

The Senate

Economics
References Committee

Future of Australia's automotive industry

Interim report

August 2015

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ISBN 978-1-76010-286-9

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Printed by the Senate Printing Unit, Parliament House, Canberra.

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Chapter 1

Background to the inquiry

1.1 On 25 November 2014, the Senate referred an inquiry into the future of Australia's automotive industry to the Senate Economics References Committee for inquiry and report by the first sitting day in November 2015.¹

1.2 The terms of reference for the inquiry are:

The future of Australia's automotive industry, with particular reference to:

(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;

(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;

(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;

(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;

(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;

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

(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;

(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;

(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; and

(j) any other related matters.²

1 *Journals of the Senate*, No. 67, 24 November 2014, pp. 1823–24.

1.3 Given the broad scope of the inquiry and the variety of aspects to consider, the committee resolved to release an interim report on what it considers to be the most vulnerable part of the industry at this time—automotive component manufacturing and vehicle production.

1.4 The committee is continuing to investigate other areas relevant to the future of Australia's automotive industry as set out in the terms of reference.

Conduct of inquiry

1.5 The committee advertised the inquiry on its website and in the *Australian*. The committee also wrote directly to component suppliers, vehicle manufacturers, government agencies, industry groups and associations, academics and other interested parties drawing attention to the inquiry and inviting them to make submissions.

Submissions and public hearings

1.6 The committee received 35 submissions, all of which are publicly available. The submissions and answers to questions on notice are listed at Appendix 1. To date, the committee has held three public hearings:

- 10 March 2015 in Melbourne;
- 13 March 2015 in Adelaide; and
- 15 April 2015 in Canberra.

1.7 A list of witnesses is provided at Appendix 2. References to the Committee Hansard are to the Proof Hansard and page numbers may vary between the Proof and Official Hansard transcripts.

1.8 The committee thanks all the individuals and organisations who assisted with the inquiry, especially those who made written submissions and appeared at hearings.

Background to inquiry

1.9 Australia's automotive industry is currently undergoing a major structural realignment. This realignment is due to the fact that the last locally produced motor vehicle is set to roll off the production line by the end of 2017. After this time, the majority of the Australian automotive industry's activities will relate to vehicle use—that is, predominantly sales, servicing and repairs.

1.10 The Australian Government has long supported local motor vehicle production through a variety of co-investment and assistance programs. Currently, the main government support program to assist domestic motor vehicle production is the Automotive Transformation Scheme (ATS). The ATS provides government co-investment to companies involved in local vehicle manufacturing (motor vehicle producers, automotive component producers, automotive machine tool and automotive tooling producers and automotive services providers).

1.11 The ATS as it was originally designed is intended to support investment and innovation in the Australian automotive industry and assist it to become economically sustainable. It commenced on 1 January 2011 and is legislated to operate through to 31 December 2021.

1.12 Following the decision of local vehicle producers to cease manufacturing in Australia by the end of 2017, the Australian Government publicly stated its intention to reduce funding available under the ATS. A number of measures were announced to amend the ATS:

- The 2013–14 MYEFO included a measure to reduce capped funding available under the ATS by \$500 million over the 2015–2017 calendar years.
- The 2014–15 Budget included a measure to terminate the scheme on 1 January 2018, thereby saving a further \$400 million.

1.13 Legislative amendments embodying these measures were introduced into the House of Representatives on 24 September 2014 and the provisions of the bill were referred to the Senate Economics Legislation Committee on the following day.

1.14 The committee reported back to the Senate on 24 November 2014 and recommended that the government monitor the allocation of funding and investment in automotive research and development towards fostering resilience and diversification among business and industry.

1.15 A dissenting report by Senators Carr, Madigan, Muir and Xenophon expressed the view that:

...by seeking to amend the Act in this way the Government is: displaying a reckless disregard for the future of the tens of thousands of Australian men and women who are employed directly in automotive manufacturing; jeopardising Australia's advanced manufacturing capabilities; and courting serious long-term economic damage.³

1.16 They proposed an alternative recommendation that the Senate Economics References Committee undertake an inquiry to develop a policy framework for the future of Australia's automotive industry covering all sectors. This inquiry fulfils that recommendation.

Scope of this inquiry

1.17 Australia's automotive industry is diverse and encompasses a range of disparate activities which can be characterised broadly into upstream and downstream sectors.

1.18 The upstream automotive sector relates to supply side activities involved in design, development and manufacture of motor vehicles. Upstream activities include the manufacturing processes associated with component manufacturing and motor

3 Senate Economics Legislation Committee, *Automotive Transformation Scheme Amendment Bill 2014 [Provisions]*, November 2014, p. 28.

vehicle assembly as well as the design, engineering and testing elements of developing automotive components and vehicles.

1.19 The downstream automotive sector relates to demand side activities involved in the sale, maintenance, repair and disposal of motor vehicles. Downstream activities include the sale, distribution and financing of new and used motor vehicles, servicing and repair (including car parts supply chains), disposal and recycling of vehicles and consumables (for example, used oil and tyres).

1.20 The scope of the inquiry is not just limited to passenger motor vehicles but also includes motorcycles, sport utility vehicles (SUVs), buses, trucks, specialist vehicles (such as the quadbikes and racing vehicles), caravans and trailers.

1.21 Interactions between the automotive industry and other industries will also be examined, including, for example, opportunities for component manufacturers to diversify into other advanced manufacturing industries that may be outside the automotive industry.

1.22 Over recent decades, Australia's automotive industry has experienced significant change with motor vehicle producers restructuring their operations in an increasingly competitive global market. The three passenger motor vehicle producers in Australia—Ford, Holden and Toyota—have announced that they will cease manufacturing in Australia over the coming years. Consequently, component manufacturers will face enormous challenges to their viability.⁴

1.23 While the committee accepts the need to develop a coherent strategy to support the future of Australia's automotive industry, it recognises the immediate imperative to assist the automotive manufacturing sector adapt to an environment where there may be no local vehicle production.

1.24 The three remaining local vehicle manufacturers all have plans in place to manage the wind-down and eventual cessation of production, including strategies to assist workers find alternative employment.

1.25 By contrast, many automotive component manufacturers have faced ongoing difficulties as production volumes have decreased and associated demand for their products has fallen. At current levels of production, many component makers are struggling to remain viable and have significantly reduced output and employment.

1.26 The cessation of local vehicle manufacturing will have a profound effect on economic activity and employment in Victoria and South Australia in particular. If such consequences are to be avoided or, at the very least minimised, then this issue needs to be addressed as a matter of urgency.

1.27 Consistent with the original intention of providing industry support, the government needs to assist affected businesses through to the end of vehicle

4 See Productivity Commission, *Australia's Automotive Manufacturing Industry*, Inquiry Report No. 70, 31 March 2014, pp. 2–3 and Department of Science and Industry website, 'Automotive', <http://www.industry.gov.au/industry/IndustrySectors/automotive/Pages/default.aspx> (accessed 13 August 2015).

production and beyond, where required. In its current form, however, it would appear that the ATS is not an adequate support mechanism to achieve this.

1.28 In April 2015, the Australian Government announced that it would not pursue its proposed amendments to the ATS. While the committee welcomed this decision, it recognises that current production levels and investment by eligible participants of the ATS are unlikely to exhaust the available funding.

1.29 As a result, this interim report considers options to support component manufacturers and assist affected businesses to explore new business activities and/or markets while the opportunity still exists to harness the skills and knowledge of employees. Unless alternative advanced manufacturing activities are in place before vehicle production ceases, the skills and knowledge embodied in these workers may be lost from the Australian economy forever.

Structure of this report

1.30 Chapter 2 explores the local automotive manufacturing sector and the challenges facing component manufacturers in the medium to long term.

1.31 Chapter 3 examines how the automotive manufacturing sector can best be assisted to ensure vehicle production continues until the end of 2017 and businesses are supported to diversify into new markets and/or sectors.

Chapter 2

Automotive manufacturing and government support

2.1 This chapter provides an overview of Australia's automotive manufacturing industry and some of the main government assistance programs, particularly the Automotive Transformation Scheme (ATS). It also explores some of the challenges facing automotive components manufacturers and considers the future of the sector.

The Australian automotive manufacturing industry

2.2 Australia has a long and proud history of automotive manufacturing and has built a capability that is the envy of many nations. According to the Federal Chamber of Automotive Industries:

Australia is one of only a relatively small number of nations in the world with the capability to produce a car from concept to delivery.

The Australian automotive industry is able to take a vehicle, its component systems and sub-systems from a design concept through prototype safety and durability testing, to production, final delivery, whole of life service and materials recycling.¹

2.3 At its peak in 1974, local vehicle manufacturers produced almost a half a million vehicles. However a long-term decline ensued until the early 1990s, when production fell to under 300,000 vehicles per year. Following this there was modest revival until just before the full effects of the global financial crisis were experienced in 2009 from which demand for locally produced motor vehicles has not recovered.²

2.4 Automotive vehicle production in Australia is undertaken by three subsidiaries of global multinationals—Toyota, Ford and Holden. These companies assemble six models in two states (Victoria and South Australia), manufacture engines, and undertake vehicle design and engineering in specialty centres in Victoria.

2.5 Vehicle production is supported by a complex logistical supply chain of about 160 businesses involved in the engineering, design, tooling and manufacturing of automotive components. Many of these businesses are located close to assembly plants in Victoria and South Australia; however, component production also occurs in other states and territories (particularly in New South Wales and Queensland).

2.6 The interconnected nature of automotive production relies on component manufacturers being able to continue to supply parts to vehicle producers while they are engaged in domestic production. If any of these businesses were to stop trading before vehicle production ceases, it could be a catalyst for the premature cessation of vehicle production and early closure for other component manufacturers. In turn, this would severely compromise an orderly transition to a manufacturing sector without

1 *Supplementary Submission 9*, p. 5.

2 Australian Motor Trades Association and Australian Motor Industry Federation, *Answers to Questions on Notice No. 5*, p. [10].

vehicle production activity. The Federation of Automotive Products Manufacturers highlighted that:

As the industry operates on a just-in-time basis, continuity of production fundamentally depends upon all members of the supply chain continuing to operate right up to the finalisation of local vehicle production, so certainty of funding provides a fundamental cornerstone of this requirement.³

2.7 Component manufacturers also supply parts to vehicle producers internationally, the automotive aftermarket and other manufacturing industries. There are at least 260 businesses located in Australia that manufacture automotive components and accessories.⁴

2.8 The automotive manufacturing industry (including component manufacture) represents approximately 5 per cent of the total Australian manufacturing industry in terms of value added, employment, hours worked, and capital expenditure.⁵

2.9 Over 48,000 people in Australia are employed in automotive manufacturing—including assembly of cars, trucks and buses and component manufacture for vehicle production and the automotive aftermarket—and employment has been falling in line with the wind-down in vehicle production.⁶

Government assistance to automotive manufacturing

2.10 There are a number of government policies (at both the Commonwealth and state and territory level) designed to support the continuation of automotive manufacturing in Australia and assist component manufacturers to diversify their activities and continue to operate beyond the cessation of vehicle production in 2017.

2.11 The automotive industry has been receiving government assistance in one form or another since 1907, when tariffs were introduced in order to foster automotive manufacturing capacity.⁷

2.12 Like many local manufacturing industries, the automotive industry continued to be protected through tariff and non-tariff barriers (including import quotas) until

3 *Submission 17*, p. 10.

4 There are approximately 260 members of the Australian Automotive Aftermarket Association and there is an additional, but unquantified, number of businesses that provide original equipment solely to vehicle manufacturers. Australian Automotive Aftermarket Association, *Committee Hansard*, 10 March 2015, p. 20.

5 Department of Industry and Science, 'Automotive Industry Data Card: June 2014 Automotive Update', <http://industry.gov.au/industry/IndustrySectors/automotive/Statistics/Pages/automotivedatacard.aspx> (accessed 17 August 2015).

6 Department of Industry and Science, 'Automotive Industry Data Card: June 2014 Automotive Update', <http://industry.gov.au/industry/IndustrySectors/automotive/Statistics/Pages/automotivedatacard.aspx> (accessed 17 August 2015).

7 Productivity Commission, *Review of Automotive Assistance*, Inquiry Report No. 25, August 2002, p. 277.

the 1980s. As tariffs were progressively reduced, assistance was provided through co-investment measures, production subsidies and grants. The automotive industry has also benefitted from government purchasing policies and, to some extent, from taxation arrangements such as the luxury car tax.

2.13 Australian governments at both the federal and state level—like governments in other automotive manufacturing nations—have supported the automotive industry in recognition of the spillover benefits it delivers in technological and manufacturing know-how and its significance to regional economies. In addition to the industry-specific measures described above, many companies have also been able to access skills and employment programs, export market facilitation, support for investment in research and development, and targeted regional assistance measures.

The Australian Competitiveness Investment Scheme

2.14 The Australian Competitiveness and Investment Scheme (ACIS) was initially introduced in 2001 for a period of 5 years as part of the government's post-2000 assistance package for the automotive industry. The aim of the ACIS was to provide transitional assistance to the automotive manufacturing industry to open the market through the provision of import credits linked to investment levels, production and research and development.⁸ The import credits could be used to offset the duty payable on certain imports or traded with other ACIS participants.

2.15 The ACIS was open to motor vehicle producers and to businesses in the automotive supply chain, including component manufacturers, automotive machine tooling producers and automotive service producers.⁹

2.16 In anticipation of further tariff reductions, the ACIS was extended in 2005 to run until 2015 so that the industry could 'achieve sustainable growth as tariffs are reduced'.¹⁰ Up to \$7 billion worth of import credits were expected to be provided over the life of the ACIS.¹¹

A New Car Plan for a Greener Future

2.17 In 2008, the Australian Government announced a \$6.2 billion suite of programs ('A New Car Plan for a Greener Future') intended to 'make the automotive industry more economically and environmentally sustainable by 2020'.¹² As part of

8 Federal Chamber of Automotive Industries, Report by the Allen Consulting Group, *Submission 9.1*, p. 34.

9 Australian National Audit Office, *Administration of the Automotive Competitiveness and Investment Scheme*, Audit Report No. 19, 2007–08, p. 13.

10 Productivity Commission, *Australia's Automotive Manufacturing Industry*, Inquiry Report No. 70, 31 March 2014, p. 109.

11 Australian National Audit Office, *Administration of the Automotive Competitiveness and Investment Scheme*, Audit Report No. 19, 2007–08, p. 14.

12 The Hon. Kevin Rudd, MP, Prime Minister of the Commonwealth of Australia, and Senator the Hon. Kim Carr, Minister for Innovation, Industry, Science and Research, 'A New Car Plan for a Greener Future', Media release, 10 November 2008.

this plan, the ACIS was replaced by the Automotive Transformation Scheme (ATS), with assistance worth \$3.4 billion.¹³ Other key initiatives included:

- an expanded \$1.3 billion Green Car Innovation Fund to provide co-investment grants for the production of environmentally friendly cars;
- the Automotive Industry Structural Adjustment Program, which included both a structural adjustment component and a labour adjustment component to provide training and assistance to redundant workers;
- the Automotive Supply Chain Development Program, which provided \$20 million to strengthen the component manufacturing sector in the four years to 30 June 2013;
- the Automotive Market Access Program, which provided \$6.3 million from July 2009 to 30 June 2012 to boost component manufacturers' access to global supply chains; and
- the LPG vehicle scheme enhancement, which was a \$10.5 million expansion to the existing LPG vehicle scheme, doubling payments to purchasers of private use vehicles factory fitted with LPG technology.¹⁴

2.18 The Automotive Transformation Scheme (ATS) is the largest single support measure for automotive manufacturing by total value and is designed to 'encourage competitive investment and innovation in the Australian automotive industry and place it on an economically sustainable footing'.¹⁵

2.19 The ATS commenced on 1 January 2011 and is legislated to operate through to 31 December 2021. Participants can claim payments for eligible investments in research and development activities, plant and equipment and vehicle production (including engines and engine components).¹⁶

2.20 The ATS is open to motor vehicle producers and to businesses in the automotive supply chain, including component manufacturers, automotive machine tooling producers and automotive service producers. To be eligible, component manufacturers, machine tool producers and automotive service providers must

13 The Hon. Kevin Rudd, MP, Prime Minister of the Commonwealth of Australia, and Senator the Hon. Kim Carr, Minister for Innovation, Industry, Science and Research, 'A New Car Plan for a Greener Future', Media release, 10 November 2008.

14 The Hon. Kevin Rudd, MP, Prime Minister of the Commonwealth of Australia, and the Senator the Hon. Kim Carr Minister for Innovation, Industry, Science and Research, 'A New Car Plan for a Greener Future', Media release, 10 November 2008; the Department of Industry and Science, *Submission 16*, p. 35.

15 Department of Industry, *ATS Fact Sheet*, <http://www.business.gov.au/grants-and-assistance/manufacturing/ats/Pages/Fact-Sheet.aspx> (accessed 5 March 2015).

16 Productivity Commission, *Australia's Automotive Manufacturing Industry*, Inquiry Report No. 70, 31 March 2014, p. 132.

demonstrate that their components, tools and services are related to producing motor vehicles or engines in Australia.¹⁷

2.21 The ATS is composed of both capped and uncapped funding; motor vehicle producers can claim up to 55 per cent of each annual cap, with the remaining 45 per cent available to other ATS participants.¹⁸

2.22 More information about potential reforms to the ATS to better support automotive manufacturers, including component makers, is explored in the next chapter.

The Automotive New Markets Initiative

2.23 The Automotive New Markets Initiative (ANMI) provided \$35 million for four years from 2012–13 to Australian automotive supply chain companies to broaden their customer and product base, both domestically and through exports. The ANMI was a joint initiative of the Australian Government, Victorian Government and South Australian Government. Additional Australian Government and Victorian Government funding of \$12 million was provided in May 2013 in response to Ford's announcement that it would cease manufacturing motor vehicles in Australia in 2016.¹⁹ The ANMI included:

- the \$30 million Automotive New Markets Program, which provided merit-based grants to businesses to enhance their ability to access new markets;
- the Business Capability Support Program, which funded a capability development organisation to support automotive businesses to develop new capabilities;
- the Automotive Envoy, who helped automotive businesses to connect to new markets in the automotive and non-automotive sectors, including global automotive supply chains; and
- the Automotive Supplier Advocate, who helped provide strategic leadership to assist automotive firms in identifying new customers, including through fleet purchases.²⁰

17 Productivity Commission, *Australia's Automotive Manufacturing Industry*, Inquiry Report No. 70, 31 March 2014, p. 132.

18 *Automotive Transformation Scheme Regulations 2010*, Regulation 3.10.

19 Senator the Hon. Kim Carr, Minister for Innovation, Industry, Science and Research, the Hon. David Hodggett, MP, Victorian Minister for Manufacturing and the Hon. Tom Kenyon, MP, South Australian Minister for Manufacturing, 'Helping auto suppliers diversify and thrive', Media release, 5 August 2013.

20 The Hon. Greg Combet AM, MP, Minister for Industry and Innovation, the Hon. Richard Dalla-Riva, MP, Victorian Minister for Manufacturing, Exports and Trade, and the Hon. Jack Snelling, MP, South Australian Acting Minister for Manufacturing, Innovation and Trade, 'Creating new opportunities for auto suppliers', Media release GC 225/12, 8 August 2012.

2.24 In launching the ANMI, the Victorian Minister for Manufacturing, Exports and Trade, Mr Richard Dalla-Riva observed that:

At a time of significant structural pressures on the car industry, local components suppliers must look to transform themselves into companies that can compete not only in selling parts into local production but also into global auto industry markets and into other sectors like defence, rail, aerospace and mining. We will stand by the industry during this period of transformation.²¹

2.25 Under the Automotive New Markets Program, of 30 approved projects (with investment totalling \$18,100,189): 15 have been completed, 12 are in progress, two have been withdrawn and one has been voluntarily terminated (as at 31 March 2015).²²

2.26 The \$30 million Automotive New Markets Program was replaced by the \$20 million Automotive Diversification Program, announced in May 2014, as one of the elements under the current government's Growth Fund program.

Growth Fund program

2.27 In December 2013, following the announcement by Holden that it would cease local manufacturing in 2017, the federal government announced that it would establish a \$100 million growth fund to help mitigate the economic fallout in South Australia and Victoria. This comprises \$60 million in Commonwealth funding, with remaining funds being contributed by the South Australian and Victorian state governments and Holden.

2.28 In May 2014, following the announcement that Toyota would also cease local manufacturing in 2017, the government announced it would increase its contribution to the Growth Fund by \$40 million. With contributions from Toyota, Holden and the South Australian and Victorian state governments, this brings the total value of the fund to \$155 million.

2.29 The Growth Fund comprises five elements:

- A \$15 million increase to the Automotive Industry Structural Adjustment Programme (AISAP) to extend the programme until 30 June 2018. This program provides retrenched automotive workers with immediate access to intensive employment support.
- A \$30 million Skills and Training Initiative to assist Holden and Toyota workers recognise their skills and train for new jobs, while they are still

21 The Hon. Greg Combet AM, MP, Minister for Industry and Innovation, the Hon. Richard Dalla-Riva, MP, Victorian Minister for Manufacturing, Exports and Trade, and the Hon. Jack Snelling, MP, South Australian Acting Minister for Manufacturing, Innovation and Trade, 'Creating new opportunities for auto suppliers', Media release GC 225/12, 8 August 2012.

22 Department of Industry and Science, *Submission 16*, pp. 12–13.

employed. The \$30 million is composed solely of contributions from Holden and Toyota, which each contributed \$15 million to this initiative.

- A \$20 million Automotive Diversification Programme to help automotive supply chain firms capable of diversifying to find new markets (replacing the previous government's \$30 million Automotive New Markets Program).
- A \$60 million Next Generation Manufacturing and Investment Programme to accelerate private sector investment in high value manufacturing sectors in Victoria and South Australia.
- A \$30 million Regional Investment Programme to support investment in non-manufacturing opportunities in regions affected by the closure of the car manufacturing industry.²³

Component manufacturers face the biggest challenges

2.30 The component sector of the automotive manufacturing industry has been, and will continue to be, most affected by the wind-down in vehicle production.

2.31 In recent years, Australia's automotive component manufacturers have faced significant challenges due to relatively high production costs, increased global competition and (until recently) a relatively high exchange rate. Global car manufacturing trends, which seek to integrate component suppliers through rationalisation and co-location, have added to these challenges.

2.32 The cessation of automotive vehicle production in Australia will place the local component manufacturing industry under extreme pressure, potentially leading to the closure of many local component manufacturers.

2.33 Given the advance notice provided by the vehicle producers, it is likely that most, if not all, component manufacturers will have explored their options and determined whether they are able to continue to operate following the cessation of domestic vehicle production.

2.34 Many local subsidiaries of global car manufacturers and component suppliers were explicitly set up to service local automotive production and are likely no longer to have operations in Australia after 2017.

2.35 That is not to say that all local subsidiaries will cease manufacturing in Australia. For example, even though Nissan has not been manufacturing vehicles in Australia for a number of years, its Australian operations continue to provide components for 39 models of vehicles which are assembled around the world.²⁴

23 The Hon. Ian MacFarlane, MP, Minister for Industry, '\$155 million growth fund to drive state's future growth', Media release, 6 May 2014.

24 *Nissan Casting Australia announces it will continue making parts for Nissan Leaf and other models beyond 2020*, news.com.au, 21 April 2015, <http://www.news.com.au/finance/business/nissan-casting-australia-announces-it-will-continue-making-parts-for-nissan-leaf-and-other-models-beyond-2020/story-fnkgdhrc-1227313469385> (accessed 23 April 2015).

2.36 Some component manufacturers have successfully managed to diversify their activities to be less reliant on supplying local vehicle production. These businesses are less susceptible to the cessation of local vehicle production but may benefit from government assistance to further broaden their product offering and markets, and maximise any opportunities that may arise.

2.37 In addition, aftermarket component manufacturers will continue to build on their success and have the potential to expand quickly if opportunities arise and assistance were to be made available.²⁵

Opportunities for automotive component manufacturers to adapt

2.38 While the cessation of production was announced in 2013, domestic automotive production volumes have been declining for some time. Recognising this trend, many component manufacturers have been actively exploring options to develop sustainable business models that do not rely solely on domestic motor vehicle production.

2.39 In the absence of domestic motor vehicle production, the future for local component manufacturing depends on the ability of businesses to be able to:

- supply components (including pre-assembled parts) to production facilities internationally;
- supply components to the automotive aftermarket; and/or
- diversify their activities to supply other non-automotive industries.

2.40 In addition, there may be opportunities to attract new investment and establish low-volume, niche vehicle producers in Australia. New vehicle producers could work with existing component manufacturers to ensure that, where possible, components are sourced locally.

Supplying components for global automotive production

2.41 Opportunities for supplying global automotive producers depend on the capacity of component manufacturers to address trends in rationalisation and co-location. Producers are seeking to limit the number of tier 1 suppliers and develop facilities that co-locate component manufacturers and production lines to improve efficiency.²⁶

2.42 Some component suppliers could continue manufacturing within Australia as part of supplying international tier 1 operations or vehicle production plants directly. The relatively recent fall in the exchange rate may assist domestic component manufacturers to become more internationally competitive.

25 Australian Automotive Aftermarket Association, *Supplementary Submission 5*, p. 3.

26 Component manufacturers are often described in terms of tiers, with tier 1 suppliers supplying directly to the producers, tier 2 suppliers supplying tier 1 suppliers and so on. Component manufacturers can be a tier 1 supplier for one producer but also a tier 2 supplier for another.

2.43 Robert Bosch Australia indicated that it is one of the few diversified Australian manufacturers supplying the automotive industry and produces 92 million automotive diodes for the Bosch group globally.²⁷

2.44 Australian component manufacturers may also be able to supply niche markets where other component suppliers do not want to produce. For example, SMR Automotive has recently started shipping a highly technical product to Honda in Japan. Not only has this opened up a new export market but has also developed an innovative design approach and significant intellectual property.²⁸

2.45 Where Australia retains a role in automotive design, there may also be opportunities during the new vehicle design phase for early collaboration between designers and domestic component manufacturers. For example, the development of the Holden Zeta global platform in Australia allowed Diver Consolidated Industries to design and manufacture export door hinges and a transmission tunnel insulator.

Supplying components to the automotive aftermarket

2.46 Given the mature nature of the automotive aftermarket in Australia, it may be challenging for original equipment components manufacturers to restructure their operations to competitively supply the domestic aftermarket. And, indeed, such an outcome may not be in the best interests of the economy if assistance undermines existing manufacturers.

2.47 However, there may be opportunities for existing aftermarket component manufacturers to increase production to serve additional export markets. According to the Australian Automotive Aftermarket Association (AAAA):

The global demand for specialty components is growing in line with higher SUV sales and the ageing of the population is supporting demand for specialised vehicle retrofit components. The rise of global platforms, while representing a threat to local OE component producers, is generating opportunities for the development of accessories and modification products, first developed for local use and then exported.²⁹

2.48 The AAAA considers that the future of the sector in Australia will depend on moving up the value chain by developing and manufacturing high-value speciality products with a technological advantage. These types of products are sought after and purchased on innovation, performance and features, rather than price.³⁰

Diversifying activities to supply non-automotive industries

2.49 Opportunities may also exist for some component manufacturers to use their expertise and equipment to manufacture components for use in other industries and/or non-automotive final products. For example, MHG Asia Pacific is using the

27 *Submission 14*, p. 2.

28 *Committee Hansard*, 13 March 2015, p. 11.

29 *Submission 5*, p. 3.

30 *Submission 5*, p. 3.

knowledge and techniques it has developed in supplying the domestic automotive industry to expand its manufacturing operations into non-automotive industries. It designs and produces specialised demisting glass for the local bus manufacturing industry and is also seeking new opportunities to supply specialised glass for train windows. In addition, MHG's expertise in manufacturing light weight plastic components may have relevance in the rail industry and electric vehicle industry.

2.50 There may also be opportunities for existing aftermarket manufacturers to expand their diversification activities. The AAAA reported that:

The Australian aftermarket has also been successful in branching out into non-automotive industry sectors, such as rail, defence, mining, marine and industrial, creating further opportunities for volume growth through diversification.³¹

2.51 A combination of these strategies may be necessary to create a viable business model. For example, MtM Automotive has been manufacturing in Australia for the past 50 years and in 1992 started looking at the export market. While it was not until 1997 that the company actually won business in the export market, today 40 per cent of the company's manufactured products are produced either for the export market or aftermarket. MtM Automotive has continued to look for new opportunities to diversify into non-automotive sectors across a variety of products, including manufacturing the all-terrain, off-road Tomcar vehicle and the SteelSafe Immobilizer for trucks and trailers.³²

31 *Submission 5*, p. 3.

32 *Committee Hansard*, 10 March 2015, p. 35.

Chapter 3

Better supporting automotive manufacturing

3.1 This chapter explores the policy challenge of supporting the automotive manufacturing industry's transition through the wind-down of local vehicle production and beyond. It also considers what immediate amendments are required to the main government support program, the Automotive Transformation Scheme, to ensure that the funding already committed to by government is able to be deployed to assist automotive manufacturing.

The policy challenge is complex

3.2 Automotive manufacturing in Australia is currently undergoing a period of change that will leave the industry looking profoundly different in 2018. Many of the companies and associated workforce have been, and will continue to be, affected by the ongoing reduction, and eventual cessation, of local passenger motor vehicle production.

3.3 While some stakeholders do not consider that there is a future in automotive manufacturing in Australia, this view is not shared by the committee. The committee is of the view that automotive manufacturing, and advanced manufacturing more generally, certainly does have a future in Australia and has an important role in ensuring Australia has an advanced, diversified economy.

3.4 The Automotive Australia 2020 Roadmap project, commissioned by the Australian Automotive Industry Innovation Council and undertaken by the AutoCRC, identified four areas of long term sustainability and opportunity for the industry in electrification, light-weighting, gaseous fuels, and data and communications.¹

3.5 The Roadmap projects highlight the enormous potential of the Australian industry to remain at the cutting edge of global advances in technology and product design, including electric vehicles and new battery technologies, carbon fibre, alternative fuels such as hydrogen and LPG, autonomous vehicles, intelligent transport systems and telematics.

3.6 The challenge for policy makers is to attract new automotive and advanced manufacturing industry investment, while providing enough support for manufacturers to make a successful transition without compromising the viability of existing businesses. According to the Federation of Automotive Products Manufacturers:

The level of economic and strategic significance associated with the Australian automotive industry is substantial as is its ability to transform to having a greater focus around advanced manufacturing activities. This makes the challenge for policy makers now to retain as much of the

1 AutoCRC, *Automotive Australia 2020 Roadmap*, <http://www.autocrc.com/about/2020> (accessed 17 August 2015).

industry and its capability as possible for the benefit of the nation's economic future.²

3.7 The committee agrees with those stakeholders that highlighted the important role that automotive manufacturing plays in supporting other advanced manufacturing industries. For example, the Federal Chamber of Automotive Industries considered that:

...an orderly transition out of domestic automotive manufacturing will not mean the end of Australia's advanced engineering and manufacturing capabilities. However, sensible government support through this period is crucial.³

3.8 Indeed, there are parts of the automotive manufacturing sector that will continue to operate, and may even expand, after motor vehicle production ceases. According to the Federation of Automotive Products Manufacturers:

Policymakers should remain open to the prospect that a new entrant may want to enter the Australian market, given the sophisticated automotive and advanced manufacturing capability that still exists in Australia.⁴

3.9 The committee notes that although vehicle manufacturing will cease by the end of 2017, Ford and Holden have committed to maintaining significant design and development facilities in Australia. These facilities are, and will continue to be, important contributors to Australia's industrial design and development capabilities. The Federal Chamber of Automotive Industries noted that:

...while the cessation of large-scale domestic manufacturing is regrettable, Australia can continue to have a valuable link into this important industry through its high-value, innovation-intensive design and product development operations well beyond domestic manufacturing...

However, if Australia is to maintain the technical and design advantage it currently enjoys across automotive product development, then as a country we must have ongoing and consistent internationally competitive policy settings and assistance.⁵

3.10 There is also potential to expand component manufacturing associated with the automotive aftermarket, particularly for export markets. However, the committee notes the concerns of the Australian Automotive Aftermarket Association that any policy aimed at supporting the transition of original equipment component manufacturers should be designed to grow the market, rather than compete directly with existing manufacturers that are already viable.⁶

2 *Submission 17*, p. 9.

3 *Submission 9*, p. 10.

4 *Submission 17*, p. 5.

5 Federal Chamber of Automotive Industries, *Supplementary Submission 9*, pp. 2–3.

6 *Submission 5*, p. 3.

3.11 Also of importance to the committee is reducing, to the extent possible, the job losses from the cessation of vehicle production, particularly where these skills can be redeployed into other automotive manufacturing roles. The Australian Manufacturing Workers' Union submitted that:

It is crucially important, both in order to save as many jobs as possible and in order to preserve an advanced manufacturing, design and engineering capability, that Australia implement a policy that will sustain our automotive manufacturing skills and capabilities and support the diversification and growth of sub-industries such as the aftermarket and specialist parts industry.⁷

3.12 If done well, appropriate policies have the potential to increase the number of high-skilled jobs associated with high-value niche products and advanced manufacturing.

Defining the industry for public policy

3.13 From a public policy perspective, Australia's automotive sector has traditionally been associated with activities relating to passenger motor vehicles, particularly the manufacturing of these vehicles. This approach may have been appropriate in the past, however, this is no longer the case given international developments, advances in technology and services across the entire industry, and with domestic production due to cease by the end of 2017.

3.14 The Australian Automotive Aftermarket Association referred to what it believed was the effect of the Australian Government's narrow focus of the automotive manufacturing industry on passenger vehicle manufacturers and their suppliers:

Over time, the continued narrowing of automotive industry policy has cost the Australian community. The cost is the missed opportunities to build upon the breadth and complexity of automotive production...There are some very real and effective options for government to build upon the profitable automotive segments whilst easing the demise of passenger motor vehicle manufacturing.⁸

3.15 Without new sources of investment in domestic production it may be that Australia's new passenger vehicles will all be imported at some point in the foreseeable future. Be that as it may, the Australian automotive industry will continue to have a manufacturing presence through the assembly and manufacture of small scale specialist road and off-road vehicles; heavy vehicles; agricultural, mining and lifting machinery; vehicle bodies and trailers; and other related activities.⁹

3.16 The focus on the automotive manufacturing industry has also overlooked the significant restructuring which has occurred in the downstream sector of the industry,

7 *Submission 11*, p. 4.

8 Australian Automotive Aftermarket Association, *Submission 5*, pp. 6–7.

9 Motor Trades Association of Australia and Australian Motor Industry Federation, *Submission 30*, p. 10.

including the retail service and repair sectors.¹⁰ The downstream automotive industry will continue to undergo structural adjustments in the short to medium term as a result of the cessation of local production by the end of 2017. The substantial size and contribution of the downstream automotive industry, relative to the automotive manufacturing industry, highlights the importance of reconsidering the approach to the automotive industry.

3.17 Reflecting these changing industry dynamics, governments could, by taking a wider approach to defining what constitutes the automotive industry, facilitate policy development aimed at fostering the growth of the industry as a whole. If a broader definition of the automotive industry were to be adopted, it could include passenger vehicles, motorcycles, caravans and trailers, buses, trucks and special purpose vehicles (such as racing vehicles, quadbikes and all-terrain vehicles, and mining and agricultural machinery). This approach was supported by the AutoCRC which submitted that:

...we consider 'automotive' refers to any form of self-powered vehicle, not purely light passenger vehicles.¹¹

3.18 In addition, the automotive sector may have lessons to offer other industries. In particular, manufacturing activities in other sectors benefit from the dissemination of capabilities developed by automotive component manufacturers and vehicle producers. There are numerous examples where knowledge of such capabilities has already been transferred in areas relating to improved productivity, quality control, engineering design and prototyping, models of capital investment and management of global supply chains.¹²

3.19 The Motor Trades Association of Australia and the Australian Motor Industry Federation noted that the automotive industry is characterised by diversification, segmentation, fragmentation, specialisation and wide geographic distribution. As a result, it has been difficult, if not impossible, to drive whole-of-industry public policy.¹³ They have called for a shift in policy focus to areas of the automotive industry beyond car manufacturing:

There needs to be improved mechanisms for those developing and implementing policy affecting the entire automotive industry, to coordinate and improve transparency of decision making...

What is particularly required is:

- cohesive policy framework for the entire industry;
- an understanding of the critical issues facing each sector;
- clear understanding of policy direction for industry stakeholders;

10 Motor Trades Association of Australia and Australian Motor Industry Federation, *Submission 30*, pp. 11–12.

11 *Submission 34*, p. 1.

12 See, for example, Victorian Government, *Submission 8*; Toyota Australia, *Submission 13*.

13 Motor Trades Association of Australia and Australian Motor Industry Federation, *Submission 30*, p. 12.

-
- clearly defined policy outcomes that are measureable and can be implemented.¹⁴

3.20 Indeed, developing a coordinated policy for the entire automotive industry was one of the driving factors in setting up this inquiry. The dissenting report of the inquiry into the *Automotive Transformation Scheme Amendment Bill 2014 [Provisions]* acknowledged that the issue is broader than just motor vehicle production and noted that:

Leadership is needed to ensure a smooth transition from automotive manufacturing to a new, revitalised automotive industry that can retain the considerable knowledge, skills and experience of the existing automotive workforce while creating new employment opportunities for future generations.¹⁵

3.21 The committee considers that an overarching and internationally competitive policy framework is necessary to ensure that Australia remains a prosperous nation supported by a broad-based economy.

Recommendation 1

3.22 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. Government departments should coordinate their efforts to attract new automotive investment and maintain existing skills and capabilities, using the Automotive Australia 2020 Roadmap as a guide.

Reforming the Automotive Transformation Scheme

3.23 The Automotive Transformation Scheme (ATS) is the main program by which government provides financial assistance to the local automotive manufacturing industry.

3.24 The ATS is a legislated entitlement scheme—through the *Automotive Transformation Scheme Act 2009* (ATS Act)—that provides assistance to registered participants for the production of motor vehicles and engines, and for investment in allowable research and development and allowable plant and equipment.¹⁶ The object of ATS was to encourage competitive investment and innovation in the Australian automotive industry, and to place the industry on an economically sustainable footing.

3.25 Originally, a total of over \$3.3 billion was estimated to be available under the scheme from 2010–11 to 2020–21. Two kinds of assistance were available—capped and uncapped assistance. Capped assistance was limited to \$1.5 billion in stage 1

14 Motor Trades Association of Australia and Australian Motor Industry Federation, *Submission 30*, pp. 24–25.

15 Senate Economics Legislation Committee, *Automotive Transformation Scheme Amendment Bill 2014 [Provisions]*, November 2014, p. 27.

16 *Automotive Transformation Scheme Amendment Bill 2014*, Explanatory memorandum, p. [2].

(2010–11 to 2015–16) and \$1 billion in stage 2 (2016–17 to 2020–21), while uncapped assistance was estimated at \$847 million in total.

3.26 Prior to the 2013 Federal Election, the then opposition announced that it would reduce funding available through the ATS by \$500 million.¹⁷ Following the election, this measure was introduced in the 2013–14 Mid-Year Economic and Fiscal Outlook (MYEFO), which set out a \$500 million saving from ATS capped assistance over the financial years 2014–15 to 2017–18.

3.27 Further savings to the ATS were then proposed in the 2014–15 Budget. The budget measure sought to terminate the scheme from 1 January 2018, saving a further \$400 million.¹⁸

3.28 In doing so, the government planned to save \$900 million from the ATS across the remaining life of the scheme. It introduced legislation to this effect into the parliament on 24 September 2014. The Bill passed the House of Representatives on 2 October and was introduced into the Senate on the same day. In March 2015, the government decided that it no longer wanted to pursue legislative changes to the ATS and discharged the bill from the notice paper.¹⁹

3.29 The proposed changes were described by the Federation of Automotive Products Manufacturers as:

...not only detrimental to the prospects of the industry transitioning to a new paradigm, they will contribute to the loss of automotive manufacturing being a 'house of cards' scenario as opposed to a soft landing.²⁰

3.30 Although the legislative measures to reduce funding available through the ATS have now been withdrawn, a significant amount of the assistance that had been earmarked for the ATS is unlikely to be paid out because the amount of assistance provided through the ATS is contingent on the level of vehicle production and various other eligibility criteria.

3.31 The 2015–16 Budget papers forecast that the government will only allocate \$105 million between 2014–15 to 2020–21 in ATS funding, with the remaining underspend moving into consolidated revenue.²¹

3.32 Rather than banking underspending on the ATS as a budget saving, the committee considers that any underspend in this assistance should be made available for the industry to make the most of any opportunities that may arise to diversify into

17 'The Coalition is Committed to the Car Industry', Media Release, 13 June 2013, <http://www.liberal.org.au/latest-news/2013/06/13/coalition-committed-car-industry> (accessed 16 August 2015).

18 *Automotive Transformation Scheme Amendment Bill 2014*, Explanatory memorandum, p. [2].

19 Automotive Transformation Scheme Amendment Bill 2014 page, http://www.aph.gov.au/Parliamentary_Business/Bills_LEGislation/Bills_Search_Results/Result?bld=r5341 (accessed 16 August 2015).

20 *Submission 17*, p. 9.

21 Australian Government, *Budget Paper No. 2: Budget Measures 2015–16*, p. 128

new markets or sectors. In order to achieve this, however, the ATS Act and its associated regulations require some changes. Regarding this point, the Ai Group submitted that:

The businesses and the employees in automotive supply chains are a valuable part of Australia's industrial ecosystem. They have important roles to play in the restructuring of the Australian economy as we build a stronger and more resilient foundation that is less reliant on the investment in mining and energy projects and the high commodity prices that have featured so prominently in the last decade. However, the challenges within the industry mean there is a need for substantial reorientation of the design of the Automotive Transformation Scheme to ensure those businesses who can continue to operate can do so. Ai Group believes this reorientation of the ATS must be finalised as a matter of urgency especially given the weakening economic conditions in Australia.²²

3.33 At a minimum, the committee considers the current level of ATS funding needs to be maintained through to 2021 as provided for in the ATS Act. In addition, current underspends in the ATS should be rephased from stage 1 to stage 2. This will provide certainty to industry participants to plan until vehicle production ceases; help maintain access to banking finance in an increasingly stringent lending environment; and assist in funding diversification activities.²³

3.34 Consistent with the need to develop an overarching automotive industry policy framework, the committee believes that the Automotive Transformation Scheme should be reconceptualised as a broad, 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.

3.35 Accordingly, the object of the ATS Act should better reflect this new reality. When the ATS was legislated, it was assumed that vehicle production would continue through the entire period of the scheme. However, this has not eventuated and there is a need for targeted support to assist manufacturers to diversify and transform, particularly component manufacturers.

3.36 A number of stakeholders submitted that the focus of the ATS should be retargeted. For example, the Australian Manufacturing Workers' Union considered that the ATS should be given a new purpose and support the industry transition to the design and/or production of cars; aftermarket parts and accessories; low emission components, engines and infrastructure; and advanced components, systems and materials for global supply chains producing cars and other vehicles.²⁴

3.37 The Federation of Automotive Products Manufacturers noted that the automotive manufacturing environment had changed:

22 *Submission 31*, p. 19.

23 Federation of Automotive Products Manufacturers, *Submission 11*, p. 3.

24 *Submission 11*, p. 5.

The planned departure of the three Australian vehicle manufacturers fundamentally changes the policy objectives of ATS...The tailoring of the ATS rules in a number of areas will be critical in allowing the existing rules to be amended to achieve the necessary outcomes.²⁵

3.38 And the Federal Chamber of Automotive Industries indicated they would:

...support updating the object of the ATS Act to better reflect the new direction the industry is moving in. Accordingly the FCAI would support a new object that specifies that the ATS is designed for the promotion and growth of an advanced automotive industry in Australia.²⁶

3.39 Accordingly, the committee considers that the object of the ATS Act should be updated to specify that the ATS is designed for the promotion and growth of advanced automotive industries in Australia, including manufacturing components and materials, developing and commercialising new technologies, and engineering and design work for domestic and offshore automotive customers when that work is performed in Australia.

3.40 In addition, a number of the ATS rules and eligibility criteria require amendment to encourage further investment in research and development.

3.41 The Federation of Automotive Products Manufacturers outlined a number of ways that the definition of research and development could be broadened to support diversification:

Currently, none of the ATS participants can claim R&D relating to non-automotive products or services. Clearly, in the new post-2017 industry paradigm, an ability to claim R&D relating to products or services in non-automotive industry sectors will be a key to industry survival.

A further policy conclusion is that the ATS rules will need to change to allow for the claiming of R&D relating to products or services for non-automotive industry sectors, subject to the application of strict competitive neutrality provisions...

The concept of an eligible automotive service in regulation 1.9 also needs to be broadened beyond passenger motor vehicles and light commercial vehicles to cover any kind of vehicle mentioned in Chapter 87 of the Tariff (such as large trucks), or that has the essential character of such vehicles.²⁷

3.42 FAPM also noted potential limitations posed by the once-a-year restriction on moving between ATS registration categories:

As the diversification process unfolds, a key aspect of the administration of ATS that will need to change is the ease of movement between registration categories. Currently, the ATS only provides for a 'once a year' registration window, whereby regulation 2.14 requires applications for ATS registration to occur for an ATS year, to be received by AusIndustry by 31 December of

25 *Submission 17*, p. 11.

26 *Supplementary Submission 9*, p. 3.

27 *Submission 11*, p. 12.

the preceding year. This is a severe impediment to mid-year movements between registration categories that will be required as the industry transitions.

The other related issue is the ease with which ATS participants can change registration categories. At present, the annual re-registration requirement would pose an impediment, but there is also doubt about whether a participant's ATS investment and sales history would also move across to a new registration category. This aspect requires a number of changes to be made to Part 2 of the regulations in particular.²⁸

3.43 The Federal Chamber of Automotive Industries also supported changes to eligibility criteria for the ATS:

Rather than cutting and closing the ATS, amending the eligibility criteria to facilitate investment in research and development activities to encourage further investment in these, and other, facilities would help nurture complex design and engineering work in Australia, in turn providing significant technical skills for the country. Such amendments would be particularly important as domestic motor vehicle manufacturing winds down in Australia.²⁹

3.44 The AutoCRC proposed that all Australian-based research and development activities should be eligible for ATS funding:

...the present exclusion from ATS eligibility of Australian-based R&D [research and development] conducted by ACPs [Australian Component Producers] on behalf of and under contract with overseas automotive customers will seriously inhibit opportunities for growth and diversification by ACPs into regional automotive markets, thus threatening their ability to survive the forthcoming cessation of vehicle production in Australia.

We therefore propose that the ATS Regulations be amended to allow eligibility of Australian-based R&D conducted by ACPs on behalf of non-ATS registered parties.³⁰ [emphasis in original]

3.45 The Federal Chamber of Automotive Industries similarly supported changes to the ATS rules to allow for the claiming of research and development activity contained within engineering services activity across the registration categories.³¹

3.46 A number of stakeholders also suggested that ATS funding should be available for possible new niche motor vehicle production or new sources of investment. Simmons Global proposed that the focus on existing vehicle production could be widened:

...given the imminent withdrawal of the remaining Australian [vehicle] manufacturers, it is considered prudent to redesign the assistance

28 *Submission 11*, pp. 13–14.

29 *Submission 9*, p. 11.

30 *Submission 34*, p. 2.

31 *Supplementary Submission 9*, p. 3.

arrangements to specifically cater to potential new entrants. This would involve assistance for new vehicle development costs prior to production.³²

3.47 The committee considers that it is necessary to amend the ATS rules and eligibility requirements to support manufacturers to continue to secure complex design and engineering work, and provide greater support for diversification initiatives.

Recommendation 2

3.48 **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 rephased from stage 1 (ending 2015–16) to stage 2 (ending 2020–21).**

Recommendation 3

3.49 **The committee recommends redefining the Automotive Transformation Scheme (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 new opportunities for growth and investment throughout the whole of the automotive industry.**

Recommendation 4

3.50 **The committee recommends that the object of the *Automotive Transformation Scheme Act 2009* 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: manufacturing components and materials; developing and commercialising new automotive technologies; and engineering and design for both domestic and offshore customers when that work is performed in Australia.**

Recommendation 5

3.51 **The committee recommends that the Automotive Transformation Scheme (ATS) rules and eligibility criteria (governed by the Automotive Transformation Scheme Regulations 2010) should be amended, in consultation with industry, 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. Amendments to ATS regulations to be considered include (but are 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;**

32 *Submission 22*, p. [2].

- **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;**
- **amend the ATS rules to allow motor vehicle producers to remain eligible for the scheme, even in the event of declining production volumes; and**
- **amend the ATS national interest provisions to ensure these provisions are utilised to enable new entrants to the scheme and to attract new investment. Amendments to national interest provisions should include removing the current requirement that the Minister must not grant an ATS participant permission to continue registration under this regulation for a period of more than two successive ATS years.**

**Senator Sam Dastyari
Chair**

Government Senators' Dissenting Report

1.1 As announced on 10 March 2015, the Government will not make changes to the current Automotive Transformation Scheme (ATS) legislation.

1.2 The ATS programme will remain in place and will come to a natural conclusion at the end of 2017 when Holden and Toyota end their Australian manufacturing (following Ford in 2016).

1.3 The Government's decision gives component makers more certainty and more assistance 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.

1.4 This means that the original \$300 million legislated cap on funding for each of the years from 2015 to 2017 remain in place.

1.5 The ATS is linked to production volumes; therefore, there will be a declining demand for the ATS as Australian car production winds down.

1.6 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.

1.7 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.

1.8 Most of the savings from the programme will still be realised, based on production volumes as Ford, Holden and Toyota wind down production based on their independent decisions to end domestic car manufacturing.

1.9 As stated by former ALP Prime Minister Paul Keating in the Sydney Morning Herald in July 2000:

What do I say (to people who lost their jobs); what is your new job like? One of the 2.5 million created since the early 1980's. People have found better jobs. I mean, did we ever hurt anybody liberating them from the car assembly line? Of course we didn't. And the way people talk about this free and fair trade, as if the economy is static and not dynamic, and a job lost is not a job replaced, is just bunkum.

Senator Sean Edwards
Deputy Chair

Australian Greens

Additional Comments

1.1 The Australian Greens broadly agree with much of the thrust and the recommendations of the committee's report. The Australian automotive components industry is in crisis and without prompt action there is a real prospect most of the components industry will not survive the transition.

1.2 This crisis has been a long time in the making, with successive governments' failure to lead a transformation of the industry. But the Abbott government has accelerated the crisis with its plan to make over \$900 million in cuts to the Automotive Transformation Scheme and with no real plan to support transition in the industry.

1.3 The government's approach could see the component sector collapse and the big car makers leave early, with potentially devastating consequences for hundreds of thousands of workers and their families.

1.4 Workers in the car and component industries are driving towards a cliff in 2016/17 while we miss big opportunities to create sustainable jobs in the meantime. The south-east states of Victoria and South Australia, which have suffered from the pressures of the mining boom, are particularly affected. Unemployment figures of 6.2% in Victoria and 7.9% in South Australia¹ highlight that south-east Australia urgently needs a plan for sustainable jobs.

1.5 However, the committee's report also fails to address the biggest challenge of our time—climate change—and the enormous challenges and opportunities this will bring to industry and to the transport sector.

1.6 Australia must become a zero-pollution society within the next two decades. Transport currently accounts for approximately 16% of Australia's greenhouse gas emissions,² so a shift to new ways of getting around is vital.

1.7 Globally, sales in electric vehicles and hybrids are expected to exceed half a trillion dollars by 2025. The future is electric mobility, alternative fuels and public transport. All of these need high-tech components and those components can be made here in Australia.

1.8 The Greens supported the establishment of the current inquiry into the industry, but we are concerned that without action now, tens of thousands of jobs are at risk and opportunities will be missed if a new plan isn't put in place soon. As the committee's report notes, Ford's planned exit in 2016 together with shrinking forward orders in the component sector frees up saving in the Automotive Transformation Scheme which could be redirected and spent on a longer-term jobs plan.

1 Parliamentary Library, 'Labour Force Survey data', accessed 18 August 2015.

2 'Light vehicle emissions standards for Australia', Australian Government Climate Change Authority, 2014 <http://www.climatechangeauthority.gov.au/Node/265> (accessed 1 August 2015).

1.9 The Greens want to see an Australian-made component in every electric car built around the world.

1.10 The Greens want to find out if we can make electric cars here by extending government support to new car makers who have a plan to build vehicles in South Australia or Victoria.

1.11 New makers in Australia and a component sector servicing the global alternative fuel car market could provide sustainable jobs for some of the workers in South Australia and Victoria after Holden, Ford and Toyota leave.

1.12 Already some Australian based component producers are joining the world's electric car revolution. In 2012, after receiving government support from existing green and clean energy, Nissan Casting Australia based in Dandenong South secured ongoing contracts to produce several complex powertrain castings for Nissan's all-electric Leaf. Now the company is continuing to grow and has a secure future.

1.13 Australian car parts maker Futuris has won a major contract to supply seats for the next-generation Tesla battery-powered car due to go on sale in Australia this year. Tesla is taking the motoring world by storm. Engineering for the program is done in Port Melbourne and comes on the back of previous contracts with Tesla.

1.14 Companies like Futuris and Nissan Casting should get ongoing support under a 'Green Car Transformation Scheme', which we recommend below. However, as it stands, support for successful businesses like Futuris and others will shortly come to an end.

1.15 The Greens do not oppose the intent of the recommendations in the committee's report, but we believe they are not sufficiently forward thinking. Accordingly, we would adopt those recommendations but would modify them to incorporate the following.

Recommendation 1

1.16 The Greens recommend the ATS and its governing legislation be amended to:

- **continue support to currently eligible ATS recipients;**
- **establish a Green Car Transformation Scheme and redirect the estimated \$800m ATS underspend towards the scheme;**
- **broaden the eligibility for new entrants to the scheme by removing current requirements for Australian component manufacturers to be producing components for Australian major vehicle producers to be eligible for assistance;**
- **focus assistance on auto parts makers that are seeking to be part of the local or global supply chain for electric vehicles or vehicles not powered by fossil fuels;**
- **provide support for any new major vehicle producers that are established and invest in Australia that intend to produce electric vehicles or vehicles not powered by fossil fuels;**

- **extend the above assistance beyond the current and proposed government end date for the ATS for the next ten years until 2025;**
- **favour new applicants who commit to hiring workers made redundant from existing car or component makers;**
- **increase transition assistance to workers in the industry;**
- **enable eligible participants to receive payments in quarterly instalments referable to the expenditure incurred in the preceding quarter.**

1.17 Electric mobility is the future. By joining the shift to electric and alternative-fuel vehicles Australia will reap enormous benefits in the economy and the environment. Electric vehicles are cleaner and can be powered by renewable energy. They can contribute to electricity demand management by providing battery storage to the grid. Over the coming decades electric vehicles will join internet, mobile communications and distributed energy in transforming our economy and society. The government can play a role in creating a domestic market for electric vehicles.

Recommendation 2

1.18 In addition to the above measures, the Greens recommend:

- **Establishing a fund to support incentives and infrastructure support to encourage the purchase and rollout of electric vehicles in Australia;**
- **Immediately placing on the Council of Australian Government's agenda the development of a policy framework for electric and alternative fuel vehicles including:**
 - (i) **implementation of consumer incentives for electric vehicle ownership including, registration rebates or cash-backs, tax credits as well as significant targets for government fleets;**
 - (ii) **putting in place a regulatory environment that supports electric vehicles such as regulation of deployment and the setting of competition and policy standards;**
 - (iii) **maximising energy opportunities through appropriate regulation, such as requiring "smart" charging sourced through renewable energy;**
- **The Prime Minister and the government, like the US and Germany, should commit to a near term target for the take up of electric vehicles in Australia.**

Senator Janet Rice
Australian Greens Senator for Victoria

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.¹

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.²

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

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
(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.³

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.

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.

Senator Nick Xenophon
Independent Senator for South Australia



NICK XENOPHON
Independent Senator for South Australia
AUSTRALIAN SENATE

Our ref: NC-M/SKM

The Hon Ian Macfarlane MP
Minister for Industry and Science
Parliament House
Canberra ACT 2600

URGENT BY EMAIL: minister.macfarlane@industry.gov.au

Dear Minister

RE: Supashock Pty Ltd and the Automotive Transformation Scheme

I write to you on behalf of Mr Oscar Fiorinotto, Managing Director of the South Australian owned and operated company Supashock Pty Ltd ('Supashock') in relation to their application for funding through the Automotive Transformation Scheme.

Supashock specialises in the design and manufacture of dampers as well as vehicle dynamic analysis. Previously their business centred around motorsport, however due to their success in that area Supashock is increasingly working in other fields, including specialised engineering consulting services, the design and manufacture of industrial products as well as OEM product supply. They have also been involved in the global supply chain and are aiming to increase their exports of high value products.

On any objective analysis the Supashock product is outstanding and a breakthrough product. I attach a clipping from Sydney's Daily Telegraph that describes how the Ford Racing Team considered the Supashock product to be the secret of their success. Furthermore, the 'grey nomad' market is significant given that four wheel drives with Supashock absorbers can give a vastly improved ride on the rough terrain.

Diversification of their business is essential to Supashock's survival. With the decline of the automotive manufacturing sector across Australia, and in particular South Australia, companies involved in this sector must seek new markets in order to ensure their long term future.

For Supashock, this means exploring opportunities within other markets, including the mining and defence sectors. They have already developed a product to be used in mining vehicles which has been shown to improve shock absorption and thus reduce the incidence of injury and fatigue to drivers. Similarly Supashock has been in discussion with Defence Teaming Centre in relation to tenders to supply products

for military vehicles (which are currently supplied by predominantly overseas companies).

Projects such as these will put Supashock in a position of being able to massively increase their workforce and develop the skill sets of South Australian workers. This is vitally important in my state due to the impending closure of Holden and the thousands of jobs that will be lost.

Despite Supashock's proven track record of developing high quality, market leading automotive products they have been excluded from applying for funding through the Automotive Transformation Scheme ('ATS') because they are not considered to be directly involved with the Original Equipment Manufacture sector. My specific concern is that Supashock will be enticed to go overseas and with it the opportunity for significant export industry for Australia as well as potentially many hundreds of jobs.

I believe these restrictions on ATS funding eligibility are short sighted and to the detriment of Australia's automotive sector. In the case of Supashock, here is a company with the experience and ability to grow their company and provide jobs to workers affected by the closure of Holden, but who cannot obtain funding to help create those jobs.

I therefore request that you consider revising the ATS' eligibility criteria in order to broaden the scope for companies to obtain funding for projects that will result in job creation and economic growth in South Australia.

I look forward to your urgent response.

Yours sincerely

NICK XENOPHON

3 / 8 / 2015

Cc: The Hon Kyam Maher MP – South Australian Minister for Manufacturing and Innovation,
Minister for Automotive Transformation



SHOCK TACTICS

Exclusive:
The technology turning
V8s upside down

Mark Winterbottom and Jamie Whincup, and the Supashock (above). Picture: Tim Hurter.

JAMES PHELPS

A \$3000 shock absorber that can be bought off the shelf is the stunning secret weapon Ford is using to bring an end to Red Bull Racing Australia's V8 Supercars reign.

Jamie Whincup has been an unstoppable force for the past four years, but Prodrive Racing Australia's Mark Winterbottom is leading the charge this season.

A Daily Telegraph investigation into claims Prodrive Racing has an unfair aerodynamic advantage has revealed an Australian-built shock absorber that can be fitted to a

street car is the real reason for Winterbottom's stunning speed.

Prodrive boss Tim Edwards last night admitted a bold gamble to drop the industry standard shock absorber built by SACHS and replace it with "the cheapest shock" on the market has helped the team win nine of this year's 17 races.

"Just about everyone in the field uses the same shock," Edwards said. "We realised we weren't going to get ahead by following the leader so we decided to do something different — and it looks as

though it's worked."

Winterbottom is banking on the "Supashock" as he chases his first championship.

Data obtained by The Daily Telegraph showed the four Prodrive cars are performing better than their rivals while cornering. The Holden cars remain quicker in a straight line.

Further investigations revealed the DJR Team Penske Falcon was not performing as well as the four Prodrive Falcons despite being aerodynamically identical. The



28 Jul 2015
Daily Telegraph, Sydney

Author: James Phelps • Section: Sport • Article type : News Item • Audience : 273,241
Page: 62 • Printed Size: 911.00cm² • Market: NSW • Country: Australia
ASR: AUD 43,047 • Words: 508 • Item ID: 440898814

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only difference between the Fords was the brand of shock absorber being used.

"It is certainly a difference between our cars and the others," Edwards said.

"Is it the be all and end all? Who knows? But it has certainly made a difference. We'd like to think we've helped developed a pretty good product and that it has helped."

Edwards said the team decided to move to the Adelaide-built shock absorber this year after 18 months of development.

The man responsible for the Supashock — which has "thrust-shaft" damper technology — is former V8 Supercars engineer and data expert Oscar Fiorinotto.

"It is the cheapest shock on the market and anyone can go and buy it," Edwards said. "We made the decision to go full-time with them this year and we are solely focused on the Supashock."

"We have done 18 months of hard work so it's not just a case of bolting it in. A lot of hard work has gone into it."

DJR Team Penske has also moved to the Supashock Racing

Suspension system following Prodrive's stunning season start.

Erebus V8 also uses the shock absorber that Edwards hoped to keep a secret.

"Look, there is no silver bullet," Edwards said. "People can go and get this now but it's a combination of a thousand things."

V8 Supercars has denied Prodrive has an aerodynamic advantage because of the new shape of the FG-X.

Winterbottom leads the championship by 248 points heading into this week's Queensland round.

• Tune into Fox Sports 5 on 506 from 7.30pm tonight for another James Phelps driver shock on Inside Supercars.



THE HON IAN MACFARLANE MP
MINISTER FOR INDUSTRY AND SCIENCE

13 AUG 2015

PO BOX 6022
PARLIAMENT HOUSE
CANBERRA ACT 2600

Senator Nick Xenophon
Senator for South Australia
Level 2, 31 Ebenezer Place
ADELAIDE SA 5000

MC15-003374

Dear Senator *Nick*

Thank you for your letter of 3 August 2015 on behalf of Mr Oscar Fiorinotto, Managing Director of Supashock Pty Ltd, concerning the company's eligibility for funding through the Automotive Transformation Scheme (ATS).

I am always encouraged to hear about innovative manufacturing Australian companies who are diversifying across sectors and growing their businesses. I am aware of Supashock as they have previously accessed Australian Government incentive programmes. You can assure Mr Fiorinotto that the Government is committed to ensuring our manufacturing industry is competitive and a source of investment and jobs growth. We recognise our manufacturers face significant challenges, due to a small domestic market, decentralised production via global supply chains, import competition and changing consumer preferences.

As you know, the ATS encourages competitive investment and innovation in the Australian automotive industry. It will remain in place and come to a natural conclusion at the end of 2017 when Holden and Toyota end their Australian manufacturing operations. As I have stated on a number of occasions, the Government will maintain the ATS in its original form as legislated. This decision provides certainty to the automotive industry in respect of the level of ATS assistance available over the next three years, as it makes the transition from domestic car manufacturing.

As you are aware, we developed the \$155 million Growth Fund as a targeted and strategic response to the closure of the automotive industry. The Growth Fund will support employees, businesses and regions affected by these changes. On 3 August 2015, I joined the Hon Kyam Maher MLC, the South Australian Minister for Manufacturing and Innovation and Autotransformation, in announcing the 15 firms in South Australia that will receive grants under the \$60 million Next Generation Manufacturing Investment Programme, an element of the Growth Fund. These grants total over \$28 million worth of assistance to South Australian firms.

I have also announced the successful applicants of Round Two of the \$20 million Automotive Diversification Programme (ADP), another element of the Growth Fund. The ADP supports Australian automotive supply chain companies by helping them diversify into new markets. The ADP is providing over \$6 million worth of assistance to South Australian companies. Applications for the third round of the ADP are open until 17 September 2015.

The Government has a range of policies and programmes in place to boost Australia's productivity and competitiveness and help the transition towards the smart, high value and export oriented industries of the future. These programmes include the Industry Growth Centres initiative which will focus on improving aspects of our economy such as collaboration and commercialisation; management and workforce skills; access to global supply chains; and regulatory burden. Centres are currently being established in five key sectors of the Australian economy: food and agribusiness; mining equipment, technology and services; medical technologies and pharmaceuticals; advanced manufacturing; and oil, gas and energy resources. I would encourage Mr Fiorinotto to engage with Mr Andrew Stevens, Chair of the Advanced Manufacturing Growth Centre, who can be contacted

I have also requested that an officer from my department, Mr Deepak Joshi, Assistant State Manager South Australia and Northern Territory, AusIndustry - Business Services, contact Mr Fiorinotto to discuss the range of programmes we have available that may be of further assistance to Supashock.

Yours sincerely

Ian Macfarlane

Appendix 1

Submissions and additional information received

Submission Number	Submitter
1	Products That Work
2	Department of State Development, Government of South Australia
3	Australian Automotive Dealer Association L
4	Ford Motor Company of Australia Limited <ul style="list-style-type: none">• 4.1 Supplementary to submission 4
5	Australian Automotive Aftermarket Association <ul style="list-style-type: none">• 5.1 Supplementary to submission 5
6	Swinburne University of Technology
7	Confederation of Australian Motor Sport
8	Victorian Government <ul style="list-style-type: none">• 8.1 Supplementary to submission 8
9	Federal Chamber of Automotive Industries <ul style="list-style-type: none">• Attachment 1• 9.1 Supplementary to submission 9
10	Business SA
11	AMWU
12	Tomcar Australia
13	Toyota Australia
14	Robert Bosch Australia Pty Ltd
15	Applidyne Australia Pty Ltd
16	Department of Industry and Science
17	Federation of Automotive Products Manufacturers
18	City of Greater Dandenong
19	Mr Shegasen Govender
20	Truck Industry Council
21	Insurance Australia Group (IAG)
22	Simmons Global
23	PrefabAUS
24	Victorian Trades Hall Council

- 25 Australian Fleet Lessors Association
- 26 National Automotive Leasing and Salary Packaging Association
- 27 Turn 2 Work Force Solutions
- 28 Australian Productivity Council Pty Ltd
- 29 LeadWest Ltd
- 30 Motor Trades Association of Australia Limited and Australian Motor Industry Federation
- 31 Ai Group
 - Attachment 1
- 32 South Australian Government
- 33 Engine Reconditioners Association of Victoria (ERA Vic)
 - Attachment 1
 - Attachment 2
- 34 AutoCRC Ltd

Answers to questions on notice

1. Answers to questions on notice from a public hearing held in Melbourne on 10 March 2015, received from the Department of Economic Development, Jobs, Transport and Resources on 30 March 2015.
2. Answers to questions on notice from a public hearing held in Adelaide on 13 March 2015, received from Professor Göran Roos on 30 March 2015.
3. Answers to questions on notice from a public hearing held in Adelaide on 13 March 2015, received from Professor Göran Roos on 2 April 2015. Those sources referenced are available from the committee secretariat upon request.
4. Answers to questions on notice from a public hearing held in Canberra on 15 April 2015, received from the Department of Employment on 5 May 2015.
5. Answers to questions on notice from a public hearing held in Canberra on 15 April 2015, received from the Australian Motor Industry Federation on 6 May 2015.
6. Answers to questions on notice from a public hearing held in Canberra on 15 April 2015, received from the Department of Industry and Science on 7 May 2015.
7. Answers to questions on notice from a public hearing held in Canberra on 15 April 2015, received from the Department of Education and Training on 13 May 2015.
8. Answers to questions on notice from a public hearing held in Canberra on 15 April 2015, received from the Department of Social Services on 15 May 2015.
9. Answers to questions on notice from a public hearing held in Canberra on 15 April 2015, received from the Department of Foreign Affairs and Trade on 22 May 2015.
10. Answers to questions on notice from a public hearing held in Canberra on 15 April 2015, received from the Department of Human Services on 10 June 2015.

Appendix 2

Public hearings and witnesses

MELBOURNE, 10 MARCH 2015

ALBERT, Mr Mark, Managing Director, MTM Pty Ltd

CHARITY, Mr Stuart, Executive Director, Australian Automotive Aftermarket Association

DE KONING, Mr Carl, Business Development Manager, Automotive, Quickstep Automotive Pty Ltd

GREEN, Dr Michael, Director, Industry Programs, Department of Economic Development, Jobs, Transport and Resources

GRIFFIN, Mr Jim, National President, Federation of Automotive Products Manufacturers

HUGHES, Mr Brian, Managing Director, Composite Materials Engineering

KIWAN, Mr Mounir, General Manager, Federation of Automotive Products Manufacturers

MEEK, Mr Jason, Acting Deputy Secretary, Business Engagement, Department of Economic Development, Jobs, Transport and Resources

REILLY, Mr Richard, Chief Executive, Federation of Automotive Products Manufacturers

WEBER, Mr Tony, Chief Executive, Federal Chamber of Automotive Industries

WELLS, Mr Ashley, Director of Policy, Federal Chamber of Automotive Industries

WILSON, Mr Robert, Managing Director, Palm Products

WONG, Mr Christopher Jason, Manager, Industry Programs, Department of Economic Development, Jobs, Transport and Resources

YATES, Ms Lesley, Senior Manager: Government Relations and Advocacy, Australian Automotive Aftermarket Association

ADELAIDE, 13 MARCH 2015

CAMILLO, Mr John, South Australia State Secretary, Australian Manufacturing Workers' Union

EVANS, Mr Tony, Australian Manufacturing Workers' Union

HARRY, Mr John, Chief Executive Officer, Salisbury Council

KENNEDY, Mr Shaun, General Manager Planning, Strategy and Compliance, City of Playford

KIWAN, Mr Mounir, General Manager, Federation of Automotive Products Manufacturers

LOWE, Mr Gregory Ross, President, Central Region, Federation of Automotive Products Manufacturers

MAHER, Mr Kyam, Minister for Automotive Transformation, South Australia

PIRO, Mr Len, Chief Executive, Automotive Transformation Taskforce, Department of State Development, South Australia

REILLY, Mr Richard, Chief Executive, Federation of Automotive Products Manufacturers

ROOS, Professor Nils Goran Arne, Private capacity

SKLADZIEN, Dr Tom, National Economic and Industry Adviser, Australian Manufacturing Workers' Union

SMITH, Mr David, Vehicle Division National Secretary, Australian Manufacturing Workers' Union

SPOEHR, Associate Professor John Douglas, Executive Director, Australian Workplace Innovation and Social Research Centre, University of Adelaide

TYLER, Mr Phil, Director, Automotive Transformation Taskforce, Department of State Development, South Australia

CANBERRA, 15 APRIL 2015

BERNE, Mr Brendan, First Assistant Secretary, Trade Investment and Economic Diplomacy Division, Department of Foreign Affairs and Trade

CHESWORTH, Mr Peter, Head of Division, Sectoral Growth Policy Division, Department of Industry and Science

DAWSON, Ms Philippa Joy, General Manager, Trade, Australian Trade Commission

DUDLEY, Mr Richard, Chief Executive Officer, Australian Motor Industry Federation; and Executive Director, Motor Trades Association of Australia

GROWDER, Mr Michael, Free Trade Agreement Legal Issues and Advocacy Branch, Free Trade Agreement Division, Department of Foreign Affairs and Trade

HALBERT, Ms Cath, Group Manager, Payments Policy Group, Department of Social Services

KIDD, Ms Margaret, Group Manager, Labour Market Strategy Group, Department of Employment

LOVELOCK, Mr Grant, Branch Manager, Skills Funding and Apprenticeship Policy Branch, Department of Education and Training

RICHARDS, Dr Gary, General Manager, Advanced Technologies Branch, Sectoral Growth Policy Division, Department of Industry and Science

RYAN, Ms Melissa, General Manager, Participation Division, Department of Human Services