



AUSTRALIAN
AUTOMOTIVE
DEALER
ASSOCIATION

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Email: aus.consultation@trade.gov.uk

Response: Consultation on trade negotiations with Australia

The Australian Automotive Dealers Association (AADA) is responding to the invitation from the UK Government to provide a submission to inform any future negotiations with Australia with respect to a Free Trade Agreement after the UK leaves the European Union in March 2019. Our comments are limited to matters of direct relevance to our members and their business interests in the automotive retail sector which is one of the most competitive in the world.

AADA

AADA is the peak industry advocacy body exclusively representing franchised new car Dealers in Australia. There are around 1,500 new car Dealers in Australia that operate about 3,500 new vehicle outlets. Dealerships range from family-owned small businesses to larger businesses, including three public companies, operating in regional Australia and capital cities across all States and Territories. It is important to note that the listed entities account for around 15 percent of total 'rooftops'. Put another way, 85 percent of franchised new car businesses continue to be owned by individual operators or family groups. This is not a retail industry dominated by large multinational operators or an industry with monopoly market dynamics such as have been allowed to develop in the banking, grocery and dairy sectors in Australia.

The Australian automotive retail sector is an important contributor to the Australian economy. Research commissioned by the Federal Chamber of Automotive Industries (FCAI) on the Economic Impact of Automotive Retailing in Australia identified over 3,500 dealership locations across Australia representing 72 different car brands. The economic impact of the new vehicle retailing sector to Australia is also significant. The industries total turnover/sales amounts to over A\$65 billion and the estimated total economic contribution is over A\$15 billion. The industry also generates over A\$10 billion in wages and over A\$4.7 billion in tax revenue.

Tariffs and Non-Tariff Barriers

The AADA considers that two elements of the Australian Government's revenue collection efforts merit specific mention in any discussion towards a Free Trade Agreement. This is particularly so as they are relics of a time when Australia had a domestic motor vehicle industry that was being protected.

Customs and other duties on passenger motor vehicles is estimated to raise A\$480 million in 2017-18 rising to A\$550 million in 2020-21. With the cessation of local passenger vehicle manufacturing, there is no longer a rationale for the tariff as there is no local industry to protect.

The Australian Government currently taxes what are deemed to be 'luxury cars' based on price above a specified minimum figure. This price is different for normal cars (A\$66,331) and for highly fuel-efficient vehicles (A\$75,526). The Luxury Car Tax (LCT) Revenue collected from the LCT for the 2016-17 financial year was A\$664 million and is estimated to raise A\$680 million in 2017-18. Cars with a GST inclusive value above the LCT threshold face a tax imposed at the rate of 33% on the amount above the luxury car threshold.

The AADA's position on the above tariffs and non-tariff barriers has been consistent that the LCT should be abolished as it is a relic of past policies associated with the introduction of the GST and motor vehicle manufacturing in Australia which ceased in October 2017. The proliferation of other Free Trade Agreements (FTAs) and removal of tariff barriers for imported motor vehicles leads to a conclusion that the retention of the LCT remains in place for no other purpose than to assist in returning the Australian Budget to surplus in 2020-21.

We recommend the UK, in its FTA negotiations, should flag that the LCT is a non-tariff barrier that should be expressly listed in the FTA documents and marked for exclusion for all vehicles manufactured in the UK.

Customs and other duties on passenger motor vehicles was estimated to raise \$480 million in 2017-18 rising to \$550 million in 2020-21. With the cessation of local passenger vehicle manufacturing, there is no longer a rationale for the tariff as there is no local industry to protect.

We recommend the UK, in its FTA negotiations, should flag that the vehicle tariffs should be expressly listed in the FTA documents and marked for exclusion for all vehicles manufactured in the UK.

We would be happy to meet with you to discuss our submission. If you require further information or clarification in respect of any matters raised please do not hesitate to contact me on mobile 0413 007 833, email dblackhall@aada.asn.au, or our Executive Director, Policy and Communications James Voortman mobile 0452 535 696, email jvoortman@aada.asn.au.

Yours Sincerely,



David Blackhall
Chief Executive Officer