

MEDIA RELEASE



**FEDERAL CHAMBER
OF AUTOMOTIVE
INDUSTRIES**

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GPO BOX 313, CANBERRA ACT 2601
10 RUDD STREET, CANBERRA CITY
ACT 2600 AUSTRALIA
TELEPHONE 02 6247 3811
FACSIMILE 02 6248 7673

COMPETITIVE POLICY NEEDED TO SECURE FUTURE CAR INDUSTRY OPPORTUNITIES

The peak body representing the Australian automotive industry, the Federal Chamber of Automotive Industries (FCAI), has handed its submission to the *Review of Australia's Automotive Industry 2008*, headed by Steve Bracks.

"We welcome this opportunity to outline the significant contribution the car industry makes to the Australian economy and the future opportunities that lie ahead," FCAI Chief Executive Andrew McKellar said.

One of the key points in the FCAI submission is the need for investment support, through the Australian Competitive Investment Scheme (ACIS), to be extended beyond 2015 and that the scheme's funding should be increased to at least partially offset changes in the competitive environment.

"The review comes at a critical time for local car makers. They've had to contend with rising fuel prices, the strong Australian dollar and significant changes in buying patterns," Mr McKellar said.

Australia is one of the most open and competitive markets in the world, with more than 50 vehicle brands on-sale.

The automotive industry directly employs more than 60,000 people and is the largest manufacturing industry in Australia.

It is one of the nation's biggest investors in research and development and is the largest exporter after mining, generating export earnings of around \$5 billion a year.

"The outcomes of this review are of critical importance to the future of the Australian industry, but with the right policy arrangements in place there is every reason to believe the industry will meet the challenges it is now facing", Mr McKellar said.

For further information or interview requests contact:

Mr James Goodwin
Media and Communications Manager
Phone: 02 6229 8221
Mobile: 0401 248 772

KEY POINTS IN THE FCAI SUBMISSION

1. Investment Support (ACIS)

The Australian Competitive Investment Scheme (ACIS) has been critical to the industry's ability to secure renewed international investment in the face of an extraordinary combination of competitive pressures. The industry has undergone significant structural adjustment in light of global industry reforms, a reduction in domestic tariffs, an adverse exchange rate and changing consumer preferences in the domestic market.

The FCAI submits that the value of ACIS support should be augmented and the program should be extended beyond 2015. The impact of modulation and the arbitrary stage caps should be removed to provide greater certainty and restore the value of ACIS' original policy intent. ACIS support should also continue to be delivered through duty credits.

2. Trade Policy, Market Access and Tariffs

Local vehicle manufacturers submit that the planned reduction in passenger motor vehicle tariffs should not proceed. It is acknowledged that further reductions in automotive tariffs will occur, however, they contend that the scheduled reduction in tariffs from 10 per cent to 5 per cent, from 1 January 2010, pre-empted multilateral reductions in industrial tariffs and might put Australia at a competitive disadvantage.

Vehicle importers support further reductions in passenger motor vehicle tariffs and believe that there should be a clear timetable for the reduction of passenger motor vehicle tariffs to 5 per cent.

3. Environment and Motor Vehicle Emissions

- Emissions Trading Scheme (ETS)

The FCAI supports the introduction of an economy-wide Emissions Trading Scheme but urges the Australian Government to take account of the trade exposed nature of the Australian automotive industry and the potential competitive impact of increases in production costs in the design of its ETS.

The FCAI submits that the introduction of additional regulation of vehicle CO₂ emissions is unnecessary and inconsistent with the market based incentives of an ETS.

- Green Car Innovation Fund

The FCAI welcomes the Government's Green Car Innovation Fund initiative. The program should be technology neutral and aim to achieve a reduction in the CO₂ emissions of Australian manufactured vehicles and be made available to all technologies that achieve this outcome;

To ensure that the technologies developed through this program are commercialised into Australian manufactured vehicles, funding should be restricted to Australian vehicle manufacturers. They should be encouraged to engage local component manufacturers in the programme.

4. Luxury Car Tax

The FCAI opposes the proposed increase in the rate of the Luxury Car Tax (LCT) and submits that the tax should be abolished.

The LCT can act as a disincentive for the uptake of improvements in vehicle specification, including advanced safety features, particularly for those vehicles near or just above the tax threshold. The indexation of the LCT threshold has not kept pace with changes in vehicle prices over time.