

12 May

Ford Motor Company of Australia Limited

A.B.N. 30 004 116 223 Registered Office: 1735 Sydney Road, Campbellfield, Victoria, 3061.

3 June 2004

Secretary
Joint Steering Committee on Treaties
Parliament House
CANBERRA ACT 2600

RECEIVED
JUN 3 2004

BY:

Submission No;1.....

Dear Secretary

AUSTRALIA-THAILAND FREE TRADE AGREEMENT

We write in response to a recent invitation by the Committee for comment on the proposed free trade agreement between Australia and Thailand.

Ford Australia is a leading automotive company with extensive design, engineering and manufacturing facilities. Its core products are the Ford Falcon and the new all-wheel-drive Ford Territory. It employs more than 5,500 people in Geelong and Broadmeadows, Victoria. In 2003, the company sold more than 126,000 locally manufactured and imported vehicles with vehicle parts and sales revenues of more than \$3.92 billion. Ford Australia is ultimately owned by the Ford Motor Company in Dearborn, Michigan. It imports the Ford Courier pick-up truck and some components from Thailand.

Ford Australia is a strong supporter of the proposed free trade agreement with Thailand, and looks forward to its early implementation. It believes this agreement, which follows on earlier free trade agreement with Singapore, will not only provide Australian producers with improved access to a very significant ASEAN automotive market, but could also expedite enhanced access to other ASEAN markets. Traditionally, ASEAN automotive markets, while geographically close to Australia, have largely been closed to Australian exporters via a mix of high tariffs, punitive taxes and volume/quota controls. However, there has in recent years been a strong growth in automotive imports to Australia from ASEAN economies.

The abovementioned trade disparity is well illustrated by automotive export/import statistics between Australia and Thailand. In 2003, for example, automotive exports from Australia to Thailand totalled \$30.75 million. However, automotive imports from Thailand were worth more than \$1.06 billion. This significant import trade largely consisted of light pick-up trucks. The significance of this trade is such that in recent years Thailand has overtaken more established automotive supply source countries like South Korea to become Australia's fourth largest motor vehicle and parts supplier.

Ford Australia believes the proposed free trade agreement will potentially provide an opportunity for the Australian automotive industry to overcome, at least in part, the present 34:1 trade deficit it has with Thailand. It will do this by largely removing tariff barriers of up to 80% that are applied by Thailand to motor vehicles and components. Where tariffs are not immediately removed, the agreement importantly provides a timetable for their removal. In doing so, the free trade agreement provides for total free automotive trade between the two countries by 2010. It is also important the free trade agreement can provide the basis for an on-going focus on relevant non-tariff barriers and a clear administration of rules of origin.

Head Office: Private Mail Bag 6, Campbellfield, Victoria, 3061. Telephone: 03 9359 8211. Facsimile: 03 9359 8200. Internet: www.ford.com.au



Ford Australia believes the proposed free trade agreement between Australia and Thailand provides a unique opportunity to more closely align the two respective national industries. While the two industries are presently of comparable size and scale, their respective product focus is quite complementary. Australia's focus is medium/large passenger cars while Thailand's focus is small passenger cars and pick-up trucks.

In addition to the direct opportunities the proposed Australia-Thailand free trade agreement is expected to provide the Australian automotive industry, Ford Australia believes there is also an opportunity for significant other benefits. Firstly, the agreement, together with the proposed Australia-US free trade agreement and Australia-China economic framework study can help "energise" the broader multi-lateral trade liberalisation process through such forums as the World Trade Organisation. Interestingly, there have recently been indications of a broader ASEAN interest in enhanced trade opportunities with Australia. Secondly, Australia's new bi-lateral trade agreements have the potential to boost the Australian economy. Australia has enjoyed two successive years of record new vehicle sales with these high sales levels carrying over into 2004. A stronger and more competitive economy has the potential to boost these new vehicle sales even further.

Ford Australia acknowledges the reductions of tariffs on Thai-sourced vehicles and components imported into Australia under the free trade agreement are likely to result in some additional competitive challenges. However, most of the relevant vehicle tariffs in the case of Thailand are already no more than 5%. Furthermore, Ford Australia has a proven track record of developing award-winning vehicles within a flexible and cost effective manufacturing environment. As such, the company believes it is well-placed to meet new trade challenges while also looking for opportunities that will come from the opening of the Thai market.

The writer can be contacted on tel. (03) 9359 7142 or email: rscoulal@ford.com.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R. Secular', with a long horizontal flourish extending to the right.

Russell Secular
Government Affairs Manager