



21st October 2014

Senate Standing Committees on Economics
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Parliament House
Canberra ACT 2600

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Re: Automotive Transformation Scheme (ATS) Amendment Bill 2014

Futuris Automotive Group (Futuris) is an automotive supplier, originally established in Victoria, Australia, in 1967 and is a major seating and interiors supplier in Australia, Thailand, China and the USA. Australia serves as a highly innovative, engineering focused Design Centre for our global manufacturing activities and the Automotive Transformation Scheme (ATS) has significantly assisted our business in becoming a globally relevant automotive supplier.

The development in Australia of strong R&D and engineering team has enabled Futuris to secure and deliver into production, a number of global motor vehicle manufacturer supply contracts. The Futuris engineering team in Australia (110 technical employees) has undertaken a number of design and development programs for off-shore production, including programs for the Thailand, China and North American markets. The Australian team is currently working on new programs for Ford (Thailand), Tesla Motors (USA) and SAIC (China).

Futuris believes that ATS has, and can continue to, deliver significant benefits to the Australian automotive sector and to the Australian economy through to 2020 and therefore we urge you to reject the proposed changes in the Automotive Transformation Scheme (ATS) Amendment Bill 2014, in particular the plans to:

- Implement \$500 million savings from the ATS capped assistance over the financial years 2014-15 to 2017-18
- Terminate the ATS on 1 January 2018

Futuris has secured a number of new global programs for start of production in the 2018-2020 timeframe and we are currently undertaking the automotive R&D work for these programs at our Port Melbourne Design Centre in Australia. The proposed changes to the ATS will put these plans in jeopardy and may force us to off-shore this work to remain competitive. The current ATS contribution enables automotive R&D work in Australia to be competitive with other regions, such as China, India and the USA.

The proposed changes to the ATS will have a significant financial impact on Futuris, as it will on all automotive suppliers in the Australian market and the automotive component sector needs access to this funding more than ever to assist in diversification, rationalisation, restructuring and in some cases business closure.

The solvency of a number of automotive components producers may be put at risk if the proposed amendments are allowed to go through. The flow on impact of this is likely to be an early exit by the vehicle manufacturer's (due to lack of availability of key components) - this accelerating the loss of ~40,000 jobs, in lieu of a progressive and staged exit.

Rather than implementing the proposed changes in the Amendment Bill, we recommend that the following actions be taken in relation to the ATS:

- Maintenance of the previously committed level of ATS funding for R&D activities for the automotive component sector to support their transition plans and their ongoing R&D and engineering activities in Australia
- Lift the current sales cap related to local manufacturing, given the announced closures by the three vehicle manufacturers in Australia. The 5% cap should be lifted to 10% immediately, due to the substantially lower volume and hence lower revenue streams available to component suppliers
- Following the closure of the three vehicle manufacturers, the sales cap should be completely removed to allow all Automotive R&D expenditure undertaken by an component suppliers to be claimable to 2020
- Amend the eligibility criteria to the ATS to support new participants in the Australian automotive sector, either at a vehicle assembly level or for the R&D and advanced manufacturing of components

It is our view that natural savings will be made from the ATS due to the fact that no new large programs will be undertaken by the three vehicle producers, given their closure announcements. These savings will negate the need to make the changes being proposed in the Amendment Bill.

If these natural savings are not sufficient enough, then it is our view that the Australian government should look at other options to reduce the overall cost of the ATS, while maintaining full access to funds for the Australian component sector, as it continues to seek ways to maintain a presence in the market, either through export growth, diversification or advanced engineering and manufacturing.

The continuation of R&D, advanced engineering and manufacturing in Australia by the automotive component sector is vital to the future of our country and we believe that maintaining ATS as it was originally proposed will assist in ensuring that these activities are retained and grown in Australia.

Yours sincerely,

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