

# Ford Motor Company of Australia Limited

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

16 March 2006

Secretary  
Senate Regional, Rural Affairs &  
Transport Committee  
Parliament House  
CANBERRA ACT 2600

Dear Sir/Madam

**Subject: INQUIRY INTO OIL SUPPLY & ALTERNATIVE TRANSPORT FUELS**

We write in response to a recent invitation for comment on issues relating to Australia's future oil supply and alternative transport fuels. We apologise for the delay in forwarding this submission. We will limit our contribution to background material and to those specific terms of reference where Ford Australia has particular knowledge and expertise.

Ford Australia is a leading automotive company with extensive design, engineering and manufacturing facilities. Its core products are the Ford Falcon and Ford Territory. These vehicle lines are complemented by a broad portfolio of imported products from Europe, Africa, Asia and North America including the Ford Fiesta, Ford Focus and Ford Courier. Ford Australia currently employs more than 6000 people. In 2005, Ford Australia sold 129,140 locally manufactured and imported vehicles. Ford Australia is ultimately owned by the Ford Motor Company in Dearborn, Michigan.

Ford Australia is a major investor in the design and engineering of its motor vehicles with new product development expenditure of more than \$100 million annually. Much of this investment is made to enhance the environmental and safety performance of its new motor vehicles. The benefits of this investment can be illustrated in a number of ways. For example, Ford Australia recently announced significant fuel consumption improvements for all petrol engined Ford Falcon and Ford Territory models. The new BF Falcon and SY Territory models went on sale in October with fuel consumption improvements, depending on the model derivative, of between 5.2% and 11.3%. A key feature was the introduction of a new and advanced six-speed automotive transmission on selected models. Furthermore, the new vehicles also met the demanding Euro III tailpipe emission standards with the inclusion for the first time of an on-board-diagnostic system where the emission control system is constantly monitored for any possible change in vehicle emission performance.

Ford Australia is also a national leader in the support of alternative fuels. It has achieved this by focussing on incremental developments. It was the first vehicle manufacturer to complement its supply of petrol and diesel fuelled vehicles by offering dedicated-LPG variants of the Ford Falcon. These vehicles were first introduced in 2000. They significantly reduced the cost of accessing LPG fuel (versus the traditional and more costly dual-fuel conversion approach) and allowed vehicles to be specifically engineered and tuned to operate on the alternative fuel. Ford Australia was attracted to LPG because of the economic and environmental advantages it could

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offer motorists and because of the ready existence of a national fuel distribution network. In other words, it represented a "now" alternative fuel that was not dependent on future technology or economic cost breakthrough developments. In 2005, Ford Australia sold nearly 8300 Egas (LPG) passenger car and light truck variants of the Ford Falcon. In addition to its LPG leadership, Ford Australia is also participating in the development of the ethanol industry where the widespread adoption of E10 blended petrol could provide a significant new market opportunity for primary producers. More than 90% of the new petrol vehicles sold by Ford Australia in 2005 could operate on E10 blended fuel. Since January 2006, Ford Australia's locally manufactured vehicles (Falcon and Territory) have carried E10 information labels (Ethanol Fuel (E10) Suitable) on the inside of their fuel filler caps. This information is designed to provide information clarity and also regularly remind motorists they can use E10 blended petrol where it is available.

Ford Australia has also participated since 1978 via the Federal Chamber of Automotive Industries in a series of voluntary agreements with the Federal Government to improve the energy efficiency of new motor vehicles. These agreements have sought to reduce the national average fuel consumption of new vehicles sold in Australia via the progressive introduction of affordable new technologies and reductions in vehicle mass. The pace of change targeted by these agreements is similar to that pursued by various policy mechanisms in larger overseas markets.

Ford Australia believes the voluntary code approach of these agreements, which have achieved fuel savings of more than 30%, are well suited to the Australian vehicle manufacturing industry structure. A voluntary agreement based on a national average provides maximum flexibility, which is paramount in an environment where the domestic industry focus is on the manufacture of medium-to-larger passenger cars. The industry has a reliance on global technology developments and is also a largely petrol-oriented car market compared with Europe, for example, where diesel cars account for approximately half of all new car sales. Much of the manufacturer focus in Europe is therefore directed to using diesel technologies to reduce CO2 emissions. The present introduction of lower sulphur diesel fuels in Australia could open opportunities for a greater presence of diesel fuelled passenger vehicles.

Consumer information also has a role in reducing transport fuel demands. Ford Australia believes Australian motorists are very well advised in this regard on the relative fuel consumption of different model vehicles. This information is in addition to the basic and naturally obvious premise that the fuel consumption of a car increases as one steps through the small to medium to larger size vehicle types. All new cars are required by law to display, up to the point of owner delivery, windscreen labels. These labels indicate how much fuel a vehicle will use to travel 100 kilometres on a standard drive-cycle test. The labels also incorporate CO2 emission information. These labels allow motorists to readily make relative comparisons between different brands and models. Motorists can also readily access Federal Department and Transport and Regional Services internet "Green Vehicle Guide". In addition, motorists can also access fuel consumption information from manufacturer sales brochures, web-sites and independent publications such as motoring club magazines.

The Australian emphasis to date has largely focussed on the fuel efficiency of new vehicles. However, Ford Australia believes significant energy efficiency opportunities also exist in the area of greater in-use energy efficiency. This represents practical ways in which motorists can reduce their present fuel bills, and could involve greater use of eco-driving type programs and in-service vehicle maintenance programs. For example, eco-driving programs in Europe have



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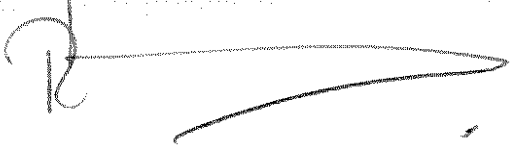
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demonstrated that drivers can reduce fuel consumption by up to 25% simply by being prepared to adopt some straight forward driving and maintenance procedures. A program supported by Ford in Germany has involved the training of some 8000 drivers since 2000, and has demonstrated potential national savings in Germany alone of more than 25 million tonnes of CO<sub>2</sub> annually. We would encourage the Committee to examine gains that could be readily made via such programs, and would be happy to assist in providing further information.

We trust the matters raised are of assistance to the Committee. We would be happy to discuss the issues in greater detail. The writer can be contacted on (03) 9359 7142 or at [rscoula1@ford.com](mailto:rscoula1@ford.com).

Yours sincerely



**Russell Scoular**  
Government Affairs Manager

