

**Economics Legislation Committee**  
ANSWERS TO QUESTIONS ON NOTICE  
Industry and Science Portfolio  
Additional Estimates 2014-15  
26 February 2015

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**AGENCY/DEPARTMENT:** DEPARTMENT OF INDUSTRY AND SCIENCE

**TOPIC:** FAPM recommendations

**REFERENCE:** Question on Notice (Hansard, 26 February 2015, page 123)

**QUESTION No.:** AI-32

**Senator KIM CARR:** What FAPM recommends to the committee is the abolition of the five per cent automotive sales cap, quarterly payments of ATS entitlements and allowance of all R&D performed in Australia to be eligible for funding under ATS, not just products sold in the domestic market. Which of those measures could be done by regulation?

**Mr Chesworth:** I am not sure, but I could take that on notice.

**Senator KIM CARR:** Obviously, if it is your opinion that it cannot be done by regulation, would it require a legislative amendment?

**Mr Chesworth:** We will provide a comprehensive answer.

**ANSWER**

The five per cent sales-based cap, which is set out in regulation 3.11 of the *Automotive Transformation Scheme (ATS) Regulations 2010* (the Regulations), could be amended. However, any amendment to the cap would need to take into account Australia's World Trade Organization obligations in respect of prohibited subsidies and countervailing measures.

The Regulations already provide for the quarterly payment of ATS entitlements, refer Regulation 3.13.

The Regulations do not limit R&D support for the supply chain to products sold in the domestic market. An ATS supply chain participant is able to claim allowable investment in research and development (R&D) for original equipment it produces/manufactures in Australia, regardless of where the product is sold. Refer regulation 1.5 for the definition of original equipment and sales value, and regulation 1.20 for the meaning of allowable R&D.