

# Chapter 1

## Introduction

1.1 The Automotive Transformation Scheme Amendment Bill 2014 was introduced by the government into the House of Representatives on 24 September 2014 (the bill). The following day, pursuant to the Senate Standing Committee for the Selection of Bills Committee's report,<sup>1</sup> the Senate referred the provisions of the bill to the Economics Legislation Committee for inquiry and report by 24 November 2014.

1.2 The bill would amend the *Automotive Transformation Scheme Act 2009* (the Act) to reduce the duration and level of assistance provided to registered participants of the Automotive Transformation Scheme (ATS). The ATS has since 2011 subsidised commercial activities including the production of motor vehicles and engines, investment and research and development by approved participants of the scheme. Chapter 2 provides further background on the operation of the ATS, including relevant analysis conducted by the Productivity Commission<sup>2</sup> and the National Commission of Audit.<sup>3</sup>

1.3 The bill passed the House of Representatives on 2 October 2014.

### Provisions

1.4 Items of the amending Schedule to the bill would amend sections 4 and 8 of the Act to reduce the duration and amount of capped assistance available to registered participants of the ATS.<sup>4</sup>

1.5 Section 8 of the Act sets out the upper limits for the total amount of capped assistance that can be provided to approved participants during two separate stages, which are defined in section 4 as follows:

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- 1 The committee stated that the bill was referred to the Economics Legislation Committee 'to explore the impact of the proposed changes to the Automotive Transformation Scheme on the automotive industry, related industries, workers, local regions and the Australian innovation system. Selection of Bills Committee, *Report No. 12 of 2014*, 25 September 2014, Appendix 1.
  - 2 Productivity Commission, *Australia's automotive manufacturing industry*, Inquiry report 70, 31 March 2014.
  - 3 Australian Government National Commission of Audit, <http://www.ncoa.gov.au/index.html> (accessed 13 November 2014).
  - 4 Automotive Transformation Scheme Amendment Bill 2014.

*stage 1* means:

- (a) the period beginning on 1 January 2011 and ending on 31 December 2015; and
- (b) January, February and March 2016.

*stage 2* means:

- (a) the period beginning on 1 January 2016 and ending on 31 December 2020; and
- (b) January, February and March 2021.

1.6 Item 1 of the bill would amend paragraph (a) of the definition of the period of *stage 2* in section 4 'to make clear that the period ends on 31 December 2017', noting that paragraph (b) provides for an additional period.<sup>5</sup>

1.7 Item 2 of the bill would amend paragraph (b) of the definition of *stage 2* to include the first three months of calendar year 2018 as part of the stage,' enabling the payment of assistance to be made for allowable investment or production undertaken in the final quarter of calendar year 2017'.<sup>6</sup>

1.8 Together, Items 1 and 2 of the bill would reduce the duration of *stage 2* of the ATS by three years.

1.9 Item 3 of the bill would amend paragraph 8(1)(a) of the Act to reduce the total amount of capped assistance paid by the Commonwealth to all participants during *stage 1* in from \$1.5 billion to \$1.3 billion,<sup>7</sup> a reduction of \$200 million.

1.10 Item 4 of the bill would amend paragraph 8(1)(b) to reduce the total amount of capped assistance provided during *stage 2* from \$1 billion to \$300 million,<sup>8</sup> a reduction of \$700 million.

## **Financial implications**

1.11 As a result of the amendments, the government would achieve Budget<sup>9</sup> and MYEFO<sup>10</sup> savings of \$900 million over the seven financial years from 2014–15, which are represented in the explanatory memorandum<sup>11</sup> as follows:

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5 Automotive Transformation Scheme Amendment Bill 2014, Explanatory Memorandum, p. 5.

6 Automotive Transformation Scheme Amendment Bill 2014, Explanatory Memorandum, p. 5.

7 Automotive Transformation Scheme Amendment Bill 2014, para 8(1)(a).

8 Automotive Transformation Scheme Amendment Bill 2014, para 8(1)(b).

9 Australian Government, Budget 2014–15, *Budget Measures: Budget Paper No. 2 2014–15*, 13 May 2014, p. 163, [http://www.budget.gov.au/2014-15/content/bp2/download/BP2\\_consolidated.pdf](http://www.budget.gov.au/2014-15/content/bp2/download/BP2_consolidated.pdf) (accessed 11 November 2014). For departmental budget savings, see Economics Legislation Committee Budget Estimates, *Committee Hansard*, 3 June 2014, p. 72.

Expense (\$m)

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
MYEFO savings	-100.000	-175.000	-150.000	-75.000			
Budget savings				-108.350	-175.000	-91.650	-25.000

### Consideration of the bill by parliamentary legislative scrutiny committees

1.12 The bill was considered by the Senate Standing Committee for the Scrutiny of Bills<sup>12</sup> and the Parliamentary Joint Committee on Human Rights.<sup>13</sup> Neither committee raised concerns about the proposed amendments.

### Conduct of the inquiry

1.13 The committee advertised the inquiry on its website and wrote to relevant stakeholders and other interested parties inviting submissions by 27 October 2014. The committee received 20 submissions, which are listed in the Appendix. The submissions were published on the committee's website. The committee agreed not to hold a public hearing for the inquiry.

### Acknowledgements

1.14 The committee thanks the organisations who provided submissions to the inquiry.

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- 10 The Hon Joe Hockey MP, Treasurer and the Hon Mathias Cormann MP, Minister for Finance, *Mid-year economic and fiscal outlook 2013–14*, December 2013, p. 170.
- 11 Explanatory Memorandum, Automotive Transformation Scheme Amendment Bill 2014, p. 1, <http://www.comlaw.gov.au/Details/C2014B00192/Explanatory%20Memorandum/Text> (accessed 20 November 2014).
- 12 Scrutiny of Bills Committee, Alert Digest No.13 of 2014, p. 7, <http://www.aph.gov.au/~media/Committees/Senate/committee/scrutiny/alerts/2014/pdf/d13.pdf> (accessed 12 November 2014).
- 13 Parliamentary Joint Committee on Human Rights, *Examination of legislation in accordance with the Human Rights (Parliamentary Scrutiny) Act 2011: Thirteenth Report of the 44th Parliament*, October 2014, p. 4 [http://www.aph.gov.au/Parliamentary\\_Business/Committees/Joint/Human\\_Rights/Completed\\_inquiries/2014/Thirteenth\\_Report\\_of\\_the\\_44th\\_Parliament](http://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Human_Rights/Completed_inquiries/2014/Thirteenth_Report_of_the_44th_Parliament) (accessed 12 November 2014).

