



Australian Government
Department of Industry and Science

Dr Kathleen Dermody
Committee Secretary
Senate Economics References Committee
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By email: economics.sen@aph.gov.au

Dear Dr Dermody

Inquiry into the Future of Australia's automotive industry

I refer to the proof Hansard transcript of evidence for the Committee's hearing held on Wednesday, 15 April 2015, under cover of your email of 27 April 2015, and provide the attached information arising from the hearing and from the additional question on notice of Senator Xenophon emailed to me by Mr Alan Raine on 28 April 2015.

Yours sincerely

Mr Peter Chesworth
Head of Division
Sectoral Growth Division

6 May 2015

SENATE ECONOMICS REFERENCES COMMITTEE
Inquiry into the future of Australia's automotive industry

FURTHER INFORMATION

1. Arising from the Public Hearing, Canberra, Wednesday, 15 April 2015

Automotive Transformation Scheme—savings (Hansard, 15 April 2015, page 12)

- The Australian Government's decision to maintain the Automotive Transformation Scheme (ATS) in its original form as legislated means that the original \$300 million legislated cap on funding for each of the years 2015 through to 2017 remains.
- The industry has indicated that it is likely to draw down \$175 million of the \$500 million of funding that has been restored to the legislated cap for the period 2015-2017;
 - this draw down estimate has been derived from the business plans submitted by ATS participants as required under the Scheme.

Automotive Transformation Scheme—component producers (Hansard, 15 April 2015, page 13)

- The department does not collect information on how many ATS participants are tier 1 and tier 2 suppliers.

Automotive Contingency Reserve (Hansard, 15 April 2015, pages 13 & 14)

- The provision was extinguished as part of the "Automotive Assistance—reduced funding" measure announced on 13 May 2014.
- Page 163 of Budget Paper 2014-15, No. 2, indicates that the decision was taken to reflect announcements by vehicle manufacturers that they will cease vehicle manufacturing in Australia by the end of 2017, with the savings from the measure to be redirected by the government to repair the budget and fund policy priorities.

Automotive Transformation Scheme—national interest applications (Hansard, 15 April 2015, page 15)

- As at 1 May 2015 there have been 19 applications to seek the Minister's permission to apply for registration, or to continue registration, as an Automotive Transformation Scheme participant on the basis that the registration would be in the national interest.

Automotive Transformation Scheme—Ethan Automotive (Hansard, 15 April 2015, page 15)

- Detail about which entities have applied for registration under the Automotive Transformation Scheme is confidential information. The department is not authorised to disclose that information. Disclosure of such details would be a breach of the department's obligations of confidence to relevant entities.

Automotive Transformation Scheme—FAPM’s Submission to the Inquiry—implications of accepting the recommendations to abolish the 5% sales cap, allow quarterly payments and allow all R&D to be eligible (not just for products sold in Australia) (Hansard, 15 April 2015, pages 15 & 16)

- The department considers that changes to the Automotive Transformation Scheme (ATS) Regulations would be required to adopt the two recommendations of FAPM dealing with abolishing the five per cent sales-based cap and allowing automotive R&D performed in Australia to be eligible under the ATS not just for products sold in the domestic market.
- The ATS already provides for the quarterly payment of ATS entitlements.
- Abolishing the five per cent sales-based cap would have implications for Australia’s international trade policy.
- The department has not assessed the impact of changing the support of R&D provided by the ATS as it has no information on which to do so, noting that an ATS supply chain participant is able to claim allowable investment in R&D for original equipment it produces/manufactures in Australia regardless of where the product is sold.

Automotive Update (June 2014)—ceasing of publication (Hansard, 15 April 2015, page 17)

- The decision to cease publishing the “Automotive Update” was made by the relevant SES officer at the time on the basis that it was not a priority given the availability of resources.

Fair Entitlements Guarantee Amendment Bill 2104—consultation (Hansard, 15 April 2015, page 18)

- The changes to the Fair Entitlements Guarantee were developed as part of the Budget process.

Transitioning of component suppliers (Hansard, 15 April 2015, page 20)

- The department has not done any specific work on the potential for component suppliers to transfer their manufacturing capabilities to related industries. The employment outcomes of automotive workers have been tracked by combining the 2006 and 2011 censuses in the Australian Census Longitudinal Dataset, as reported in the department’s *Australian Industry Report 2014*.

Growth Fund—advertising campaign (Hansard, 15 April 2015, page 23)

- The total cost for the Growth Fund advertising campaign is \$372,238 (including GST) comprised of:
 - the development of advertising materials—\$29,364.50 (AusTender reference: CN2887422); and
 - the media buy—\$342,873.69 (AusTender reference: CN2964482).
- There is a contract with a value of \$29,364.50 (including GST) which is published on AusTender (Reference Number: CN2887422);
 - this contract was for the development of advertising materials for the Growth Fund;

- a limited tender was used in accordance with the Commonwealth Procurement Rules.
- the decision to approach the market was made on 11 November 2014.
- The department understands that the Department of Education and Training intends to address the national facilitator element of the Growth Fund.

Estimates of employees affected by the industry shutdown (Hansard, 15 April 2015, pages 31& 32)

- The department used the reviews of the South Australian and Victorian economies to estimate the upper limit of direct job losses to be 27,500: 18,200 (66 per cent of the total) in Victoria and 5,200 (19 per cent of the total) in South Australia.
- The Productivity Commission's economy-wide modelling of changes in the automotive industry found that the closure of the passenger motor vehicle industry would likely cause direct and indirect job losses of between 15 980 and 32 610 jobs in the short run. The Productivity Commission stated that up to 40 000 jobs may be lost as an 'upper bound estimate'.
- The Productivity Commission found that nearly all job losses would be in Victoria (24,150, or 74 per cent of total projected job losses) and South Australia (8,390, or 26 per cent of the total), with a small number elsewhere in Australia (70).
- The differences between the estimates are in part methodological, and in part due to the different data sources used to determine the estimates:
 - the Productivity Commission modelled direct and indirect employment impacts, while the department modelled only direct impacts;
 - the department supplemented Australian Bureau of Statistics' data with firm-level data from the Automotive Transformation Scheme (ATS) provided by motor vehicle producers to estimate potential employment impacts.

Automotive Industry Structural Adjustment Programme (Hansard, 15 April 2015, page 33)

- The Automotive Industry Structural Adjustment Programme initially had two elements: a structural adjustment component to assist the supply chain to consolidate, and a labour adjustment component to provide training and assistance to displaced workers. From 1 July 2012, however, it is focussed solely on labour market adjustment support.

2. Arising from Senator Xenophon's subsequent request through the Committee Secretariat, 28 April 2015

Export Facilitation Programs

Question: Is updated information available on the following export facilitation programs in relation to the value of assistance provided to the automotive manufacturing industry:

1. Tradex
2. Duty Drawback?

Answer:

- The Productivity Commission in its Inquiry Report No. 70, “Australia’s Automotive Manufacturing Industry”, included Tradex and the Duty Drawback Scheme in its Table 5.3 “Examples of general measures available to the automotive manufacturing industry”, at page 147.
- Neither the department (which administers Tradex) nor the Australian Customs and Border Protection Service (which administers the Duty Drawback Scheme) have updated that information.
- However, both the department and Customs will provide the Committee Secretariat with updated information as soon as it can be extracted noting that drawback data extracted from the Australian Customs and Border Protection Integrated Cargo System may not be fully comprehensive.