

TOYOTA

Submission by
Toyota Australia
to the
**Foreign Affairs, Defence and Trade
Legislation Committee Inquiry:
JAEPA Implementation Bills**
November 2014

Toyota Motor Corporation Australia Limited
Submission to the Foreign Affairs, Defence and Trade Legislation Committee

Key facts

Toyota Australia facts and statistics	<ul style="list-style-type: none">▪ Presence in Australia since 1959▪ 11 consecutive years as Australia's best-selling automotive brand with 18.9% market share in 2013▪ 3,900 employees▪ 2013 production and sales:<ul style="list-style-type: none">- Toyota domestic sales: 214,630- Vehicles produced: 106,278- Vehicles exported: 70,588- Engines produced: 105,243- Engines exported: 10,140- Export countries: 13- Export value \$1.4b
---------------------------------------	--

1. Overview

Toyota Australia wishes to acknowledge and extend its appreciation to the Australian Government on concluding the Japan-Australia Economic Partnership Agreement (JAEPA).

We welcome the finalisation of our long standing cooperative trading relationship with Japan through the implementation of the *Customs Amendment (Japan-Australia Economic Partnership Agreement Implementation) Bill 2014* and *Customs Tariff Amendment (Japan-Australia Economic Partnership Agreement Implementation) Bill 2014*.

While presenting the potential for significant commercial and economic outcomes, we also regard JAEPA to be a strategically important agreement to Australia in further strengthening trade ties with Australia's second largest trading partner. Given the expected benefits that will accrue through JAEPA, Toyota Australia supports an expedited finalisation of this agreement.

For the purposes of the Foreign Affairs, Defence and Trade Committee Inquiry, we would like to make the following comments regarding JAEPA and its implementation.

2. Toyota Australia general business operations

Toyota is Australia's leading manufacturer, distributor and exporter of vehicles. In 2013 we celebrated 11 consecutive years as the nation's best-selling automotive brand with 214,630 new vehicles sold to Australian customers. Sales revenue for 2013 was approximately \$8.9 billion, including export sales of \$1.4 billion – the highest in the Australian automotive industry.

Toyota Australia has extensive import and export operations covering vehicles, engines, components, parts and accessories, and business services. Our company is deeply integrated into Toyota's global supply chain with dealings covering Japan, USA, Thailand, Malaysia, Philippines, Indonesia, Taiwan, China, GCC, Yemen, New Zealand, South Pacific Islands and to a lesser extent other markets, such as Europe.

Through these business transactions we take advantage of existing free trade agreements, including AUSFTA, TAFTA and AANZFTA to improve our global competitiveness. Most noticeably, a preferential trading arrangement between Australia and Japan has been absent. Through JAEPA's implementation, Toyota Australia will now have the ability to take advantage of trade agreements with all significant business partners in the Asian region.

Toyota Motor Corporation Australia Limited
Submission to the Foreign Affairs, Defence and Trade Legislation Committee

3. Local manufacturing improved competitiveness

Toyota Australia builds Camry, Hybrid Camry and Aurion vehicles, and engine and service parts at our Melbourne manufacturing facility for both domestic and export customers. We are the leading Australian vehicle exporter with 70,588 vehicles delivered to 11 countries and regions, and more than 10,000 locally built engines exported to Malaysia and Thailand in 2013.

The timely introduction of JAEPA will support both our business and businesses within our local supply chain by allowing further reductions in the cost of business inputs, namely original equipment components imported from Japan for use in our locally manufactured vehicles and engines. With the commencement of production of a major facelift vehicle in quarter two of 2015, any competitive advantage accrued through access to JAEPA concessions will positively contribute towards the competitiveness of this new vehicle.

4. Import vehicle improved level playing field

The Australian automotive market is already characterised by low barriers to entry and an unparalleled level of competition. Timely implementation of this agreement will provide an improved level playing field for Japan sourced vehicles and parts versus other nations which already enjoy bilateral/multilateral agreements with Australia.

5. Rules of origin

Toyota Australia supports the flexible approach taken by JAEPA in regards to the application of rules of origin and origin procedures. The inclusion of criteria for two approaches to verify that a good can qualify as 'originating' (change of tariff classification and qualifying value content) will minimise compliance burden for businesses taking advantage of JAEPA. Further, the provision of allowances for traders to either self-certify their own products or utilise a third party to validate on their behalf to obtain preferential tariff treatment will also be beneficial.

6. Visa access arrangements

Toyota Australia supports the continuation of ongoing market access and visa arrangements for Australian professionals to enter and stay in Japan. We regularly conduct inter-company transfers (ICTs) through the use of such visa arrangements to exchange skills and expertise between Australia and Japan, and to skill up our local workforce.

We do however note that conditions placed on spousal visas are restrictive and prohibit holders from seeking paid employment in Japan. Unfortunately these provisions mean some candidates selected for ICTs may not take up an opportunity once informed of spousal visa conditions which in turn inhibits companies such as Toyota Australia from placing preferred candidates in roles overseas. This should be addressed in future trade agreements or through any opportunities to make enhancements to existing agreements.

7. JAEPA implementation timing

Toyota Australia understands a range of administrative and legislative matters require resolution before the agreement can enter into force, which is expected to be early 2015. This said, in light of the opportunity for improved competitiveness and a levelling of the playing field mentioned above, we would welcome the earliest possible conclusion to a fully implemented agreement.

In summary, Toyota Australia regards JAEPA as an agreement that when ratified, will provide significant economic benefits for both businesses and individuals of the countries involved. While

Toyota Motor Corporation Australia Limited
Submission to the Foreign Affairs, Defence and Trade Legislation Committee

Toyota Australia will transition to a national sales and distribution company in years to come, we see an immediate tangible import and local manufacture benefit from the earliest introduction of this agreement and look forward to its entry into force.

If you require any further information, please contact Andrew Willis, Government Affairs and Trade Manager