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The Commissioner  
Productivity Commission  
Locked Bag 2  
Collins Street  
**EAST MELBOURNE VIC 8003**

Dear Commissioner

**Re: Fringe Benefits Tax Exemption on Utilities**

Following the request by Minister Macfarlane to me at the Liberal Party State Conference in Hobart on 25<sup>th</sup> October to furnish him with more background as to the Fringe Benefits Tax exemption applied to 'tradies' utilities and its effect detrimental to GMH, I outline the following --

- Any one tonne utility, all of which are fully imported from Thailand, in either 2 door, or more importantly 4 doors, from all manufacturers are all FBT exempt as an employer provided transport. The Australian Taxation Office 'primarily designed to carry goods'.
- In 2013 V-FACTS expect sales of 130,000 'one tonners'.
- First choice of Government Departments, Councils and other Government supported entities primarily because of FBT exemption, and in many cases, practical use.
- First choice of Company Fleet buyer, as the 4 door versions can be quite comfortable transport for the driver's family with the 'appeal of a company car' when taken home at the end of the working day.
- Commodore utility expected sales of 5,500 units is also FBT exempt, but only carries 2 people so has very little family capacity or company car appeal.
- The fleet buyer of Commodore, Cruse, Camry or Falcon pays an FBT penalty in the order of \$2,700 each year to provide a sedan or wagon -- previously the main 'company cars' Australia wide. 'Company cars' are 60 per cent of the market.

## **PART A**

My recommendation of a win for GMH, Ford and Toyota being Australian manufacturers and at a neutral cost to the Federal Government are as follows –

### **Immediately3**

- Give Australian built passenger vehicles the same FBT exemption as enjoyed by one tonne Utes, resulting in a dramatic demand for local product sales at the expense of fully imported units from Thailand.
- Australia has no revenue or employment created by these imports, nor would the FBT concession swapped cost the Government very much, as it gets none on the 'one tonners' and is receiving little from sales of not many Commodore's and Territory's.
- FBT exemption would now include Ford Territory which fulfills most 4WD requirements and as SUV's represent 42 per cent of the market, there would be significant inroads to the imported volumes currently led by Toyota Prado, Mitsubishi Pajero, Toyota Kluger and Ford Kuger.

## **PART B**

### **Long term**

#### **Forward planning in conjunction with local assemblies**

- FBT could now only be exempt on local assembled units
- GMH, Ford and Toyota manufacturing could boom by entering the one tonne market with Australian assembly of Completely Knocked Down (CKD) units as it is with the Holden Cruze system of manufacture. They are of course selling only fully imported one tonners from Thailand at the moment. As these units are a high volume market, it would create vast opportunities currently denied to local component manufacturers. This would also be a major plank of Government, buy locally built.
- Nissan, Mazda, Mitsubishi, VW without any local assembly will continue to offer fully imported product only. FBT only when applicable.
- Being aware of the FTA with Thailand, who placed an excessive Road Tax on car sales with an engine capacity over 3 litres, thereby destroying the export of Commodore to their market, it would be quite in order for Australia not to allow FBT exemption on any imported one tonner. This is a Business Tax, not an Import Tax.
- For those who want the high end imported Utes are generally private buyers who currently pay up to \$50,000, and FBT is unlikely to be an issue in any case.

- This could give Ford viable volume to continue local manufacture of the Territory, an excellent diesel family wagon, combined with local assembly of Ranger Utes, and be most welcomed, particularly in Geelong.
- My concepts are all at virtually little cost to the Federal or State Governments, and keep the Australian manufacturing industry freely viable from increased local sourced volume.

Thank you for your interest in my thoughts stemming from some four decades in the new car business in Hobart.

Yours sincerely

**CHRISTOPHER MERRIDEW**