

Ford Motor Company of Australia Limited

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Consumer Policy Inquiry
Productivity Commission
Submission via email to consumer@pc.gov.au

Subject: SUBMISSION TO THE REVIEW OF AUSTRALIA'S CONSUMER POLICY FRAMEWORK

Thank you for the opportunity to contribute to the review of Australia's consumer policy framework conducted by the Productivity Commission. We believe this is a most important review as it relates to an appropriate policy framework in an increasingly dynamic and competitive national economy.

Background

Ford Australia is a leading automotive company with extensive design, engineering and manufacturing facilities located in Broadmeadows and Geelong, Victoria. Its core products are the Ford Falcon and Ford Territory which are sold in Australia as well as exported to markets such as New Zealand, South Africa and Thailand. These vehicle lines are complemented by a broad portfolio of imported products from Europe, Africa and Asia including the Ford Fiesta, Ford Focus and Ford Ranger. In 2006, Ford Australia sold more than 114,000 locally manufactured and imported vehicles. Ford Australia is ultimately owned by the Ford Motor Company in Dearborn, Michigan.

Ford Australia presently employs some 5,000 people in areas such as Manufacturing, Product Development, Purchasing, IT, Sales & Marketing and Finance. There are also more than 220 independently owned Ford dealerships nationwide which provide employment to thousands of Australians. Ford Australia also has a major impact on activity and employment in the local automotive components sector from which it sources a range of components.

Market Environment

The Australian new vehicle market is one of the most competitive vehicle markets in the world. It is characterised by a proliferation of brands and models, both locally manufactured and imported, all competing in a relatively mature and small (by global standards) market for approximately one million sales annually. There are presently more than 50 brands from 25 source countries offering over 350 models, with increasing fragmentation expected as new brands and models, including several from China, enter the market in coming years.

This intense competition means automotive manufacturers and importers are under considerable pressure to adopt and maintain consumer-friendly conduct and methods of operation as Australian consumers are quick to vote with their spending power, patronage and word-of-mouth referral in instances where this behaviour is absent. Intense brand competition works

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favourably to ensure consumers' interests are championed and promoted at all consumer interactions.

Key Issues for Consideration by the Review Committee

A key issue for major national corporations such as Ford is that of the complexity of operating under a variety of state-based regulations in addition to the federal regulations, and the associated costs of compliance. To this end, we would encourage a *national* consumer policy framework to ensure both consistency and that the costs of compliance are efficiently managed and minimized. Similarly, the rise of internet shopping, with its disregard of physical state-based boundaries, has also necessitated the need for legislative framework at a national level.

We would also stress that any regulatory change to existing consumer policy be based upon evidence and demonstrable market failure, with due consideration given to the impact or burden that the proposed changes place on corporations in terms of compliance. A rigorous Regulatory Impact Statement (RIS) must accompany any proposed additional regulatory change, and ongoing, periodic assessments made on the relative cost/benefit of the changes once implemented to gauge the effectiveness of the intervention in meeting its objectives in an efficient manner.

By its nature, the automotive industry often operates under specific and unique structures and consideration must be given to these characteristics when developing more generic consumer policy change. For example, Ford Motor Company does not sell its products directly to end consumers. Products are sold to Ford dealerships which then sell them to the ultimate consumers. Proposed legislative change needs to recognise this tiered arrangement of selling to ensure the appropriate relationships and transactions are being affected.

Additionally, intervention may not require imposed regulatory change. In some instances, industries may, and do, act voluntarily to bring about changed behaviours and outcomes. For example, the Australian automotive industry observes a voluntary advertising standards code amongst its members. This practice has resulted in members self-policing advertisements in accordance with strict guidelines without the need for additional legislation

Conclusion

We would be happy to elaborate on the issues raised in this submission if required. The writer can be contacted on (03) 9359 8068, or via email ehaug@ford.com.

Yours sincerely

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