



FORD MOTOR COMPANY OF AUSTRALIA LIMITED

(ABN 30 004 116 223)

SUBMISSION IN RESPONSE TO THE

DRAFT REPORT

COMPETITION POLICY REVIEW

ISSUED 22 SEPTEMBER 2014

17 November 2014

Ford Motor Company of Australia Limited

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**This submission is made by Ford Motor Company of Australia Limited
(ABN 30 004 116 223)**

The Company is subsequently referred to as 'Ford Australia'.

In addition to this submission, Ford Australia also contributed to and is supportive of the submission made by the Federal Chamber of Automotive Industries (FCAI) to this Review.

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17 November 2014

Competition Policy Review Secretariat

The Treasury
Langton Crescent
Parkes ACT 2600

Submission via email to: www.competitionpolicyreview.gov.au

Re: Draft Report – Competition Policy Review - September 2014

This submission from Ford Motor Company of Australia Limited (subsequently referred to as **Ford Australia**) is made in response to the Draft Report for the Competition Policy Review released on September 22, 2014. Ford Australia appreciates the opportunity to provide input to this important review and to provide the Review Panel with some further insight to the characteristics of the Australian automotive market.

Ford Australia Overview

Ford Australia is a subsidiary of the Ford Motor Company. Ford Motor Company was founded in 1903 and is headquartered in Dearborn, Michigan, USA. It is a global automotive industry leader with approximately 181,000 employees and around 65 manufacturing plants worldwide. It manufactures and distributes motor vehicles on six continents through its core brands of Ford and Lincoln. These automotive brands are complemented by the Company's ownership of Ford Credit, one of the world's largest automotive finance companies.

Ford Australia is also an integral part of Ford Motor Company's Asia Pacific operations. Ford Asia Pacific has regional responsibility for 20 markets and is the Company's fastest growing sales region. Ford Asia Pacific is headquartered in Shanghai, Peoples' Republic of China.

Ford Australia is a major Australian automotive manufacturer with extensive globally-linked design, engineering and manufacturing facilities in Geelong, Lara and Broadmeadows, Victoria. These world class facilities reflect an organisation with significant investment in infrastructure and technical capability. This capability is reflected by Ford Australia's role as a design and engineering "Centre of Excellence" for the Asia-Pacific region. This makes Ford Australia one of just four corporate global hubs for the design, development and testing of Ford vehicles. Ford Australia has had a manufacturing presence in Australia since 1925.

Ford Australia distributes its vehicles, replacement parts and technical / service expertise through a network of more than 200 independently owned Ford Dealerships in some 261 locations around Australia. These Ford Dealerships directly employ more than 7,000 people and many are located in rural and regional centres. In addition to selling and servicing new Ford vehicles, Ford Dealers also have significant resources and capital invested in the resale of second-hand vehicles (all makes).



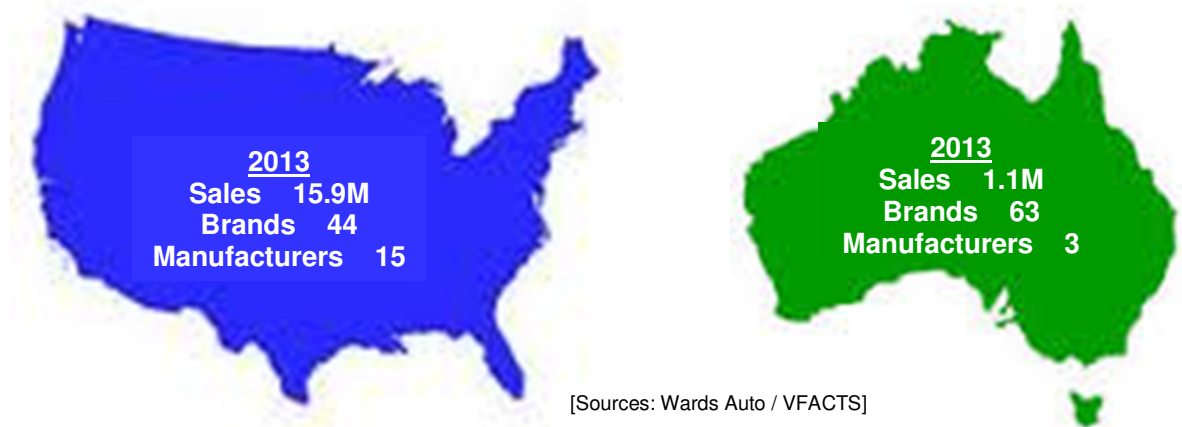
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Australian Automotive Market

The Australian automotive industry is the most open and competitive market in the world. The Australian new vehicle market is also relatively small by world measures, with an annual sales volume of approximately 1.1 million units. This compares with an annual US market of approximately 16 million sales and a forecast market of more than 20 million vehicles in China this year.



Driven by strong consumer demand for variety, quality, value and performance plus relatively low barriers to entry facing vehicle importers, the Australian automotive market is very much a world stage.

The Australian automotive market has become increasingly fragmented and derives much of its competitive ethos from the wide diversity of brands and products. There are no dominant marques in the Australian automotive market with only two brands holding market shares greater than 10%. The diversity of brands / products in the Australian automotive market is further illustrated by the 64 different brand names and more than 390 models of vehicle currently on sale. In addition, these brands and models are sourced from more than 27 different countries ranging from the established automotive economies of Japan, Germany and the United States to relatively new producer countries like South Korea, Thailand, India and China.

<u>AUSTRALIAN NEW VEHICLE MARKET</u>
64 different brands
>390 different models
>27 source countries
≈ 1.1 million annual sales

[Source: VFACTS YTD July 2014]

In addition to the fragmentation resulting from the entry of new brands and models to the Australian automotive market, there has also been a significant change in the types of vehicles being purchased and a consequential deterioration in the industry's traditional base of large rear wheel drive passenger cars. New market segments that were until recently unknown in Australia have suddenly emerged and grown rapidly (e.g. Small SUV). With the size of the Australian market remaining relatively stagnant at just over one million sales, market fragmentation has placed downwards pressure on average model volumes. Average model volumes in many segments are now well less than 10,000 units and contracting.

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Low Tariffs

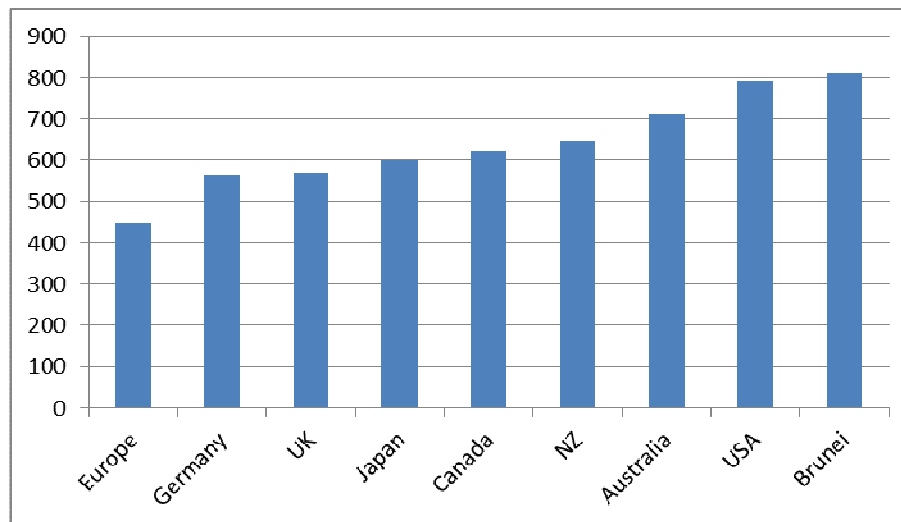
Australia's automotive import tariff at 5.0% is already one of the lowest rates in the world but when existing Free Trade Agreements (FTA) with automotive producing economies are taken into account, the effective tariff rate is closer to 3.5%. This effective rate will fall even lower once FTAs with South Korea and Japan – and possibly China – enter into force either in late 2014 or early 2015.

The combined effect of market fragmentation and low import tariffs is to make Australia one of the most open auto trading economies in the world. As documented above, this will continue to drive market competition which in turn will ensure Australian consumers benefit from access to world-class vehicles with the very latest features and safety-related technologies and offered at very attainable pricing levels.

Vehicle Ownership

The chart below shows vehicle ownership among a selection of countries and demonstrates that Australia has one of the highest ownership levels with a concentration of 713 vehicles per 1,000 inhabitants. In comparison, the USA has ownership levels of 791 vehicles per 1,000 head of population, New Zealand is at 646, Canada is 624 while Japan, UK and Germany are all below 600 vehicles per 1,000 head of population.

Vehicle Ownership per 1,000 Inhabitants



Source: Organisation Internationale des Constructeurs automobiles (OICA) - Total World Vehicles In Use

This indicates that the Australian automotive market is effective in providing a wide range of consumer choice and providing access to vehicles that have resulted in some of the highest vehicle ownership levels in the world.

New Vehicle Affordability

The independent CommSec Car Affordability Index has found that new cars in Australia are at their most affordable levels since records began in 1976. Specifically, it has noted that over the

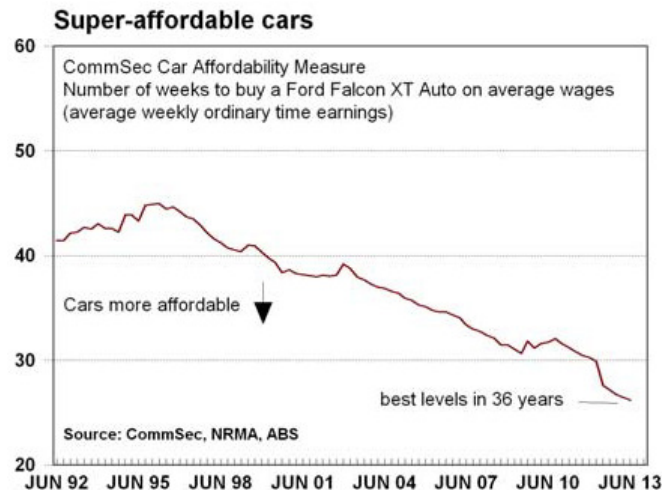
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last 10 years average weekly wages have increased by 55% while new car prices have fallen. In contrast, the affordability of both petrol and housing has decreased over this same period.

It currently takes around 26 weeks on an average weekly wage to purchase a mainstream new model like the Ford Falcon XT.

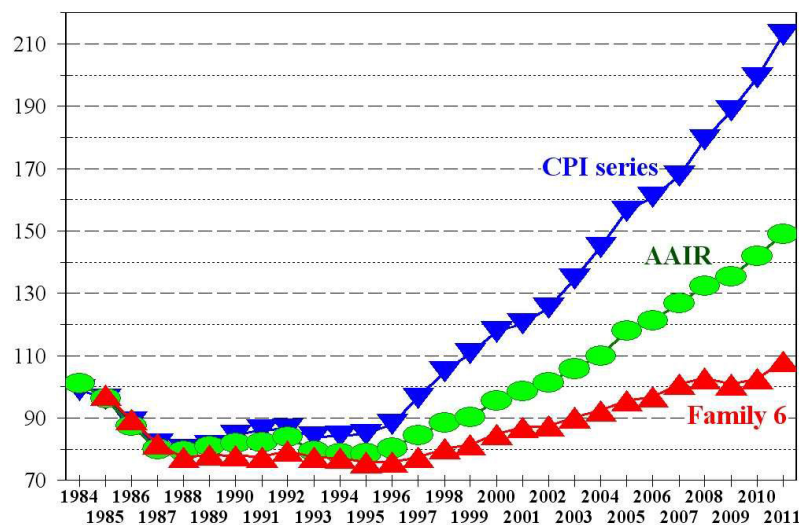


Source: CommSec Economic Insights, Car affordability at best levels in 37 years, 16 October 2013

The CommSec report also found that premium brands are also more affordable in Australia. For example, in 2013 it took 41.2 weeks (of the average weekly wage) to purchase a BMW 320i sedan versus 57.5 weeks in 2003.

It has become much easier to afford a new car since the mid-1990s, as earnings growth has exceeded the movements in motor vehicles prices. The chart below shows the affordability of new passenger cars on three separate indices: CPI motor vehicle index, Australian Automotive Intelligence Report index and an index based on a 'Family 6' car.

Car Affordability Indexes



Source: Johns R, 2012, Australian Automotive intelligence 2012 Yearbook

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The relative affordability of new vehicles in Australia is also favourable to consumers when compared globally. In a recent public submission to the Review of the Motor Vehicle Standards Act 1989 (the 'MVSA Review'), the industry's peak body, the Federal Chamber of Automotive Industries (FCAI) provided examples of pricing comparisons between models available for sale here as well as in other global right-hand drive markets such as Japan and the UK. The analysis showed that in a like-for-like comparison, which takes vehicle equipment levels and features into account, the price of the Australian model is in all but a very few cases lower than its global equivalent.¹ Ford's own pricing comparisons demonstrate a similar outcome.

Ford Australia's Responses to the Issues Raised in the Draft Report:

The above factors demonstrate that the Australian automotive market is indeed "working properly", as evidenced by the accessibility, affordability and choice which characterises the purchase and ownership experience available to Australian motor vehicle consumers. The overarching objective of competition policy – making markets work properly – is being well met by the present arrangements, resulting in a competitive automotive market by global standards. On all evidence it can be concluded that competition policy as it applies to the Australian automotive market is indeed 'fit for purpose', with the market working in the long-term interests of consumers, and by fostering a diversity of choice and the entry of new participants and providers.

Of course the government does not hold a desire for competitive markets in isolation from its other important policy objectives. In the case of the automotive market, the government also wishes to provide the sort of environment which seeks to ensure driver and community safety, and a set of regulatory arrangements which facilitate consumer security. A sound national competition policy must also ensure it does not compromise other key outcomes being sought by other areas of government.

In addition a proposed change which may at first seem to be, prima facie, to the consumers' benefit may in fact be to their longer term detriment when all factors are taken into account. For example, the whole-of-life costs of vehicle ownership must be considered, not merely the transactional price at time of purchase. This includes the costs of servicing and repairs as well as resale and/or disposal costs associated with the vehicle.

For these reasons Ford Australia strongly cautions against the relaxation of the present rules governing the importation of second-hand 'Grey' vehicles into Australia. Similarly, the significant risks and high costs associated with any move to allow personal imports of new vehicles (parallel imports) into Australia far outweigh the limited benefits (if any) which might be achieved in a very small number of cases.

Ford Australia considers the impacts of increased parallel importation in relation to the automotive sector below. Many of these concerns are also raised in Ford Australia's public submission to the MVSA Review²:

Regulation of Vehicles Entering the Australian Market

Draft Recommendation 9 in the Draft Paper recommending the removal of remaining restrictions on parallel imports (unless they are demonstrably in the public interest), would, if applied to the automotive industry, transfer substantial risk – presently largely borne by the automotive industry – to the consumer, other road users, the community and the Government. Given the fact that the

¹ https://www.infrastructure.gov.au/vehicles/mv_standards_act/2014_submissions.aspx - Submission ref. 207a

² https://www.infrastructure.gov.au/vehicles/mv_standards_act/2014_submissions.aspx - Submission ref. 186

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purchase of a motor vehicle is usually a consumer's second most significant purchase after his/her house, this represents a substantial risk for individual purchasers.

Careful consideration must be given to the impacts of increased risk to the health, safety and security of consumers, other road users and the broader community. There are also other related impacts such as potential detriment to the environment and the displacement of employment opportunities.

Australia, as a G20 developed economy, should continue to focus on encouraging new vehicle ownership as modern vehicles are demonstrably safer and more environmentally friendly. This is in stark contrast to allowing greater market access to the importation of questionable, second-hand 'Grey' vehicles that have been cast off by other advanced economies.

Top 10 Destinations for Japanese Second-hand 'Grey' Vehicles

1	Russia
2	New Zealand
3	Burma
4	Chile
5	UAE
6	South Africa
7	Kenya
8	Kazakhstan
9	Mongolia
10	Pakistan

Source: 'Scrap over car imports', *Herald Sun*, Melbourne 06/06/2014

Australia has over the years developed a world-class vehicle safety system with the co-operation and collaboration of Governments, industry participants, road users and the community. This should not be allowed to be readily compromised.

Ford Australia supports the strong assertion by the safety authority ANCAP Australasia that allowing the large-scale importation of second-hand 'Grey' vehicles will "...reduce the safety of the Australian car fleet and to do so ... is entirely inconsistent with national efforts under the National Road Safety Strategy 2011-2020 to reduce road trauma".³

Ford Australia also supports the FCAI's contention that a strong, effective, national regulatory regime remains the best mechanism to ensure new vehicles (plus eligible second-hand vehicle imports) are supplied to the market meeting the latest safety and emissions standards. In the absence of a national legislative framework covering the first supply of vehicles to the Australian market, there is real concern that State and Territory authorities might seek to impose regulations on parallel vehicle imports on a state-by-state basis, leading to an incohesive and unworkable system that would be inconsistent with the objectives of the Council of Australian Governments (COAG). This would result in substantial increases in compliance costs for businesses, and potentially restrict the movement of vehicles across state borders.

³ <http://www.pc.gov.au/projects/inquiry/automotive/submissions> - Submission ref. PP246

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Imported Second-hand 'Grey' Vehicles

Ford Australia believes there are many major issues of concern with Draft Recommendation 9 of the Draft Paper as it relates to the issue of increased imports of second-hand "Grey" vehicles. These include:

Fit for Purpose? – This is a major consumer protection issue. Who is going to ensure that imported second-hand 'Grey' vehicles are truly fit for purpose? Today, car companies invest large amounts of money to ensure new vehicles will be compatible with Australia's unique conditions. It's highly unlikely that independent importers of second-hand 'Grey' vehicles will be prepared or capable of doing this verification work. Some of the potential traps for inexperienced buyers are:

- Does the vehicle comply with Australian Design Rules?
- Does the vehicle comply with Australian Electro Magnetic Compatibility standards?
- Does the vehicle meet Australian emission standards?
- Is the vehicle's engine calibrated to suit Australia's unique fuels?
- Is the cooling systems designed for Australia's high ambient temperatures?
- Is the air conditioning systems designed for Australia's high ambient temperatures?
- Is the vehicle's speedometer calibrated in kilometres per hour? (UK vehicles are calibrated in miles per hour)
- Are the vehicle's Owner Manual and Service Log Book in English?
- Does the vehicle's towing capacity meet Australian requirements?
- Does the vehicle have the correct Satellite Navigation software?
- Does the vehicle's sound system have the correct radio frequencies?
- Does the vehicle have correct (legal) band-widths in connectivity applications?
- Is there any asbestos in the vehicle's gaskets or brake linings?
- Is the vehicle's suspension suitable for Australia's rough roads?
- Is the vehicle's sound proofing compatible with the coarse metal used on Australian roads?
- Is the vehicle's dust protection adequate for Australia's harsh conditions?
- What are the AQUIS quarantine requirements for the source country?

Vehicle history – with the history and provenance of most imported second-hand 'Grey' vehicles being unknown, what actions will be put in place to prevent potential abuse by unscrupulous operators? A lack of verifiable vehicle history leaves consumers exposed to such practices as rebirthing of severely damaged write-offs, tampering with speedometers to reduce the indicated elapsed mileage and the potential resale of vehicles that have been stolen from overseas owners.

There is also the strong possibility that vehicles that have sustained other forms of significant damage such as fire damage; flood damage and radioactive fallout, might appear on Australian roads. This isn't idle speculation – for example, there is documented evidence that second-hand vehicles damaged by the Japanese tsunami and nuclear power plant disaster were shipped to Russia to be sold to unsuspecting consumers. Refer Attachments 1 & 2.

Safety — newer motor vehicles are acknowledged as providing higher levels of safety related technologies. Increasing the availability / number of older (second-hand) vehicles on Australian roads will not assist Governments to achieve road safety goals by seriously delaying the diffusion of new safety technologies into the national car parc.

Environment — newer motor vehicles are acknowledged as meeting higher environmental standards. Increasing the availability / number of older (second-hand) vehicles on Australian

roads will not assist Governments to achieve environmental targets. An influx of imported second-hand 'Grey' vehicles will also create end-of-life disposal issues which must be taken into account.

Consumer protection – Ford Australia questions whether Government agencies at both State and Federal levels are able to provide adequate levels of consumer protection to ensure imported second-hand 'Grey' vehicles meet the required quality, safety, security and environmental standards.

Vehicle values – a significant increase in the number of imported second-hand 'Grey' vehicles will cause cars recently purchased by consumers (i.e. less than 3 years old) to lose value. Car dealers will also experience a significant loss of value for existing second-hand vehicles and possibly, a decrease in the value of new car stocks.

Brand damage — poor-quality, second-hand 'Grey' vehicles imported into Australia without appropriate levels of support (e.g. the availability of replacement parts; suitable diagnostic equipment, specialist service tools; trained technicians) are likely to affect the brand reputation of vehicle manufacturers / importers that are already operating legitimately in the market.

New Zealand – detailed attention must be given to New Zealand's experience over the last 30 years. When import restrictions on second-hand 'Grey' vehicles were removed by New Zealand in the mid-1980s, sales of new cars plummeted and new car sales levels have remained static ever since. Meanwhile, second-hand 'Grey' imports have grown steadily and now represent approximately 50% of all vehicles imported into the country.

The New Zealand Government's original goal of reducing the age of the car parc has also failed with the average vehicle age in New Zealand now 14 years and increasing each year. By comparison Australia's car parc average is 10 years and continues to fall each year.

Safety and environmental standards have also been compromised due to the New Zealand market's heavy reliance on superseded used models that aren't equipped with the latest technology / safety features and often do not meet modern emissions standards.

The Draft Paper assertion that relaxing parallel import restrictions is expected to deliver net benefits to the community, provided appropriate regulatory and compliance frameworks and consumer education programs are in place, is highly problematic in practice when considered in light of the significant issues outlined above.

To establish and resource the organisations and systems that would be necessary to inspect vehicles and verify the pre-supposition of "fit for purpose" would be very costly. It is also unclear who would bear these substantial additional costs. Assuming it will ultimately be consumers, this appears to contradict the Commonwealth Government's aim of ensuring that Australian consumers can access safe vehicles at the lowest possible cost (DIRD presentation, Melbourne MSVA workshop, 26/09/2014). Similarly, the creation and execution of consumer awareness programs to equip and educate consumers against the possible pitfalls of buying imported second-hand "Grey" vehicles would be both costly and difficult to administer.

The Australian automotive industry remains strongly united in urging the Federal Government to reject calls to relax restrictions on the large-scale importation of second-hand "Grey" vehicles for the reasons outlined above.

Personal Imports of New Vehicles (Parallel Imports)

Ford Australia also believes there are many major issues of concern with the proposal in the Draft Paper to allow increased market access for personal imports of new vehicles (parallel imports) over and above the arrangements which presently exist.

Ford Australia understands that current proposals to allow individuals to independently import brand new vehicles for personal use may be the consequence of a misconception in some quarters that “equivalent” models are cheaper in North America or Europe than in Australia. For example, several public submissions responding to the MVSA Review Discussion Papers (2013 and 2014) contained uninformed and simplistic vehicle pricing comparisons between Australian and overseas markets.

Australia is the most competitive new vehicle market in the world with over 60 brands and nearly 400 models. The competitive forces at play in this crowded market ensure that no brand has the ability to sit on big margins and maintain volumes. While we can't make representations for other brands, when Ford Australia has conducted like-for-like comparisons, taking into account differences in taxes and features, there is little difference in the prices consumers pay between Australia, Europe and North America.

There are also major consumer protection issues with this proposal. Who is going to ensure that personal imports of new vehicles (parallel imports) are truly fit for purpose? It's not as simple as just ordering a hypothetical “global car” over the internet. Today, car companies invest large amounts of money to tailor new vehicles to ensure they suit Australia's unique conditions. Some of the potential traps for inexperienced buyers are:

- Does the vehicle comply with Australian Design Rules?
- Does the vehicle comply with Australian Electro Magnetic Compatibility standards?
- Does the vehicle meet Australian emission standards?
- Is the vehicle's engine calibrated to suit Australia's unique fuels?
- Is the cooling systems designed for Australia's high ambient temperatures?
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- Is the vehicle's speedometer calibrated in kilometres per hour? (UK vehicles are calibrated in miles per hour)
- Are the vehicle's Owner Manual and Service Log Book in English?
- Does the vehicle's towing capacity meet Australian requirements?
- Does the vehicle have the correct Satellite Navigation software?
- Does the vehicle's sound system have the correct radio frequencies?
- Does the vehicle have correct (legal) band-widths in connectivity applications?
- Is there any asbestos in the vehicle's gaskets or brake linings?
- Is the vehicle's suspension suitable for Australia's rough roads?
- Is the vehicle's sound proofing compatible with the coarse metal used on Australian roads?
- Is the vehicle's dust protection adequate for Australia's harsh conditions?
- What are the AQUIS quarantine requirements for the source country?

Also, as is the case for imported second-hand ‘Grey’ vehicles, will replacement parts, suitable diagnostic equipment, specialised tools and trained service technicians be available to keep vehicles in operation?

In addition, there exists the potential for significant reputation damage to brands and dealers operating legitimately in Australia from consumers who personally import new vehicles not sold in Australia but expect them to service and repair these vehicles. A lack of replacement parts,

suitable diagnostic equipment, specialised tools and trained technicians may lead to significant dissatisfaction when consumers have the expectation that their vehicle will be maintained and supported by the dealers and brand of their vehicle operating in Australia.

This was demonstrated at a MSVA Stakeholders' Workshop held recently in Melbourne where an attending consumer expressed his expectation that brand "X" operating in Australia would look after his vehicle regardless of whether it was an imported second-hand 'Grey' vehicle or a personally imported new vehicle (parallel import) not presently sold in Australia.

How Will Purchasers of Parallel Imports be Notified of Vehicle Safety Recalls?

This is one of the fundamental flaws to the proposal to allow imported second-hand 'Grey' vehicles and personal imports of new vehicles (parallel imports). While the Federal Government could establish and maintain a register of vehicles imported under both schemes, it's a far more complex task to identify which vehicles may be affected by a particular recall. In most instances a Vehicle Identification Number (VIN) matching process will be required but this can only work if this information is available from the overseas source country. Where VIN information is unobtainable, a broader recall of a complete model series or year model may need to be implemented to facilitate visual inspections by the organisation responsible for the rectification. This will be at the inconvenience of vehicle owners and a significant additional cost for operators.

In cases where the original importer of a second-hand 'Grey' vehicle is no longer trading, the Federal Government will need to take responsibility for contacting the vehicle owner (by accessing State registration records) to provide advice of the recall. Arranging and paying for the cost of the rectification will be borne by the vehicle owner. The same situation will apply to all personal imports of new vehicles (parallel imports).

There is also the issue of which organisation will have responsibility for monitoring overseas source countries to identify the announcement of any recalls. In most cases the original manufacturer won't be able to notify the importer, vehicle owner or Federal Government because there is no mechanism to make it aware that a vehicle has been exported to Australia.

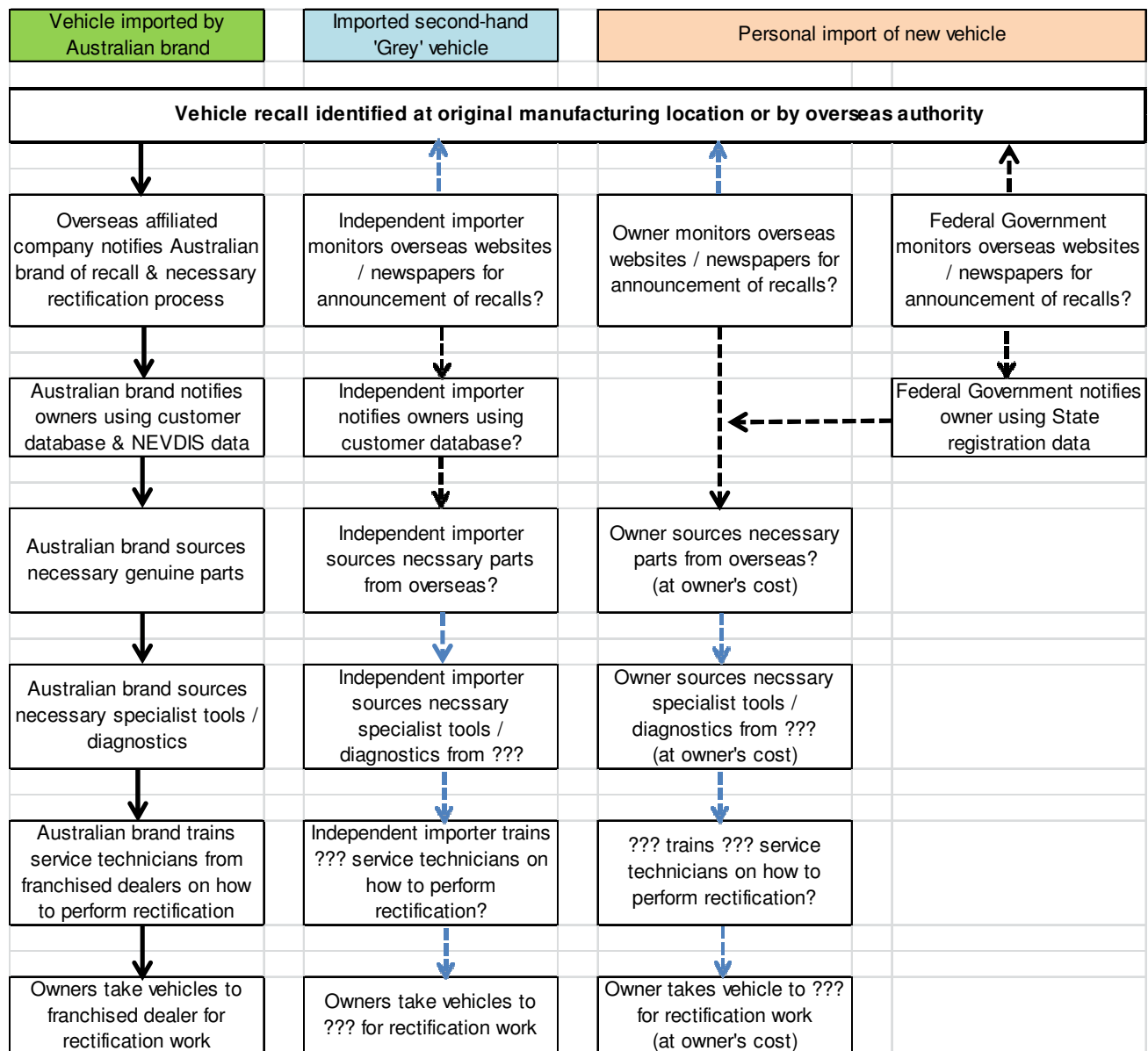
Even once an imported vehicle has been identified as being affected by a recall, will the organisation responsible for the rectification have the necessary replacement parts, specialist tools, technical capability and workshop facilities to execute the repair appropriately? If the required replacement parts need to be sourced from overseas, the vehicle could be off-road for an extended period. Again this will be at the inconvenience and cost of the vehicle owner.

These issues already exist today for second-hand vehicles imported under the Registered Automotive Workshop Scheme (RAWS) and new vehicles imported by independent companies under Full-Volume Compliance and Low-Volume Compliance arrangements.

The risk to consumers, other road users and the community will increase if changes to allow increased numbers of imported second-hand 'Grey' vehicles and personal imports of new vehicles (parallel imports) to enter the market are implemented.

See diagram on the following page.

Potential Scenarios for Vehicle Recalls



Under the above scenarios, it is not possible for the Australian brand to notify the independent importer of second-hand 'Grey' vehicles and/or the owner of a personal import of a new vehicle (parallel import) because no mechanism exists to alert the Australian brand to the fact that a vehicle that was originally sold in another market has been exported to Australia.

Replacement Parts

Ford Australia is concerned that non-genuine replacement parts (both imported and locally made) can potentially compromise the integrity of vehicles if they have not been designed, tested and manufactured to the Original Equipment Manufacturer's (OEM) specifications. If a vehicle's integrity is compromised through the use of untested non-genuine parts, this may lead to sub-optimal performance, safety or environmental outcomes.

This is particularly critical for parts used in crash repairs where non-compliant, non-genuine parts could put occupants at risk if a vehicle was involved in a subsequent accident. For example, the crash performance of a non-genuine bumper might cause delayed deployment of airbags. Ensuring vehicles are properly repaired to OEM specifications is increasingly important due to the technological advances in occupant safety through advanced materials, electronics and energy dispersion.

Ford Australia is concerned that while Australian vehicle manufacturers and importers are obligated to supply replacement parts that meet the design intent and fulfil Australian Design Rules (ADR) requirements, the manufacturers / suppliers of non-genuine parts are not required to demonstrate the conformity of their parts. Neither are they held accountable if the parts don't perform as expected. While the States and Territories have the authority to monitor these activities, it doesn't appear that any jurisdiction is adequately policing these requirements currently.

Ford Australia strongly supports the FCAI in its calls for State, Territory and Federal Government authorities to take steps to ensure non-genuine parts are adequately tested, certified and checked to meet ADR requirements and OEM specifications.

Conclusion

Australian consumers already enjoy the benefits of a functioning, mature and highly competitive automotive market. The market is characterised by a very large and rising number – by global standards – of suppliers (none of which hold a dominant market position), offering a diversity of well-equipped products that are available at globally competitive prices.

This is supported by research commissioned and published by the Federal Chamber of Automotive Industries (FCAI) on its website and referenced in its submission to the MVSA Review. The research clearly demonstrates that in many instances, Australian market offerings are priced lower than equivalent models in comparable right hand drive markets around the world. The rationale for greater market access for both imported second-hand 'Grey' vehicles and personal imports of new vehicles (parallel imports) from a competitive market viewpoint is extremely weak and unjustified based on the available evidence. Similarly, the assumption that increased parallel imports would result in lower prices to consumers is not substantiated in the Draft Paper.

In addition, the significant costs of both a compliance and regulatory framework, together with the costs associated with the development and execution of a consumer education and awareness program are prohibitive when assessed against any net saving or 'benefit' an increase in the availability of parallel vehicle imports would facilitate.

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Ford Australia believes the issues raised above are important and relevant to the Draft Report for the Competition Policy Review and trusts that these matters will be considered during the development of the final report and recommendations for the Federal Government.

Any queries regarding this paper should be forwarded to the attention of:

Government Affairs Director
Ford Motor Company of Australia Limited

Attachments:

1. Article: "Radiation-Contaminated Japanese Cars Still Concern – Russian Customs" - *RiaNovosti* 01/08/2013
2. Article: "Radioactive cars from Japan keep turning up in Central Asia" – *AutoWeek* 10/07/2014

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Radiation-Contaminated Japanese Cars Still Concern – Russian Customs



Radiation-Contaminated Japanese Cars Still Concern – Russian Customs

23:54 01/08/2013

© RIA Novosti, Sergei Krasnoukhov

VLADIVOSTOK, August 1 (RIA Novosti) – Japanese cars contaminated with radiation in the aftermath of the 2011 Fukushima nuclear disaster is still a concern regarding the importation of such vehicles to Russia, a customs official said Thursday.

According to Russian customs, more than 930 radiation-contaminated vehicles from Japan have been detected at far eastern Russian ports since a magnitude-9 earthquake and subsequent tsunami ravaged the Fukushima nuclear power plant in central Japan.

However, the number of contaminated vehicles is declining by the month, a customs official in Russia's far eastern port of Vladivostok told RIA Novosti, adding that only used vehicles and spare parts were the concern.

While in 2011, in the wake of the accident, an average of 90 contaminated vehicles were detected every three months, by 2012 that figure was down to 75, and in the first and second quarters of this year it was 59 and 43, respectively, he said.

A representative of Russia's federal consumer-protection watchdog, Rospotrebnadzor, told RIA Novosti that it is easier to send such cars back to Japan than to spend money on their decontamination.

Used cars from Japan are popular in Russia, especially in the Far East and Siberia. Almost 150,000 used Japanese vehicles were imported into Russia last year, according to the International Auto Trade Association.

Related News

- Japan Reports Soaring Fukushima Groundwater Radiation
- Japan Reports New Radioactive Leak at Fukushima
- New Radioactive Water Leak Found at Japan's Fukushima Plant
- Fresh Radioactive Water Leak Reported at Japan's Fukushima Nuke Plant
- Fukushima Radiation in Fish '100 times' Above Norm

Multimedia

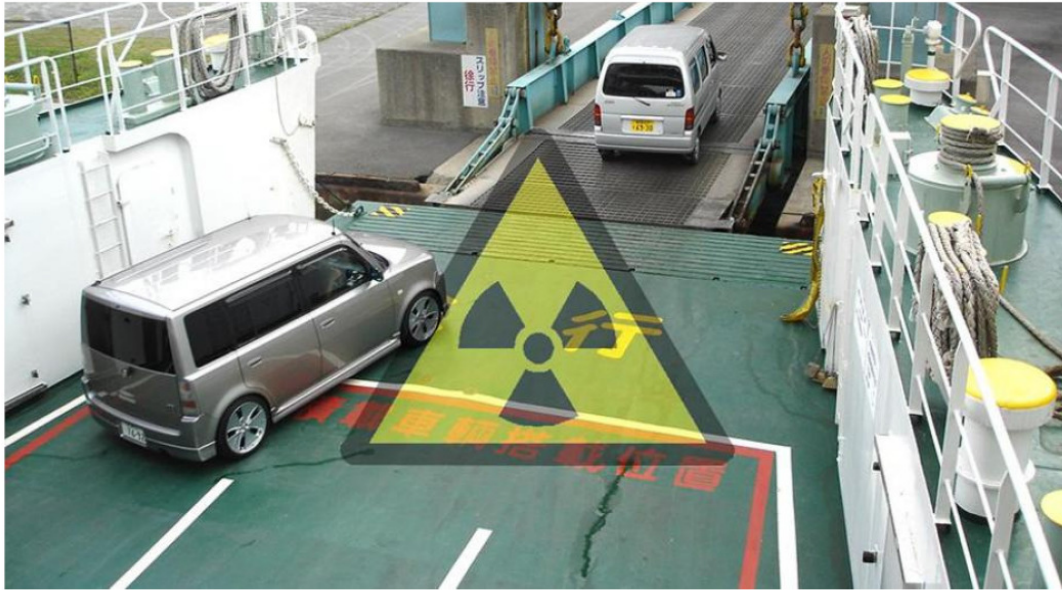
Protective "cap" over Fukushima
Water decontamination at Fukushima nuclear power plant
Fukushima eight months after the disaster through the eyes of journalists
Damage levels at the Fukushima I nuclear power plant



AUTOWEEK

Radioactive cars from Japan keep turning up in Central Asia

JULY 10, 2014



Cars come into eastern ports by ferry. But by the time they reach Central Asia, it's more difficult to detect them.

PHOTO BY DAVID MCKELVEY

A total of 70 used cars imported from Japan and found to have increased levels of radiation are being stored in Bishkek, Kyrgyzstan, and cannot be sent back, according to [Silk Road Reporters](#) citing local news outlets. Car retailers in Kyrgyzstan, who have been importing significant numbers of used cars from Japan for resale in the country, have been finding cars that exhibit levels of radiation above normal. Several batches of cars have been seized by the government during the last three years and have at times been sent back to Japan through an agreement with the Japanese government. However, irradiated cars keep turning up in Bishkek, the capital, and not all of them are being detected in a timely manner.

"These cars cannot be dispatched back. Neither China nor Japan will accept them. For this reason, we have to keep them here and deal with their further disposal," Tolo Isakov, director of the Disease Prevention Department in Bishkek, told the [AKIpress](#) news outlet, according to [Silk Road Reporters](#).

Isakov told [AKIpress](#) and [Novosti.kg](#), another Bishkek-based news outlet, that currently a decision is being made whether to scrap the cars. The cars have been quarantined in an impound lot, but the local authorities do not know what to do with them. The batch of (so far) 70 cars has been building up in the impound lot over time, with cars having come through several other countries. Isakov did not mention the levels of radioactivity that have been detected in these cars, though it is expected to vary from car to car.

The import of used Japanese cars is big business in Central Asia, especially in Mongolia and the Russian far-east regions that are the largest consumers of used Japanese cars in the area. In cities like Vladivostok, Russia, RHD Japanese cars make up roughly 50 percent of all registered passenger cars.

A shipment of 132 irradiated cars was recently detected coming into the port of Vladivostok in January 2014, with the cars having been barred from entry in port, according to the Australian website [CarsGuide](#). Russia has been more successful at detecting irradiated cars coming in from Japan due to stringent checks in the ports of Vladivostok and Khabarovsk. However, that is mainly due to the direct route that cargo ships with used cars normally take, in addition to systematic screenings by customs officials. The routes that used Japanese cars usually take to small Central Asian countries like Kyrgyzstan are more circuitous, and cars with radiation levels above normal frequently escape detection as they are driven across the border on license plates from neighboring countries.



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