

Ford Motor Company of Australia Limited

A.B.N. 30 004 116 223 Registered Office: 1735 Sydney Road, Campbellfield, Victoria 3061

6 February 2006

Secretary
Impact of Petrol Pricing Select Committee
Parliament House
George Street
BRISBANE QLD 4000

Dear Sir/Madam

Subject: INQUIRY INTO PETROL PRICING IN QUEENSLAND

We write in response to a recent invitation for comment on issues relating to petrol pricing in Queensland. We believe the Committee's inquiry is timely, and look forward to assisting with the inquiry. We will limit our contribution to background material and to those specific terms of reference where Ford Australia has particular knowledge and expertise.

Ford Australia is a leading automotive company with extensive design, engineering and manufacturing facilities. Its core products are the Ford Falcon and Ford Territory. These vehicle lines are complemented by a broad portfolio of imported products from Europe, Africa, Asia and North America including the Ford Fiesta, Ford Focus and Ford Courier. Ford Australia currently employs more than 6000 people. In 2005, Ford Australia sold 129,140 locally manufactured and imported vehicles. Ford Australia is ultimately owned by the Ford Motor Company in Dearborn, Michigan.

Ford Australia is a national leader in the support of alternative fuels. It was the first vehicle manufacturer to complement its supply of petrol and diesel fuelled vehicles by offering dedicated-LPG variants of the Ford Falcon. These vehicles were first introduced in 2000. They significantly reduced the cost of accessing LPG fuel (versus the traditional dual-fuel conversion approach) and allowed vehicles to be specifically engineered and tuned to operate on the alternative fuel. Ford Australia was attracted to LPG because of the economic advantages it could offer motorists and because of the ready existence of a national fuel distribution network. In other words, it represented a "now" alternative fuel. In 2005, Ford Australia sold nearly 8300 Egas (LPG) passenger car and light truck variants of the Ford Falcon. In addition to its LPG leadership, Ford Australia is also participating in the development of the ethanol industry. More than 90% of new petrol vehicles sold by Ford Australia in 2005 could operate on E10 blended fuel. Since January 2006, Ford Australia's locally manufactured vehicles (Falcon and Territory) have carried E10 information labels (Ethanol Fuel (E10) Suitable) on the inside of their fuel filler caps. This information is designed to regularly remind motorists they can use E10 blended petrol where it is available.

Ford Australia has also participated via the Federal Chamber of Automotive Industries in a series of voluntary agreements since 1978 with the Federal Government to improve the energy efficiency of motor vehicles. These vehicles have sought to reduce the national average fuel consumption of new vehicles sold in Australia via the progressive introduction of affordable new technologies and reductions in vehicle mass.



Head Office

Private Mail Bag 6 Campbellfield, Victoria 3061 Telephone: 03 9359 8211 Facsimile: 03 9359 8200 Internet: www.ford.com.au

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Ford Australia believes the voluntary code approach of these agreements, which has achieved fuel savings of more than 30%, is well suited to the Australian vehicle manufacturing industry structure. In fact, the present model Ford Falcon is more fuel efficient than the two-litre Ford Escort was when the first voluntary agreement was entered into. A voluntary agreement based on a national average provides maximum flexibility, which is paramount in an environment where the domestic industry focus is on the manufacture of medium-to-larger passenger cars. The industry has a reliance on global technology developments and is also a largely petrol-oriented car market compared with Europe, for example, where diesel cars account for approximately half of all new car sales. Much of the manufacturer focus in Europe is therefore directed to using diesel technologies to reduce CO2 emissions. The present introduction of lower sulphur diesel fuels in Australia could open opportunities for a greater presence of diesel fuelled passenger vehicles.

Ford Australia believes Australian motorists are very well advised on the relative fuel consumption of different model vehicles, and no specific new information initiatives are necessary. This information is in addition to the basic and naturally obvious premise that the fuel consumption of a car increases as one steps through the small to medium to larger size vehicle types. All new cars are required by law to display, up to the point of owner delivery, windscreen labels. These labels indicate how much fuel a vehicle will use to travel 100 kilometres on a standard drive-cycle test. The labels also incorporate CO2 emission information. These labels allow motorists to readily make relative comparisons between different brands and models. Motorists can also readily access Federal Department and Transport and Regional Services internet "Green Vehicle Guide". In addition, motorists can also access fuel consumption information from manufacturer sales brochures, web-sites and independent publications such as motoring club magazines.

The Australian emphasis to date has largely focussed on the fuel efficiency of new vehicles. However, Ford Australia believes significant energy efficiency opportunities also exist in the area of greater in-use energy efficiency. This represents practical ways in which motorists can reduce their present fuel bills, and could involve greater use of eco-driving type programs and in-service vehicle maintenance programs. For example, eco-driving programs in Europe have demonstrated that drivers can reduce fuel consumption by up to 25% simply by being prepared to adopt some straight forward driving and maintenance procedures. We would urge the Committee examine gains that could be readily made via such programs.

The Committee has asked about the likelihood of small cars being manufactured in Australia. Ford Australia does not believe there is a significant opportunity here. This view reflects the low barriers to import entry, the relatively small volume base of the Australian vehicle manufacturing industry and the fact that most small cars sold in the market today are imported from aggressive newly emerging economies such as Korea, South Africa and Thailand.

We trust the matters raised are of assistance to the Committee. We would be happy to discuss the issues in greater detail. The writer can be contacted on (03) 9359 7142.

Yours sincerely

Russell Scoular
Government Affairs Manager



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