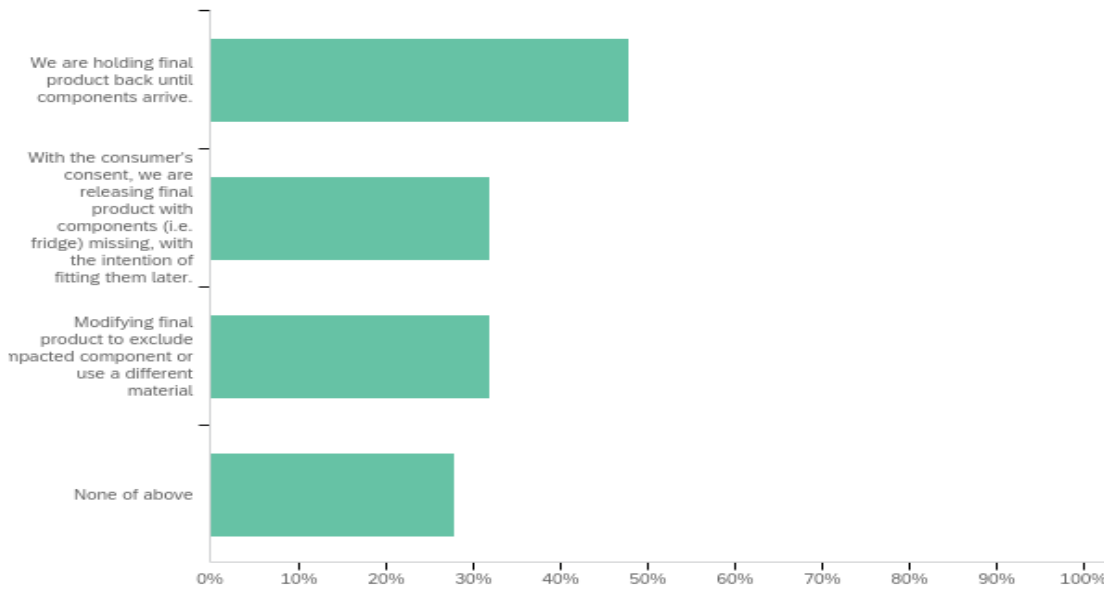
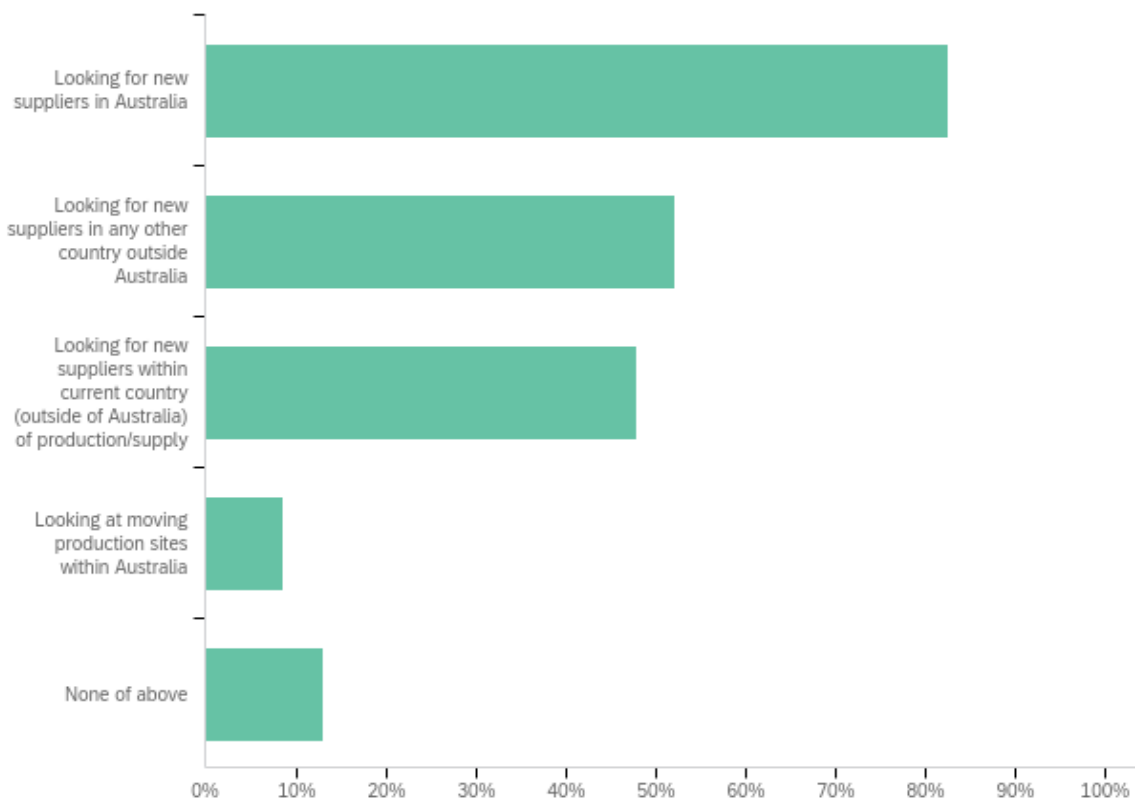


Figure 12 Are the supply chain disruptions impacting your ability to deliver a final product to the consumer? Source: RV Industry Business Survey, May 2021

These framing conditions are capping the industry's ability to scale up to support Australia's economic recovery as well as the ability for businesses to increase capacity.

## Industry Based Solutions

COVID-19 has demonstrated the impact of being over reliant on single providers or single markets for the sourcing and purchasing of components. It is expected that the industry will provide more attention to diversifying source markets in the future, not only from different suppliers but also sourcing from different national and international regions. Industry engagement also indicates that whilst international markets will remain important to the sourcing of vehicle components, there needs to be a stronger focus on sovereign opportunity to ensure continuity of supply chains in times of disruption. In the current climate, the attractiveness of a portion of the chain being domiciled in Australia may outweigh the negative pricing impacts of local production. Many industry businesses have indicated that they will be investigating Australian based sourcing more closely.



*Figure 13 In response to the supply chain disruptions, what measures are you considering or currently taking? Source: RV Industry Business Survey, May 2021*

However, critical roadblocks exist that prevent Australian supply chains from building capability. Costs, and critical mass. We are concerned that we do not have the critical mass of industry left here to be able to be fully sufficient and therefore cost effective. This is a result of the decline of automotive manufacturing, a lot of the volume-based suppliers (i.e the car industry) and their knowledge and production capability does not exist in the sector, and without the vehicle industry to underpin it, it will be hard to attract them back. These leaves “boutique” industries, and while talented, they don’t necessarily have the infrastructure to support large scale (and hence cost effective) production.

Federal government support directed towards Advanced Manufacturing, whilst important, overlooks automotive manufacturing including trucking, buses and recreational vehicle construction that has a long and proud legacy in Australia. There is a need for government to support those manufacturers that still rely on more traditional forms of production to support the modernization of factories, identify opportunities to scale up to increase outputs; and strengthen supply chain resilience between Australian business clusters.

Figure 14 demonstrates the measures that businesses believe will be most effective in improving supply chain resilience in Australia. This includes domestic tax incentives, labour force flexibility and government investment in automotive R&D development.

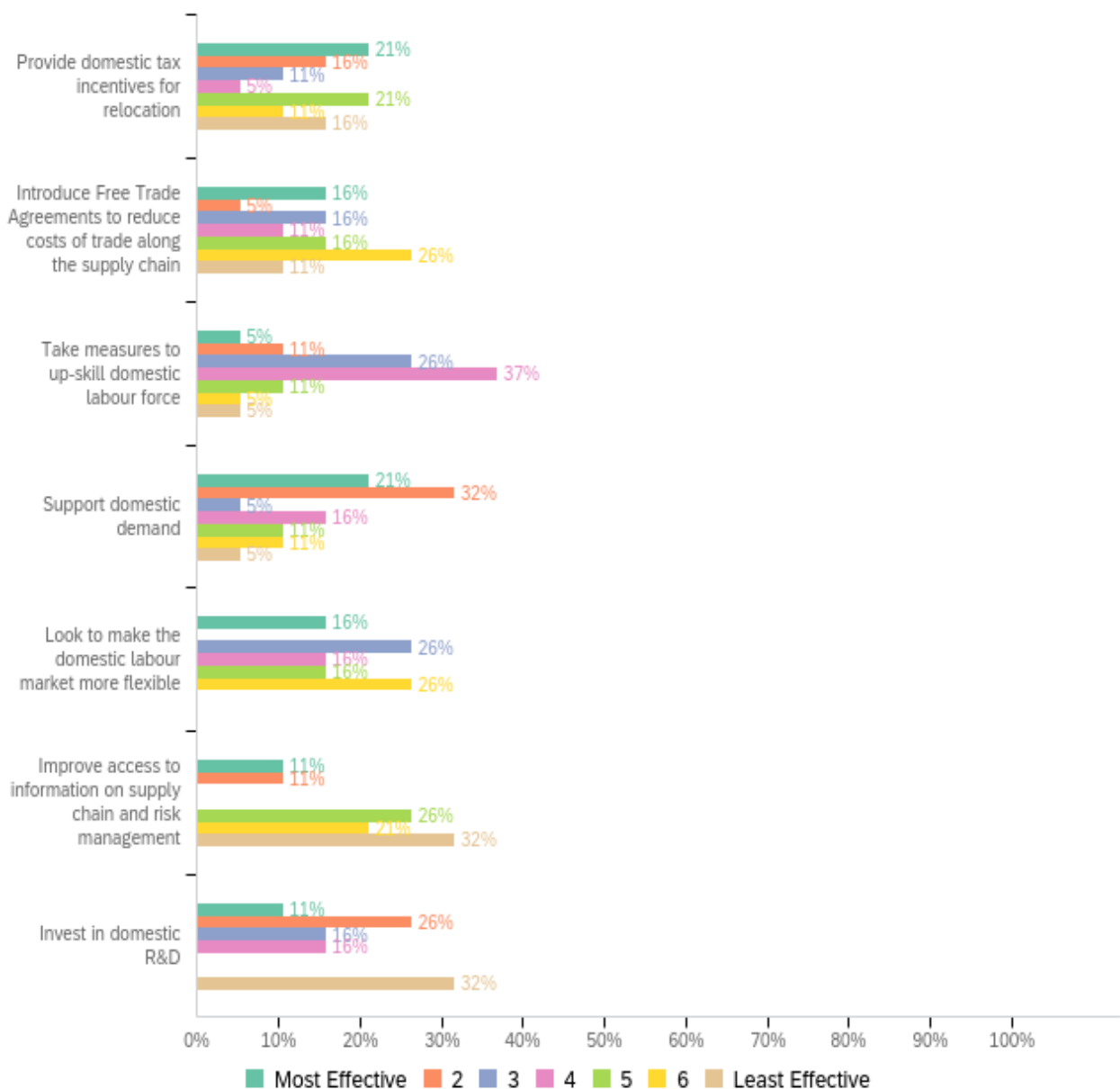


Figure 14 Which of the following would be most effective at improving the resilience of supply chains in Australia?

## About Caravan Industry Association of Australia

Caravan Industry Association of Australia is the peak national body for the Australian RV industry and holds a seat on the World RV Committee which meets annually to share research and identify market opportunities across the globe.

A company limited by guarantee, Caravan Industry Association of Australia is a not-for-profit entity with a federated structure, with each of the individual state caravanning associations making up its membership.

Caravan Industry Association of Australia represents the entire RV community including component suppliers, RV manufacturers, retailers, service and repair agents, as well as caravan park accommodation, both short and long term (including residential land lease communities). This includes among others 200 RV manufacturers, 450 retailers, 425 stand-alone service and repair businesses and 2,000 caravan parks.

## Contact

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