



COMMONWEALTH OF AUSTRALIA

Proof Committee Hansard

SENATE

ECONOMICS LEGISLATION COMMITTEE

Estimates

(Public)

WEDNESDAY, 26 FEBRUARY 2014

CANBERRA

CONDITIONS OF DISTRIBUTION

This is an uncorrected proof of evidence taken before the committee.
It is made available under the condition that it is recognised as such.

BY AUTHORITY OF THE SENATE

[PROOF COPY]

Senator PRATT: You received 269 submissions and you were putting out some fairly forthright findings before the process of people responding to the issues you had put forward. Things were already a fait accompli in what you were putting forward despite the fact that people still needed an opportunity to respond to what you were putting forward in your proposal.

Mr Woods: I would reject the concept of a fait accompli. In fact the commission has very clear processes with well-advertised time frames. Albeit this was a short inquiry, but we did provide a date by which we required submissions for the production of our draft report. The draft report was several weeks after that time frame so people had the opportunity to put in a submission. We produced a draft report in the time frame that we had announced we would. Our draft report is a very important part of our process because that then allows us to reflect on community debate on our draft. Our processes are transparent, they are signalled well in advance and we have not yet concluded our final report.

Senator PRATT: I cannot really see how your draft report fulfilled the terms of reference in ensuring the ongoing viability of the automotive industry, which was the primary term of reference that you were given.

Mr Harris: That is correct, Senator, but the terms of reference asks us to examine a question. It cannot tell us what the answer is otherwise there is no point in having the inquiry.

Senator PRATT: In other words you have made those decisions to suggest that assistance be withdrawn. Given that on the basis of those decisions Holden and Toyota have announced closure, does it mean that the mandate you were given, which was to make the industry viable, is clearly now unachievable?

Mr Woods: There are several parts of our terms of reference. One is in terms of viability we are still looking at parts of the motor vehicle industry, particularly the component suppliers, and we are doing a lot of work with them to understand their needs and to assess their arguments for transitional assistance. There is also a very big issue, and it is within our terms of reference, to look at structural adjustment not only of the industry but of the workforce. The needs of the workforce in particular areas such as Playford in northern Adelaide or in other parts around Melbourne are very significant issues, and we are investing considerable effort into providing the best possible advice to government on what are the appropriate structural adjustment support mechanisms.

Senator PRATT: In other words, rather than the ongoing viability of the industry, your report will be a post mortem.

Mr Woods: I would not characterise it as such. I think it will provide a very valuable assistance to government in understanding which bits of the industry can be viable without additional support.

Of course, there are the generally available support mechanisms—R&D and others available to the industry—but we are working closely with the component suppliers to see what is viable in that industry. It is up to them to make that market judgement, but it is for us to recommend the policy settings.

Senator PRATT: It seems to me that you are honing in now on components because those other decisions—of GM, Toyota and Holden—now make it a fait accompli. It seems to me that you have therefore re-honed your inquiry to focus on components because you can no longer fulfil your original mandate.

Given that in January you recommended against providing any additional or ongoing support for component manufacturers, are you now prepared to re-visit that recommendation?

Mr Woods: We argued in that that the current scheme should be allowed to run its course and that when it had no further supplementary support be provided. But we are always cognisant of the need for transitional assistance, and, to the extent that there may be reasons and opportunities for the government to provide support to those industries to diversify—to look to exports and the like—they are the areas that we are examining quite closely.

Senator PRATT: I am unclear whether that was a yes or a no answer.

Mr Woods: The answer is that we are working through with the industry to see if there is an opportunity for government assistance but to create a viable industry into the future.

Senator PRATT: Were you asked by the government to refocus your inquiry given the changed circumstances—

Mr Woods: We have not had a change to our official terms of reference, but we are an adaptable organisation in the terms of the circumstances facing the industry and using our terms of reference. So our terms of reference have not changed.

Senator PRATT: Did the government ask you to make those adaptations, or is that—

Mr Harris: We are allowed in any inquiry to pursue anything we think is relevant—

Mr Woods: Yes—we had no instructions.

Mr Woods: and we have chosen to do this.

Senator PRATT: I understand that. My question was—

Mr Harris: We have no instructions from the government.

Senator PRATT: Are you confident that given that changing circumstances in the industry you can meet the existing deadline of the inquiry?

Mr Woods: We are currently working to that deadline and will produce a report if that remains the deadline, yes.

Senator PRATT: What other mechanisms do you propose to ensure the ongoing viability of the component manufacturers in Australia?

Mr Woods: We are looking at a range of assistance. There are some schemes currently in operation which provide grants to suppliers and which may be cost-effective, and we are examining those quite closely. We are looking at other forms of structural adjustment. We are also looking very closely at the employees of both the assemblers and the component suppliers to see whether the standard safety net in terms of Job Search Australia and related services are sufficient to meet their needs. That is a very significant issue that the commission is investing a lot of time in.

Senator PRATT: Did you discuss your draft recommendations with any member of the government or their staff prior to the release of your position paper on 31 January?

Mr Woods: Not prior the release, no; the commission does not do that.

Senator PRATT: Did you provide a draft copy of your position paper to any member of government or their staff prior to the release of the—

Mr Woods: Prior to the release date but after signing by the commissioners; it was a printed document which is available to government prior to its public release so that they are aware of what they are releasing, but it is after it has been signed off by commissioners.

Senator PRATT: What date was that provided?

Mr Woods: I could get you that date.

Senator PRATT: Did any member of the government or staff communicate any expectations regarding the commission's draft recommendations to any employee of the commission?

Mr Woods: Not that I am aware of—and I would not have expected so. In answer to your other question: it was two days before the release of the draft.

Senator PRATT: Is it true that you found that the government's plan to cut \$500 million in industry assistance would not only lead to the early closure of Ford, Toyota, GM Holden and component manufacturers but also cost the government and the overall economy more?

Mr Woods: We did not find that. What we did identify in our draft report was that that was a question which warranted closer examination as to whether it would have that impact—

Senator PRATT: So you do not know.

Mr Woods: and we sought further advice in our draft report which people have been responding to.

Senator PRATT: So that question will be fully answered in terms of whether that \$500 million would have made a difference compared to offsetting the other expenses and costs that the economy will face. Will that question be answered in your final report?

Mr Woods: We will be answering the question as it is still relevant at the time. There is very little point in speculating what may have happened, because we have no evidence in terms of what may have happened had Toyota chosen to stay. There is no evidence base on which we could come to that judgement.

Senator PRATT: But you as good as took the \$500 million off the table. So how can you compare costs?

Mr Woods: No, Senator, that is not true.

Mr Woods: We are recommending in a draft, and we expect the government to read our draft as much as the rest of industry and any other submitters. What we were trying to point out at that point was: you could have an unintended impact if you maintained this position, which are just been published in the mid-year economic update; and, because the government is going to a budgetary process we thought it wise to put that information out on the table.

What I think the deputy chair is trying to put across is: if the circumstances have subsequently changed from that report at the end of January then that information will persist to be relevant in our final report for the