

# Finance Matters

## Welcome

Welcome to our newsletter specifically for our network of accountants who support our vehicle and equipment finance division.

In this newsletter we will alert you to some special rates of finance available up until Christmas and explain how our fleet pricing system works that could save you and your clients thousands of dollars when buying a new car or light commercial van. In addition, we will examine the prices of cars in Australia and compare them with the US and UK. You will be staggered by the price differential and we will attempt to explain why we pay a significant premium on most cars.



## Special Finance Offer

One of our finance partners is offering a low fixed rate of **6.99%\*** on all new motor cars. This is for a strictly limited time and the finance contract **MUST** be settled by 31st December 2011 to qualify. The qualifying conditions include:

- New Cars Only (sedan, station wagon, panel van, ute, light commercial)
- Purchased from LMCT dealers only
- Terms - fixed for 2 to 5 years
- Quick & easy approvals
- 100% finance
- Finance product options

The rate of **6.99%** is the lender's rate and excludes brokerage paid to our firm which increases the effective interest rate. Our brokerage is built into the repayments and includes any referral fee we pay accountants. We offer accountants a referral fee based on the price of the asset being financed:

Amount Financed	Your Brokerage (Incl. GST)*
< \$20,000	\$0
\$20,001 - \$35,000	\$220
\$35,001 - \$50,000	\$275
\$50,001 - \$70,000	\$330
> \$70,000	\$385 Minimum*

\*Varies on individual quotes above \$70,001

## Need Promotional Material?



Should you want to promote our vehicle and equipment finance referral service we have developed a brochure specifically for display in your reception area.

To obtain some copies, simply call the office on 03 9824 5300.

## Finance For Cars Under \$20K

Most financiers have a minimum finance amount of \$20,000 and we have seen an increasing number of clients purchasing vehicles below this level in recent times. Lenders typically charge a higher rate (usually in excess of 10%) on these deals but one of our finance partners is offering finance at 8.95%. Call us today for a no obligation quote on cheaper vehicles and this offer could be ideal for small business, trades & professional clients.

- New & used (up to 5 years old)
- Finance from \$5,000
- Terms from 2 - 5 years
- Vehicle to be used for 'business purposes'



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## Fleet Discounts

### How it Works... 6 Simple Steps

Our leasing division also offers you and your clients a speedy and professional, new car buying service that guarantee to get the best fleet prices available on any new vehicle. This is a free service to compliment the finance offering and in most cases we will save the client thousands of dollars when buying a new car.

### How does Fleet Pricing Save Thousands of Dollars?

Most people buy a new car every three to five years but our affiliate group negotiate on a number of new cars every day for both private and business clients. This volume of purchases buys enormous 'buying power' and discount pricing. The 6 step process is as follows:

1

#### Select the Car or Vehicle

Decide on the vehicle you want to purchase including any non-standard extras such as window tinting or a sun roof. Research the vehicle on the internet, visit dealers, read car magazines and talk to friends.



2

#### Test-Drive and Get a Price

Visit your local car dealer and take the car for a test drive. If you want, even negotiate the best price including all on road costs but do not sign any contract or pay a deposit.



3

#### Contact Us

Provide precise details of the vehicle you want (using our form) and we will 'tender' the vehicle to national group of dealers and negotiate the best possible price including fleet discounts. The buying power and trade contacts ensure the new car price (or changeover price including your trade-in) will save you thousands.



4

#### Order

The fleet department order the vehicle on your behalf from the dealer who wins the tender and you will be kept up to date on the expected delivery date of the vehicle.



5

#### Finance

Discuss the most tax effective finance option with your accountant who liaises with us so you maximise the tax deductibility and where possible, claim back the GST up front.



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## Australian Car Prices Exposed

If you believe the attached price chart, Australian car buyers are being ripped off! It's impossible to reach any other conclusion based on the figures taken from manufacturers' web sites in the US and UK.

The survey comparing retail prices in Australia against similar cars in the US and the UK show that, on average, we are paying at least 20 percent more for our new cars. Whilst it is only a sample of selected makes and models the price analysis paints a very clear picture.

With our Australian dollar hovering around parity with the US dollar the pricing seems outrageous.

### Why Is It So?

The survey tries to select cars with similar specifications but there will always be some variations so you should only take the pricing as a guide. Variations will occur because of a number of factors including local taxes and delivery costs, but we don't think that should make more than 5% difference in quoted prices in most cases.

So let's take a closer look at some of the statistical analysis from the chart.

- Adding all the prices together there is a 71% premium that the local buyer pays over his English counterpart. That premium leaps to 121% when compared to the USA.
- Even if we take out the luxury cars (which are subject to premium rate of tax in Australia) we still find our prices are 20% higher against the UK and 83% higher against the US.
- Economy cars have a closer price link, particularly those made in Asia. In some cases there is almost price parity with some Toyota, Nissan and Mazda cars.
- More expensive cars get much more expensive! This is particularly the case with Mercedes and BMW who seem able to charge so much more than their overseas counterparts. The variation is even more evident with exotic makes like Ferrari and Lamborghini.

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## Vehicle Comparison Chart

### Small and Economy Cars

<b>Nissan Micra</b>	UK (AU \$ approx) Aus Price (approx) Premium Aus v UK	14,160 13,990 0%	
<b>Toyota Yaris</b>	UK (AU \$ approx) Aus Price (approx) Premium Aus v UK	19,953 18,225 -8%	
<b>Honda Jazz</b>	UK (AU \$ approx) Aus Price (approx) Premium Aus v UK	17,348 16,990 -1%	
<b>Hyundai i20 5dr</b>	UK (AU \$ approx) Aus Price (approx) Premium Aus v UK	14,953 15,990 7%	
<b>Mazda2</b>	UK (AU \$ approx) Aus Price (approx) Premium Aus v UK	18,986 18,590 -2%	
<b>Kia Soul</b>	UK (AU \$ approx) Aus Price (approx) Premium Aus v UK	17,785 20,490 11%	

### Mid Range

<b>Ford Focus</b>	UK (AU \$ approx) USA (AU \$ approx) Aus Price (approx) Premium Aus v UK Premium Aus v USA	25,000 16,400 24,990 0% 52%	
<b>Mazda MX 5</b>	UK (AU \$ approx) USA (AU \$ approx) Aus Price (approx) Premium Aus v UK Premium Aus v USA	32,327 22,660 48,334 49% 92%	
<b>Chrysler 300C</b>	USA (AU \$ approx) Aus Price (approx) Premium Aus v US	29,550 44,785 52%	
<b>Chrysler Grand Voyager</b>	UK (AU \$ approx) USA (AU \$ approx) Aus Price (approx) Premium Aus v UK Premium Aus v USA	42,810 32,660 60,500 41% 85%	
<b>Subaru Forester</b>	UK (AU \$ approx) USA (AU \$ approx) Aus Price (approx) Premium Aus v UK Premium Aus v USA	32,675 19,420 32,990 0% 63%	
<b>Subaru Outback</b>	UK (AU \$ approx) USA (AU \$ approx) Aus Price (approx) Premium Aus v UK Premium Aus v USA	41,071 21,985 42,405 3% 73%	
<b>Subaru WRX STI</b>	UK (AU \$ approx) USA (AU \$ approx) Aus Price (approx) Premium Aus v UK Premium Aus v USA	50,441 32,223 66,928 31% 107%	
<b>BMW 320D</b>	UK (AU \$ approx) Aus Price (approx) Premium Aus v UK	42,669 65,815 54%	

## Australian Car Prices Exposed *continued*

### Some Glaring Examples

We applauded Toyota, Nissan and Mazda for their price alignment with their small cars and Subaru's pricing of their Forester and Outback models are impressive. However, have a look at their sporty WRX STI. The poor Australian car buyer is paying a 31% premium over the UK price and a massive 107% more than if he bought the same car on the USA. Why? Well, Subaru Australia couldn't answer the question.

If we turn the spotlight on to Mercedes and its popular four wheel drive ML300 you'll find we pay a premium of 47 percent compared to the UK! You might think this is attributable to the fact the car is made in Europe but in actual fact it's made in the USA and both versions are right hand drive with very similar specifications. Maybe it's due the 33% luxury car tax? Wrong again because the luxury car tax for this car doesn't apply until the retail price (including GST) reaches \$73,375 and it only adds about \$7341 to the final RRP. Deduct this from our calculations and we are still paying a premium of 35% against the UK price and 97% against the USA recommended retail price.

### Please Explain?

We asked a number of local players to explain the variation and they all quoted similar answers including Government taxes but while there is a 10 percent import duty and 10% GST in Australia, the UK have a 20% (VAT) which is virtually the same. Sure, the State Governments charge stamp duty on the purchase of a new car but there are similar taxes (though not always as much) in the US and UK.

Another excuse was the fact that Australian prices include third party insurance but in the UK third party insurance is extra and basic cover could add \$500 to the prices quoted in the comparison chart. The same applies to US vehicles and if you added \$500 to the price of each car you'll still see we are still paying a massive premium in Australia.

Yet another excuse offered was the luxury tax component which exaggerates the differential. That's also true, but if you take the luxury tax off the figures for prestige cars there's still a premium of 35% over the UK (and the Ferrari is still at least 45% more). One legitimate reason is the fact that economies of scale work against us. A car dealer in the US deals with more customers than we do in Australia and that saves him money. The importer or manufacturer enjoys economies of scale too, but not to the degree reflected in the pricing, otherwise you would not see parity on any of the cars in the table.

Transport costs are also higher but it only makes a difference of less than one percent in the final price and in some instances it also works against the Australian price premium as it costs more to send cars from Asia to Europe. Another factor is the cost of complying or modifying cars to Australian Design Rules. The truth is, many imports require little effort to comply, and therefore there is little extra costs. Some vehicles do require substantial modification but they are usually not imported for that reason.

### Luxury Cars (these incur LCT\*)

<b>Mercedes E220 CDI</b>	UK (AU \$ approx)	45,000	
	Aus Price (approx)	91,000	
	Premium Aus v UK	102%	
<b>Mercedes ML300</b>	UK (AU \$ approx)	64,000	
	USA (AU \$ approx)	44,000	
	Aus Price (approx)	93,859	
	Premium Aus v UK	47%	
<b>Ford Mustang</b>	USA (AU \$ approx)	27,000	
	Aus Price (approx)	145,000	
	Premium Aus v USA	437%	
<b>Ferrari California</b>	UK (AU \$ approx)	226,000	
	USA (AU \$ approx)	185,000	
	Aus Price (approx)	460,000	
	Premium Aus v UK	51%	
<b>Lamborghini Aventador</b>	UK (AU \$ approx)	370,000	
	USA (AU \$ approx)	370,000	
	Aus Price (approx)	755,000	
	Premium Aus v UK	104%	
	Premium Aus v USA	104%	

\* Luxury Car tax of 33% above \$57,466 for petrol and \$75,375 for diesel vehicles.

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## Australian Car Prices Exposed *continued*

The strength of the Australian dollar is yet another suggested excuse but you might recall the dollar dipped in the late 1990's the importers tried hard (to their credit) to delay price increases. Since then the dollar has risen and we have had a sustained period of strong currency for a long time and consumers are overdue for some benefit.

None of these reasons amount to much in our view, certainly not enough to justify anything like a 71% premium.

Having heard all the excuses our take on the price differential is:

1. Manufacturers and importers will charge the highest price they can expect to get.
2. They have not, in the main, reacted quickly enough to the strong Australian dollar.
3. 'Perceived luxury' means bigger margins.
4. The Australian car buyer accepts the premium as normal.

## Need More Information?

Need more information, a quote or assistance with finance calculations or applications?  
Contact David Jakimiuk today on 03 9824 5300 or 0417 363 720 or [leasing@pjcam.com.au](mailto:leasing@pjcam.com.au)

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