

Government Senators' Dissenting Report

1.1 As announced on 10 March 2015, and reiterated in Government Senators' dissenting comments in the interim report released on 19 August 2015, the Government will not make changes to the current Automotive Transformation Scheme (ATS) legislation.

1.2 The ATS programme will conclude at the end of 2017 when Holden and Toyota end their Australian manufacturing (following Ford in 2016). The Government's decision gives component makers certainty to transition their businesses to cope with the decline in production as a result of the independent decisions of the car makers to leave Australia. This means that the original \$300 million legislated cap on funding for each of the years from 2015 to 2017 remains in place.

1.3 The industry has indicated that it is likely to draw down \$175 million of the \$500 million that has been restored to the legislated cap for the period 2015–2017.

1.4 The Government will continue to support component makers in transitioning their businesses to cope with the decline in production as a result of the independent decisions of the car makers to end manufacturing in Australia.

1.5 While the Committee's report makes a number of recommendations to assist the automotive sector transition to other industries, the report largely ignores the steps the Government is already taking to address this.

1.6 The Government is supporting Australian industry through a range of specific programs targeted at manufacturing industries.

1.7 The \$20 million Automotive Diversification Programme will help automotive supply chain firms enter new markets. To date, there have been two completed grant rounds with 21 successful applicants awarded \$12.4 million, leveraging a total investment of \$33.6 million. A third round of applications closed on 17 September 2015 and is currently being assessed by an independent expert panel.

1.8 The \$60 million Next Generation Manufacturing Investment Programme will accelerate private sector investment in high value non-automotive manufacturing sectors in Victoria and South Australia. On 13 November the Government announced the successful Victorian tenders. This resulted in eleven Victorian companies sharing in \$27.4 million of support, which is expected to leverage a total of \$75 million in investment. On 3 August 2015, South Australian Minister Kyam Maher and Hon Ian Macfarlane MP announced the results of the South Australian Round awarding \$28.3 million to 15 businesses creating over 430 new jobs. Complementary investment by each business will take the total investment in new manufacturing capability to over \$72.5 million.

1.9 As an open economy, Australia needs to engage with the complex task of economic reform and restructuring, particularly addressing underlying issues of efficiency and productivity. In this regard, support to Australian industry, including automotive component manufacturers, is provided through the successful completion of the Trans Pacific Partnership, the Free Trade Agreements with China and with

Japan and with South Korea. These agreements are opening up supply chains for Australian businesses who previously had suffered disadvantages in accessing overseas markets.

1.10 We endorse the comments in the majority report about the impressive record of Australia's truck manufacturing sector and the fact that it has developed into a robust and sustainable industry without government assistance. We do not, however, support the proposal to deny fuel tax credits to on-highway truck operators who operate trucks manufactured before 1996 (recommendation 18). This would be a costly and economically damaging way of reducing carbon emissions relative to the Emissions Reduction Fund, the centrepiece of the Australian Government's policy suite to reduce carbon emissions.

1.11 On-highway truck operators who operate trucks manufactured before 1996 represent almost one third of the truck fleet. Many of these are sole operators. To push up costs, and reduce the profitability and employment prospects of these businesses in this way would be harmful to a vital element of Australia's transportation sector. This policy is inconsistent with the Coalition Government's commitment to ensuring that Australian small businesses are both supported and not subjected to unnecessary regulatory and cost imposts. Further, the policy would have adverse impacts on the wider Australian economy though the adverse impacts on transportation costs that would flow through to other sectors.

1.12 Coalition Senators note that the Committee has also made recommendations in relation to the Franchising Code of Conduct (recommendation 9), the service and smash repairs industries (recommendations 11–12), training and re-employment (recommendations 13–15), specialist and enthusiast vehicles (recommendation 19) and regulatory arrangements for aftermarket modifications (recommendation 20). The Government should consider the merits of these recommendations in its response.

Senator Sean Edwards
Deputy Chair

Senator Matthew Canavan
Senator for Queensland