

Ford Motor Company of Australia Limited

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Secretary
Senate Select Committee on US-Australia
Free Trade Agreement
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Dear Secretary

Thank you for the opportunity of appearing before a public hearing of the Committee in Canberra on Tuesday 15 June. In response to two late questions from Senator Harris seeking clarification on sections of Ford Australia's submission, I undertook to provide written answers:

1. BENEFITS OF ECONOMIC GROWTH

It is widely accepted that trade liberalisation can enhance the competitiveness of the Australian economy and therefore contribute toward economic growth. Free trade agreements, like that proposed between Australia and the United States, can contribute toward such outcomes. A recent Centre for International Economics study, for example, has suggested real GDP benefits from the proposed free trade agreement of around \$6 billion or 0.7% per annum. While Ford Australia has not undertaken any specific modelling work in relation to the level of higher vehicle sales that would result from such economic growth, it intuitively believes there would be benefits worth pursuing. In support of this contention, Ford Australia points to the high level of motor vehicle sales in recent years. Since 2001, new vehicle sales in Australia have increased from 772,000 through two consecutive annual records to a likely further record of 950,000 to 960,000 vehicles in 2004. It is Ford Australia's view that this sustained growth is the result of strong economic growth, comprehensive tax reform and the entry of some exciting new models into the marketplace.

2. COMPETITIVE CHALLENGES

With the removal of historically high levels of protection over the past twenty years, Australia's domestic motor vehicle market has developed into one of the most competitive in the world with more than 50 different brands (local and imported) selling more than 350 different models sourced from some 17 different countries. Few countries in the world have such a diversity of product. This immense competitive challenge has forced Australian domestic producers and their component/service suppliers to significantly improve the



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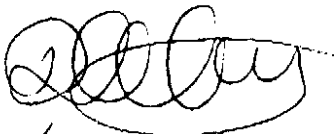
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feature content, driving dynamics, quality and value of Australian vehicles. Furthermore, they have had to significantly improve the efficiency of their manufacture, particularly by the dogged pursuit of lean manufacturing principles. As a result of this, the Australian automotive industry has not only been able to compete domestically, but has seen its exports grow to more than \$5 billion annually. This is more than the annual export value of many of Australia's traditional primary produce goods. As indicated in its submission to the Committee, Ford Australia believes the proposed Australia-US free trade agreement will add some modest competitive challenges, similar to those experienced by the industry in recent years. These challenges will result from a lowering in the cost of US products as tariffs are reduced. However, it believes the industry is well able to cope with these challenges.

In summary, and as indicated to the Committee, Ford Australia is a strong supporter of the free trade agreement and looks forward to its early implementation.

Yours sincerely



 **Russell Scoular**
Government Affairs Manager