

Executive summary

Australia is a country that relies heavily on the automotive industry to overcome the tyranny of distance and achieve its potential through connecting people and places.

With a growing population and aspirations of increasing economic growth and prosperity, there is no doubt that Australia's automotive industry will remain critically important.

Australia has a long history of excellence in automotive manufacturing, industrial engineering and design. While automotive manufacturing is declining due to announced closures in motor vehicle production in 2016 and 2017, the future of automotive engineering and manufacturing is not in the hands of the car makers alone.

Australia will have an automotive industry after 2017; government policy will determine its size and its shape. What is crucial now is that governments act to preserve the industrial capabilities of the automotive supply chain. A redefinition of the industry is also required to recognise and support the role of all sectors, including but not limited to: motor vehicle production; component making; aftermarket manufacturing; engineering and design; servicing and smash repairs; retail motor trades; sales support; and training.

This inquiry was established to develop a policy framework and identify areas where the government could act to assist all sectors of the industry address the challenges and harness any opportunities arising during this period of change.

Interim report

The interim report focused on two areas the committee considered needed immediate action—a comprehensive and coordinated policy framework and reforms to the main automotive manufacturing assistance program, the Automotive Transformation Scheme.

Policy development

Reflecting the changing industry dynamics, the committee recommended that governments take a wider approach to defining what constitutes the automotive industry and facilitate policy development aimed at fostering the growth of industry as a whole.

Recommendation 1

The committee recommends that the Australian Government work with stakeholders—across industry, unions and state and territory governments—to develop an internationally competitive automotive industry policy framework for the entire industry, recognising the strategic role the industry can continue to play in a diversified economy.

Reforming the Automotive Transformation Scheme

Given the imminent cessation of passenger vehicle production in Australia, the committee considered it important to propose amendments to the Automotive

Transformation Scheme in the interim report. Implementing these amendments as soon as possible will give affected business the best opportunity to manage the transition and develop viable and sustainable business models.

Recommendation 2

The committee recommends that the Australian Government maintain the current level of Automotive Transformation Scheme (ATS) funding through to 2020-21 as provided for in the ATS Act, and allow current underspends in the ATS to be brought forward from stage 1 (ending 2015-16) to stage 2 (ending 2020-21).

Recommendation 3

The committee recommends redefining the ATS into a broader, automotive-related advanced manufacturing, engineering and design program that is intended to maintain skills and industrial capabilities and mitigate the loss of jobs by supporting supply chain diversification, new manufacturing investment and jobs growth.

Recommendation 4

The committee recommends that the object of the Automotive Transformation Scheme Act be updated to better reflect the current situation within industry and the need for targeted support for diversification and transformation activities, particularly in the automotive manufacturing supply chain. The new object should specify that the ATS is designed for the promotion and growth of advanced automotive industries in Australia, including: components and materials, new technologies, engineering and design for both domestic and offshore customers when that work is performed in Australia.

Recommendation 5

The committee recommends that the ATS rules and eligibility criteria should be amended to encourage further investment in research and development (R&D) so that manufacturers can continue to secure complex design and engineering work and to provide greater support for diversification initiatives, including (but not limited to):

- amend the ATS rules to allow for the claiming of R&D relating to products and services for non-automotive industry sectors to facilitate the transition of manufacturers out of motor vehicle production;**
- amend the ATS rules to allow for the claiming of R&D and engineering services across the registration categories for both domestic and offshore automotive customers when that work is performed in Australia;**
- amend the definition of automotive services so that the concept of eligible automotive services is broader than passenger motor vehicles and light commercial vehicles (and covers all modes of mobility);**

-
- **remove the once a year registration requirement to allow for ease of movement between ATS registration categories as the transition within the industry progresses; and,**
 - **amend the ATS rules to allow motor vehicle producers to remain eligible for the scheme, even in the event of declining production volumes.**

Final report

The final report explores what is required for the industry as a whole to reach its potential. Once again the issue of developing a framework for industry development and coordinating government involvement is explored.

In addition, there are number of specific areas that the committee considers important in their own right. The downstream automotive sectors face challenges arising from changing business models, technological developments and the need to attract and retain skilled workers. Automotive manufacturing needs assistance to retain as much activity in Australia as possible, and there are opportunities to expand automotive manufacturing in other areas, such as the automotive aftermarket and the truck industries, if the policy settings are conducive. In addition, the motorsport and motoring enthusiast sectors are significant contributors to the automotive industry and should be encouraged to expand their activities.

Policy framework revisited

The committee reiterates its support for the development of a unified industry voice through the establishment of an Automotive Industry Taskforce and a coordinated government approach to the industry.

Recommendation 6

Government must recognise that the automotive industry will endure. Given this recognition, the committee recommends that the government devote the necessary resources across a range of government departments to ensure the process of transformation continues. This includes a redefinition of the automotive industry to recognise and support the role of all sectors, including, but not limited to, motor vehicle production, component making, aftermarket manufacturing, engineering and design, servicing and smash repairs, retail motor trades, sales support and training.

Recommendation 7

The committee recommends that the Australia Government support the establishment of an Automotive Industry Taskforce—with representatives from industry, unions and governments—to facilitate a collaborative and coordinated approach to developing and implementing a national automotive policy framework which encompasses all sectors of the industry.

The Automotive Industry Taskforce would also build on the work of the AutoCRC and the Automotive Australia 2020 Roadmap Project. It would develop strategies to understand and meet the challenges and opportunities associated with alternative fuels and emerging technologies as they affect the

automotive industry, including electrification, light-weighting, gaseous fuels and fuel cell technologies, car sharing, telematics and autonomous vehicles.

The Automotive Industry Taskforce should also examine the findings of this committee inquiry and report back to government with further recommendations for action and strategies to address the issues raised over the course of this inquiry.

Recommendation 8

The committee recommends that the government urgently develop and implement a comprehensive and coordinated strategy to:

- **avoid a social and economic catastrophe arising in those areas most affected by the closure of vehicle manufacturing; and,**
- **address the unprecedented structural adjustment occurring across the retail service, repair, recycling and associated sectors.**

Sales, service and repair sectors

With the reduction in automotive manufacturing, the downstream sectors will account for around 95 per cent of all activity within the Australian automotive industry after 2017.

The sales, service and repair sectors are all facing unique challenges as they adjust to rapid technological change, the emergence of firms in some sectors that have significant market power, and ensuring that workers have the training and skills they need. The committee has proposed a set of recommendations to cover the issues raised by stakeholders.

Recommendation 9

Given the consolidations and closures in the automotive and related industries, the committee recommends that a close examination of the operation of the Franchising Code of Conduct be undertaken as part of the next scheduled review of the code, with particular regard to the automotive sectors, including new cars, motorcycles, farm and industrial machinery and fuel retailing franchising arrangements.

Recommendation 10

The committee recommends that the current restrictions and requirements on the parallel importation of both new and used vehicles be maintained.

Recommendation 11

The committee recommends that the government continues to work with industry to ensure suitable access to manufacturer information by independent automotive service and repair businesses. The committee notes the progress that has been made through the Voluntary Code of Practice for Access to Service and Repair Information for Motor Vehicles (the Code) and recommends that the Commonwealth Consumer Affairs Advisory Council undertake a review of the Code no later than three years after commencement.

Recommendation 12

The committee recommends that an independent inquiry into the smash repair industry be undertaken to examine the relationships between insurers, parts suppliers and smash repair businesses, and inform an appropriate policy response.

Recommendation 13

The committee recommends that the government recognise the vital role of training in this sector and support a comprehensive, industry-wide approach to assist the automotive sector to redesign and implement training courses that reflect the needs of employers and give workers the skills they require.

Due to the unprecedented structural adjustment across all sectors of the automotive industry, changes to training and skills development VET packages in the automotive fields should be put on hold for a period of 12 months. During this time, Auto Skills Australia and a coordinated alliance of national industry sectors should undertake the necessary work to recast all qualification requirements, including for new skills occupations. Owing to their national reach and previous experience, the committee suggests that the Motor Trades Association of Australia is the most suitably qualified organisation to led and coordinate this work.

Recommendation 14

The committee recommends that the government, through the Council of Australian Governments (COAG), work with state and territory governments to identify and address barriers for mature workers seeking to enter the automotive industry as apprentices.

Recommendation 15

The committee recommends that the mentoring program for automotive apprentices developed under the Australian Apprenticeships Mentoring Program and the Australian Apprenticeships Advisers Program be reinstated.

Automotive manufacturing

Automotive manufacturing is an integral part of advanced manufacturing activities more broadly as the technologies and skills associated with automotive manufacturing and readily diffused into other manufacturing applications. The committee believes that the government should set policies that encourage diversification, growth and innovation in Australian automotive manufacturing. In addition to proposed reforms to the ATS, the committee recommends some changes to the Automotive Diversification Programme and considers the government should give consideration to providing targeted incentives to modernise Australia's truck fleet.

Recommendation 16

Subject to any changes to the Automotive Transformation Scheme after 2017 and providing no existing registered companies are adversely affected by changes to the scheme, the committee recommends that a proportion of the funding

available under that Automotive Transformation Scheme (for example, from underspends in the scheme) be allocated to manufacturing diversification programs such as the Automotive Diversification Programme.

Recommendation 17

The committee recommends that the activities eligible for assistance under the Automotive Diversification Programme be expanded to include support for research and development, engineering and product development, commercialisation, feasibility studies, site relocation and/or consolidation activities and marketing activities. In particular, the committee recommends that grants for the appointment of export managers plus on-costs on 50:50 matched basis be included as an eligible activity under the Automotive Diversification Programme.

Recommendation 18

The committee recommends that the government undertake a feasibility study of the proposal put forward by the Truck Industry Council to modernise Australia's truck fleet. Pending a favourable evaluation, government should seek to implement this proposal as a matter of priority to assist the automotive manufacturing industry to adjust to cessation of passenger motor vehicle production in 2017 and as part of the broader reform agenda to reduce carbon emissions.

Motor sport and motoring enthusiasts

Motor sport and motoring enthusiasts activities are a significant and growing part of the Australian automotive industry and provides an opportunity for further growth and development. However, there are barriers to the expansion of these sectors to which potential solutions should be explored.

Recommendation 19

The committee recommends that the government undertake an independent review of the Specialist and Enthusiast Vehicle Scheme (SEVS) to ensure that:

- the scheme is meeting its stated objectives;
- the eligibility criteria for importation are appropriate; and,
- the compliance and monitoring processes do not undermine the integrity of the scheme.

Recommendation 20

The committee recommends that the government, through COAG, pursue reform options to harmonise vehicle modification regulations and adopt a consistent national approach to compliance and enforcement with vehicle regulations. A critical part of this work will be the harmonisation of emerging federal, state and territory legislation and regulations designed to deal with the arrival of autonomous vehicles and driving systems.