

Ford Motor Company of Australia Limited

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16 April 2009

Secretary
Joint Standing Committee on Treaties
Parliament House
CANBERRA ACT 2600

By email: jsct@aph.gov.au

Dear Sir/Madam

Subject: ASEAN-AUSTRALIA-NEW ZEALAND FTA

We write in response to an invitation for comment on the recently concluded agreement establishing the ASEAN-Australia-New Zealand Free Trade Area. Ford Australia has been supportive of the concept behind this agreement for some years. It acknowledges the progress made by the Australian Government in negotiating this complex multi-lateral agreement, which represents the largest FTA that Australia has concluded. This submission will provide some background material, and address some specific issues as they relate to motor vehicle trade.

Background

Ford Australia is a leading automotive manufacturer. Its core products are the Ford Falcon and the Ford Territory, for which the company has full design, engineering, manufacturing and sales responsibility. Ford Australia employs more than 4,000 people in Geelong and Broadmeadows, Victoria. In 2008, Ford Australia sold more than 104,000 locally manufactured and imported vehicles. Ford Australia is also a significant exporter of design and engineering services. A leading project presently underway is the design and engineering leadership of a new light commercial vehicle to be sold in more than 80 countries. This project represents one of the most significant automotive R&D initiatives undertaken in Australia.

In 2007, Ford Australia announced its intention to manufacture the Ford Focus in Australia, beginning in 2011, for both local and regional export markets. Ford Australia presently exports vehicles to South Africa and New Zealand. Ford Australia exported more than 4,000 vehicles in 2008.

Ford Australia imports fully-assembled motor vehicles from Thailand. It has also imported motor vehicle components from a number of ASEAN economies including Thailand and the Philippines.



Automotive Trade & ASEAN

Australia's automotive trade with ASEAN economies is largely limited to imported vehicles and components. The major source country for this trade is Thailand. In 2008, the value of Thai vehicles and components imported to Australia was more than \$4.0 billion. This trade has grown dramatically in recent years under the umbrella of the Australia-Thai Free Trade Agreement. Australian automotive exports to ASEAN economies, including Thailand, are considerably more modest. This reflects a combination of factors including traditionally high import barriers – tariff and non-tariff – in ASEAN economies and a general market preference for small to medium vehicles.

ASEAN-Australian-New Zealand FTA

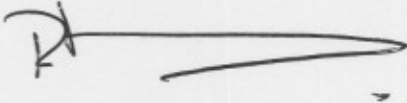
Ford Australia acknowledges the progress that has been made in negotiating the abovementioned trade agreement. There is no doubt that officials have made significant progress in securing enhanced market access in some regional economies, such as the automotive arrangements that have been negotiated between Australia and the Philippines. While the level of automotive trade between these two economies is not substantial, the preparedness of the respective automotive industries and their governments to provide a platform on which this trade can grow to mutual advantage deserves specific acknowledgement.

However, it is regrettable that the template of the Australia-Philippine automotive arrangements has not been as readily adopted with regard to other leading ASEAN economies, particularly Thailand, Malaysia and Indonesia. In these cases, Ford Australia is disappointed with the lengthy phasing periods involved in securing commercially worthwhile access arrangements for Australian automotive exporters, particularly as Australia moves toward the production of more fuel efficient cars. The situation concerning Malaysia and Indonesia may be able to be potentially addressed in bilateral FTA negotiations. However, the outcome concerning Thailand is of particular concern. Firstly, the automotive access arrangements under the ASEAN-Australia-New Zealand agreement are demonstrably inferior to those which exist under the Australia-Thai bilateral free trade agreement. Secondly, the arrangements are also inferior to those which exist under the ASEAN AFTA agreement. The impact of the new FTA arrangements, where the phasing arrangements cover a 10 year period, means it will not necessarily be possible to secure optimum parts sourcing arrangements for an Australian-built car destined for Thailand by using a regional (Australia and ASEAN etc) accumulation approach toward meeting the required rules of origin thresholds.

We do not believe there is any reasonable rationale for Thailand, which has in recent years become a significant automotive manufacturing centre, to insist on such a lengthy phasing arrangement under the ASEAN-Australia-New Zealand FTA, particularly when it already has open automotive trade arrangements within the ASEAN bloc and has seen its automotive trade with Australia grow dramatically under the Australia-Thai FTA. In fact, automotive exports from Thailand to Australia have grown from \$1.16 billion to \$4.13 billion in the past five years. In the same period, automotive exports from Australia to Thailand have increased from only \$45 million to \$70 million.

We trust the matters raised in this submission are of assistance. We would be happy to discuss these issues in greater detail. The writer can be contacted on (03) 9359 7142 or by email at rscoulal@ford.com.

Yours sincerely

A handwritten signature in black ink, appearing to be 'R Scoular', written over a horizontal line.

Russell Scoular
Government Affairs Manager