Austria: Commercial and Heavy-Duty Vehicles

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Summary

Austria, with a population of 8.2 million, is one of the most densely motorized countries in the world: In the year 2007, approximately 6.4 million motor vehicles were registered, of which 372,645 were commercial vehicles and 9,299 busses. While the number of busses has remained steady over the past 20 years, the number of commercial vehicles has been increasing steadily. Heavy duty commercial vehicles in Austria are overwhelmingly European-made, and are powered (with the exception of some city busses) by diesel fuel.

The most popular commercial vehicles are slightly modified passenger vehicles that are used as company cars and delivery vans and weigh in at under 3.5 tons. The second most important category of commercial vehicle is at the other end of the spectrum – vehicles that start at 15 tons. Both of these vehicle categories have shown steady growth in numbers over the past 15 years.

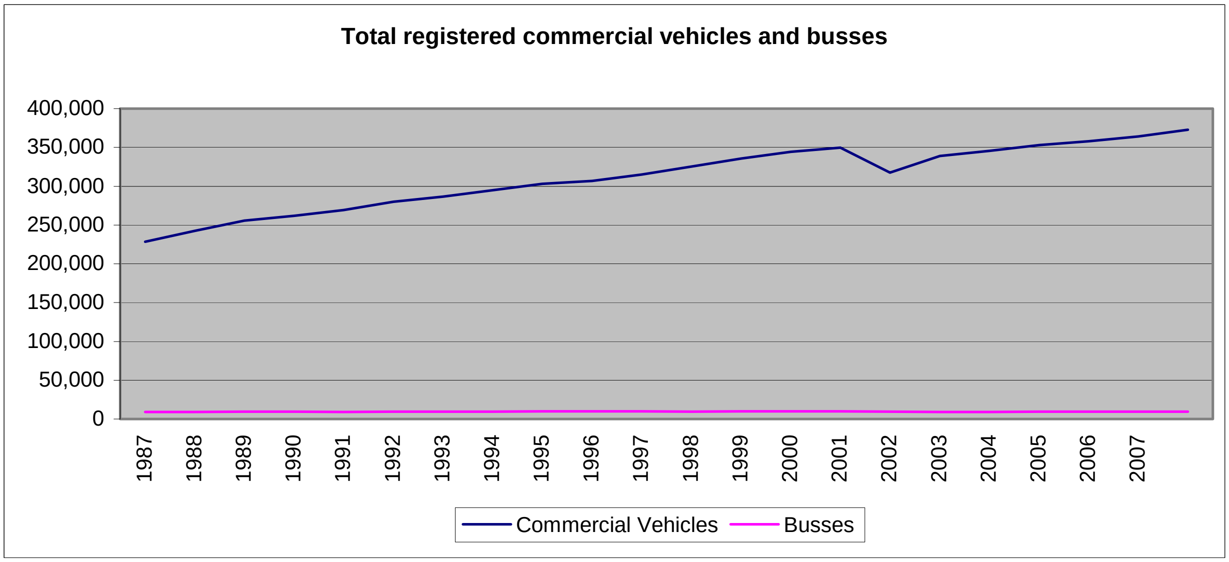
Local production in Austria is primarily in the passenger vehicle sector, including small-scale assembly of vehicles for several manufacturers on a contract basis. There is only one significant heavy duty vehicle producer in Austria, namely, a MAN assembly operation that makes vehicles in the 8-15 ton category.

The aftermarket for heavy duty vehicles is somewhat different from the passenger vehicle aftermarket in that OEM-suppliers play a much more prominent role as name-brand suppliers to manufacturer-affiliated repair and maintenance operations.

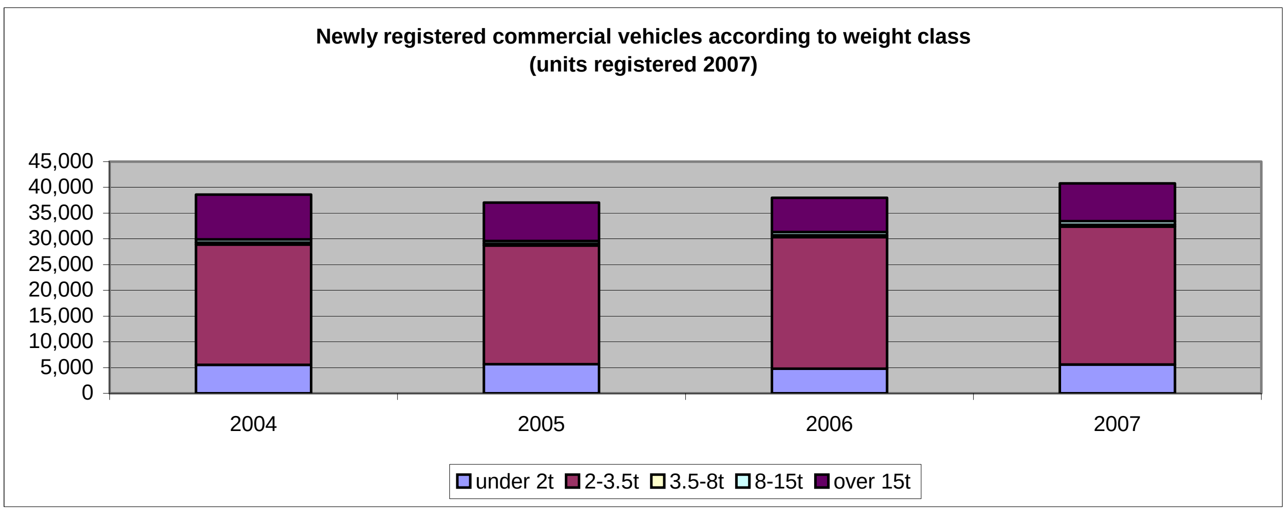
The most important external factors affecting Austria's heavy duty trucking sector today are the increasing demand for transportation services and the high price of fuel. Best prospects include aluminum wheels and tires designed to increase fuel efficiency; lightweight, aerodynamic body parts; telematic solutions; OBD systems and brake and transmission replacement parts.

Market Overview

In 2007, there were 372,645 commercial vehicles and 9,299 busses registered for use in Austria. While the number of busses on the road has actually fallen slightly from a high of 9,902 in 2001, the number of commercial vehicles has been rising steadily over the past 25 years. Two characteristics of the commercial fleet in Austria apply across the board: the vehicles are overwhelmingly European in origin, and most are powered by a diesel engine.



source: Statistik Austria as quoted in Rahmendaten, Fachverband der Fahrzeugindustrie, Feb. 2008



(source: Eurotax, quoted by Fachverband der Fahrzeugindustrie, Feb. 2008)

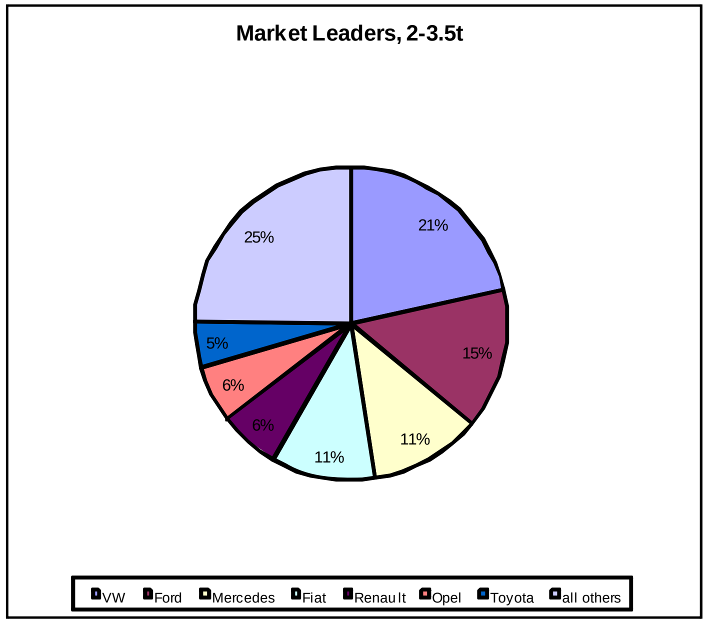
The three most important weight classes are: under 2 tons; 2-3.5 tons; and over 15 tons. The following detailed analysis covers these three segments.

Under two tons

Commercial vehicles under 2 tons are modified passenger vehicles and small delivery vans which are registered as commercial vehicles. There are tax advantages to registering private vehicles as commercial vehicles for those who own their own business. A list of the vehicles eligible for this kind of registration is available online.[1] In 2007, Volkswagen (Germany) captured an impressive 27.4% market share, followed by Renault (France) with 16.8% and Citroen (France) with 13%.

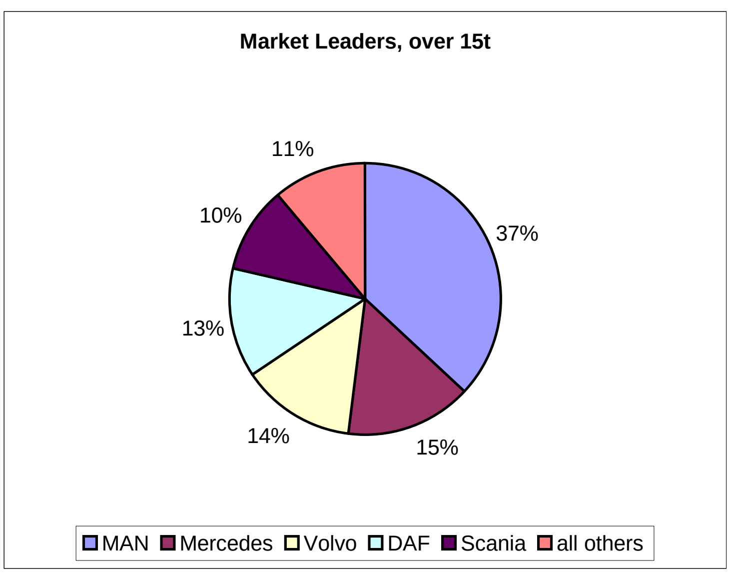
[1] https://www.bmf.gv.at/MeinFinanzamt/Fachinformation/Umsatzsteuer/Listedervorsteuerab_5549/_start.htm

Other major players are Fiat (Italy), Opel (Germany), Peugeot (France), Skoda (Czech Rep.), and Ford (Germany). [2]



Between two and three and a half tons
This weight class refers to larger passenger vehicles that have been modified and registered as commercial vehicles, as well as city delivery vans. Most of these vehicles are also found on the list of passenger vehicles eligible for business taxation mentioned above. Volkswagen (Germany) again leads the pack with 21% market share in 2007, followed by Ford (Germany) with 14.5% and Mercedes (Germany) with 11.53%. Fiat (Italy) has the fourth strongest showing with 10.81%, and Renault (France) captured 6.31%.[3]

This weight category in particular has seen the greatest increase in the number of units registered over the past 15 years, from 14,650 in 1992 to 26,728 in 2007. Notably, we see a handful of new names entering the statistics since 1992 such as Hyundai, Landrover, Isuzu, Ssang-Yong, and KIA, none of which has significant market share. The U.S. share of the market is less than 1%, with Dodge, Chevrolet, Chrysler and GMC taken together charting 2007 sales of 77 vehicles. [4]



Over fifteen tons
The weight class over 15 tons refers to the largest vehicles, used primarily for long hauls and international deliveries. Here we are looking at a different group of market leaders, again all of which are European. By far the most important player in this category is MAN (Germany) with 37% market share, followed by Mercedes (Germany) with 15%, Volvo (Sweden) with 14%, DAF (Germany) with 13%, and Scania (Sweden) with 10%. The other two players are Iveco (Italy) and Renault (France). This segment also shows a growth trend, with the number of new

[2] Source: Statitisk Austria, quoted by Fachverband der Fahrzeugindustrie, Feb. 2008.
[3] Source: Statitisk Austria, quoted by Fachverband der Fahrzeugindustrie, Feb. 2008.
[4] Same as above

registrations up significantly in 2007 (40,738 units) over the year 1992, when only 28,348 new vehicles were registered. Over the past ten years, MAN has captured an ever-increasing share of the market, primarily at the cost of Mercedes, which is still number two.[5]

Local Production

In 2007, Austria's automotive industry boasted an estimated production value of $20 billion, making it the second largest industrial sector in Austria (after construction). If you subtract the repair sector from the calculation, over 90% of the production value was exported, mostly to Germany.[6] The lion's share of the automotive industry in Austria are Tier 1 and Tier 2 suppliers of parts and systems for passenger vehicles, most notably power trains and engines for Opel and BMW. There is also some vehicle assembly in Austria. At Magna Steyr Fahrzeugtechnik in Graz, around 200,000 vehicles per year are assembled on a contract basis for various manufacturers.

Bus production in Austria was discontinued in 2006. Heavy truck production in Austria is limited to one facility, MAN where a total of 28,097 units were produced in 2007.[7] The MAN vehicles (heavy duty trucks in the weight class 8-15t) are considered German products in the Austrian statistics because of their high German content. One more heavy vehicle production facility deserves mention: Steyr-Daimler-Puch Spezialfahrzeuge is owned by General Dynamics and produces military and special-use vehicles.

Market Indicators and Trends: Heavy Duty Trucks

The most important market indicators are 1) high fuel prices, which of course impact the trucking industry directly; and 2) the increased demand for transportation of goods due to increased trade between Central-Eastern and Western Europe.

Trends in the industry are focused first and foremost on fuel-saving. There is an ongoing trend toward losing weight, including moving from steel to aluminum wheels, replacing heavy metal bumpers and cabin walls with plastic ones. Another way that truckers are trying to save fuel is with aerodynamic cabin constructions and spoilers. These decisions also have an impact on the way a vehicle is repaired: a dented chrome bumper can be repaired; a cracked plastic bumper must be replaced. High-tech tires, designed to increase fuel efficiency, are also in demand. Telematic (in-vehicle information and communication systems) solutions are being employed in order to optimize routes and thus save both fuel and time by avoiding traffic jams and wrong turns. The one strategy for reducing fuel consumption that is *not* accepted here is that of fuel additives and fuel pre-treatment devices built into the engine. Initial experiences with these products were disappointing and there is simply no demand for such products on the Austrian market.

[5] Source: Statitisk Austria, quoted by Fachverband der Fahrzeugindustrie, Feb. 2008.
[6] Source: Statitisk Austria, quoted by Fachverband der Fahrzeugindustrie, Feb. 2008.
[7] Fachverband der Fahrzeugindustrie, Feb. 2008.

The second trend, increased demand for transportation services, has resulted in the steadily increasing number of trucks and kilometers driven. Because the number of heavy trucks is steadily increasing, so is the market for brake and standard transmission parts that need periodical replacement.

The Aftermarket: Heavy Duty Trucks and Busses

Information on the average vehicle life is gathered according to slightly different measures:

Vehicle	Average length of service
Transport vehicles, weight under 3.5 tons	9 years
Transport vehicles, weight between 3.5 and 12 tons	12 years
Transport vehicles, weight over 12 tons	12 years
Semi-trailer/trucks (big rigs)	5 years
Busses	12 years

(Source: Federal Economic Chamber: Bundessparte Transport und Verkehr)

While the aftermarket for smaller commercial vehicles is identical to the passenger vehicle aftermarket (please see the July 2007 report by this office), the heavy duty aftermarket is somewhat different. There are only around 300 garages specialized in truck/bus repair in Austria, 90% of which are manufacturer-affiliated. Here is where trucks are serviced, here is where they get their safety and emissions testing done, and it is through these garages that insurance requirements are met.

Most of the large heavy duty trucks in Austria are leased, and the leasing contract is generally an all-inclusive package that contains insurance, repair and maintenance.

The heavy duty aftermarket is also characterized by the relatively prominent role played by original equipment manufacturer (OEM) suppliers. In many cases, the vehicle manufacturer has withdrawn from the picture altogether and recommended one or several of their suppliers as aftermarket sources. Parts suppliers that are not in the OEM chain will find it hard to enter the Austrian aftermarket.

Best Prospects

- Aluminum wheels
- Plastic bumpers
- Plastic cabin parts
- Aerodynamic cabin parts and spoilers
- Tires designed for fuel efficiency
- Telematic solutions
- Brake and transmission replacement parts
- OBD (on-board diagnostic) systems

Market Access Issues

The two most important market access issues for U.S. products have nothing to do with customs or duties or taxes, but with marking and safety testing requirements, and the Austrian vehicle code.

The question of marking and safety testing is a complex one. In a nutshell, there are three categories of product: 1) those for which a European law or directive has established a harmonized minimum standard, 2) those for which there is no European standard and thus by default the national standards apply, and 3) those for which no European or national minimum requirements apply at all. For the supplier, the trick is figuring out which category his product falls into. It should be noted that a handful of products fall into two categories. Re-tread tires, for example, must comply with European and national requirements. It should also be mentioned that the number of harmonized products is constantly growing, and the number of national standards proportionately falling, as the European bodies evaluate and develop minimum standards for more and more products.

The first category is the largest, and refers to products for which a European “technical requirement” has been established. These products must carry an “e” number, which indicates that the product complies with European safety, health, environment, and consumer protection regulations. The procedure for receiving this mark is fourfold: 1) the supplier must find out if his product falls into this category, 2) get the product tested at an accredited testing authority, 3) apply for type certification at an official (government) body of an EU member state, which comes in the form of an “e” number, and 4) apply this “e” number to the product.

The second category is smaller, and refers to products for which no European “technical requirement” has been developed. These must meet Austrian national standards. As a general rule, Austrian standards are higher than European standards. This category of product is the most difficult to get certified, partly because the most difficult to standardize products are “left over” and have not yet been harmonized, and partly because the Austrian bureaucracy is characterized by a frustrating lack of transparency.

Sources and Key Contacts

Wirtschaftskammer Oesterreich (Austrian Federal Economic Chamber)
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Upcoming Trade Shows and Events

In Austria there is no significant trade show for the commercial vehicle sector. Most Austrians attend the IAA Nutzfahrzeuge show which takes place every second year in Hanover, Germany. With over 1,700 exhibitors from 47 countries, this is probably the largest commercial vehicle exhibit in the world:

IAA Nutzfahrzeuge
25. September to 2. October 2008 in Hanover, Germany
Organizer: Verband der Automobilindustrie
Tel.: Tel. +49 (0) 69 / 9 75 07-0
Fax: Tel. +49 (0) 69 / 9 75 07-2 61
http://www.iaa.de/index.php?id=besucher&L=1

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