



**FEDERAL CHAMBER
OF AUTOMOTIVE
INDUSTRIES**

ABN 53 008 550 347

27 February 2017

The Hon. Michael McCormack MP
The Minister for Small Business
Parliament House
Canberra ACT 2600

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Dear Minister

Thank you for the opportunity to provide a pre-budget submission to the 2017-18 Federal Budget process.

The Federal Chamber of Automotive Industries (FCAI) is the peak industry organisation representing vehicle manufacturers and importers of passenger motor vehicles, SUVs, light commercial vehicles and motor cycles in Australia.

The FCAI and member companies consider that two areas of taxation should be reviewed as part of the 2017-18 budget process. We believe that reducing tariffs to zero once domestic manufacturing has ceased, and removing the Luxury Car Tax would both deliver increased competition and better outcomes for Australian consumers.

Tariff reductions

The Australian passenger car market is now one of the most open and progressive automotive markets in the world in relation to tariff levels and overall protection. Australian automotive tariffs reduced on 1 January 2010 from 10 per cent to 5 per cent, resulting in an average tariff rate well below 5 per cent today, as cars imported from countries with which Australia has FTAs are landed without being subject to any tariff. This has contributed to more choice and better prices for Australian consumers. Today, there are 67 brands in the Australian new car market selling more than 400 different models and thousands of variants.

Almost 1.2 million new passenger motor vehicles were sold in Australia in 2016, of which less than 8 per cent of all motor vehicles sold in Australia in 2016 were domestically manufactured. Australia will cease all domestic motor vehicle manufacturing by the end of 2017. In an import-only market, it makes no sense to discriminate one import source against another.

Currently, around 76 per cent of Australia's total new car imports originate from trading partners with which Australia has a free trade agreement.

In contrast, around 24 per cent of new passenger motor vehicle imports were sourced from countries with which Australia has no FTA in place. These include EU and non-EU European countries, Argentina, South Africa and Turkey. Vehicles sourced from these markets currently attract the 5 per cent tariff.

The FCAI supports the removal of the existing 5 per cent tariff. Reducing the tariff to zero will deliver even greater competition to the Australian market, which in turn will provide more safety and environmental features into the Australian market.

Luxury Car Tax

An additional factor that negatively impacts the price of motor vehicles is the unfair application of the Luxury Car Tax (LCT). The FCAI and member brands consider that the LCT is an inequitable and anachronistic tax. As the Henry Tax Review identified, the LCT fails to meet any of the five underlying principles of a 'good' tax, namely:

- Equity
- Efficiency
- Simplicity
- Sustainability
- Policy consistency

We also note in the context of advancing vehicle CO2 emissions and improved safety technologies, the LCT serves as a tax on technology and sustainability. At a time when Australia is considering a mandatory CO2 target and is experiencing a rise in the road toll, the LCT acts as a brake on new environmental and safety technologies.

Conclusion

I trust this information has been useful for your consideration of current and future policy measures the Australian automotive industry believes will improve economic, social and environmental outcomes for not only motorists, but for all Australians.

Yours sincerely



Tony Weber
Chief Executive