



FORD MOTOR COMPANY OF AUSTRALIA LIMITED

(ABN 30 004 116 223)

SECOND SUBMISSION IN RESPONSE TO:

SENATE ECONOMICS REFERENCES COMMITTEE

**INQUIRY INTO THE FUTURE OF AUSTRALIA'S AUTOMOTIVE
INDUSTRY**

ISSUED NOVEMBER 25, 2014

May 29, 2015

Ford Motor Company of Australia Limited

A.B.N. 30 004 116 223 Registered Office: 1735 Sydney Road, Campbellfield, Victoria 3061

**This submission is made by Ford Motor Company of Australia Limited
(ABN 30 004 116 223)**

The Company is subsequently referred to as 'Ford Australia'.

**In addition to this submission, Ford Australia contributed to and is supportive of the
submissions made by the Federal Chamber of Automotive Industries (FCAI) to this
Inquiry.**

Head Office

Private Mail Bag 6 Campbellfield, Victoria 3061 Telephone: 03 9359 8211 Facsimile: 03 9359 8200 Internet: www.ford.com.au



Ford Motor Company of Australia Limited

A.B.N. 30 004 116 223 Registered Office: 1735 Sydney Road, Campbellfield, Victoria 3061

May 29, 2015

Senate Economics References Committee

PO Box 6100
Parliament House
Canberra ACT 2600

Submission via email to: economics.sen@aph.gov.au

Subject: Inquiry into the future of Australia's automotive industry – November 2014

This submission from Ford Motor Company of Australia Limited (subsequently referred to as **Ford Australia**) is made in response to the “**Inquiry into the future of Australia's automotive industry**” released on November 25, 2014.

This submission is supplementary to Ford Australia's preliminary submission made on February 13, 2015 to this Inquiry (Submission #4).

Ford Australia remains appreciative of the opportunity to provide input to this important Inquiry and to provide the Senate Economics References Committee with extended insight into the characteristics of the Australian automotive market.

SYNOPSIS

Australia has the potential to be a world leader in the provision of automotive design, engineering and product development services for global markets through the utilisation of its existing highly skilled workforce, world class testing facilities and world calibre tertiary institutions.

To achieve this goal, it is imperative that Federal and State Governments continue to provide appropriate policy settings and co-investment in automotive product development activities to ensure Australian automotive product development service providers remain globally competitive and capable of winning international design and development contracts.

The establishment of a world leading, Australian automotive product development industry has the potential to attract billions of dollars of overseas investment, provide employment for thousands of tertiary qualified professionals and provide Australia with a sound platform to underscore national innovation and technological advancement.

Head Office

Private Mail Bag 6 Campbellfield, Victoria 3061 Telephone: 03 9359 8211 Facsimile: 03 9359 8200 Internet: www.ford.com.au



Ford Motor Company of Australia Limited

A.B.N. 30 004 116 223 Registered Office: 1735 Sydney Road, Campbellfield, Victoria 3061

FORD AUSTRALIA'S INPUT REGARDING THE FUTURE OF AUSTRALIA'S AUTOMOTIVE INDUSTRY:

- (a) Maintaining the capacity for Australia to engage in advanced manufacturing, by ensuring skills and industrial capabilities that have been sustained by the automotive industry are not lost**

While automotive manufacturing will cease in Australia by the end of 2017, this does not represent the end of the automotive industry in Australia. It is less well known that Australia is a world leader in automotive design and engineering. This unique position is underscored by at least five world class universities that offer engineering disciplines that are recognised as being equal to leading tertiary institutions in Europe and North America.

Automotive product development represents the bright, technology led future of the industry in Australia. Both Ford Australia and General Motors Holden have confirmed they will maintain significant engineering resources in Australia to design and develop vehicles for the world. Ford Australia already employs more than 1,000 designers / engineers and is expecting to invest approximately \$300 million in automotive R&D in 2015, bringing its investment tally for the last six years to nearly \$2.0 billion.

Automotive product development needs to be valued and nurtured if it is to grow and provide Australia with a distinct, high-tech competitive advantage. Key to this outcome is ensuring local automotive product development service providers have the capability to continue winning design and development contracts through being globally competitive compared to offshore, alternative service providers. Achieving global competitiveness will require governments to provide the right policy settings and access to ongoing co-investment programs.

- (b) Reducing Australia's dependency on commodity exports by diversifying the country's economic base, noting the importance of advanced manufacturing, including the automotive industry, in this diversification**

Ford Australia has already diversified its business by entering valuable, global supply chains as a provider and exporter of automotive product design, development and engineering services. Ford Australia's transformation from a vehicle manufacturer to being the source of complex, global vehicle programs supports the pursuit of Government to foster highly skilled and diverse jobs. The maintenance, development and future attraction of these sorts of valuable skill sets needs to be an objective for policy decision makers.

- (c) The role of all sectors of the automotive industry, including, but not limited to, motor vehicle production, component making, after-market manufacturing, engineering, servicing, retail motor trades, other forms of sales support, and the training of apprentices, in supporting an advanced broad-based economy**

Ford Australia has established itself as a creative and capable provider of global vehicle programs, with proven success as the lead design and development source for such models as the Ford Ranger, Ford Figo, Ford Escort, Ford Everest and Ford Taurus. This demonstrated world-class capability has strengthened Ford Australia's role in valuable, global supply chains and led to Ford Australia being recently appointed as Ford Motor Company's Asia Pacific Engineering Centre – one of only four such Ford centres across the globe capable of fully designing, developing and testing Ford vehicles.

The high levels of creativity, flexibility and adaptability required in designing and developing automotive and mobility solutions for global markets has created a highly capable, outward-looking, skilled workforce which supports the pursuit of an advanced, broad-based economy. The spillover of benefits associated with maintaining this sophisticated resource within Australia

Head Office

Private Mail Bag 6 Campbellfield, Victoria 3061 Telephone: 03 9359 8211 Facsimile: 03 9359 8200 Internet: www.ford.com.au



Ford Motor Company of Australia Limited

A.B.N. 30 004 116 223 Registered Office: 1735 Sydney Road, Campbellfield, Victoria 3061

have been noted in several studies prepared by organisations external to the automotive industry.¹

Ford Australia's network of 197 independently owned Ford Dealerships in some 259 locations around Australia will continue to distribute and retail Ford vehicles and genuine Ford replacement parts plus provide technical / service expertise to consumers. Ford Dealerships operate in metropolitan, regional and rural centres and directly employ more than 7,000 people. They play a critical role in providing apprenticeship and training opportunities to many young Australians.

Firms within the automotive aftermarket industry manufacture or import mechanical components and accessories intended as substitutes or "upgrades" to Original Equipment (OE) parts. It's impossible to validate the compatibility of these aftermarket parts with increasingly complex and interconnected vehicle systems without conducting the same level of extensive testing and development work as performed by vehicle manufacturers (especially where different materials and construction methods are utilised). As aftermarket producers don't have access to the requisite Intellectual Property (the property of vehicle manufacturers) and many don't have access to the sophisticated testing equipment required, aftermarket parts cannot claim to be validated. The consequences of an aftermarket part that doesn't perform as the original vehicle manufacturer intended, is compromised vehicle performance characteristics that may potentially place occupants and the community at risk. Ford Australia recommends extreme caution in the consideration of calls for the Automotive Transformation Scheme (ATS) to be extended to the automotive aftermarket industry.

(d) The special difficulties faced by component makers in the transition to global supply chains and to other forms of manufacturing, especially as a result of the closure announcements made by the motor vehicle producers

This item is not applicable to Ford Australia as it specifically addresses the particular experience of component makers.

(e) New technologies influencing the automotive industry, both in Australia and internationally, especially new and developing forms of propulsion, such as hydrogen, electric engines and hybrid engines

The retention and growth of automotive product design and development capabilities will ensure Australia remains at the leading edge of emerging and new automotive technologies. These include developments in the utilisation of advanced materials for example, carbon fibre and other light weighting materials. It will also ensure Australia has access to global advances in CAD/CAM capabilities, Virtual Reality systems and Intelligent Transport Systems (ITS) including vehicle connectivity. In developing vehicles for global markets, Australian automotive engineers will gain knowledge and experience in powertrains other than traditional internal combustion engines.

There are also many associated flow-on benefits for research projects conducted by students of Australia's first class universities. Ford Australia is increasing its involvement in collaborative research projects with Australian Universities through the Australian Alliance Framework (AAF). AAF agreements are now in place with Melbourne University, Deakin University, Australian National University, RMIT University and Swinburne University of Technology. Fifteen collaborative University Research Projects (URPs) have been approved by Ford Australia under the AAF. These URPs include research into powertrains, greenhouse gases, the application of lightweight materials and advanced safety technologies for vehicles. Without a local automotive product development presence, these URPs simply wouldn't happen.

¹ The Allens Consulting Group "The strategic role of the Australian Automotive Manufacturing Industry" – September 2013



Ford Motor Company of Australia Limited

A.B.N. 30 004 116 223 Registered Office: 1735 Sydney Road, Campbellfield, Victoria 3061

As the world's second largest manufacturer of electric powered motor vehicles, Ford Motor Company uses the latest advanced technologies in its range of Battery Electric Vehicles (BEVs), Hybrid Electric Vehicles (HEVs) and Plug-in Hybrid Electric Vehicles (PHEVs). During Ford Australia's "Go Further: 2020-Experience the Future Today" event in late 2014, Ford Australia publicly announced plans to introduce a Hybrid Electric Vehicle by 2020. No further details of the specific Ford model or introduction timing are currently available.

(f) New business models for the industry, including employee share models and attracting international venture capital and private investment

New automotive product development co-investment policies are required to maintain and help grow the established automotive product development infrastructure and skills base that currently exists in Australia. Such programs need to recognise that Australia can be a potential source of automotive design and engineering services for global markets. Establishing Australia as a global centre of excellence for automotive product development is an achievable objective given the right policy settings and support for Australian academic institutions.

The establishment of a world leading, Australian automotive product development industry has the potential to attract billions of dollars of overseas investment, provide employment for thousands of tertiary qualified professionals and provide Australia with a sound platform to underscore national innovation and technological advancement.

The economic and environmental factors necessary to establish a new business model of this type are discussed in greater detail in the second section of this paper.

(g) The possible effects of early closure of motor vehicle producers, including risks and consequences for the industry, skills, capabilities and the broader economy, including social consequences, and what policy actions could mitigate or exacerbate these risks and consequences

Ford Australia supports the recent decision by the Commonwealth Government to continue to operate the Automotive Transformation Scheme unaltered as a sensible way to assist the automotive industry's manufacturing transition.

(h) The need to synthesise and consolidate the findings, recommendations and knowledge of other reviews and inquiries pertinent to the automotive industry, in order to identify key policy inconsistencies, regulatory burdens and factors for growth and investment

Ford Australia is supportive of a consolidation of the findings of recent reviews relevant to the Australian automotive industry. Reviews of issues related to motor vehicle regulations, industry policy, trade policy and taxation of motor vehicles would all benefit from co-ordinated consideration. Ford Australia believes many linkages exist between respective reviews and inquiries, and there are many benefits in gained knowledge of the Australian automotive industry as a whole and the identification of common inhibitors to future growth. In many areas affecting the automotive industry, a whole of Government approach is required to achieve optimal outcomes.

Ford Australia supports the harmonisation of Australian Design Rules (ADR) with UN Regulations as this will help deliver the latest safety and convenience features for Australian consumers. However, it cannot be assumed that because a vehicle is certified to UN Regulations it will be 'fit for purpose' to operate effectively in Australia's unique environmental conditions. Such an assessment of 'fit for purpose' is beyond the scope of both the ADRs and UN Regulations. Car companies go to great lengths to ensure models destined for the Australian market are 'fit for purpose'. In many cases this requires additional engineering modifications over and above ADRs / UN Regulations.

Head Office

Private Mail Bag 6 Campbellfield, Victoria 3061 Telephone: 03 9359 8211 Facsimile: 03 9359 8200 Internet: www.ford.com.au



Ford Motor Company of Australia Limited

A.B.N. 30 004 116 223 Registered Office: 1735 Sydney Road, Campbellfield, Victoria 3061

(i) The importance of long-term, stable employment for workers in the automotive industry, and the need for greater access to transitional training and career opportunities

Ford Australia anticipates it will be the largest automotive employer in Australia following the cessation of local manufacturing activities by the major automotive manufacturers at the end of 2017. Ford Australia expects to provide employment for more than 1,500 people including more than 1,000 product design and development engineers working in highly skilled and value-added areas, thereby retaining this important capability in Australia.

In addition to 1,000+ engineers, Ford Australia expects it will have 400-500 employees working in key support functions and within its new National Sales Company. In total, this will provide many employment opportunities for university graduates interested in career paths within the automotive industry as part of Ford Australia's Graduate Program.

Ford Australia continues to support and prepare its manufacturing workers for employment opportunities beyond the local automotive manufacturing environment. Together with its workforce and Union representation, Ford Australia successfully concluded labour negotiations to establish a robust Enterprise Bargaining Agreement (EBA) and Social Plan that cover matters relating to Ford Australia's planned exit from manufacturing in October 2016.

In addition, Ford Australia has held jobs fairs at both its Broadmeadows and Geelong manufacturing locations, designed to introduce potential employees to prospective employers and to showcase opportunities with other companies in other sectors. These events have been well attended by both employees and invited potential employers. Ford Australia has also been working closely with Auto Skills Australia (ASA) in identifying employee training needs and working to facilitate the necessary training to upskill and re-skill members of its manufacturing workforce who are looking to move into other employment opportunities.

Together with the Victorian and Federal Governments, Ford Australia is a financial contributor to the community funds established to generate investment and sustainable job creation in the Greater Geelong and Melbourne's North regions. These community-based funding programs have already generated more than \$200 million in private investment and created over 1,150 new jobs since their establishment.

Please refer to Ford Australia's Preliminary Submission dated February 13, 2015 to this Inquiry for additional information in relation to Ford's efforts in providing and facilitating transitional training and career opportunities for employees affected by Ford Australia's business decision.



Head Office

Private Mail Bag 6 Campbellfield, Victoria 3061 Telephone: 03 9359 8211 Facsimile: 03 9359 8200 Internet: www.ford.com.au

Ford Motor Company of Australia Limited

A.B.N. 30 004 116 223 Registered Office: 1735 Sydney Road, Campbellfield, Victoria 3061

AUTOMOTIVE PRODUCT DEVELOPMENT

Ford Australia strongly advocates for policy and co-investment parameters that recognise, support and facilitate investment in automotive research and product development activities undertaken by local automotive companies. The retention and nurturing of this high value, complex and sophisticated product design and engineering work will create a significant technical skills base in Australia with demonstrated spillover effects and related benefits across other key industry sectors.

Why Australia is a good base for global automotive product development:

- Australia is already a recognised and proven world leader in automotive design and engineering.
- Australia has at least five world class universities that offer engineering disciplines that are recognised as being equal to leading tertiary institutions in Europe and North America.
- Australia has a large, existing pool of highly skilled and innovative designers and engineers. Ford Australia employs more than 1,000 designers / engineers (plus a large number of specialist contractors). Engineering capability also exists within other local automotive companies.
- Australia already has world class design, engineering and testing facilities. Ford Australia's product development facilities at Broadmeadows, Geelong and Lara are the core of the Ford Motor Company's Asia Pacific Engineering Centre, one of only four global Centres of Excellence for the design and development of Ford vehicles.
- Australia has a stable political and legal environment.
- Australia has strong laws to protect Intellectual Property.

Against this background, it should be recognised that many other countries would like to establish their own automotive design and development industries. It is common practice for the Governments of these countries to offer a variety of inducements to try and attract investment for automotive product development (e.g. the provision of land for test track facilities).

Ensuring Australian automotive product development remains globally competitive is a key factor in determining the amount of global work assigned to local operations.

Ford Australia - a substantial investor in Australian automotive product development

Ford Australia is the local automotive industry's only full service product development operation. The Ford Australia team has the capabilities and capacity to progress a concept from a clean sheet of paper through design, development and testing phases to ultimately seeing a new model roll off a global production line.

Ford Australia, as Ford Motor Company's Asia Pacific Engineering Centre, is also one of only four Ford hubs globally, capable of fully designing, developing and testing Ford vehicles.

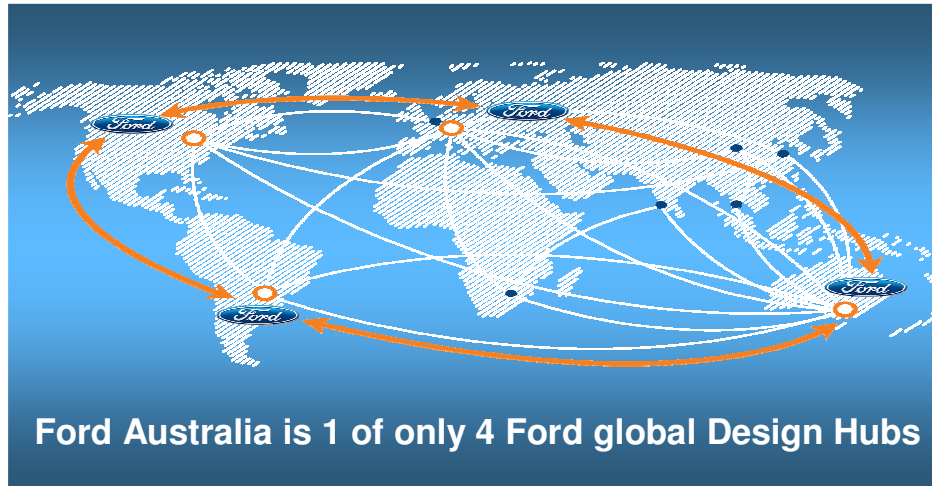
Head Office

Private Mail Bag 6 Campbellfield, Victoria 3061 Telephone: 03 9359 8211 Facsimile: 03 9359 8200 Internet: www.ford.com.au



Ford Motor Company of Australia Limited

A.B.N. 30 004 116 223 Registered Office: 1735 Sydney Road, Campbellfield, Victoria 3061



Ford Australia has historically invested a substantial proportion of its annual budget in its vehicle development programs, including significant spending on product development activities for its award winning Ford Territory and Ford Falcon models. During the past six years, Ford Australia has invested nearly \$2.0 billion in its Australian product development operations, including \$324 million in 2013 and \$335 million in 2014. A further investment of \$300 million is forecast for 2015.

As at December 31, 2014, Ford Australia's product development assets (land, buildings, P&E) had a net book value of \$84.2 million.

As the largest automotive product development investor in Australia, Ford Australia has invested heavily over recent years to establish world-class technical infrastructure and state-of-the-art facilities with the very latest technologies for its product development activities. These investments include major upgrades to its Design Studio at Broadmeadows, the construction of a \$27 million Research and Development Centre at Geelong and the expansion of testing facilities at Ford Australia's Proving Ground at Lara. These facilities include an environmental testing laboratory and an emissions testing cell developed in partnership with the University of Melbourne and the Victorian State Government under the Advanced Centre for Automotive Research and Testing (ACART) consortium. A key feature of this initiative has been third party access to the ACART facilities.

Part of the upgrade to the Design Studio included a new Virtual Reality Centre and the installation of a "Powerwall" – a 6m x 3m high resolution screen capable of projecting full-size vehicles and concept designs in 3D and virtual environments. The installation of the Powerwall has enabled local development designers and engineers the ability to work in real time collaboration with other global specialists as facilitated by the high resolution of the system. These sophisticated facilities are computer linked to similar Ford Motor Company facilities located in North America, Europe and South America. This provides for access to the latest software and capability – allowing for technological developments and information / data exchanges in real time. It enables Australian employees to work in global, virtual teams around the clock when developing automotive and mobility solutions.

An emerging work streams is product development and research work in the area of vehicle connectivity. This includes Ford Australia's "AppLink" collaboration with local developer Omny, whose app Ford Australia will offer in current and future models. This app could also represent an opportunity for global markets. Major centres around the world are creating technology 'corridors' to attract this kind of investment in innovation which is happening in Australia today.

Head Office

Private Mail Bag 6 Campbellfield, Victoria 3061 Telephone: 03 9359 8211 Facsimile: 03 9359 8200 Internet: www.ford.com.au



Ford Motor Company of Australia Limited

A.B.N. 30 004 116 223 Registered Office: 1735 Sydney Road, Campbellfield, Victoria 3061

In August 2014, Ford Australia hosted a media event showcasing its upgraded Virtual Reality engineering centre and highlighting its advancements in the area of vehicle connectivity.

Other notable new technologies that have been developed by Ford Australia engineers include:

Ford Falcon was the 1 st Australian built vehicle to receive ANCAP 5 Star rating
Euro IV compliant 4.0L I6 powertrain
EcoLPi 4.0L I6 liquid phase injection LPG powertrain – world best technology
EcoBoost 2.0L 4 cylinder powertrain for RWD applications
Terrain Management System for 4WD applications
Curve Control - helps drivers maintain control if approaching a turn too fast
Active Noise Cancellation technology

Ford Australia - a significant developer of Australian automotive product development skills

In addition to its investment in infrastructure and technologies, Ford Australia commits significant resources to the recruitment, training and development of its employees. A wide mix of development and training options is available - all designed to broaden employees' experience, knowledge and skills base.

It is anticipated that Ford will become Australia's largest automotive employer by 2018 with approximately 1,500 highly skilled employees plus up to 500 specialist contractors. Within this number will be more than 1,000 employees plus a large number of specialist contractors engaged in product development professions such as engineering and design.

They include highly skilled designers, clay modellers, powertrain, vehicle and core systems engineers, electrical engineers, program planners, environmental and safety engineers. They are involved with all stages of the product development cycle including research, advanced engineering, styling, prototype development, testing, validation and launch activities at manufacturing locations.

Applications for Ford Australia's Graduate Training Program attracted nearly 1,400 responses in 2014 and 522 respondents in 2015 from a range of academic disciplines, indicating a continuing strong interest in automotive careers in Australia.

Ford Australia - a source of current and future global automotive product development

In 2006, Ford Australia was awarded the global lead for the design and development of the Ford Ranger program, a pickup truck presently sold in more than 180 markets around the world and manufactured in three global locations. The highly successful delivery of the initial Ranger program and its recent upgrade, both to widespread acclaim, has enabled Ford Australia to win additional product development work for vehicles destined for regional and global markets, further unlocking value from the Company's substantial investments in its product development activities and facilities.

Head Office

Private Mail Bag 6 Campbellfield, Victoria 3061 Telephone: 03 9359 8211 Facsimile: 03 9359 8200 Internet: www.ford.com.au



Ford Motor Company of Australia Limited

A.B.N. 30 004 116 223 Registered Office: 1735 Sydney Road, Campbellfield, Victoria 3061



Ford Ranger – International Pick-Up of the Year 2013



Ford Figo – one of India's most awarded cars

These programs include the Ford Figo, a small car designed and developed for India and sold in 37 markets around the world, the Ford Escort compact sedan for China, the all-new Ford Everest sports utility vehicle and the Ford Taurus, a new luxury entrant for China. These are in addition to the product development work undertaken for the mid-cycle upgrades to the locally manufactured Ford Falcon and Ford Territory models released at the end of last year.



Ford Everest



Ford Escort – for the China Market



2014 Ford Falcon range

The commercial and critical success of these products has greatly enhanced the reputation of the Ford Australia Product Development team internationally as one of great creativity, capability, quality and delivery. Ford Australia believes there is an opportunity for it to enhance its role as a global provider of innovative vehicle design and development services, given appropriate support through targeted policy arrangements.

Head Office

Private Mail Bag 6 Campbellfield, Victoria 3061 Telephone: 03 9359 8211 Facsimile: 03 9359 8200 Internet: www.ford.com.au



Ford Motor Company of Australia Limited

A.B.N. 30 004 116 223 Registered Office: 1735 Sydney Road, Campbellfield, Victoria 3061

However, the long lead times associated with vehicle development as illustrated by the diagram below, make it imperative that automotive product development policy settings are in place and remain stable over an extended period. This is due to car companies needing to make significant up-front, good faith commitments many years in advance of a new model rolling off a production line. An absence of long term confidence increases the risk associated with making the initial investment decision.



Significant spillovers to the broader Australian innovation system

As mentioned elsewhere in this submission, the direct and indirect benefits to Australia of this global product design and development role are considerable. The tasks required in all elements of the product development function are highly complex and technical in nature. The existence of local employment opportunities will attract and retain highly qualified and skilled university graduates and tradespeople who might otherwise seek employment opportunities offshore.

In 2014 the Society of Automotive Engineers – Australasia (SAE-A) noted an increase in foreign companies recruiting in Australia for off-shore engineering employment, as “(Australian engineers’) skills are extremely portable because their qualifications are internationally recognised”.² The retention of these engineers and designers in Australia adds to the broader pool of skilled and qualified people for other sectors of the economy to utilise and create opportunities for skills and knowledge transfer across the wider economy. This significant benefit has been publicly acknowledged by many participants across the broader manufacturing sector and by key industry bodies and academic institutions.³

² As quoted in GoAuto News, No. 726, 7 May 2014

³ The Allens Consulting Group “The strategic role of the Australian Automotive Manufacturing Industry” – September 2013

Head Office

Private Mail Bag 6 Campbellfield, Victoria 3061 Telephone: 03 9359 8211 Facsimile: 03 9359 8200 Internet: www.ford.com.au



Ford Motor Company of Australia Limited

A.B.N. 30 004 116 223 Registered Office: 1735 Sydney Road, Campbellfield, Victoria 3061

Ford Australia - a strong supporter of Australian academic institutions

As it has always done, Ford Australia continues to seek opportunities for automotive product development collaboration with third parties and key institutions such as universities - further contributing to the technical skills and knowledge base of the economy while transforming innovative ideas into tangible results.

Ford Australia recognises the importance and value of these external linkages and alliances, particularly through its collaboration with Australian universities. As a result, Ford Australia has a dedicated Manager of University Programs held by one of its senior technical engineers. Ford Australia has an established history of working with Australian universities, including the University of Melbourne, Deakin University, the Royal Melbourne Institute of Technology and the Australian National University.

The objective is to build on Ford Australia's existing university partnerships and develop new ones, creating alliances with the most technically capable universities in pursuit of new vehicle efficiencies and technologies that will benefit customers. Fifteen major Ford funded University Research Projects (URPs) are presently in progress with proposals for other projects under consideration.

Ford Australia also has important and enduring relationships with other technical institutions such as the Kangan Institute, the Northern Melbourne Institute of TAFE and the Gordon Institute of TAFE.

A further example of Ford Australia's collaboration with academic institutions is the provision of internships for two leading secondary students to gain hands-on work experience within Ford's Design Centre as part of the VACC's Automotive Design Awards in both 2013 and 2014.

Ford Australia is also planning to inspire the next generation of robotics engineers through its "For Inspiration and Recognition of Science and Technology" (FIRST) competition. This program aims to ignite a passion for technology in students aged 14-18 who participate in a robotics design competition. See the Gizmodo article titled "Ford Australia Sponsors Robotics Competition for Young People" (Attachment 2).

Policy arrangements supportive of investment in automotive product development

Australian design and development engineers have demonstrated great capability in creating solutions that work both domestically and for the rest of the world, strengthening Australia's role in global value chains. Additionally, this outward looking orientation has led to high levels of workforce flexibility, creativity and adaptability, and has provided access to the latest thinking in all aspects of product development and organisational management.

Ford Australia is of the view that there is an important role for Government in providing the appropriate environment through policy settings for the attraction and facilitation of future and further investments in automotive product development in Australia.

The Automotive Transformation Scheme (ATS) and prior Automotive Competitiveness & Investment Scheme (ACIS) have been effective mechanisms to encourage and nurture investment in automotive product development (R&D). Despite the Government's recent decision to rescind the ATS Amendment Bill, there still appears to be an expectation that ATS might in effect, be wound-up at the conclusion of 2017. If this was to eventuate, it would result in a major funding gap for automotive product development.

Head Office

Private Mail Bag 6 Campbellfield, Victoria 3061 Telephone: 03 9359 8211 Facsimile: 03 9359 8200 Internet: www.ford.com.au



Ford Motor Company of Australia Limited

A.B.N. 30 004 116 223 Registered Office: 1735 Sydney Road, Campbellfield, Victoria 3061

Suggestions that the R&D Tax Incentive might provide an alternative are not appropriate because the key criterion for this program is for "Core R&D" to be experimental rather than applied research. The vast majority of automotive product development work in Australia is applied research and therefore ineligible.⁴ It should be noted that "Core R&D" only becomes of value to a community once it reaches the market, hence the critical role of applied R&D in bringing new technologies to the showroom. If there is no applied R&D, the breakthroughs derived from "Core R&D" are simply nothing more than of academic interest.

For automotive product development to continue to flourish in Australia the business critical factor is the ability to achieve and maintain a globally competitive business case. With a growing number of countries developing these skills and competing for global automotive product development work, Australia's position is under threat. Up to this point, Government support through programs like ATS have helped to keep Australian automotive product development activities globally competitive.

For ATS to remain an effective mechanism to support Australian automotive product development, a number of changes to the ATS Act / Regulations are necessary:

- To provide long term surety to the automotive industry, ATS needs to be extended and funded well beyond the current end date of December 31, 2020;
- Regulation 3.11(1) that caps each ATS Participant's annual payments at a maximum of 5% of the prior year's sales value needs to be removed to provide ATS Participants with payments appropriate to the high level of investment. The removal of this Regulation does not represent an expenditure risk for ATS as overall program assistance would remain capped under Regulation 3.9;
- Regulation 1.20(4)(c)(i), also known as the "On behalf of" rule, which restricts ATS Participants that aren't Motor Vehicle Producers (MVPs) from conducting R&D work on behalf of "another person under a contract with the other person" needs to be amended to ensure Australian providers of automotive product development services have access to appropriate ATS assistance to encourage them to pursue, win and deliver international design and development contracts;
- Regulation 3.10 - in the absence of MVPs post 2017, the existing 55% / 45% capped assistance split needs to be consolidated into a single ATS pool that is accessible by all ATS Participants.

In the absence of ATS, a new automotive product development co-investment policy is required to maintain and help grow the established automotive product development infrastructure and skills base that currently exists in Australia. Any such replacement program needs to be developed in consultation with Australian automotive product development providers and must recognise that Australia can be a potential source of design and engineering services for global markets. Establishing Australia as a global centre of excellence for automotive product development is an achievable objective given the right policy settings, including support for academic institutions.

The establishment of a world leading, Australian automotive product development industry has the potential to attract billions of dollars of overseas investment, provide employment for thousands of tertiary qualified professionals and provide Australia with a sound platform to underscore national innovation and technological advancement.

⁴ ABS statistics show R&D spending by Australian business is comprised of 62% Experimental Development and 32% Applied Research, leaving only 6% as Basic Research, which qualifies for the R&D Tax Incentive on the key criteria of activity containing high levels of technical risk and considerable novelty. Very little of the vast majority (94%) of R&D spend would qualify in meeting all the elements of this definition to be eligible. In addition, the eligibility of a claim is further limited as expenditure for supporting R&D activities can be claimed only if undertaken for the dominant purpose of supporting "Core R&D activities".

Head Office

Private Mail Bag 6 Campbellfield, Victoria 3061 Telephone: 03 9359 8211 Facsimile: 03 9359 8200 Internet: www.ford.com.au



Ford Motor Company of Australia Limited

A.B.N. 30 004 116 223 Registered Office: 1735 Sydney Road, Campbellfield, Victoria 3061

OTHER MATTERS AFFECTING THE FUTURE OF AUSTRALIA'S AUTOMOTIVE INDUSTRY:

Motor Vehicle Standards Act 1989 (MVSA) Review

The Federal Government's April 16, 2015 announcement that it intends to allow personal imports of new and near new vehicles is of major concern to the Australian automotive industry.

Ford Australia is of the strong view that there is no evidence of a demonstrable market failure that either requires or justifies the relaxation of the present rules governing the personal importation of new or near new vehicles into Australia. The significant risks to consumers and the broader community associated with any move to allow personal imports of new and near new vehicles into Australia far outweigh the limited benefits (if any) which might be achieved in a very small number of cases.

Australian consumers already have access to a highly competitive and diverse domestic automotive market. With 65 brands selling more than 400 different models sourced from more than 27 countries, there definitely isn't a shortage of consumer choice. The market is characterised by a very large number of suppliers (none of which hold a dominant market position), who offer highly competitive, safe, technologically advanced and well equipped products that are available at globally competitive prices.

This is supported by research commissioned and published by the Federal Chamber of Automotive Industries (FCAI) on its website and referenced in its submission to the MVSA Review. The research clearly demonstrates that in many instances, Australian market offerings are priced lower than equivalent models in comparable right hand drive markets around the world. The rationale for greater market access for personal importation of new and near new vehicles from a competitive market viewpoint, is extremely weak and unjustified based on the available evidence.

Ford Australia holds genuine concerns for the serious negative consequences that would be borne by Australian consumers, the community, car dealers, legitimate automotive brands, the environment and the economy if the proposal to allow personal importation of new and near new vehicles is adopted. These negative consequences include detrimental impacts to vehicle safety, environmental standards, consumer protection, employment, telecommunications and law enforcement.

Any suggestion that a 'buyer beware' approach should be adopted as part of these proposed arrangements is fraught with danger and transfers all the risk to consumers.

Please refer to Ford Australia's October 20, 2014 submission to the MVSA Review Team in response to the "Options Discussion Paper – 2014 Review of the Motor Vehicle Standards Act 1989 – September 2014" (Submission #186) for additional information.

Ford Australia also strongly supports the submissions made by the Federal Chamber of Automotive Industries (FCAI) to the MVSA Review.

Prevention of Currency Manipulation

Ford Australia, like its parent the Ford Motor Company, is a strong supporter of the inclusion of clear and enforceable provisions which prohibit currency manipulation by signatory / member countries to Free Trade Agreements (FTAs). It is imperative that transparent, binding and WTO compliant currency manipulation provisions together with appropriate dispute settlement mechanisms and remedies be included in all future bilateral and multilateral FTAs, including the Trans Pacific Partnership (TPP).

Head Office

Private Mail Bag 6 Campbellfield, Victoria 3061 Telephone: 03 9359 8211 Facsimile: 03 9359 8200 Internet: www.ford.com.au



Ford Motor Company of Australia Limited

A.B.N. 30 004 116 223 Registered Office: 1735 Sydney Road, Campbellfield, Victoria 3061

The potential impact of currency manipulation on trade competitiveness has escalated significantly in recent years as traditional barriers to trade – tariffs, import licensing, quotas, etc. – have been increasingly removed in developed economies as trade liberalisation has taken hold. Currency now has a substantially higher relative weighting as a trade influencer. The distortion to exchange rates resulting from currency manipulation practices has the very real potential to eliminate any market access benefits gained from the agreed removal of import tariffs.

Australia, as a global leader in trade liberalisation, has a particular vulnerability to instances of currency manipulation. There is a high level of risk that its industries can be quickly damaged. It is clearly in the national interest to ensure future FTAs incorporate appropriate and enforceable disciplines to deal with any instances of currency manipulation. If left unaddressed, currency manipulation has the ability to seriously compromise the economic benefits and outcomes projected to flow to Australia as a result of concluded FTAs.

Conclusion

Ford Australia is committed to providing Australian consumers with world class vehicles at affordable prices. Ford Australia believes the issues it has raised above are important and relevant to the “**Inquiry into the future of Australia's automotive industry**” and trusts that these matters will be considered during the development of the Committee's final report and recommendations to the Federal Government.

Any queries regarding this paper should be forwarded to the attention of:

Government Affairs Director
Ford Motor Company of Australia Limited

Attachments:

1. Ford Australia Overview / Australian Automotive Market
2. Gizmodo article - “Ford Australia Sponsors Robotics Competition For Young People”

Head Office

Private Mail Bag 6 Campbellfield, Victoria 3061 Telephone: 03 9359 8211 Facsimile: 03 9359 8200 Internet: www.ford.com.au



Ford Motor Company of Australia Limited

A.B.N. 30 004 116 223 Registered Office: 1735 Sydney Road, Campbellfield, Victoria 3061

Attachment 1

Ford Australia Overview

Ford Australia is a subsidiary of the Ford Motor Company. Ford Motor Company was founded in 1903 and is headquartered in Dearborn, Michigan, USA. It is a global automotive industry leader with approximately 181,000 employees and around 65 manufacturing plants worldwide. It manufactures and distributes motor vehicles on six continents through its core brands of Ford and Lincoln. These automotive brands are complemented by the Company's ownership of Ford Credit, one of the world's largest automotive finance companies.

Ford Australia is also an integral part of Ford Motor Company's Asia Pacific operations. Ford Asia Pacific has regional responsibility for 20 markets and is the Company's fastest growing sales region. Ford Asia Pacific is headquartered in Shanghai, Peoples' Republic of China.

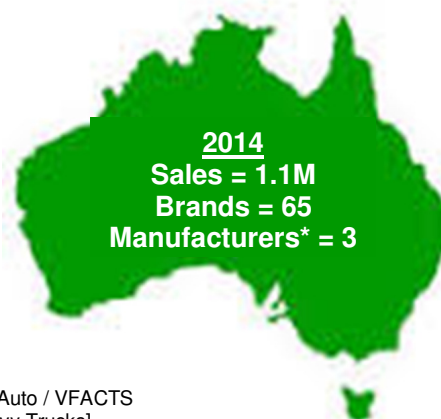
Ford Australia is a major Australian automotive manufacturer with extensive globally-linked design, engineering and manufacturing facilities in Geelong, Lara and Broadmeadows, Victoria. These world-class facilities reflect an organisation with significant investment in infrastructure and technical capability. This capability is reflected by Ford Australia's recent appointment as Ford Motor Company's Asia-Pacific Engineering Centre. This makes Ford Australia one of just four corporate global hubs for the design, development and testing of Ford vehicles. Ford Australia has had a manufacturing presence in Australia since 1925.

As part of its announced transformation plans, Ford Australia is establishing a new National Sales Company office at Richmond, Victoria with the relocation of approximately 200 marketing, sales and service employees together with supporting functions. This move will place the Company in closer proximity to its customer base and to its key business and strategic partners.

Ford Australia distributes its vehicles, replacement parts and technical / service expertise through a network of 197 independently owned Ford Dealerships in some 259 locations around Australia. Ford Dealerships directly employ more than 7,000 people with many located in rural and regional centres. In addition to selling and servicing new Ford vehicles, Ford Dealers also have significant resources and capital invested in the resale of second-hand vehicles (all makes).

Australian Automotive Market

The Australian automotive industry is the most open and competitive market in the world. The Australian new vehicle market is small by world measures, with annual sales of ~1.1 million units (by comparison the USA is ~17 million units and China is >23 million units per year). The Australian market has 65 different brands and >400 models sourced from >27 different countries. Volumes in many segments are now <10,000 units p.a. due to escalating market fragmentation.



[Sources: Wards Auto / VFACTS
*excludes Heavy Trucks]

Head Office

Private Mail Bag 6 Campbellfield, Victoria 3061 Telephone: 03 9359 8211 Facsimile: 03 9359 8200 Internet: www.ford.com.au



Ford Motor Company of Australia Limited

A.B.N. 30 004 116 223 Registered Office: 1735 Sydney Road, Campbellfield, Victoria 3061

Attachment 2



Reviews ▾



CARS

Ford Australia Sponsors Robotics Competition For Young People



LINDSAY HANDMER 10 MARCH 2015 11:45 AM

Share 20

Discuss

Bookmark



Head Office

Private Mail Bag 6 Campbellfield, Victoria 3061 Telephone: 03 9359 8211 Facsimile: 03 9359 8200 Internet: www.ford.com.au



Ford Motor Company of Australia Limited

A.B.N. 30 004 116 223 Registered Office: 1735 Sydney Road, Campbellfield, Victoria 3061

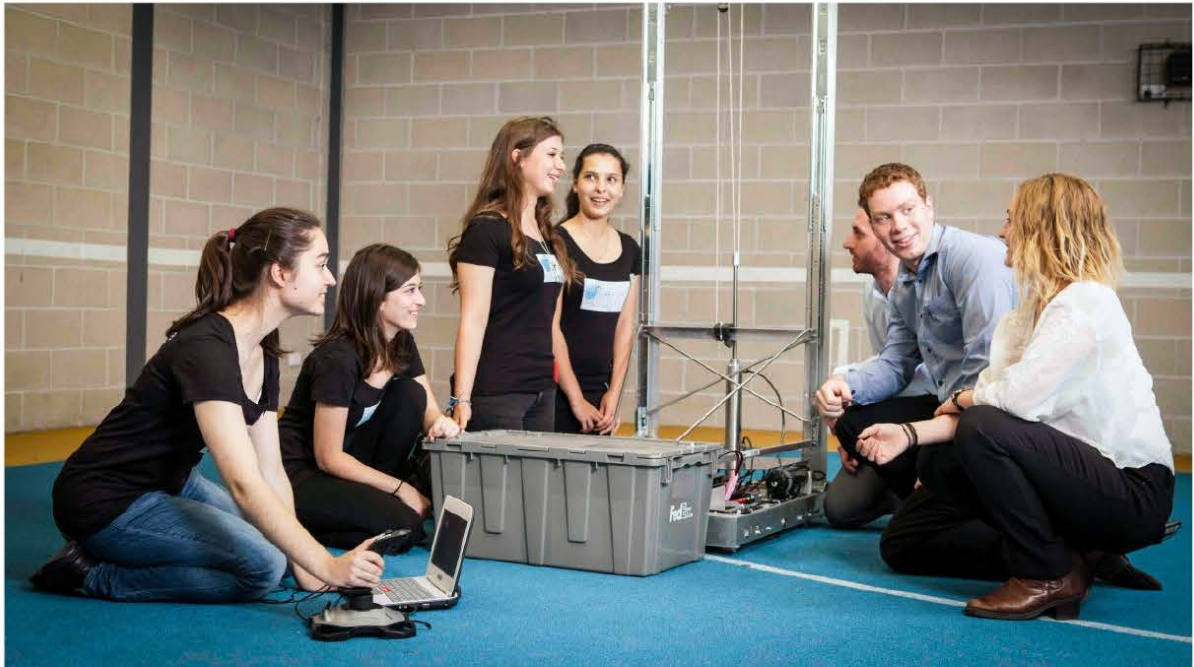
Ford is spending a bunch of cash to inspire the next generation of robotics engineers that just might make its cars even safer one day. Called the *For Inspiration and Recognition of Science and Technology Competition* (FRC), the program aims to ignite passion for technology in participants aged from 14-18.

Teams develop technologies such as crash avoidance that could one day help make cars safer on the road, not to mention getting us one step closer to [self driving cars](#). It's no surprise that [Ford](#) is getting involved, with many of the [technologies](#) similar to ones deployed in the latest vehicles.

In addition to sponsoring the robotics program itself, Ford is funding two teams in the competition – the 'Robo Cats' and the 'Home School Kids'. Support comes in a number of forms, such as hardware materials and tools. Ford engineers are also getting involved personally as mentors to robotics teams.

The For Inspiration and Recognition of Science and Technology Competition will be held from the 12th to the 14th of March at the Sydney Olympic Park Sports Centre.

Robots may not [destroy](#) each other in a [shower of sparks](#), but for those wanting to watch along from home the competition will be [webcast](#). [[Ford](#)] [[FRC](#)]



Head Office

Private Mail Bag 6 Campbellfield, Victoria 3061 Telephone: 03 9359 8211 Facsimile: 03 9359 8200 Internet: www.ford.com.au

