

# **Additional Comments by Senator Nick Xenophon**

## **Time to jump start the automotive sector**

1.1 I welcome the committee's report, and in particular the sensible recommendations made in relation to expanding the Automotive Transformation Scheme's (ATS) eligibility criteria (governed by the Automotive Transformation Scheme Regulations 2010) to encourage investment in research and development in order to support diversification initiatives.

1.2 Now more than ever the Federal and State governments need to implement effective measures to ensure the long term future of Australia's automotive industry. Without such measures over 100 years' worth of mature industry capability in Australia is at risk.<sup>1</sup>

1.3 South Australia and Victoria are facing a tsunami of job losses with the departure of automotive manufacturing in Australia by the end of 2017. There are 33,000 direct jobs in the tier 1 component sector in Australia that are at direct risk following the closure of Ford, Holden and Toyota (on top of the 12,500 direct jobs in automotive manufacturing). In South Australia alone job losses are estimated to be in the vicinity of 24,000, which would be a massive blow for the SA economy and community.<sup>2</sup>

1.4 The Bracks Report in 2008 estimated a multiplier effect of six jobs for every job in the automotive manufacturing or component job—this equates to between 150,000 to 200,000 job losses in the auto sector and beyond. On the 18th of June this year I asked Senator Ronaldson, representing the Minister for Industry and Science in the Senate, whether the Federal Government's forecasts in respect of job losses in the automotive industry were in line with the multiplier effect outlined by the Bracks Report. The Government was unable to satisfactorily answer this question—a concerning indication of the Government's lack of understanding of the true extent of the jobs crisis facing this sector.

1.5 Without decisive action by the Federal Government thousands of businesses, and the families that these businesses support, face ruin. That is why the Government must commit to at least not only maintaining the current level of ATS funding through to 2020–2021 but also to expanding the eligibility criteria for the scheme to enable these businesses to diversify and grow. In fact, there is a compelling argument to increase funding given the enormous transition and challenges facing this vital sector.

1.6 One such business affected by the short sightedness of the ATS in its current form is Supashock, a proudly South Australian owned and operated enterprise with

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1 Federation of Automotive Product Manufacturers, *Submission 17*, p. 3.

2 Ms Bianco Barbaro, Mr John Spoehr & NIEIR, *Closing the Motor Vehicle Industry: Impact on Australia*, p. 3,  
[http://apo.org.au/files/Resource/wiser\\_closing\\_the\\_motor\\_vehicle\\_industry\\_2014.pdf](http://apo.org.au/files/Resource/wiser_closing_the_motor_vehicle_industry_2014.pdf)  
(accessed 19 August 2015).

expertise in the manufacture of dampers as well as vehicle dynamic analysis. Supashock hit the headlines recently when it was revealed that a shock absorber they designed and manufactured was the secret to Ford's recent success in V8 Supercar races. It is also indicative of the depth of talent and high level expertise in South Australia's automotive sector. Mr Oscar Fiorinotto and his team from Supashock deserve support from the ATS to reach their full potential, not only in our domestic market but with export markets as well.

1.7 I recently wrote to the Minister for Industry and Science, the Hon Ian Macfarlane MP, on behalf of Supashock, urging the Minister to reconsider the eligibility criteria for the ATS in light of Supashock's demonstrated success (attached). In the Minister's response he advised the Government will maintain the ATS in its original legislated form (response attached). This short-sightedness is unacceptable and I will continue to agitate for reform of the ATS in order to broaden its accessibility.

1.8 The Federation of Automotive Product Manufacturers in its submission set out its vision for the automotive sector in Australia:

The FAPM believes a strong and vibrant future for the Australian automotive industry still exists, albeit in a new form. The contribution that the industry makes in its own right, in addition to the spill over benefits to the economy more broadly, and unique contribution to a range of areas including advanced manufacturing, skills and training, and lean principles and processes, highlights the breadth of these attributes.

One of only 13 countries globally with the capability to take a passenger vehicle from concept to the showroom floor, the FAPM believes the skillsets and capability of the Australian automotive industry are too important, too strategic and too valuable to let go following the departure of the local OEMs.<sup>3</sup>

1.9 In addition the advocacy for the after-market segment of the auto-sector could create many jobs, as advocated by Senator Ricky Muir, if only the ATS funding criteria was liberalised to take into account the change of circumstances of this sector.

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3 Federation of Automotive Product Manufacturers, *Submission 17*, p. 21.

1.10 There is also great potential to develop synergy between the automotive sector and another industry facing the prospect of extinction in Australia: shipbuilding. While we are still waiting on the outcome of the competitive evaluation process to determine who will be awarded the \$50 billion contract for the submarine build, the Government has stated its intention to build the new fleet of frigates in Adelaide, commencing in 2020. There is a real opportunity here for the excess capacity created by the downturn in the automotive sector to be utilised in our defence sector broadly, and for the future submarines and frigates projects particularly. In addition there needs to be an overhaul of government procurement rules so that the broader economic impacts of a procurement decision are taken into account.

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