



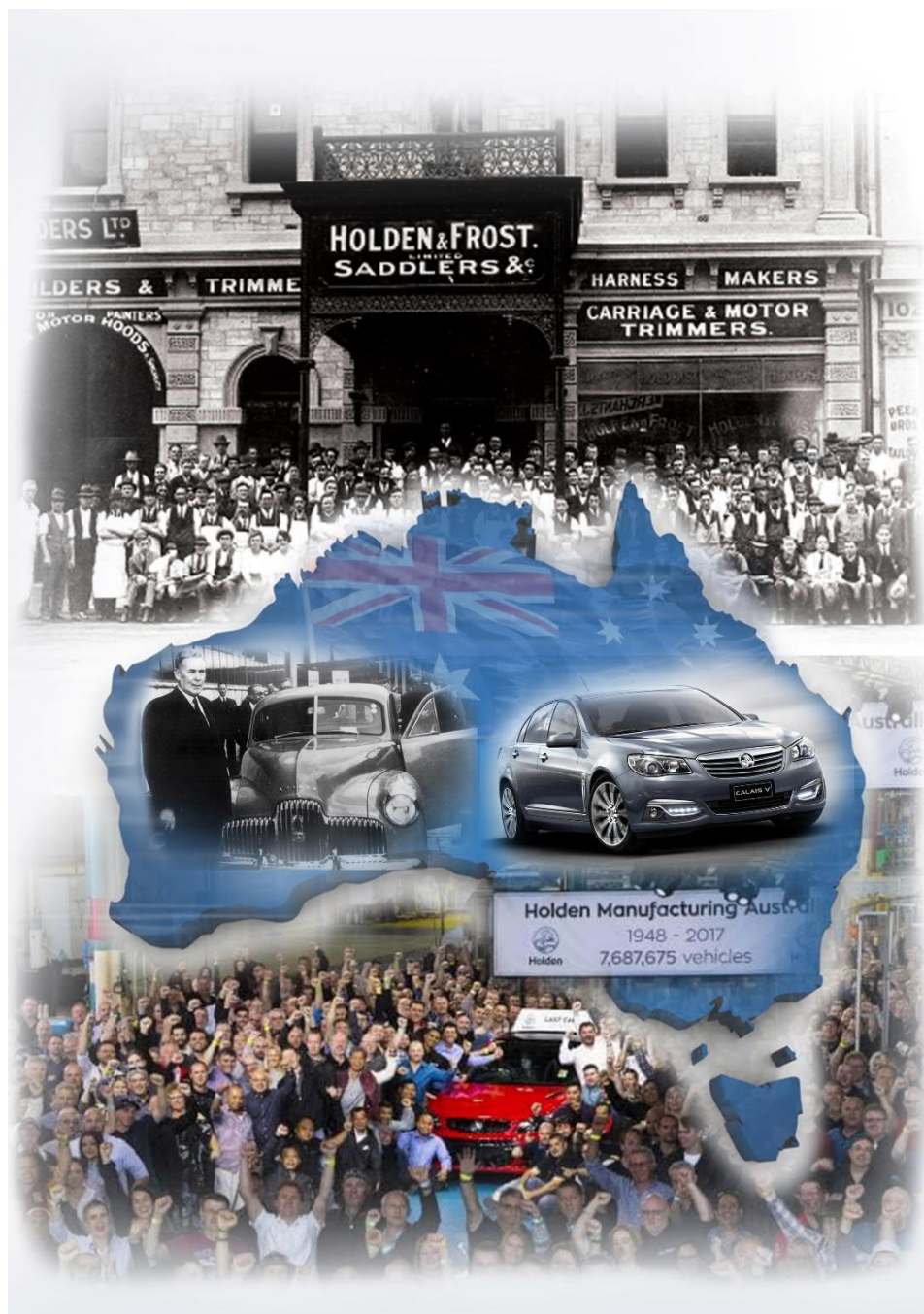
GM Holden

Submission

25 June 2020

Education and Employment References Committee (Senate)

General Motors Holden Operations in Australia



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GM Holden (Holden) welcomes the opportunity to make this submission to the Senate Education and Employment References Committee. The submission is structured to address the terms of reference.

Holden submitted a detailed interim update to the Committee on 20 May 2020.

Key Points

- Everybody at Holden is devastated by the decision by General Motors (GM) to wind down new vehicle sales, Engineering and Design operations. Holden has been a family and livelihood to many people for decades. GM explored numerous options to secure a future for Holden but very sadly it was not possible, for reasons announced in February. We are now determined to wind down the brand with dignity.
- Holden is providing high levels of support and assistance to help our people transition to new careers. We achieved great success in helping our manufacturing workers transition after 2017 and are once again making a big effort to help people leaving this year to secure new jobs. We are proud to see that Holden people remain highly sought-after across a number of sectors, despite the issues affecting the broader economy.
- Holden has clearly and repeatedly stated our commitment to supporting the 1.6 million Holden owners on Australian roads for at least the next 10 years. We share the same passion for Holden as the huge number of our customers do and we sincerely appreciate their loyalty over a long time. We have no intention of letting them down.
- All warranties, scheduled servicing, repairs, parts supply and possible future recall actions will continue to be supported by GM and Holden as usual. Approximately 200 people are remaining in the business to support a network of authorised Holden Service Outlets across Australia to service and repair vehicles for Holden customers.
- Holden has formulated a Transition Support Program (TSP) which provides fair compensation to Holden dealerships for the loss of new vehicle profit opportunity for the balance of agreements.
- As part of its offer, all Holden dealers have been given the opportunity to continue the very profitable service, warranty and repair operations, for a longer new five-year term, so additional compensation is primarily focused on the loss of new vehicle sales, over the remaining two and a half years of the current dealer agreement, plus some other features.
- Holden's compensation offer is about four times the amount of average profit which dealers were making on the sale of a new car, over the past three years.
- Holden took great care to formulate the TSP, which is consistent for all dealers. It includes:
 - \$1,500 per vehicle for lost profit opportunity over the next 2.5 years
 - additional compensation for unamortised capital investment in Holden showrooms
 - additional compensation for special circumstances
 - additional compensation for dealers which are solely dependent on Holden
 - payment for removal of signage
 - additional cash assistance to help clear new vehicle inventories quickly and profitably
 - guarantee of full margin opportunity for every new vehicle sold in 2020 (in prior years, some new vehicle margin was subject to meeting performance standards)
 - ongoing service, warranty and parts opportunity for at least the next five years.
- The TSP has withstood scrutiny by PricewaterhouseCoopers (PwC), whose analysis suggested the TSP overcompensates the dealers in many cases.

- 90% of Holden dealers are multi-franchises, selling other car brands. On average, Holden vehicles represent less than 30% of their total sales.
- In 2019, on average Holden's Australian dealers made a loss of \$600 on each new car sale. The TSP offers \$1,500 cash per lost sale of a vehicle, through to the end of 2022, which equates on average to an increased payout of \$2,100 per vehicle sale, based on 2019 sales volumes.
- The same approach to methodology was used to formulate offers for Australian and New Zealand dealers. It makes dealers whole on the new car sales part of the business, which Holden can no longer support. In recent years, New Zealand dealers were more profitable than Australian dealers, so the same formula used in both countries resulted in more compensation in New Zealand, as they have suffered greater loss of new-car-sale profit opportunity.
- Holden has offered fair compensation well in excess of recent average profit margins, as we want to maintain a good future relationship with dealers, for benefit of Holden customers. We are providing each dealer – 90% of whom also carry other brands – the opportunity to continue as authorised Holden Service Outlets beyond the current agreement.
- The TSP not only compensates dealers for lost new Holden business but leaves them better off than what they would have been if GM had allowed Holden to continue selling a decreasing volume of new vehicles through to the end of the current dealer agreement, and better off than if there was litigation on the issue.
- The TSP has been maintained as it was originally formulated, with no downward adjustments made to the value to reflect the impact on sales and significant economic deterioration caused by the COVID-19 situation.
- Holden has acted in good faith throughout this transition process with its dealers and discussions have been cordial and respectful. Holden believes the compensation offer for dealers is fair and Holden hopes to have a continued relationship with its dealers into the future.
- Holden sincerely thanks Federal and State Governments, of all political parties, which have implemented supportive policies or provided direct assistance to Holden and other businesses in the automotive industry, over many decades. Assistance for this highly capital-intensive, global industry was always greatly appreciated and Holden firmly believes that the various forms of assistance delivered the broader, local economic benefits which were intended at the time.
- Australia has benefited significantly from Holden over many decades. Holden always worked within industry policies of the day and has been a cornerstone of Australia's industrialisation.
- Holden's manufacturing generated significant flow on activity to hundreds of Australian businesses in a multi-tiered supply base, employing many thousands of people in a broad web spread across Australia. The direct linkages to a global automaker provided supplier businesses and broader Australian industry with access to the latest industrial innovations, skillsets and technologies that often originate first in global automotive.
- All Holden employees will be able to take great pride as they see their work alive on Australian roads for a long time to come.
- The 'Holden family' will see their work in the cars they created and as a world-class Holden VF Commodore drives past, they can proudly think to themselves "We made that! Designed, engineered and made by Australians, for Australians".

Introduction

Holden is a longstanding Australian business and brand which has been central to the industrialisation of Australia, particularly over the past 80 years.

On 17 February 2020 General Motors (GM) announced with great sadness, a decision to wind down new vehicle sales operations of Holden, as well as the GM Australia Design and Engineering operations.

The iconic Holden brand is deeply respected by GM and the decision to wind down Holden was reached only after very detailed analysis. Regrettably, GM is no longer able to support Holden with levels of future investment required for the business to be successful for the long term.

Holden has been a family and livelihood for many people for decades and everyone at Holden is devastated by the decision.

Holden is now undertaking a professional and respectful withdrawal of its new vehicle sales, design and engineering operations, while keeping an ongoing commitment to servicing and supporting the estimated 1.6 million Holden vehicles currently on Australian roads. Holden recognises the impact on dealers, customers, suppliers, community and business partners and has made good progress in discussions with stakeholders, most of whom seem to understand the reasoning for the decision.

GM is committed to wind down the Holden brand with the dignity that it deserves.

Holden has been an Australian business since it was founded as a saddlery in Adelaide in 1856 and has been an important and highly valued member of the GM global family since 1931. GM is deeply mindful of Holden's 160-year heritage and its place in the fabric of Australia. Throughout its proud history, Holden has not just made saddles, carriages and cars but also helped make Australia itself, by being a significant part of the engine that fueled Australia's industrialisation and advancement.

A timeline at the end of this submission notes milestones in the life of Holden. People at Holden today still often reflect with pride on key chapters in the company's history which helped to shape Australia.

Holden's significant contribution to Australia during the Second World War, provided it with the ability to build a complete motor car in Australia afterwards. Holden Managing Director Laurence Hartnett and BHP Managing Director Essington Lewis worked closely with the Australian Government to establish a full automotive manufacturing industry in Australia. In 1948 at Holden's Fishermans Bend plant, Prime Minister Ben Chifley proudly launched the first fully Australian made car, the Holden 48/215, proclaiming "she's a beauty!".

This extensive new industrial capacity became a cornerstone to sustain the massive population growth which Australia needed in the following decades. Thousands upon thousands of migrants in the 1950's and 1960's began a new life for their families in Australia on the back of a good paying job at Holden or its suppliers.

Industry policy of the 1960's saw basically all parts of a car made in Australia. Holden had established its Lang Lang Proving Ground in 1956 and opened its new, world-class Technical Centre in 1964. Holden factories ran at full capacity in Adelaide, Melbourne, Sydney, Brisbane and Perth.

The local industry steadily grew and by the 1970's there was the largest number of brands building and assembling cars in most capital cities of Australia, with decades of high tariffs ensuring this expansion of local production. As tariffs started to be lowered, automakers gradually retreated and by the 1980's

the industry consolidated to five major brands making cars locally. Holden itself consolidated and by the 1990's was only manufacturing its cars and engines in Adelaide and Melbourne.

As other countries in the region industrialised and tariffs continued to reduce, competition in the Australian car market increased, with more brands and models becoming available for motorists to choose from. This was great for consumers but mounted pressure on local automakers and their factories as the relatively small Australian market gradually fragmented. Holden kept up with the competition by delivering great products which were very popular in Australia and also exported to a range of overseas markets.

The 2000's were very productive for Holden, with a competitive local industry policy and the Australian dollar in a sweet spot for exporting. Holden's manufacturing footprint had consolidated further, to the vehicles being built in Adelaide and engines built in Melbourne. Engine production had grown into a substantial export business.

Holden weathered the Global Financial Crisis of 2008-09 and with assistance from government during that turbulent period, added the production of a small car to its Adelaide factory to help offset the loss of a significant export program.

However, come the 2010's, pressure on the industry mounted again. Huge expansion and construction projects in resources sectors such as natural gas and iron ore, had put upward pressure on the Australian dollar to levels which made vehicle exporting tough. This combined with an increasing number of bi-lateral free trade agreements which Australia was securing with other car making countries in the region. The FTA's were often dubbed by pundits as 'cows for cars' deals.

By 2010 only three brands remained manufacturing locally. As pressure on several fronts mounted and export opportunities dwindled, GM announced in 2013 that Holden would cease manufacturing in Australia in 2017. On 20 October 2017, the last and 7,687,675th Australian-made Holden – a red VF Commodore – was driven off the production line in Elizabeth, South Australia.

Holden had a challenging task to re-position its brand post-manufacturing, partly due to its unique and locally regarded brand name – which was also iconic in Australia – compared with the global branded names of other auto companies that had also ended local manufacturing. Holden was also especially known for its locally built and very popular Commodore sedan cars and had to work hard to try and assure the Australian marketplace that the closure of Holden manufacturing did not mean the end of Holden in the market. This was a challenge which was difficult to overcome.

GM explored numerous options to maintain Holden operations. Every realistic possibility was carefully examined but none could overcome the challenges of the investments needed for Australia's highly fragmented and right-hand-drive market, the economics to support growing the brand, and the need for an appropriate return on investment.

Despite hopes of reaching a different outcome, the inescapable conclusion was that GM could not sustain further investment into Holden. GM reluctantly made its decision to wind down Holden a few days before the public announcement which was made with great sadness on 17 February 2020.

Impacts of the decision:

1. Holden employees

- 1.1. Holden employees have proven, world-class capabilities, with over a million vehicles on Australian and overseas roads standing testament to their expertise and success. There are many fine vehicles around the world made with the input of Holden designers, engineers and factory employees. GM acknowledges their professionalism, passion and loyalty and is treating its Holden employees with respect and support.

There were 794 predominantly full-time roles currently in Australia between the Holden National Sales Company, Design, Engineering, Maven and Holden Financial Services entities. 328 employees are Award covered. Holden will retain a team of about 200 people going forward, to support customer service and aftersales operations.

The majority of impacted employees based at Port Melbourne will have departed the company by the end of June 2020, including 113 Design and 106 Engineering employees. The 116 Engineering employees at the Lang Lang Proving Ground will depart during August 2020. A small group working on the business transition will remain until the end of 2020.

- 1.2. Across all categories, separated employees receive financial packages, payout of entitlements and employment transition support including health and well-being counselling, financial counselling and outplacement support. Similar packages and transition processes have been delivered successfully for previous restructures at Holden since 2017.
- 1.3. Following closure of manufacturing in 2017, Holden successfully transitioned its former manufacturing workforce in South Australia and Victoria, achieving a 96% rate of success, with remaining people not seeking work for medical reasons, or choosing to take a career pause.
- 1.4. Some Engineering and Design employees were offered redeployment within GM to overseas postings. Many potential Australian employers from a range of sectors including automotive, defence and mining, have reached out directly to Holden expressing employment opportunities for people across the business, including engineering and design. Holden sees this proactiveness as evidence of the high regard Holden people and their knowledge and skills, are held broadly. Holden people were highly sought following the 2017 closure of manufacturing.
- 1.5. Holden Financial Services continues to pursue the sale of the business, although this has been delayed due to the COVID-19 situation. We expect to re-start this effort as soon as international travel restrictions lift.
- 1.6. It has been incredibly sad for everyone at Holden to see our various teams wind down amidst the COVID-19 situation, which has impacted their ability to enjoy the camaraderie of their team-mates and workplaces during the closing months of their careers at Holden. An event will be planned after COVID-19 restrictions have eased, for Holden employees to get together and properly celebrate their wonderful achievements.

We are pleased though that well beyond COVID-19, all Holden employees will be able to take great pride as they see their work alive on Australian roads for a long time to come.

The 'Holden family' will see their work in the cars they created and as a world-class Holden VF Commodore drives past, they can proudly think to themselves "We made that! Designed, engineered and made by Australians, for Australians".

2. The Holden dealership network

2.1. Holden takes very seriously its obligations to support our various stakeholders. Many of our dealers have been with us a very long time and are just as passionate about Holden as we are. We know their sadness and disappointment about the wind down of Holden is just the same as ours. We've been through a major restructuring of the industry together over a long period and Holden maintains we have always acted in good faith, and we continue to do so during this difficult time. Holden sincerely hopes to have an ongoing relationship with our dealers, as Holden Service Outlets, to deliver service and repair work for our customers.

2.2. Holden's franchised dealerships across Australia have always been key partners, ranging from family enterprises, to significant private businesses and large ASX listed companies.

Discussions with dealers have been on an individual basis as well as with the Holden Dealer Council's representative, HWL Ebsworth (HWLE). Holden has acted in good faith throughout this transition process with its dealers and discussions have been cordial and respectful.

Holden believes its compensation offer for dealers is fair and hopes to have a continued relationship with its dealers into the future.

2.3. Independent research commissioned by the Federal Chamber of Automotive Industries (FCAI) in 2018 found that of 3,010 dealer businesses in Australia, 16% were solely owned; 28% owned 2-5 dealerships; and 56% owned 5 or more dealerships.

2.4. Approximately 10% of Holden dealers are solely dependent on the Holden franchise for their income and that dependency has been considered in the compensation calculation, with a supplemental payment.

Over a long period of time, most dealers have responded to Australia's increasingly competitive and crowded market and have diversified their risk by taking on other brands. This practice intensified as Holden sales declined and some dealers withdrew from new Holden sales completely. Most dealers also have used-vehicle sales operations.

2.5. Approximately 90% of Holden dealers are now multi-franchise, with Holden representing on average across the network approximately 29% of new vehicle sales for these dealers. The other 71% of new vehicle sales are made up of other brands and Holden dealers also profit from the finance and insurance sold alongside those other vehicles. The contribution from finance and insurance relating to both Holden and other brands is incorporated in the profit margin which Holden's compensation package is measured against.

2.6. For a number of years, many dealers have been losing money on new Holden vehicles they sell, based on financial information provided by dealers to Holden. This is not unusual across today's industry and there are some exceptions. It is only when other income related to the new vehicle sale is factored in, such as finance, insurance and accessories, that many dealers generate a small profit on a per unit basis. Alongside this, a dealership's service and parts departments are usually highly profitable.

In 2019, based on information provided by dealers, Holden dealers on average lost \$600 on the sale of a new vehicle. Service and repair work, representing 115% of average total profit, offset the significant loss incurred on new vehicle sales.

In fact, prior to the announcement on 17 February, Holden had been fielding requests from a number of dealers for them to "hand back" the new vehicle sales franchise but retain the rights to vehicle servicing and sell genuine parts.

- 2.7. All Holden dealers are getting the opportunity as part of a transition support package to continue as authorised Holden Service Outlets for an initial term of five years, which is double the remaining term on the existing agreement. This will enable dealers to maintain an extensive customer base to service Holden vehicles and provide spare parts and accessories.

Holden dealers benefit from one of the biggest vehicle brand populations in Australia. There are about 1.6 million Holdens on Australian roads, making it a lucrative brand for service and repair work. This is typically a very profitable ongoing business stream for dealers.

Maintaining these customer connections provides added opportunity for dealers to make a future new vehicle sale to current Holden customers, noting that 90% of Holden dealers are multi-franchise and have other brands to offer as a future sale.

Holden expects that most - if not all - dealers would wish to continue with Holden Service Operations given that service and spare parts have been profitable for the dealer network. Each time a vehicle is serviced under, for example, the 'free service for 7-years' offer or under warranty arrangements, the work is undertaken by dealers but is paid for by Holden. Holden will continue to fund this arrangement on the same basis as present.

If dealers seek to continue as authorised Holden Service Operations, this would mean retention of many of their service-related staff and apprentices.

- 2.8. Dealership employment impact: In 2019, dealers collectively reported to Holden the following new vehicle sales jobs across the network, dedicated to the Holden brand:

- 400 New Sales Consultants
- 157 New Sales Managers
- 49 Fleet Sales Consultants
- 40 Fleet Managers

These numbers have steadily declined over years as Holden dealers de-risked their business, by independently reducing their staffing levels or redeploying staff to their other franchises. The number of 646 positions relating to new car sales, reported by dealers in 2019, is significantly less than the misleading "9000" number circulating in the media.

With most Holden dealers also selling other brands and having a likely ability to expand other franchises into former Holden floor space, as well as having used vehicle sales operations, redeployment of Holden dedicated dealership staff is likely to occur in many cases, either at their same dealership location or to other locations. Dealers also have the opportunity for ongoing Holden service and repair work, which entails a large proportion of jobs. For these reasons, the "9000" impacted jobs circulating in media is significantly overstated.

- 2.9. There may be some impact on jobs at dealers in relation to Holden's transition but not anywhere near the exaggerated numbers reported. Holden regrets this additional impact to some dealership employees and anticipates that dealers will utilise a portion of their compensation packages to assist impacted employees, as Holden is doing for its employees.

Holden was heartened by comments made in the media by various dealers across Australia who said that they didn't envisage an immediate impact on jobs as a consequence of Holden's transition and intended to re-assign impacted employees to other parts of their businesses. Separately, Holden notes the industry-wide impact on employment in dealerships which COVID-19 has had on top of the continued consolidation and contraction in the industry as a whole. The COVID-19 pandemic arose approximately a month after Holden's announcement.

Compensation process: From the outset, Holden sought to offer fair compensation and had no intention of commencing a car-yard type haggle with its dealers of long standing. Holden deliberately formulated an offer up front that it believed is fair and the structure of which has been accepted by dealer networks in other markets where GM has exited.

In addition to being given the opportunity to continue as a Holden service and repair operation, dealers are being offered a Transition Support Package (TSP) that takes into account the financial impact on their business of the loss of new vehicle sales, as well as unamortised capital investment and signage. The compensation formula was designed to be favorable to dealers by looking back three years to 2017 when Holden sales and the overall industry were stronger.

- 2.10. Holden's analysis, based on data provided by dealers, showed average profit to be \$351 per vehicle over the period 2017-2019. Holden's compensation offer of \$1,500 per vehicle is over four times that amount.

In 2019, on average Holden's Australian dealers made a loss of \$600 on each new car sale. With the TSP offering \$1,500 cash per lost sale – through to the end of 2022 – this represents an increased payout of \$2,100 per vehicle sale, based on 2019 sales and locked in for 2.5 years.

PwC's analysis concluded an appropriate range of compensation is \$350–1,409 per vehicle.

Holden has offered fair compensation well in excess of recent average profit margins as it wants to maintain a good future relationship with dealers, for benefit of Holden customers. Holden is providing each dealer – 90% of whom also carry other brands – the opportunity to continue as authorised Holden Service Outlets beyond the current agreement.

The TSP not only compensates dealers for lost new Holden business but leaves them better off than what they would have been if GM had allowed Holden to continue selling a decreasing volume of new vehicles through to the end of the current dealer agreement.

- 2.11. Dealer Transition Managers (DTMs) held face to face meetings with Holden's 185 dealers. As part of the meetings, the DTMs checked in on dealer wellbeing, including offering all dealer staff independent counselling, which is paid for by Holden.

Individual discussions are complex and take into account for each dealer:

- projected sales volume for the 2.5 years remaining term of the dealer agreement
- investments made in Holden new car showroom facilities over the past 5 years
- investments made in Holden signage over the past 5 years
- any appropriate special circumstances warranting further consideration.

Holden is paying for removal of signage.

- 2.12. Some dealers have indicated they wish to receive additional compensation and have enlisted the support of third parties to advance their case.

Significant time and effort has been put into the compensation formula and Holden has used actual financial information provided by dealers over several years to produce a fair and reasonable compensation offer.

- 2.13. Compensation formula: Holden is applying a consistent formula across the dealer network. For larger dealerships with higher Holden new car sales volumes in recent years, the compensation offer can reach into the millions of dollars.

Holden believes the standard formula fairly compensates dealers by relying on the actual number of Holden sales, and recent unamortised investments made in facilities.

- 2.14. Holden's wind-down relates to the less profitable (and on average unprofitable in 2019) new vehicle sales component of a dealership business. To compensate dealers for that lost income over the remaining 2.5-year term of the agreements, it bears repeating that Holden is offering more than four times the average margin per vehicle (including the add-ons such as finance and insurance), based on the past three years.

Looking back three years takes into consideration years when the industry was stronger and Holden cars more popular than they were in 2019.

The vast majority of dealerships are multi-franchises and their past three years profit margin per Holden vehicle, which the compensation can be compared against, also incorporates margin made on finance and insurance products, which has been contributed by other brands in the multi-franchise as well as Holden.

- 2.15. The TSP is consistent for all dealers and the same approach to methodology was used to formulate offers for Holden's Australian and New Zealand dealers. The offer – which withstood the rigor of PwC's analysis – makes dealers more than whole on the new car sales part of the business which Holden is no longer able to support. In recent years, New Zealand dealers were more profitable than Australian dealers and hence were offered more compensation, as they had suffered a greater loss of profit opportunity. Profitability has been based on data supplied by all dealers in both countries.
- 2.16. Dealers which are regarded as being solely dependent on Holden are assisted with an additional supplementary payment.
- 2.17. Only a small number of dealers have made significant investment in showrooms recently and we believe the additional compensation offered to these dealers is fair. Further, in many cases it is likely those commercial facilities can be re-purposed or assigned to another brand for future income.

Holden is paying for the cost of signage removal for all dealers.

- 2.18. Holden is also providing substantial additional assistance to dealers to ensure that all dealers can liquidate their new vehicle inventories in a profitable and expedient manner.

As a consequence, dealers have since February had the ability to make considerably more margin from the vehicles they are selling, compared to what they had been making in the recent past.

- 2.19. What Holden's dealer compensation package does not and cannot address is the impact of external factors on dealers' businesses, such as the overall decline of new car sales in Australia, the profit impact of changes to vehicle financing regulations, or new threats like COVID-19.
- 2.20. Holden rejects outright any assertion it has used the COVID-19 situation as leverage with dealers. There is no evidence for such allegations and quite the opposite has occurred. We dimly view any efforts to use the COVID-19 pandemic to malign the Holden team.
- 2.21. Our industry and business have been significantly impacted by COVID-19 and actions to contain its spread. Despite significant financial impact, Holden reaffirmed the original compensation offer in full, even though new car sales outlook has declined further and the compensation for lost profitability on new sales was based on healthier pre-COVID-19 forecasts. The only

adjustment Holden made to the offer was timing of TSP payments due to restructured financial planning caused by COVID-19 economic impact on cash flow. All dealers who accept Holden's offer by June 30 will be compensated in full by the end of 2020.

- 2.22. The TSP not only compensates dealers for lost new Holden business but leaves them better off than what they would have been if GM had allowed Holden to continue selling new vehicles through to the end of the current dealer agreement, and as if the impact of COVID-19 was ignored.

3. Holden Research and Development Facilities

- 3.1. Engineering and Design – Fishermans Bend: GM Australia Design and Engineering operations have been completing projects and winding down operations. Both of these groups, based at Fishermans Bend, will close by the end of June. A small number of people will remain until the end of the year to oversee decommissioning of facilities.

GM Australia Design and Engineering have been fully integrated with GM Global Product Development, working on global projects. Intellectual property is owned and retained by GM.

The Technical Centre and Design Centre are leased premises. Holden sold these buildings to the Victorian Government in 2018, with a leaseback arrangement. Holden understands these buildings will in turn be sold by the Victorian Government, to the University of Melbourne, which is planning a new engineering campus on the former Holden site.

Holden does not own any land or buildings at Fishermans Bend.

- 3.2. Proving Ground – Lang Lang: GM Australia Engineering operations will complete current GM global program work at the Proving Ground Emissions Labs and Track facilities by the end of August 2020. GM is currently conducting a sale process of the Proving Ground land and facilities, and invited expressions of interest up to 24 June 2020. The Proving Ground was established by GM in 1956 and is owned by GM.

4. Owners of Holden vehicles (including service and repair)

- 4.1. Holden's customers are the focus of what we do and we have clearly and repeatedly stated our commitment to supporting the 1.6 million Holden owners on Australian roads for at least the next 10 years. We share the same passion for Holden as the huge number of our customers do and we sincerely appreciate their loyalty over a long time. We have no intention of letting them down.

General customer feedback we have received is that while many customers are saddened by the decision to wind down Holden new vehicle sales, they understand that Holden's aftersales network will continue to support them throughout their ownership experience.

Customers have been assured of Holden's firm commitment to provide aftersales support – servicing, spare parts, honoring warranties and conducting recall actions if required – for at least the next 10 years through a national aftersales network.

Holden is particularly mindful of delivering ongoing service operations in regional Australia, with an intention to maintain a service network which largely reflects the current sales and service network.

- 4.2. Holden will continue to honour all commitments given to consumers at the time of purchase, including the 7-year free service commitment. This service commitment is funded by Holden, which pays dealers for services undertaken on Holden vehicles. Holden will also be providing appropriate resourcing for warranty claims and product quality issues.

Holden will continue to maintain local operations to handle any recall and safety-related issues if they arise, working as usual with relevant government agencies.

- 4.3. Holden Customer Care continues to be available to answer customer inquiries and all warranties and service agreements.

Holden customers in Australia can call 1800 46 465 336 or visit www.holden.com.au as usual.

- 4.4. Additional to the Holden dealer service and repair network, Holden has also for many years made available access to its service and repair information and codes to the independent service and repairer network throughout Australia, for a reasonable commercial fee.

- 4.5. Holden recognises the competitiveness of aftersales in Australia. The company will continue to roll out communications and marketing campaigns to inform customers about the aftersales service available through Holden's authorised service network.

5. The role of the Franchise Code and the Government's proposed dealership amendments to the Franchise Code

- 5.1. In February 2019, Holden made a comprehensive, confidential submission in response to the Regulation Impact Statement (RIS) on franchise relationships between distributors and new car dealers, released by the Department of Industry, Innovation and Science.

Holden also made a substantial contribution to a public submission to the same RIS, prepared by the FCAI and Holden supports the position of the FCAI, which was conveyed in that submission.

Holden notes that the Government announced recommendations following the RIS process and review of submissions and that the Government recently implemented recommendations.

6. Government or other policy settings on manufacturing, research and development, business support and transition, and employee support

- 6.1. Australia has benefited significantly from Holden over many decades. Holden was the founding manufacturer and cornerstone of Australia's automotive industry, which played a significant part in the post-World War Two industrialisation of Australia and the immigration which it supported. Countless migrants to Australia took up their first job here, at Holden.

Holden is proud it has delivered enormous economic output and return for Australia but unfortunately macro-economic factors and a proposed significant mid-cycle change to industry policy contributed to the ending of our local manufacturing. Holden always worked within industry policies of the day, just as various industries and businesses do today.

- 6.2. Over many decades, Holden has complied with and delivered on the policies of successive governments of the day. Holden was particularly a key, core business which delivered on increased industrial output for Australia over many decades, as Australia acknowledged a need for industrialisation and its ability to sustain an increased population.

Strong protectionist measures were maintained by successive governments during the 1950's to 1970's and the car industry was at the heart of an economy that welcomed hundreds of thousands of migrants. Holden and its suppliers provided the jobs and security for many thousands who embarked upon a new life for their families in Australia.

- 6.3. As the Australian economy deregulated in the 1980's, bringing increased competition for the benefit of consumers, Holden adapted its business in line with tariff-reduction policies of the day. New industry policies were implemented by governments with a dual intent of providing a more competitive marketplace for consumers through the lowering of tariffs, alongside endeavours for creating a sustainable local automotive manufacturing industry. Signature policies included the Button Plan of the Hawke Government, the Automotive Competitiveness and Investment Scheme (ACIS) of the Howard Coalition Government and most recently, the Automotive Transformation Scheme (ATS) of the Rudd-Gillard Government.

- 6.4. Holden sincerely thanks Federal and State Governments, of all political parties, which have implemented supportive policies or provided direct assistance to Holden and other businesses in the automotive industry, over many decades. It was always greatly appreciated assistance for this highly capital-intensive, global industry and Holden firmly believes that the various forms of assistance delivered the broader, local economic benefits which were intended.

Holden is particularly grateful for the assistance provided by the Australian, South Australian and Victorian Governments for some key Holden manufacturing projects. These included the localisation of the Cruze small car production from South Korea to Adelaide, the Pontiac export program from Australia to the USA and building the High Feature V6 Engine Plant in Port Melbourne. All these projects were also accompanied by significant, majority investment from GM and delivered successfully pursuant to their contracts and milestones, and overall generated a positive local economic outcome as intended.

- 6.5. Holden also sincerely appreciated the proposed \$275 million Next Generation Manufacturing Grant which was supported collectively by the Gillard, Weatherill (SA) and Baillieu (Vic) Governments in 2012. However, with the advent of GM's decision in 2013 to cease local manufacturing, the proposed grant did not eventuate and no funds were ever paid to Holden.

- 6.6. Industry Policies: Holden worked with government assistance programs, paired with significant investment of its own and from parent company GM, and generated a level of return to Australia of which we are very proud. Allegations that Holden accepted government assistance and simply pocketed it ignore these facts. Just as with other automakers, Holden turned those strategic government investments in auto manufacturing into real economic benefits to the country – just as the architects of those policies had intended.

Successive Australian governments implemented automotive policies which lowered tariffs, for the benefit of consumers, and provided other methods of assistance to automakers and the supply base, to assist them in what is one of the most capital-intensive of all industries. The Howard Government implemented the Automotive Competitiveness and Investment Scheme, which later morphed to the Automotive Transformation Scheme (ATS) of the Rudd Government, which ran to 2020. Significant changes to the ATS were proposed by the Abbott Government in 2013 but were not legislated.

- 6.7. It is commonplace that nations globally provide various forms of assistance to their local car manufacturing industries, for national security and to gain for local benefit the high job multiplier of automotive and spillover to other local industries and education institutions of the cutting-edge global innovation, technologies, knowledge and skill sets delivered by automotive.

These include 'just in time' LEAN methodology, cutting edge CAD & CAE, robotics, electrification and autonomous innovation. Automotive is an extremely capital-intensive industry and levels of assistance provided in Australia were at the low end of the comparative global scale.

- 6.8. Economic Return: Like other auto makers and suppliers in Australia, Holden has complied with policies of the day and believes that industry policies generally delivered on their intent at the time. Whilst levels of automotive assistance might be regarded as significant, the levels of return through local economic activity and thousands of jobs in the industry spread across a number of states, were even more significant and reflect that these policies succeeded in their objectives at the time.

For example, in 2003, Holden directly generated the following economic activity:

- \$6.1 Billion revenue
- \$286 million profit
- \$1.927 Billion paid purchasing vehicle components made by Australian businesses
- \$564 million paid on Holden employee wages, mostly in Australia
- \$301 million paid on capital investment in Australia
- \$201 million paid on Engineering and Design R&D in Australia
- \$160 million received from Federal tax credits to assist vehicle production and R&D
- \$130 million paid in PAYG to Australian Government on Holden wages
- \$55 million paid in import duties to Australian Government on vehicle components
- \$100 million paid to Australian Government in corporate tax

The key takeaway is that Holden's economic activity was approximately 19 times the amount of assistance received.

For the period of 2000 to 2012, on average, the economic activity generated by Holden was approximately 18 times the amount of industry assistance received, with 2003 being a relatively representative year.

The most significant flow on effect of Holden's manufacturing was the activity it generated for hundreds of businesses in a multi-tiered supply base, employing many thousands of people in a

broad web spread across Australia. The direct linkages to a global automaker provided supplier businesses and broader Australian industry with access to the latest industrial innovations, skillsets and technologies that often originate first in global automotive.

Holden made a comprehensive submission to the Productivity Commission in 2013, detailing the broad web of Holden's local manufacturing supply base and extensive economic activity.

- 6.9. As the automotive tariff in Australia was lowered, combined with an increasing number of free trade agreements with other auto manufacturing countries in the region which had lower wage and cost bases, the business case for car manufacturing in Australia became increasingly marginal. These factors, combined with a period of abnormally strong local currency hindering exports and significant mid-cycle changes proposed for automotive industry policy, saw GM make the decision in 2013 to end local manufacturing at Holden in 2017.
- 6.10. Holden had a more challenging task to re-position its brand post-manufacturing, due to its unique and locally regarded brand name – which was also iconic in Australia – compared with the global branded trading names of other auto companies that had also ended local manufacturing. Holden was also especially known for its locally built and very popular Commodore range of vehicles and had to work hard to try and assure the Australian marketplace that the closure of Holden manufacturing did not mean the end of Holden in the market. This was a challenge which was difficult to overcome.
- 6.11. Tariff Policy: A policy which Holden highlighted in 2017 and 2018 as an impediment for the brand and in turn, the health of its dealerships, was the continued existence of a tariff on motor vehicles, despite a local manufacturing industry having closed in 2017. Holden regarded the remaining 5% motor vehicle tariff as no longer warranted, as there was no longer a local manufacturing industry. Post 2017, tens of millions of dollars now had to be paid in import duties on vehicles such as the new Commodore and Astra which were sourced from Europe, replacing the Australian-made Commodore and Cruze.

Holden, GM and a number of dealers had extensive discussions with Government about the motor vehicle tariff during 2018, however the Government was not forthcoming in removing the tariff. All vehicles sold in Australia from places such as Europe, with which Australia did not have FTAs, would continue to be charged a 5% duty. This equates to a tax of about \$1000-2000 on a range of vehicles, which also sit well beneath the Luxury Car Tax threshold.

Holden suggested to the Australian Government a compromise position, whereby tariff exemption be granted to any vehicle distributor which was doing more than \$35 million of automotive R&D in Australia per year. Holden was investing approximately \$100-120 million worth of engineering and design R&D in Australia per year. This proposal was not adopted and the 5% tariff remains today.

Import duties were a significant drag on several key product lines and ultimately the business. Holden argued that the money spent on duties could have been better channeled to activities supporting dealerships, to help drive sales and profitability, and uplift the brand. In 2018 and 2019, Holden paid \$39.1 million in duties, which amounted to \$384 per vehicle when projected on average across total sales. This money ideally could have otherwise been used to help drive sales and improve vehicle profit margins.

- 6.12. Holden is comprehensively aware of current government policies, including tariff policy, automotive R&D policy, Luxury Car Tax and the R&D Tax Concession and has been provided with a reasonable awareness by Government for the outlook of these policies.

7. Other related matters

- 7.1. GM is currently engaged with a potential future manufacturing partner in assessing a new investment opportunity for GM into Australia, for GM specialty vehicles. This business has a capability to convert specific vehicles from GM's global brands, from left-hand drive to right-hand drive for the Australian and New Zealand markets. This local manufacturing activity would support local design, engineering and a parts supply chain.

Holden is disappointed by the unwarranted and erroneous remarks being made by some lobby groups during this transition process. We have concern that the negative pressure campaign, false accusations and hostile environment about our dealership transition could threaten the success of any such investment.

- 7.2. Holden has an extensive collection of heritage vehicles, engines and memorabilia and has for many years loaned vehicles to various museums around Australia. There are some quite unique vehicles and old concept cars in the collection, such as the 48/215 production vehicle Number 1 launched by Prime Minister Ben Chifley in 1948, the 1969 concept car Hurricane, and current Holden Design Director Richard Ferlazzo's global masterpiece concept car, EFIJY. Some vehicles in the collection are excellent examples of production models but are not very rare.

Holden will preserve its heritage vehicles and is working through plans with GM and local partners and institutions, including taking advice from the Commonwealth Department of Arts and National Museum of Australia. We are developing a plan that will ensure our collection of Holden heritage material is preserved in an appropriate and respectful manner in Australia.

A dedicated group of former Holden employees in Victoria and South Australia have done a magnificent job over the past several years in cataloguing and digitizing a huge array of historic material, such as marketing brochures, staff magazines, various business items and artefacts from the Elizabeth and Fishermans Bend facilities, which have been retained by Holden over the years.

Holden is very proud of its heritage collection and will devise a plan this year for its long-term preservation, with public accessibility.

Conclusion

Holden takes this opportunity, through the Australian Senate, to say a sincere thank you to the hundreds of thousands of Australians who have worked with pride in our factories, engineering centres, design studios and offices, whether it be for several days or several decades.

We sincerely thank our dealership owners and principals and the people who have worked with pride in their businesses in all corners of Australia and New Zealand. We hope to have an ongoing relationship with our dealers as we support our customers going forward.

Foremost we thank our customers and fans, without whom we wouldn't have made it this far. Our customers and their journeys are the essence of Holden and what makes it so iconic to Australia.

Everyone at Holden shares deeply with our dealers and customers the sadness and disappointment of the decision. We will continue to support our customers for a long time and have no intention of letting them down.

Finally, we thank Australians who have given their support and love for Holden. She's a beauty!

Holden Timeline

- 1856 James Alexander Holden establishes a saddlery in King William St, Adelaide, and what is later to become the second oldest brand in automotive transport, after Peugeot
- 1885 JA Holden and Son partners with Henry Frost, to become Holden and Frost which later starts building horse drawn carriages and coaches
- 1899 Holden and Frost supply gear for troops from Australian states sent to the Boer War
- 1902 Rosewarne's in Kadina, SA, open an Oldsmobile agency and are the first dealer of a GM brand in Australia – there is good argument to support Rosewarne's claim to be world's longest serving General Motors dealer, still selling GM vehicles in 2020 from the same site under the same company name
- 1914 Holden and Frost produces its first custom made car body using its carriage building expertise
- 1917 Holden and Frost commences large scale production of car bodies as Holden's Motor Body Builders. HMBB revolutionizes the Australian industry with state of the art production machinery and designs
- 1924 Holden opens new Woodville Plant in Adelaide with Australia's most modern production line, to make bodies only for GM vehicles such as Buick, Oakland, Oldsmobile, Cadillac, GMC and Chevrolet
- 1926 General Motors Australia formed, with plants in five state capitals assembling GM vehicles which use Holden motor bodies
- 1928 'Lion rolling a stone' emblem is designed by Rayner Hoff, based on fable of invention of the wheel
- 1930 Holden is caught off-guard as major expansion is completed at height of depression
- 1931 GM puts together a rescue package to merge GM Australia with Holden, to form General Motors – Holden's
- 1934 Holden produces its first coupe utility body, followed by an all enclosed coupe body, 'The Sloper'
- 1936 Fishermans Bend Headquarters and production line opened by Prime Minister Joe Lyons
- 1938 Prime Minister Joe Lyons unveils Holden's new 1,000 ton Hamilton Press at Woodville Plant in Adelaide
- 1940 Pagewood Plant in Sydney opened by Prime Minister Robert Menzies
- 1940-45 Holden factories work at full capacity for Second World War effort, building aircraft, munitions, boats, guns, troop carriers, trucks, vehicles and other military hardware. A new foundry and engine plant, considered crucial to Australia's war effort, is built at Fishermans Bend. Holden becomes first Australian company to mass produce internal combustion engines, producing the Gypsy Major aeroplane engine, Gray marine engine and a radial torpedo engine.

Holden emerges from war with full scale foundry and engine plant. After the War the government saw a need for Australia to increase population and industrialise, with Holden at the heart of this plan
- 1946 Holden MD Laurence Hartnett and BHP MD, Essington Lewis, work with Australian Government to put an all-Australian motor car into production, using Holden's plant which was expanded for the war effort
- 1948 Prime Minister Ben Chifley launches the first Holden 48/215, colloquially known as 'FX', outside Holden's Fishermen's Bend Social Centre, declaring "she's a beauty!". Holden No. 1 production car is owned by GMH; one of the 4 engineering prototypes is in the Australian National Museum, Canberra and the first car sold (to Essington Lewis) is at the National Museum
- 1950's Holden is assembling vehicles in all Australian mainland state capitals. The post-war migration boom in the 1950's and 60's saw countless thousands of new migrants and their families beginning their new lives in Australia working for Holden or its hundreds of supplier businesses, with the Menzies Government

having a policy for 100% locally made content in motor cars, to secure automotive as the cornerstone of Australia's new manufacturing base.

- 1951 First Holden Ute goes on sale – named the 50-2106 Coupe Utility
- 1953 Iconic FJ Holden goes into production
- 1954 First Holdens are exported to New Zealand
- 1956 Lang Lang Proving Ground is built to test Holdens for all Australian road conditions; Dandenong plant opens
- 1958 Holden is now exporting cars to 27 different territories
- 1959-63 Elizabeth Plant, SA is built and goes into operation in stages; Queen Elizabeth II visits Elizabeth Plant in 1963
- 1960 Production of left hand drive Holdens for export commences with first shipment to Hawaii
- 1962 One millionth Holden produced, an EJ Premier sedan (retained by GMH) at the Dandenong Plant
- 1963 New Engine Plant and Foundry open at Fishermans Bend; Holden now has 55 export markets
- 1964 New Technical Centre for Design and Engineering opened at Fishermans Bend; HR Holden is the first model to be designed in the new building
- 1966 Acacia Ridge Plant opens in Brisbane; Holden is first Australian manufacturer to fit seat belts on all models
- 1967 Torana, Holden's first small car is introduced, based on GM's Vauxhall Viva
- 1968 First Holden designed V8 is built; first Monaro Coupe (HK model) is released; Holden's first Bathurst win
- 1969 Holden Design's first concept car, the 'Hurricane' is revealed, powered by the new 253ci 4.2L Holden V8; New crash testing safety centre opened at Lang Lang Proving Ground; Two millionth Holden produced
- 1970's Motor racing rivalry at its peak – Holden vs Ford; 'win on Sunday, sell on Monday'. Holden won its first Bathurst race 1968; Peter Brock wins his first Bathurst race in a Torana, 1972
- 1971 First long wheel base Holden, the HQ model Statesman goes on sale
- 1971 HQ Kingswood is most popular selling model of the Kingswood nameplate, including a large volume to 73 export territories
- 1974 Three millionth Holden produced; exports pass \$400M mark; 26,515 employees (peak year)
- 1975 Holden Gemini, a version of GM's first world car, is announced
- 1978 VB Commodore is launched, to replace the Kingswood and quickly becomes Australia's top selling car
- 1980 Pagewood plant in Sydney closes, after 40 years production
- 1981 \$300 million Family II 4-cyl engine plant at Fishermans Bend opened by Prime Minister Malcolm Fraser; Four millionth Holden, a VC Commodore, is built at Elizabeth; Holden's first 4WD, the Jackaroo announced
- 1984 VK Commodore model range introduced, including the top of range Calais, replacing Commodore SL/E
- 1985 Acacia Ridge assembly plant in Queensland closes; WB Statesman and ute production end; high performance 'Brock' Group A Commodore unveiled
- 1986 After five years of massive losses, GMH teeters on bankruptcy and is bailed out by GM and re-organized into two companies – Holden's Motor Company (vehicles) and Holden's Engine Company

- 1988 VN Commodore launched; joint venture company is established with Toyota and model sharing begins (Commodore/Lexcen; Camry/Apollo; Corolla/Nova) – dissolved 1996; Holden Special Vehicles (HSV) begins operations; Victorian Premier John Cain seals the box of the one millionth Family II export engine
- 1989 VN Commodore scoops Wheels, Car Australia and Modern Motor Car of the Year awards; production ended at Dandenong (Vic) plant
- 1990's Large profits made every year, totalling \$1.4B profit for the decade
- 1990 Five millionth Holden built, a VN Calais; after five year gap since WB, the new VQ Statesman is unveiled
- 1991 Total engine export earnings reach \$1.9 billion, making Holden's Engine Company one of Australia's foremost exporters of value-added goods
- 1994 New \$150 million Elizabeth Paint Shop opened by Prime Minister Paul Keating; two millionth engine export
- 1997 VT Commodore introduced after a \$600 million investment, which was the largest and most advanced new vehicle engineering program Holden had ever undertaken
- 1998 Major LHD export program to Middle East announced; 50th Anniversary commemorations of launch of Holden 48/215 attended by Prime Minister John Howard and Victorian Premier Jeff Kennett, with a major restoration project of the Holden No. 1 48/215 launched by Prime Minister Ben Chifley
- 1999 Last Australian built Holden V8 engine produced at Fishermans Bend
- 2001 Six millionth Holden built at Elizabeth, a VX Commodore; Holden manufacturing operations now consolidated to Fishermans Bend (engines) and Elizabeth (vehicles). All other plants have closed by 1996
- 2002 \$2 Billion four-year capital expenditure program announced; major US export program announced of Monaro/Pontiac GTO coupes
- 2003 New \$400 million Global V6 Engine Plant opened at Fishermans Bend by Industry Minister Ian Macfarlane; third shift starts at Elizabeth Plant with Holden production, exports and economic activity booming in 2003:
 - \$6.1 Billion revenue
 - \$286 million profit
 - \$1.927 Billion spent purchasing vehicle components made by Australian businesses
 - \$564 million spent on Holden employee wages
 - \$301 million spent on capital investment in Australia
 - \$201 million spent on Engineering and Design R&D in Australia
 - \$160 million received from Australian Government tax credits for vehicle production and R&D
 - \$130 million paid in PAYG to Australian Government on Holden wages
 - \$55 million paid in import duties to Australian Government on vehicle components
 - \$100 million paid to Australian Government in corporate tax

Holden's economic activity was approximately 19 times the amount of government assistance it received

- 2005 New HQ building opened at Fishermans Bend by Victorian Premier Steve Bracks, to house nearly one thousand engineers who work on Holden and GM global programs; four millionth Holden engine exported; Holden designer Richard Ferlazzo's masterpiece EFIJY concept car is unveiled
- 2006 VE Commodore is launched, fully designed and engineered by Holden for \$1 Billion; \$530 million upgrade of Elizabeth Plant is completed; first VE Commodore and WM export models shipped to Middle East
- 2007 New export deal announced – SS Commodore to be sold in US as Pontiac G8

- 2009 GM goes through Chapter 11 bankruptcy proceedings in the Global Financial Crisis and retires several brands including Pontiac, impacting Holden's export program; Holden Cruze small car production is localised to Australia from Korea; Family II 4-cyl engine plant and foundry at Fishermans Bend are closed
- 2010's Similar to global trends, the Australian vehicle market makes a strong shift away from sedans to SUV's
- 2011 First locally built Cruze small car is driven off Elizabeth production line by Prime Minister Julia Gillard, Industry Minister Senator Kim Carr and South Australian Premier Mike Rann; Commodore and Cruze are amongst Australia's top selling vehicles
- 2012 Holden Volt electric vehicle with range extender is launched in Australia
- 2013 GM announces decision to cease manufacturing in Australia in 2017, due to a range of macroeconomic factors leading to Australia becoming one of the most crowded vehicle markets globally; Holden Design and Engineering continue their world-class operations for Holden and other GM global brands including Chevrolet, Cadillac, Buick and GMC
- 2015 Buick Avenir concept car, designed and fabricated by Holden Design at Fishermans Bend, wins Best Concept Car in Show award at the 2015 North American Auto Show in Detroit
- 2016 HFV6 Engine Plant at Fishermans Bend closes, bringing an end to Holden manufacturing in Victoria; Cruze ends production at Elizabeth, leaving Commodore the only product in Holden's range built in Australia. Holden's other products are sourced from Europe, Asia and America
- 2017 Last Holden to be built in Australia, a VF Commodore, drives off the Elizabeth Plant production line on 20 October; all Holden vehicles are now built in other GM global plants
- 2019 After 41 years as Holden's longest serving nameplate in Australia, Holden announces ZB Commodore will not be replaced as part of Holden's move to an all SUV and LCV product range in line with market trends
- 2020 GM announces the end of Holden vehicle sales, design and engineering operations. Holden service centres and aftersales will continue for at least a further decade in Australia