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Submission to the Productivity Commission

Review of the Australian Automotive Manufacturing Industry

Response to Position Paper of 31 January 2014

The Productivity Commission addressed the issue of second-hand vehicle import duty and has stated that it believes the barriers to parallel importation of second-hand vehicles ('grey imports') into Australia should be removed.

GM Holden Ltd (Holden) disagrees with this proposal and concurs with the comments regarding large-scale importation of second-hand vehicles made by the Federal Chamber of Automotive Industries in its submission to the Productivity Commission.

Holden is concerned that an abolition of the current \$12,000 customs duty on 'grey imports' will result in a substantially larger number of older vehicles being imported into Australia and increase the average age of Australia's fleet, which in turn will negatively impact the levels of latest safety and technology in vehicles and increase the amount of CO<sub>2</sub> emissions from cars on Australian roads. The environmental impact of older vehicles is much higher than for new vehicles, with average emissions of new vehicles consistently decreasing year-on-year.

Australia has arguably the most competitive and fragmented new vehicle market in the world, with more than 60 brands competing for approximately 1.1 million annual sales. This strong competition helps to drive increased safety, technology and emissions improvements in new vehicles offered in this market. Technologies in new vehicles are continually improving, but this would be less widespread in Australia's fleet if older, less-advanced vehicles enter the market.

New Zealand, having lowered the barriers to entry for second-hand vehicles in the mid-1980s, has experienced an increase in the average age of its fleet. It currently stands at 12.7 years old, compared to Australia's average fleet age of approximately 10 years old. In 2000, 23.8 per cent of New Zealand's fleet was over 15 years old. After more than a decade, in 2012, this proportion grew to nearly 40 per cent. The likelihood of the average age of Australia's fleet increasing, is high.

It is widely claimed that many 'grey imports' into other markets have had odometers tampered with prior to export, such that the customer may be purchasing a vehicle with a higher and unknown mileage, than what the odometer shows. This practice could raise a number of detrimental factors to consumers and established businesses, including safety, mechanical, emissions and brand reputation issues.

Australia has a strong history of setting high motoring safety standards. A strong and competitive new vehicle market helps to provide consumers with the latest safety technologies. Compromising the new vehicle fleet by enabling an abundance of older 'grey imports', will entice many consumers to less safe vehicles.

Holden urges serious and careful re-consideration of the proposition of opening up the Australian market to 'grey imports'.

George Svigos  
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