

16 July 2002

Automotive Industry Inquiry
Productivity Commission
PO Box 80
Belconnen ACT 2616



This supplementary submission by Insurance Australia Group (IAG) follows the publication of the Productivity Commission's June 2002 Position Paper "Review of Automotive Assistance".

IAG notes that Productivity Commission's preferred tariff option is a pause at 10% tariff on motor vehicles and component parts between 2005 and 2009, followed by 5% tariff on motor vehicles and component parts from 2010.

IAG urges the Productivity Commission to explicitly clarify that its preferred option applies to all imports of all categories of automotive replacement parts, including competitive aftermarket parts as well as genuine original parts. Such parts are typically imported for the purpose of repairs and maintenance, not just for vehicle assembly.

The tariff on replacement parts is currently 15%. IAG understands that it is the intention of the Productivity Commission that this tariff be reduced in line with the tariff on new vehicle imports.

It is very important that the tariffs on motor vehicles and the tariffs on replacement parts be synchronised, so that the relationship between the prices of motor vehicles and the prices of replacement parts does not become distorted.

In IAG's original submission, IAG pointed out that the affordability of motor vehicles is influenced by ownership costs, not just purchase prices. Low tariffs on parts assist in lowering ownership costs by reducing the cost of mechanical repairs and collision repairs. Lower parts prices help to reduce the cost of insurance and can reduce the rate of depreciation.

The importation of parts for repairs and maintenance is a \$2billion annual retail market in Australia. Tariff reductions should deliver more competitive pricing of all new motor vehicle replacement parts. More competitive pricing will reduce the cost of collision repairs and reduce the number of total losses, helping to contain the cost of insurance.

Please do not hesitate to contact me directly on (02) 9292 8593 should you wish to discuss any of the issues raised in the submission.

Yours sincerely

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