



7 March 2008

Mr Geoff Lewis
Manager - Automotive Research & Trade
Manufacturing Division
Department of Innovation, Industry, Science and Research
GPO Box 9839, Canberra ACT 2601

Fax 02 6290 8055
Email: Geoff.Lewis@innovation.gov.au

Dear Mr Lewis

Preliminary Comments – Bracks' Automotive Industry Review

Thank you for accepting preliminary comments to the Bracks' Automotive Industry Review from MTA Queensland and for making them available to the Review Panel.

MTA Queensland does not have members engaged in automobile manufacturing but is a stakeholder because recommendations made by the Review may result in changes to Federal Government automotive industry policy which could have a significant impact on our membership and their businesses.

It is understood that the immediate task of the Review is to prepare an issues paper for release by the end of March 2008 together with a request for public comment and submissions.

These comments are only preliminary and are put forward so that they may be considered by the Review panel for inclusion in the issues paper.

- MTA Queensland supports the view that the Australian automobile manufacturing industry makes an important contribution to the Australian economy and is vital to sustaining concomitant industries like tooling which are essential to our national defence capability and for other local manufacturing enterprises producing elaborately transformed goods.
- The automobile industry is a global industry and Australian automobile manufacturing has survived because it has concentrated on a niche product peculiar to the Australian and Middle East markets – large, six cylinder, right hand drive vehicles. The global market segment for this product is very small and it is not viable for manufacturers to produce small volume runs of these vehicles at their overseas plants.
- The large car market segment is contracting in Australia. Consumer preference is being influenced by higher fuel prices, discriminatory government charges and environmental perceptions and is increasingly favouring small and mid-size vehicles.
- Manufacturers can supply the Australian market with small and mid sized vehicles much more competitively from their overseas plants which have huge economies of scale, operate lower on the cost curve and are able to take advantage of high exchange rates for the Australian dollar.

MOTOR TRADES ASSOCIATION OF QUEENSLAND
11-15 Buchanan Street West End 4101
PO Box 3359 South Brisbane 4101
ABN: 74 028 933 848

E: enquiries@mtaq.com.au
W: www.mtaq.com.au
Ph: 07 3237 8777
F: 07 3844 4488
TF: 1800 177 951



- It is therefore conceivable that Ford and Holden would not shift to production of smaller vehicles if they were to cease local production of the Commodore and Falcon range. Rather they may decide to import products which improve their competitive position in the Australian market.
- Both locally produced and imported vehicles form the basis on MTA Queensland members' businesses and the Association believes that any industry assistance contemplated by the Review should be non-discriminatory. For instance, tariffs on imported vehicles have been almost entirely voided by the current high exchange rate of the Australian dollar. Tariff protection is likely to have a minimal effect on the market share of local manufacturers and only result in a marginal increase in the cost of imported vehicles.
- Any measures proposed by the Review to assist local manufacture should only be considered if the industry can demonstrate that it is sustainable and does not require ongoing assistance or government intervention to survive.
- The consistent difficulty facing Australian manufacturers is the limited size of their market segment and MTA Queensland suggests that the Review explore options to influence the automotive market size by increasing the velocity of transactions.
- Two immediate areas of Government policy that suppress the velocity of transactions are state stamp duty which was to be abolished under the GST arrangements and Fringe Benefits Tax levied by the Commonwealth with the latter having unintended environmental impacts in the high mileages required to be eligible for concessional rates of taxation.
- Government policies and decisions which indiscriminately target locally produced six cylinder cars to reduce green house gas emissions are not the most effective response to this issue and will depress the market for locally produced vehicles. The Queensland Government decision to eliminate Falcon and Commodore vehicles from their fleet is one example.
- In fact automobile emissions account for only about 8% of Australian green house emissions and a much more effective strategy would be to implement a regime which reduces the number of older vehicles in the national fleet. These older vehicles generate a disproportionate amount of green house gas pollution.

MTA Queensland will submit a detailed submission expanding on the above points following the release of the Issues Paper.

Mr Gannon the Group manager Government Relations has carriage of this matter on behalf of the MTA Queensland should you require any further information on the above submission please do not hesitate to contact him on 07 3237 8780.

Yours sincerely

Aivars Blums
Group Chief Executive