GM Holden Ltd

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Mr Andrew Fraser MP
Chair
Impact of Petrol Pricing Select Committee
Parliament House
George Street
Brisbane QLD 4000

Dear Mr Fraser

We refer to the inquiry by the Impact of Petrol Pricing Select Committee and thank you for the opportunity to provide our input.

GM Holden is a wholly owned subsidiary of the General Motors Corporation and is Australia's largest vehicle manufacturer with major facilities located in South Australia and Victoria. We market a range of vehicles including locally manufactured family-sized vehicles – such as the Commodore and Statesman – and smaller models imported from GM affiliates around the world (such as the Barina, Viva and Astra). We also manufacture a range of four cylinder and V6 engines for domestic and overseas customers.

The recent volatility in the world oil price has focussed a great deal of attention on reducing transportation costs. Sensitivity to rises in petrol prices is indicative of the frustration that comes with the apparent lack of viable substitutes, however this should be viewed in the context of major developments in the global automotive industry.

Globally, General Motors' strategy is for a future where hydrogen fuel cell-powered vehicles will ultimately lead to truly sustainable transportation. Hydrogen is the most abundant element in the universe and it is seen as the viable energy source that will reduce the world's dependence on petroleum. Significant resources are required to get there, and Governments around the world need to consider the policy environment that will enable a successful transition from carbon-based fuel to the new "hydrogen economy".

Australia is a small player in the global automotive industry and it is difficult for local manufacturers to make a business case for local development of alternative powertrains. However, we do stand to benefit from the powerful R&D resources of our globally-based parent companies. GM is investing hundreds of millions of dollars in fuel cell research with the goal of validating and designing a fuel cell propulsion system by 2010 that is competitive with current internal combustion systems on durability and performance, and that ultimately can be built at scale affordably. The production of such a system will rely on a number of factors, including the establishment of a supporting infrastructure to deliver the hydrogen energy to the vehicles.

Naturally, this evolution will take time. GM has near-term and mid-term technologies which will bridge the gap between today's vehicles and tomorrow's hydrogen fuel cell powered vehicles. General Motors has been developing a range of hybrid technologies that combines electric power with traditional combustion engines to significantly reduce fuel consumption. Initial development has focussed on the higher consuming light trucks sold in large volumes in North America, however the technology will make its way to conventional cars at the higher end of the US market. Holden's standing within GM's global operations positions Australia well to benefit from the future advancement of hybrid technology.

Hybrid technology offers significant fuel efficiency gains, however it will be some time before the costs reduce sufficiently to allow for local development and volume production in Australia. In the meantime, domestic manufacturers need to focus their attention on improving the efficiency of the conventional vehicle, powered by an internal combustion engine.
While changes in petrol prices attract a strong response from the community, any assessment of the true cost of transportation should take into account vehicle fuel efficiency gains in recent decades.

Over the past 25 years, the typical Australian car has changed dramatically. Customers have demanded that our vehicles become physically larger and roomier, have more body structure to provide safety improvements, and include the addition of luxury features such as air conditioning, power steering and airbags. All this adds mass to the vehicle, which can have a detrimental impact on fuel consumption. Simultaneously, engines have increased in capacity and performance in response to consumer demand for more comfort and more power.

Despite increased mass and engine performance, the actual fuel consumption of motor vehicles has improved dramatically. For example, today's Holden Commodore consumes approximately 30 per cent less fuel in city driving than the 1980 Holden Commodore with a smaller 3.3L engine. Advances in fuel efficiency have been combined with lower real prices for motor vehicles to offset the impact of higher petrol prices on overall transport costs in a typical household. It is also important to note that petrol prices in Australia remain among the lowest in the world.

GM Holden and its dealer network have complied with the Federal Government's fuel efficiency labelling scheme since its introduction in 2002. We believe it serves the community well by helping consumers understand the running costs and greenhouse impact associated with their vehicle purchase. There is the opportunity to build on this program by placing greater effort on promoting what consumers can do every day to increase fuel efficiency, such as regularly servicing their vehicle and maintaining tyre pressure.

Rising petrol prices have also focussed attention on alternative fuels and fuel blends such as E10. The Federal Government has committed to achieving a biofuels target of 350 megalitres by 2010, having identified that addressing consumer confidence is key to this accomplishment. In this regard, GM Holden has voluntarily affixed a new label indicating E10 suitability on all locally-produced vehicles built since January 2006. This is in addition to customer advice in our owner's handbooks and on the FCAI website. All post-1986 Holden vehicles can accept an ethanol blend of up to E10 with the exception of a small number of vehicles listed on the FCAI website (www.fcai.com.au/ethanol).

We note that diesel and LPG alternatives are also of interest to the committee. The comparative low cost of LPG stimulates greater market demand during periods of high petrol prices. During 2005, GM Holden launched a new dual-fuel system option on the Commodore Executive. LPG fuel consumption is higher than petrol and depends on the variable quality of the gas. Sophisticated OEM-engineered systems can move LPG's efficiency closer to that of petrol while maintaining comparable driving characteristics.

New diesel fuel standards introduced by the Federal Government in January 2006 pave the way for highly efficient, new-technology turbo diesel powertrains to enter the Australian market. In February, GM Holden announced its intention to market a new 1.9 litre turbo Astra Diesel from mid-2006. European testing suggests this vehicle will achieve fuel economy of 5.8 litres per 100 kilometres. Turbo diesel powertrains offer the benefit of fuel efficiency without sacrificing the power and performance desired by Australian consumers.

In closing, it is important to note that the Australian automotive industry exists to serve a segment of the market that desires powerful, family-sized vehicles designed to handle Australia's varied road conditions. On the volume base in the Australian market, local manufacturers are able to add scale to their operations by identifying export opportunities too small for the larger, global manufacturers to consider. On this principle, GM Holden is a successful exporter to markets such as the Middle East. The world market for small vehicles is extremely crowded with global players who

base their competitiveness on the scale volumes available in their home markets – scale not available in Australia. As such, GM Holden has no current plans to produce a small car in Australia.

Once again, we appreciate the opportunity to contribute our views to the inquiry. Please don't hesitate to contact me if you need further information on the issues outlines above.

Yours sincerely

Alison Terry
Executive Director – Corporate Affairs