

The Senate

Economics

References Committee

Future of Australia's automotive industry

Driving jobs and investment

December 2015

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Executive summary

Australia is a country that relies heavily on the automotive industry to overcome the tyranny of distance and achieve its potential through connecting people and places.

With a growing population and aspirations of increasing economic growth and prosperity, there is no doubt that Australia's automotive industry will remain critically important.

Australia has a long history of excellence in automotive manufacturing, industrial engineering and design. While automotive manufacturing is declining due to announced closures in motor vehicle production in 2016 and 2017, the future of automotive engineering and manufacturing is not in the hands of the car makers alone.

Australia will have an automotive industry after 2017; government policy will determine its size and its shape. What is crucial now is that governments act to preserve the industrial capabilities of the automotive supply chain. A redefinition of the industry is also required to recognise and support the role of all sectors, including but not limited to: motor vehicle production; component making; aftermarket manufacturing; engineering and design; servicing and smash repairs; retail motor trades; sales support; and training.

This inquiry was established to develop a policy framework and identify areas where the government could act to assist all sectors of the industry address the challenges and harness any opportunities arising during this period of change.

Interim report

The interim report focused on two areas the committee considered needed immediate action—a comprehensive and coordinated policy framework and reforms to the main automotive manufacturing assistance program, the Automotive Transformation Scheme.

Policy development

Reflecting the changing industry dynamics, the committee recommended that governments take a wider approach to defining what constitutes the automotive industry and facilitate policy development aimed at fostering the growth of industry as a whole.

Recommendation 1

The committee recommends that the Australian Government work with stakeholders—across industry, unions and state and territory governments—to develop an internationally competitive automotive industry policy framework for the entire industry, recognising the strategic role the industry can continue to play in a diversified economy.

Reforming the Automotive Transformation Scheme

Given the imminent cessation of passenger vehicle production in Australia, the committee considered it important to propose amendments to the Automotive

Transformation Scheme in the interim report. Implementing these amendments as soon as possible will give affected business the best opportunity to manage the transition and develop viable and sustainable business models.

Recommendation 2

The committee recommends that the Australian Government maintain the current level of Automotive Transformation Scheme (ATS) funding through to 2020-21 as provided for in the ATS Act, and allow current underspends in the ATS to be brought forward from stage 1 (ending 2015-16) to stage 2 (ending 2020-21).

Recommendation 3

The committee recommends redefining the ATS into a broader, automotive-related advanced manufacturing, engineering and design program that is intended to maintain skills and industrial capabilities and mitigate the loss of jobs by supporting supply chain diversification, new manufacturing investment and jobs growth.

Recommendation 4

The committee recommends that the object of the Automotive Transformation Scheme Act be updated to better reflect the current situation within industry and the need for targeted support for diversification and transformation activities, particularly in the automotive manufacturing supply chain. The new object should specify that the ATS is designed for the promotion and growth of advanced automotive industries in Australia, including: components and materials, new technologies, engineering and design for both domestic and offshore customers when that work is performed in Australia.

Recommendation 5

The committee recommends that the ATS rules and eligibility criteria should be amended to encourage further investment in research and development (R&D) so that manufacturers can continue to secure complex design and engineering work and to provide greater support for diversification initiatives, including (but not limited to):

- amend the ATS rules to allow for the claiming of R&D relating to products and services for non-automotive industry sectors to facilitate the transition of manufacturers out of motor vehicle production;**
- amend the ATS rules to allow for the claiming of R&D and engineering services across the registration categories for both domestic and offshore automotive customers when that work is performed in Australia;**
- amend the definition of automotive services so that the concept of eligible automotive services is broader than passenger motor vehicles and light commercial vehicles (and covers all modes of mobility);**

-
- **remove the once a year registration requirement to allow for ease of movement between ATS registration categories as the transition within the industry progresses; and,**
 - **amend the ATS rules to allow motor vehicle producers to remain eligible for the scheme, even in the event of declining production volumes.**

Final report

The final report explores what is required for the industry as a whole to reach its potential. Once again the issue of developing a framework for industry development and coordinating government involvement is explored.

In addition, there are number of specific areas that the committee considers important in their own right. The downstream automotive sectors face challenges arising from changing business models, technological developments and the need to attract and retain skilled workers. Automotive manufacturing needs assistance to retain as much activity in Australia as possible, and there are opportunities to expand automotive manufacturing in other areas, such as the automotive aftermarket and the truck industries, if the policy settings are conducive. In addition, the motorsport and motoring enthusiast sectors are significant contributors to the automotive industry and should be encouraged to expand their activities.

Policy framework revisited

The committee reiterates its support for the development of a unified industry voice through the establishment of an Automotive Industry Taskforce and a coordinated government approach to the industry.

Recommendation 6

Government must recognise that the automotive industry will endure. Given this recognition, the committee recommends that the government devote the necessary resources across a range of government departments to ensure the process of transformation continues. This includes a redefinition of the automotive industry to recognise and support the role of all sectors, including, but not limited to, motor vehicle production, component making, aftermarket manufacturing, engineering and design, servicing and smash repairs, retail motor trades, sales support and training.

Recommendation 7

The committee recommends that the Australia Government support the establishment of an Automotive Industry Taskforce—with representatives from industry, unions and governments—to facilitate a collaborative and coordinated approach to developing and implementing a national automotive policy framework which encompasses all sectors of the industry.

The Automotive Industry Taskforce would also build on the work of the AutoCRC and the Automotive Australia 2020 Roadmap Project. It would develop strategies to understand and meet the challenges and opportunities associated with alternative fuels and emerging technologies as they affect the

automotive industry, including electrification, light-weighting, gaseous fuels and fuel cell technologies, car sharing, telematics and autonomous vehicles.

The Automotive Industry Taskforce should also examine the findings of this committee inquiry and report back to government with further recommendations for action and strategies to address the issues raised over the course of this inquiry.

Recommendation 8

The committee recommends that the government urgently develop and implement a comprehensive and coordinated strategy to:

- **avoid a social and economic catastrophe arising in those areas most affected by the closure of vehicle manufacturing; and,**
- **address the unprecedented structural adjustment occurring across the retail service, repair, recycling and associated sectors.**

Sales, service and repair sectors

With the reduction in automotive manufacturing, the downstream sectors will account for around 95 per cent of all activity within the Australian automotive industry after 2017.

The sales, service and repair sectors are all facing unique challenges as they adjust to rapid technological change, the emergence of firms in some sectors that have significant market power, and ensuring that workers have the training and skills they need. The committee has proposed a set of recommendations to cover the issues raised by stakeholders.

Recommendation 9

Given the consolidations and closures in the automotive and related industries, the committee recommends that a close examination of the operation of the Franchising Code of Conduct be undertaken as part of the next scheduled review of the code, with particular regard to the automotive sectors, including new cars, motorcycles, farm and industrial machinery and fuel retailing franchising arrangements.

Recommendation 10

The committee recommends that the current restrictions and requirements on the parallel importation of both new and used vehicles be maintained.

Recommendation 11

The committee recommends that the government continues to work with industry to ensure suitable access to manufacturer information by independent automotive service and repair businesses. The committee notes the progress that has been made through the Voluntary Code of Practice for Access to Service and Repair Information for Motor Vehicles (the Code) and recommends that the Commonwealth Consumer Affairs Advisory Council undertake a review of the Code no later than three years after commencement.

Recommendation 12

The committee recommends that an independent inquiry into the smash repair industry be undertaken to examine the relationships between insurers, parts suppliers and smash repair businesses, and inform an appropriate policy response.

Recommendation 13

The committee recommends that the government recognise the vital role of training in this sector and support a comprehensive, industry-wide approach to assist the automotive sector to redesign and implement training courses that reflect the needs of employers and give workers the skills they require.

Due to the unprecedented structural adjustment across all sectors of the automotive industry, changes to training and skills development VET packages in the automotive fields should be put on hold for a period of 12 months. During this time, Auto Skills Australia and a coordinated alliance of national industry sectors should undertake the necessary work to recast all qualification requirements, including for new skills occupations. Owing to their national reach and previous experience, the committee suggests that the Motor Trades Association of Australia is the most suitably qualified organisation to led and coordinate this work.

Recommendation 14

The committee recommends that the government, through the Council of Australian Governments (COAG), work with state and territory governments to identify and address barriers for mature workers seeking to enter the automotive industry as apprentices.

Recommendation 15

The committee recommends that the mentoring program for automotive apprentices developed under the Australian Apprenticeships Mentoring Program and the Australian Apprenticeships Advisers Program be reinstated.

Automotive manufacturing

Automotive manufacturing is an integral part of advanced manufacturing activities more broadly as the technologies and skills associated with automotive manufacturing and readily diffused into other manufacturing applications. The committee believes that the government should set policies that encourage diversification, growth and innovation in Australian automotive manufacturing. In addition to proposed reforms to the ATS, the committee recommends some changes to the Automotive Diversification Programme and considers the government should give consideration to providing targeted incentives to modernise Australia's truck fleet.

Recommendation 16

Subject to any changes to the Automotive Transformation Scheme after 2017 and providing no existing registered companies are adversely affected by changes to the scheme, the committee recommends that a proportion of the funding

available under that Automotive Transformation Scheme (for example, from underspends in the scheme) be allocated to manufacturing diversification programs such as the Automotive Diversification Programme.

Recommendation 17

The committee recommends that the activities eligible for assistance under the Automotive Diversification Programme be expanded to include support for research and development, engineering and product development, commercialisation, feasibility studies, site relocation and/or consolidation activities and marketing activities. In particular, the committee recommends that grants for the appointment of export managers plus on-costs on 50:50 matched basis be included as an eligible activity under the Automotive Diversification Programme.

Recommendation 18

The committee recommends that the government undertake a feasibility study of the proposal put forward by the Truck Industry Council to modernise Australia's truck fleet. Pending a favourable evaluation, government should seek to implement this proposal as a matter of priority to assist the automotive manufacturing industry to adjust to cessation of passenger motor vehicle production in 2017 and as part of the broader reform agenda to reduce carbon emissions.

Motor sport and motoring enthusiasts

Motor sport and motoring enthusiasts activities are a significant and growing part of the Australian automotive industry and provides an opportunity for further growth and development. However, there are barriers to the expansion of these sectors to which potential solutions should be explored.

Recommendation 19

The committee recommends that the government undertake an independent review of the Specialist and Enthusiast Vehicle Scheme (SEVS) to ensure that:

- the scheme is meeting its stated objectives;
- the eligibility criteria for importation are appropriate; and,
- the compliance and monitoring processes do not undermine the integrity of the scheme.

Recommendation 20

The committee recommends that the government, through COAG, pursue reform options to harmonise vehicle modification regulations and adopt a consistent national approach to compliance and enforcement with vehicle regulations. A critical part of this work will be the harmonisation of emerging federal, state and territory legislation and regulations designed to deal with the arrival of autonomous vehicles and driving systems.

Chapter 1

Background to the inquiry

1.1 On 25 November 2014, the Senate referred an inquiry into the future of Australia's automotive industry to the Senate Economics References Committee for inquiry and report by the first sitting day in November 2015.¹ On 9 November 2015, the reporting date for the inquiry was extended to 1 December 2015.²

1.2 The terms of reference for the inquiry are:

The future of Australia's automotive industry, with particular reference to:

(a) maintaining the capacity for Australia to engage in advanced manufacturing, by ensuring skills and industrial capabilities that have been sustained by the automotive industry are not lost;

(b) reducing Australia's dependency on commodity exports by diversifying the country's economic base, noting the importance of advanced manufacturing, including the automotive industry, in this diversification;

(c) the role of all sectors of the automotive industry, including, but not limited to, motor vehicle production, component making, after-market manufacturing, engineering, servicing, retail motor trades, other forms of sales support, and the training of apprentices, in supporting an advanced broad-based economy;

(d) the special difficulties faced by component makers in the transition to global supply chains and to other forms of manufacturing, especially as a result of the closure announcements made by the motor vehicle producers;

(e) new technologies influencing the automotive industry, both in Australia and internationally, especially new and developing forms of propulsion, such as hydrogen, electric engines and hybrid engines;

(f) new business models for the industry, including employee share models and attracting international venture capital and private investment;

(g) the possible effects of early closure of motor vehicle producers, including risks and consequences for the industry, skills, capabilities and the broader economy, including social consequences, and what policy actions could mitigate or exacerbate these risks and consequences;

(h) the need to synthesise and consolidate the findings, recommendations and knowledge of other reviews and inquiries pertinent to the automotive industry, in order to identify key policy inconsistencies, regulatory burdens and factors for growth and investment;

1 *Journals of the Senate*, No. 67, 24 November 2014, pp. 1823–24.

2 *Journals of the Senate*, No. 123, 9 November 2015, p. 3307.

- (i) the importance of long-term, stable employment for workers in the automotive industry, and the need for greater access to transitional training and career opportunities; and
- (j) any other related matters.³

1.3 Given the broad scope of the inquiry and the variety of aspects to consider, the committee resolved to release an interim report on what it considered to be the most vulnerable part of the industry at this time—automotive component manufacturing and vehicle production.

Conduct of inquiry

1.4 The committee advertised the inquiry on its website and in the *Australian*. The committee also wrote directly to component suppliers, vehicle manufacturers, government agencies, industry groups and associations, academics and other interested parties drawing attention to the inquiry and inviting them to make submissions.

Submissions and public hearings

1.5 The committee received 38 submissions, all of which are publicly available. The submissions and answers to questions on notice are listed at Appendix 1. The committee has held five public hearings:

- 10 March 2015 in Melbourne;
- 13 March 2015 in Adelaide;
- 15 April 2015 in Canberra;
- 1 October 2015 in Adelaide; and
- 8 October 2015 in Melbourne.

1.6 A list of witnesses is provided at Appendix 2. References to the Committee Hansard are to the Proof Hansard and page numbers may vary between the Proof and Official Hansard transcripts.

1.7 The committee thanks all the individuals and organisations who assisted with the inquiry, especially those who made written submissions and appeared at hearings.

Background to inquiry

1.8 Australia's automotive industry is currently undergoing a major structural realignment. This realignment is due to the fact that the last locally produced motor vehicle is set to roll off the production line by the end of 2017. After this time, without new manufacturing investment, the majority of the Australian automotive industry's activities will relate to vehicle use—that is, predominantly sales, servicing and repairs.

1.9 The Australian Government has long supported local motor vehicle production through a variety of co-investment and assistance programs. Currently, the main government support program to assist domestic motor vehicle production is the

3 *Journals of the Senate*, No. 67, 24 November 2014, pp. 1823–24.

Automotive Transformation Scheme (ATS). The ATS provides government co-investment to companies involved in local vehicle manufacturing (motor vehicle producers, automotive component producers, automotive machine tool and automotive tooling producers and automotive services providers).

1.10 The ATS as it was originally designed is intended to support investment and innovation in the Australian automotive industry and assist it to become economically sustainable. It commenced on 1 January 2011 and is legislated to operate through to 31 December 2021.

1.11 Following the decision of local vehicle producers to cease manufacturing in Australia by the end of 2017, the Australian Government publicly stated its intention to reduce funding available under the ATS. A number of measures were announced to amend the ATS:

- The 2013–14 MYEFO included a measure to reduce capped funding available under the ATS by \$500 million over the 2015–2017 calendar years.
- The 2014–15 Budget included a measure to terminate the scheme on 1 January 2018, thereby saving a further \$400 million.

1.12 Legislative amendments embodying these measures were introduced into the House of Representatives on 24 September 2014 and the provisions of the bill were referred to the Senate Economics Legislation Committee on the following day.

1.13 The committee reported back to the Senate on 24 November 2014 and recommended that the government monitor the allocation of funding and investment in automotive research and development towards fostering resilience and diversification among business and industry.

1.14 A dissenting report by Senators Carr, Madigan, Muir and Xenophon expressed the view that:

...by seeking to amend the Act in this way the Government is: displaying a reckless disregard for the future of the tens of thousands of Australian men and women who are employed directly in automotive manufacturing; jeopardising Australia's advanced manufacturing capabilities; and courting serious long-term economic damage.⁴

1.15 They proposed an alternative recommendation that the Senate Economics References Committee undertake an inquiry to develop a policy framework for the future of Australia's automotive industry covering all sectors. This inquiry fulfils that recommendation.

Scope of this inquiry

1.16 Australia's automotive industry is diverse and encompasses a range of disparate activities which can be characterised broadly into upstream and downstream sectors. Upstream activities relate to the development and construction of motor

4 Senate Economics Legislation Committee, *Automotive Transformation Scheme Amendment Bill 2014 [Provisions]*, November 2014, p. 28.

vehicles and include activities involved in the design, testing, engineering, manufacturing and assembling of motor vehicles and their associated components. Downstream activities relate to distribution and use of motor vehicles and include sales and finance, servicing and repair, provision of fuels, recycling and disposal, and aftermarket activities.

1.17 The scope of this inquiry was not just limited to passenger motor vehicles but also included motorbikes, sports utility vehicles (SUVs), buses, trucks, specialist vehicles (such quad bikes and racing vehicles), caravans and trailers.

1.18 Interactions between the automotive industry and other industries are also examined, including, for example, opportunities for component manufacturers to diversify into other advanced manufacturing industries that may be outside the automotive industry.

Interim report on the future of the Automotive Transformation Scheme

1.19 The interim report focused on the immediate imperative to assist the automotive manufacturing sector adapt through reforming the Automotive Transformation Scheme to an environment where there may be no local vehicle production.

1.20 The three remaining local vehicle manufacturers all have plans in place to manage the wind-down and eventual cessation of production, including strategies to assist workers find alternative employment.

1.21 By contrast, many automotive component manufacturers have faced ongoing difficulties as production volumes have decreased and associated demand for their products has fallen. At current levels of production, many component makers are struggling to remain viable and have significantly reduced output and employment.

1.22 The cessation of local vehicle manufacturing will have a profound effect on economic activity and employment in Victoria and South Australia in particular. If such consequences are to be avoided or, at the very least minimised, then this issue needs to be addressed as a matter of urgency.

1.23 Consistent with the original intention of providing industry support, the government needs to assist affected businesses through to the end of vehicle production and beyond, where required. In its current form, however, it would appear that the ATS is not an adequate support mechanism to achieve this.

1.24 In April 2015, the Australian Government announced that it would not seek to reduce funding under the ATS. While the committee welcomed this decision, it recognises that current production levels and investment by eligible participants of the ATS are unlikely to exhaust the available funding.

1.25 As a result, the interim report considered options to support component manufacturers and assist affected businesses to explore new business activities and/or markets while the opportunity still exists to harness the skills and knowledge of employees and existing industrial capabilities. Unless alternative advanced manufacturing activities are in place before vehicle production ceases, these

capabilities and the skills and knowledge embodied in these workers may be lost from the Australian economy forever.

1.26 The recommendations from the interim report are numbered 1 to 5.

Final report on the broader automotive industry

1.27 While the interim report was narrowly focused, this final report explores what is required for the industry as a whole to reach its potential.

1.28 By late this decade, the Australian automotive landscape will be fundamentally different. The vast majority of the automotive industry activity is likely to be associated with downstream activities. According to the Motor Trades Association of Australia:

...ninety five per cent of the automotive industry will be the sectors who sell, service, repair, recycle and support motor vehicles (passenger/commercial), heavy vehicle transport, farm and industrial machinery and others.⁵

1.29 Whereas in the past the different sectors of the automotive industry have been considered as separate, developing an overarching vision for the industry is essential to align common interests and prioritise areas where action is most needed. Conceptualising the industry as consisting of more than just cars can also open opportunities for a more managed transition.

1.30 In addition to setting out a broad policy framework, there are a number of specific areas of the automotive industry that the committee considers important to explore in their own right. The downstream automotive sectors face challenges arising from changing business models, technological developments and the need to attract and retain skilled workers. Automotive manufacturing needs assistance to retain as much activity in Australia as possible, and there are opportunities to expand automotive manufacturing in the truck industry if the policy settings are conducive. In addition, the motorsport and motoring enthusiast sector are significant contributors to the automotive industry and should be encouraged to expand their activities.

1.31 The recommendations from this report are numbered 6 to 20.

Structure of this report

1.32 This report comprises 5 chapters.

- Chapter 1—provides background to the inquiry;
- Chapter 2—outlines future trend affecting the automotive industry;
- Chapter 3—examines issues relating to the sales, service and repair sectors;
- Chapter 4—explores automotive manufacturing and options to support this industry; and,
- Chapter 5—considers the role of motorsport and motoring enthusiasts.

5 *Submission 30*, p. 3.

Chapter 2

Future trends affecting the automotive industry

2.1 This chapter highlights the reliance Australia has on automotive transport and the unprecedented change facing the industry. It explores the need for a comprehensive and coordinated approach to policy development that fully incorporates all aspects of the sector and relevant government agencies.

Australia will continue to depend on automotive transport

2.2 Australia is a country that relies heavily on the automotive industry to overcome the tyranny of distance and achieve its economic potential through connecting people and places. Automotive transport also plays an integral role in establishing, maintaining and developing social connections and relationships.

2.3 While it is true that the majority of the population live in capital cities and generally have access to public transport, they still value the benefits provided by owning and using automobiles and related vehicles. The automobile is even more valued in regional and rural Australia, where it is generally the only form of transport available. The importance of the automotive industry to individuals is reflected in the fact that there are almost as many vehicles in Australia as people aged old enough to drive them.¹

2.4 The automotive industry is also integral to moving the vast majority of Australia's freight task and, even when not used for the majority of a journey, is still essential in providing the final link in the supply chain. Indeed, the Motor Trades Association of Australia commented that:

By 2020, we will have a national fleet of 20 million vehicles...We have no plan B in this country, despite assertions to the contrary. There is no massive public transport infrastructure planned. There are no massive alternatives to our reliance on road transport planned. So it is here to stay, and it is here to stay for the medium to longer term.²

2.5 With a growing population and aspirations of increasing economic growth and prosperity, there is no doubt that Australia's automotive industry will remain critically important.

Industry undergoing unprecedented change

2.6 While the future of the automotive industry in one form or another is assured, the industry has been, and will continue to be, subject to significant changes which will transform almost every facet of the industry. The industry will be shaped by a

1 In January 2015, there were an estimated 18 million vehicles registered in Australia compared to a population estimate of 18.5 million people aged 17 years and over in June 2014. Australian Bureau of Statistics, *Australian Demographic Statistics*, Cat. No. 3101.0, December 2014 and Australian Bureau of Statistics, *Motor Vehicle Census*, Cat. No. 9309.0, July 2015.

2 Mr Richard Dudley, *Committee Hansard*, 8 October 2015, p. 5.

variety of different socioeconomic forces, including globalisation, environmental protection policy, rapid technological advances, workforce shortages and changing skill requirements, and shifting consumer behaviour.

2.7 As in almost every other area of society, technological developments and their adoption are likely to be the most influential source of change to the Australian automotive fleet. The MTAA explained the profound affect that technology is having on the automotive industry:

Technology applied to motor vehicles has increased significantly over the last decade and has included the integration of mechanical, information and safety systems, and the increasing use of alternative construction materials in response to safety, efficiency and consumer demands.³

2.8 The development and widespread adoption of alternative fuels and propulsion systems is challenging long held beliefs about the infrastructure needs required to support the automotive fleet and the skills and information required to enable such vehicles to be serviced. While the uptake of electric vehicles in Australia has been relatively slow to date, improvements in range and the continued scale roll out of accessible charging infrastructure will undoubtedly increase the attractiveness of such vehicles to consumers. Overcoming similar infrastructure and information requirements will be necessary if there is to be wide-scale adoption of hydrogen and fuel cell technologies.

2.9 Intelligent Transport Systems (ITS) is another example of a profound technological change that will revolutionise the automotive industry in the near future. As the AutoCRC outlined:

During the next decade, vehicle-to-vehicle and vehicle-to infrastructure will provide platforms for a smarter and more productive transport system...

Progressive deployment of Intelligent Transport Systems (ITS) technology will drive higher levels of productivity...through better just-in-time freight delivery; fuel cost savings and more efficient intermodal transport. It can also greatly enhance the driving/transport experience by providing accurate and adaptive route selection and real-time parking identification.⁴

2.10 The AutoCRC also highlighted the potential for Australian business to contribute to the development and implementation of these technologies:

Australia has companies that are at the leading edge of this transport revolution and we also have some of the world's best researchers in areas such as sensor development, traffic management, optimisation, telecommunications, complex systems, control systems and artificial intelligence...Australia's strategic challenge is to rapidly and cost-effectively capture the productivity benefits that will flow to technology leaders and early adopters. Australia has a rare opportunity to capitalise on

3 *Submission 30*, p. 18.

4 *Submission 34*, p. 3.

its existing intellectual assets and its deep experience in transport and mobility, to participate in the formation of the global ITS industry.⁵

2.11 The committee was pleased to learn that an Australian company, Codha Wireless, is exporting locally manufactured wireless sensor systems for use in the emerging ITS market through sales of five generations of on-board and road-side equipment.⁶

2.12 In the context of automotive manufacturing, the importance of technological developments to future sustainability was recognised in the *Australian Automotive 2020 Roadmap* ('Roadmap') in 2010. The Roadmap highlighted four areas—vehicle electrification, gaseous fuels, light weighting applications, and data and communication systems—where there appeared to be significant opportunities for Australian manufacturers to develop a strategic capability and a competitive edge in the global automotive industry.⁷ And in the 5 years since the release of the Roadmap, a number of local manufacturers, such as Codha Wireless, have been able to harness the opportunities presented by these trends.

2.13 But change is not just driven by technology and change is not universally beneficial.

2.14 The automotive manufacturing industry will be severely affected by the cessation of vehicle production in 2017. While some automotive manufacturing will remain, generally focused on supplying the aftermarket, it will only be a shadow of its former size.

2.15 The committee holds deep concerns not only about the future of automotive manufacturing but manufacturing more generally in Australia. Professor Goran Roos outlined the role of the automotive industry in increasing economic complexity which, in turn, contributes to a country's wealth.

Different industries have different complexities. The automotive industry has a high level of complexity. Countries like Germany and Japan have extraordinarily high complexity. They have a complexity which is something like 200 per cent of the complexity of Australia. That means their ability to create wealth is substantially higher...

The relevance to automotive of this is that automotive is the largest chunk at the moment of the Australian industrial structure with the highest level of complexity. That means, when that disappears, Australia's complexity will be reduced...⁸

5 *Submission 34*, p. 3.

6 Ms Julie Holmes, South Australian Department of Planning, Transport and Infrastructure, *Committee Hansard*, 1 October 2015, p. 4; and Codha Wireless, *History and Background*, <http://cohdawireless.com/About/HistoryBackground.aspx> (accessed 19 November 2015).

7 AutoCRC, *Automotive Australia 2020—Technology Roadmap*, Draft 6, 23 June 2010.

8 *Committee Hansard*, 13 March 2015, p. 33.

2.16 And the size of the manufacturing sector is fast approaching a critical level. According to Mr Gavin Smith, President of Robert Bosch Australia, the manufacturing sector:

...has shrunk to something just above six per cent of GDP—the lowest in the developed world—and this is before the auto sector reduces... Below six per cent it is deemed there is no manufacturing sector that is able to be retained.⁹

2.17 Automotive manufacturing plays a pivotal role in supporting the broader manufacturing industry by providing an environment where innovative processes and workforce skills can be developed and transferred.

2.18 The committee also heard concerns about how change in the downstream sectors is making it harder for independent small businesses to continue trading. For example, some independent mechanical repairers are experiencing difficulties in reliably and affordably accessing repair and service information from manufacturers. The complexity of modern motor vehicles is driving automotive technicians to become specialists in specific models or repair processes.¹⁰

2.19 Such changes will have significant impacts on the skill requirements of workers in the sector which are currently not being adequately met through industry training programs.

2.20 In addition, the automotive industry also faces an image problem and much has been said about the 'death' of the automotive industry in light of the impending closure of passenger vehicle manufacturing. However, the automotive industry will continue to employ over 340,000 Australians after 2017 and there are currently over 15,000 skilled vacancies in the sector.¹¹ This image problem is adversely affecting the ability of the industry to attract and retain skilled technicians.

2.21 'End-of-vehicle-life', namely what happens to the more than 400,000 vehicles that come off the road each year, is another important policy area in the downstream sectors that requires attention. The committee notes that the MTAA and members of the Auto Parts and Recyclers Association of Australia (APRAA) are planning a trial of an end-of-vehicle-life project that seeks to gather information to inform a holistic approach to dealing with vehicle recycling. The Department of the Environment should look at and support moves by industry to improve end-of-vehicle-life management.

Recommendation 6

2.22 Government must recognise that the automotive industry will endure. Given this recognition, the committee recommends that the government devote the necessary resources across a range of government departments to ensure the

9 *Committee Hansard*, 1 October 2015, pp. 14, 18.

10 MTAA, *Submission 30.1*, pp. 35–36.

11 MTAA, *Submission 30.1*, p. 14 and Auto Skills Australia, *Automotive Environmental Scan 2015*, p. 3.

process of transformation continues. This includes a redefinition of the automotive industry to recognise and support the role of all sectors, including, but not limited to, motor vehicle production, component making, aftermarket manufacturing, engineering and design, servicing and smash repairs, retail motor trades, sales support and training.

Coordinated policy approach required

2.23 In order to overcome these challenges and harness the opportunities, the automotive industry requires a comprehensive and coordinated approach from government. For too long, government policy around the automotive industry in Australia has focused on the manufacturing of passenger motor vehicles.

2.24 While the committee appreciates the importance of automotive manufacturing, greater emphasis needs to be placed on better supporting the industry as a whole. The announced closure of vehicle manufacturing in Australia provides additional impetus to develop a new approach to appropriately assist the entire industry through the transition period and beyond.

2.25 The interim report clearly articulated the rationale for taking a broader approach to defining the industry for public policy to foster the growth of the industry as a whole. The committee concluded that:

...an overarching and internationally competitive policy framework is necessary to ensure that Australia remains a prosperous nation supported by a broad-based economy.¹²

2.26 Recommendation 1 from the interim report called on the government to work with stakeholders to develop an internationally competitive automotive policy framework for the entire industry. To achieve this, government departments should coordinate their efforts to attract new automotive investment and maintain existing skills and capabilities.¹³

2.27 The committee reiterates the importance of that recommendation and the support that stakeholders have provided. The MTAA, for example, submitted that whole of industry solutions are needed:

- for automotive industry sectors to adopt improved self-regulation, pursue greater business acumen and revitalise industry partner relationships;
- to unite peak automotive industry bodies behind issues common to the whole of industry—be it manufacturing, retail, service, repair, recycling or motoring;
- for industry and government partnerships to improve the integration and coordination of services and policy initiatives; and

12 Senate Economics References Committee, *Future of Australia's automotive industry: Interim report*, August 2015, p. 21.

13 Senate Economics References Committee, *Future of Australia's automotive industry: Interim report*, August 2015, p. 21.

- for interventions that improve regulatory and economic reform and mitigate the social impacts arising from industry restructure and job losses.¹⁴

2.28 But the industry itself has not necessarily presented a united front:

The automotive industry is characterised by diversification, segmentation, fragmentation, specialisation, and wide geographic distribution. It has sometimes proved difficult, if not impossible, to drive wholesale nation-wide change.¹⁵

2.29 Recognising this, industry stakeholders have been proactive in organising themselves. The MTAA organised and facilitated the Australian Automotive Summit (the Summit) in August 2015 which brought together key industry leaders, policy makers and government to talk about the future of the industry and determine strategies so Australia can retain an active but different automotive industry.¹⁶

2.30 Following the Summit, the MTAA proposed the establishment of an Automotive Industry Taskforce (the Taskforce) to represent the industry as a whole. The membership would include representatives from relevant government portfolios and members drawn from senior leadership roles in the manufacturing, engineering, design, retail, service, fuel, repair, recycling, aftermarket and other automotive sectors.

2.31 According to the MTAA, the Taskforce would enable coordinated policy responses to changing industry operations, strengthen government partnerships, guide government intervention and support a longer-term policy framework that charts a future road map for a sustainable industry.¹⁷

2.32 By representing the industry through a united voice, the committee considers that the proposed Taskforce has the potential to overcome some of the challenges for policy makers in developing strategies to understand and meet the requirements of this diverse industry, and its businesses and employees. The Taskforce could build on and employ an approach similar to the model used to develop the *Australian Automotive Roadmap 2020*.

Recommendation 7

2.33 The committee recommends that the Australia Government support the establishment of an Automotive Industry Taskforce—with representatives from industry, unions and governments—to facilitate a collaborative and coordinated approach to developing and implementing a national automotive policy framework which encompasses all sectors of the industry.

2.34 The Automotive Industry Taskforce would also build on the work of the AutoCRC and the Automotive Australia 2020 Roadmap Project. It would

14 MTAA, *Submission 30.1*, p. 29.

15 MTAA, *Submission 30*, p. 3.

16 MTAA, *Submission 30.1*, p. 21.

17 *Submission 30.1*, p. 29.

develop strategies to understand and meet the challenges and opportunities associated with alternative fuels and emerging technologies as they affect the automotive industry, including electrification, light-weighting, gaseous fuels and fuel cell technologies, car sharing, telematics and autonomous vehicles.

2.35 The Automotive Industry Taskforce should also examine the findings of this committee inquiry and report back to government with further recommendations for action and strategies to address the issues raised over the course of this inquiry.

2.36 One of the key themes to emerge from the Summit workshops was a lack of knowledge and coordination among government departments with a role in the automotive industry.¹⁸

2.37 While the Department of Industry, Innovation and Science generally takes the lead role in policy affecting the automotive industry, there are a large number of the other departments with responsibilities that are associated with the industry in one form or another. These departments and their responsibilities include:

- Department of Infrastructure and Regional Development—responsibility for vehicles, roads and motor vehicle standards;
- Department of the Treasury—responsibility for taxation (e.g. fuel excise), small business, and competition and consumer affairs;
- Department of Employment—responsibility for employment services and workplace relations;
- Department of Education and Training—responsibility for training and skills development;
- Department of the Environment—responsibility for pollution and waste, including end-of-vehicle-life management; and
- Department of Foreign Affairs and Trade—responsibility for trade.

2.38 Given the sheer number of government portfolios that affect the automotive industry and the feedback from stakeholders from the Summit, a more coordinated government approach to policy development is warranted.

2.39 Indeed, it is imperative that government departments also develop a coordinated government strategy to deal with the impending job losses and economic impacts following the wind-down and cessation of passenger vehicle manufacturing.

2.40 At the hearing on 15 April, the committee was disappointed to discover that there was no government department or agency which seemed to be able to articulate an overarching approach and/or specific details about how the government was responding to the impending crisis in Victoria and South Australia.

18 MTAA, *Submission 30.1*, p. 24.

Recommendation 8

2.41 The committee recommends that the government urgently develop and implement a comprehensive and coordinated strategy to:

- **avoid a social and economic catastrophe arising in those areas most affected by the closure of vehicle manufacturing; and,**
- **address the unprecedented structural adjustment occurring across the retail service, repair, recycling and associated sectors.**

Chapter 3

Sales, service and repair sectors

3.1 This chapter explores issues relating to the sales, service and repair sectors. It also examines issues related to the training and the maintenance of a workforce to support these sectors.

Background

3.2 Demand for new vehicles and maintenance services has risen consistently as an ever increasing number of vehicles traverse Australian roads. There are over 17.6 million motor vehicles in Australia and the number of registered motor vehicles is increasing by 2.5 per cent annually, or by around 450,000 vehicles per year.¹ Almost all of these vehicles require servicing and some vehicles may need significant repairs or even replacement.

3.3 Notwithstanding the significant demand for services, many businesses within the downstream automotive sectors are expected to face significant adjustment, or complete restructure, in the short to medium term. According to the MTAA, change is being driven by a number of factors including:

...globalisation, environmental protection policy, rapid technology advances, workforce shortages and changing skill requirements, shifting consumer behaviours and the maturation, or decline, of business life-cycles...²

3.4 And these structural changes are resulting in the following effects already being felt within the industry:

- the decline of independent businesses, particularly within the automotive repair sector;
- the concentration of market power through the emergence of new business models;
- constant technological change; and
- challenges with job roles, skills development and training.³

3.5 While some of these developments are essentially the product of a competitive marketplace, stakeholders have raised concerns that businesses in some sectors are being adversely affected by the emergence of vertically integrated and dominant firms that are exerting market power by dictating contract terms.

3.6 But parts of the downstream automotive sector are facing different sets of challenges and, as such, it is prudent to consider them separately.

1 Australian Automotive Aftermarket Association, *Submission 5*, p. 2.

2 *Submission 30.1*, p. 33.

3 MTAA, *Submission 30.1*, p. 33.

Sales

3.7 The authorised dealer network generates revenue in excess of \$72 billion and employs over 66,000 people in more than 4,700 dealerships.⁴

Franchising

3.8 The Australian new car market is the most open and competitive in the world where 67 brands offering over 400 models compete for annual sales of just over 1.1 million new car sales.⁵ By comparison, the average number of sales per brand is double in Canada, almost three times higher in the United Kingdom and more than 15 times higher in the United States.⁶

3.9 While this vast array of choice at competitive prices is of benefit to consumers, it means that margins on new car sales in Australia are relatively low. According to Mr Steven Moir from the Motor Trades Association of Western Australia:

The dealership we were at this morning is probably a \$10 million to \$15 million establishment. It did not have a lot of choice in that investment. He [the franchisee] has to make that investment to keep that franchise. Now, you would have to sell a lot of cars to get a return on that investment.⁷

3.10 As such, dealerships are increasingly reliant on all aspects of their business, including servicing and car parts sales, to remain viable and get a reasonable return on their investment.⁸

3.11 And concerns were raised about the conduct of franchisors. Mr Moir submitted that:

There is also no doubt that there is harsh and what I would consider unconscionable conduct being carried out now by franchisors. If I use the motorcycle industry as an example: we had a meeting of motorcycle franchisees last month. The majority of those people were asked to sign two-year contracts, which required up to a million dollars' investment in their franchises. This is simply not a viable business model going forward...

It is fair to say that that behaviour also transposes across to automotive dealers.⁹

4 Australian Automotive Dealer Association, *Submission 3*, p. [1]; Federal Chamber of Automotive Industries, *Submission 9*, p. 7.

5 Federal Chamber of Automotive Industries, *Submission 9*, p. 2; Motor Trades Association of Australia, *Submission 30.1*, p. 14.

6 Federal Chamber of Automotive Industries, *Submission 9*, pp. 2–3.

7 *Committee Hansard*, 8 October 2015, p. 8.

8 MTAA, *Submission 30*, p. 19.

9 *Committee Hansard*, 8 October 2015, p. 8.

3.12 While the introduction of the Franchising Code of Conduct earlier in 2015 was seen as a positive move in terms of increasing the transparency of agreements and empowering both sides of the franchise equation, it is likely that many franchising issues will continue to persist, particularly given the Code of Conduct was not retrospective.¹⁰

Recommendation 9

3.13 Given the consolidations and closures in the automotive and related industries, the committee recommends that a close examination of the operation of the Franchising Code of Conduct be undertaken as part of the next scheduled review of the code, with particular regard to the automotive sectors, including new cars, motorcycles, farm and industrial machinery and fuel retailing franchising arrangements.

Parallel imports

3.14 Concerns about parallel vehicle imports and regulatory restrictions on importation have been raised by various stakeholders.¹¹

3.15 The parallel vehicle import issue has been considered by a number of inquiries over the last 5 years including the Productivity Commission's *Review of Australia's Automotive Manufacturing Industry*, the Harper *Competition Policy Review* and the Department of Infrastructure and Regional Development's *Review of the Motor Vehicle Standards Act*.

3.16 The Productivity Commission (PC) recommended that restrictions on the importation of second-hand vehicles be progressively relaxed with net benefits to the community primarily arising from lower prices and/or improved product specification (vehicle features) as well as increased product choice and availability for vehicle buyers.¹² That said, the PC also recommended that any changes to the existing importation framework:

- not be implemented until local vehicle manufacturing ceases in 2018;
- give reasonable advance notice to affected individuals and businesses;
- be preceded by a regulatory compliance framework that includes measures to provide appropriate levels of community safety, environmental performance and consumer protection;
- be limited to vehicles imported from countries that have design standard which are consistent with those recognised by Australia; and

10 *Committee Hansard*, 8 October 2015, p. 8.

11 See, for example, Insurance Australia Group, *Submission 21*; Australian Fleet Lessors Association, *Submission 25*; and National Automotive Leasing and Salary Packaging Association, *Submission 26*.

12 Productivity Commission, *Australia's Automotive Manufacturing Industry*, Inquiry Report No. 70, March 2014, p. 160.

- be initially limited to vehicles manufactured no earlier than five years prior to the date of application for importation.¹³

3.17 In addition, a recommendation was made to accelerate the harmonisation of Australian Design Rules with the United Nations Economic Commission for Europe (UNECE) Regulations and the mutual recognition of other appropriate vehicle standards. Further, all Australian governments should justify any existing and future jurisdictional deviations from UNECE Regulations through comprehensive and independent cost benefit analysis.¹⁴

3.18 Similarly, the Harper Review concluded that relaxing parallel import restrictions would deliver net benefits to the community, provided appropriate regulatory and compliance frameworks and consumer education programs were in place. It endorsed the PC's recommendation that parallel import restrictions on second-hand cars should be removed, subject to the transitional arrangements outlined by the PC.¹⁵

3.19 The Department of Infrastructure and Regional Development released a discussion paper in September 2014 but has yet to release a final report.¹⁶ The Assistant Minister for Infrastructure and Regional Development, the Honourable Jamie Briggs, announced in April 2015 that:

Cabinet has now agreed to consider possible options to reduce restrictions on the personal importation of new vehicles after further public consultation is undertaken. The Australian Government is not inclined to take the same approach with used vehicles.¹⁷

3.20 Insurance Australia Group was supportive of the government's proposed approach to increase competition in the new car market but noted that this change could delay servicing and smash repair times for some vehicles if parts supply and availability is limited.¹⁸

3.21 A number of stakeholders opposed the relaxation of regulations restricting the second-hand vehicle imports and questioned whether there would actually be a net benefit to consumers and the economy from such reforms. According to the Australian Fleet Lessors Association (AFLA):

13 Productivity Commission, *Australia's Automotive Manufacturing Industry*, Inquiry Report No. 70, March 2014, p. 163.

14 Productivity Commission, *Australia's Automotive Manufacturing Industry*, Inquiry Report No. 70, March 2014, p. 163.

15 Professor Ian Harper, Peter Anderson, Su McCluskey and Michael O'Bryan QC, *Competition Policy Review*, Final Report, March 2015, pp. 177–178.

16 Department of Infrastructure and Regional Development, *Review of the Motor Vehicle Standards Act 1989*, https://infrastructure.gov.au/vehicles/mv_standards_act/ (accessed 10 September 2015).

17 *Motor Vehicle Standards Review—Safer roads and better cars*, Media Release, 16 April 2015.

18 *Submission 21*, p. 6.

Should the Government materially alter existing policy in the importation of second-hand vehicles in Australia it has the potential to produce profound and long lasting direct and flow-on impacts.¹⁹

3.22 AFLA noted that the Australian car market is one of the most competitive in the world and the benefits from relaxing second-hand imports restrictions may be limited.²⁰ They questioned the assumption that prices for second-hand vehicles would be lower and went further to suggest that, over the course of ownership, consumers may be worse off if vehicles are compliant with Australian Design Rules but are not fit for Australian conditions and require modification or repair.²¹

3.23 The National Automotive Leasing and Salary Packaging Association (NALSPA) submitted that the overall costs of owning an imported vehicle may be higher in the long run:

...a consumer buying a personally-imported new vehicle or an imported second-hand vehicle is likely to face a range of issues, including potentially higher repair, maintenance and insurance costs, as well as difficulties in determining whether such a vehicle is 'fit for purpose' for Australian conditions.²²

3.24 The MTAA contended that:

...consumers who buy vehicles sourced directly from overseas are often immune to the caution that is usually applied and available when buying a car through a regulated environment which provides protection. Equally on the promissory note of cheaper costs, consumers can be blind to the many complex customs, transportation, finance, insurance, warranty and service and repair support issues that may arise.²³

3.25 In response to the Productivity Commission's findings, Mr Robert Bryden highlighted a number of downsides to the parallel importation scheme used in New Zealand—the administration costs are significant, unscrupulous operators can emerge, 'used' cars may undermine the legitimate new car market, and new car prices may increase.²⁴

3.26 Given the concerns raised, the committee does not support the widespread relaxation of restrictions and requirements on the parallel importation of new and used vehicles. It considers that the potential detriment to consumer welfare from relaxing these restrictions outweighs any potential benefits.

19 Australian Fleet Lessors Association, *Submission 25*, p. 2.

20 Australian Fleet Lessors Association, *Submission 25*, p. 3.

21 For example, cars may require modifications to fuel systems, cooling capacity, suspension and/or tyre specifications to suit Australian conditions.

22 *Submission 26*, p. 8.

23 *Submission 30*, p. 31.

24 *Submission 38*, p. 4.

3.27 The committee notes the Australian Government's response to the Harper Review not to relax parallel import restrictions on second-hand vehicles:

Following consultation as part of the review of the *Motor Vehicles Standards Act 1989* and having regard to consumer protection and community safety concerns, the Government has decided not to proceed with reducing parallel import restrictions on second-hand cars at this time.²⁵

3.28 While the committee welcomes this announcement, it is not clear whether the government is still considering relaxing the restrictions on the parallel importation of new vehicles, where the same concern regarding consumer protections apply.

3.29 However, the committee considers that there may be scope for reforming the processes associated with the importation of specialist and enthusiast vehicles. These issues are considered in chapter 5.

Recommendation 10

3.30 The committee recommends that the current restrictions and requirements on the parallel importation of both new and used vehicles be maintained.

Servicing and repairs

3.31 The servicing and mechanical repair sector has been subject to a variety of factors which are making it increasingly difficult for the traditional small business service model to be sustainable. Some of the main factors contributing to remaining viable include:

- rising business operational and administrative costs;
- the adoption of longer vehicle warranties and fixed price servicing for virtually all vehicle brands (up to 7 years for some models);
- technological change and difficulties for independent repairers to access relevant information from manufacturers and dealerships; and
- the requirement to invest in costly capital equipment and the continual upgrading of skills to diagnose, service and repair ever changing and complex vehicles and components.²⁶

3.32 Many of these issues affect independent repairers disproportionately and these independent repairers make up a significant proportion of repairers in Australia.²⁷

3.33 The MTAA reports that small businesses have taken a variety of different approaches to adapt to this new business environment:

Some independent mechanical repairers have decided it is already too hard and have adapted to changing circumstances by specialising in one or a few

25 *Australian Government Response to the Competition Policy Review*, 24 November 2015, p. 13.

26 MTAA, *Submission 30.1*, p. 33.

27 Commonwealth Consumer Affairs Advisory Council, *Sharing of repair information in the automotive industry*, 27 November 2012, p. 28.

marques and making the necessary investment in the specific training, tools, equipment and facilities to service those marques. Some have already left the industry, while others are trying to survive by maintaining current business models and practices, despite them becoming increasingly unsustainable.²⁸

3.34 Other industry participants are diversifying to remain viable. Mr David Roscio, founder of KPM Motorsport, told the committee that:

We saw 10 years ago that we needed to move away from normal car work, because that will be dead in the next 5 to 10 years. We moved into tuning and supporting motorsport vehicles...

We have seen the writing on the wall, firstly, with the workshop and now the aftermarket. So we have been diversifying in several areas.²⁹

3.35 The 'one-stop-shop' model of service repair is under significant pressure and the role for independent mechanical repairers to provide competition and consumer choice is becoming increasingly difficult to maintain. Increasing specialisation is also having flow on effects for the workforce as discussed later in the chapter.

3.36 And this situation is only going to intensify as technological developments are increasingly incorporated in automotive applications:

As vehicle technologies evolve further and with the increased adoption of hybrid and battery electric vehicles over time, it is likely that there will be a greater segmentation of skills within the automotive industry, with narrower and deeper specialisations in vehicle brands or technologies becoming the norm.³⁰

3.37 The Commonwealth Consumer Affairs Advisory Council (CCAAC) has noted that:

...the viability of the independent repair sector is in the interests of consumers, repairers and manufacturers.³¹

3.38 It is likely that this may have significant implications for securing servicing and mechanical repairs in regional and rural locations.

Access to information

3.39 Another emerging issue of concern for independent repairers, and ultimately the consumer, is how can the information needed to service and repair contemporary motor vehicles be reliably accessed and at what cost. The MTAA reports that independent vehicle repairers (both mechanical and smash repairers) are effectively

28 *Submission 30.1*, p. 35.

29 *Committee Hansard*, 1 October 2015, pp. 38–39.

30 MTAA, *Submission 30.1*, p. 36.

31 *Sharing of repair information in the automotive industry*, 27 November 2012, p. iv.

prevented from accessing repair and servicing information from motor vehicle manufacturers.³²

3.40 The committee notes that a review of this issue was undertaken by the CCAAC in 2012. The review concluded that:

...the accessibility of repair information has the potential to become a barrier to entry in this market going forward.³³

3.41 The CCAAC encouraged the industry to expedite the development of an industry-led outcome within a reasonable period of time that ensures there is an avenue to reasonably access repair information.³⁴

3.42 The committee notes that the members of the Federal Chamber of Automotive Industries (FCAI), the MTAA, the Australian Automobile Association, the Australian Automotive Aftermarket Association (AAAA) and the Australian Automotive Dealer Association (AADA) signed an *Agreement to Access Vehicle Service Repair Information* (the Agreement) in December 2014.³⁵ The Agreement aims to provide a safeguard to consumers that service and repair information is available in a timely manner to the repairer of their choice at a fair and reasonable cost. The Agreement set a 12 month timeline to review whether it has made a meaningful impact on the availability of repair and service information.

3.43 In addition, the Federal Chamber of Automotive Industries released the *Voluntary Code of Practice—Access to Service and Repair Information for Motor Vehicles* (the Code) in February 2015. The objectives of this code include the provision of an information pathway and a fair means of access to repair information that may be used by parties outside the Authorised Dealer network. An initial review of the Code must be conducted within 18 months of commencement.³⁶

3.44 Reflecting on the progress made, the MTAA submitted that:

Although there has been progress towards such an outcome, there is a need for continual monitoring of the capacity of independent vehicle repairers to have access (at reasonable cost) to vehicle manufacturing repair and service information. Without such information, consumer choice will be limited and independent business restricted to servicing and repairing old cars.³⁷

3.45 The AAAA reported in September 2015 that only nine of the 68 car brands sold in Australia were offering some level of data access. The AAAA has also set up

32 *Submission 30.1*, p. 36.

33 *Sharing of repair information in the automotive industry*, 27 November 2012, p. iv.

34 *Sharing of repair information in the automotive industry*, 27 November 2012, p. 29.

35 *Agreement to Access Vehicle Service Repair Information*, December 2014, http://www.fcai.com.au/library/publication/agreement_on_access_to_service_and_repair_information_for_motor_vehicles.pdf (accessed 26 November 2015).

36 FCAI, *Voluntary Code of Practice—Access to Service and Repair Information for Motor Vehicles*, February 2015, p. 2.

37 *Submission 30.1*, p. 37.

an online incident reporting portal to allow repairers to monitor how well vehicle makers are meeting their obligations under the Agreement.³⁸

3.46 Given that the industry has worked together to develop a voluntary solution, the committee considers it prudent to give both the Agreement and Code a period of time to be implemented before a formal and independent evaluation is undertaken. As such, it considers that CCAAC should undertake a follow-up review of access to repair and service information beginning no later than three years after commencement of the Code.

3.47 It behoves industry to gather evidence of any systemic failing of the Agreement and Code and to present these findings to the relevant authorities. In the face of such evidence, a more timely review of these arrangements may be warranted. The committee notes the work of the AAAA in setting up an online incident reporting system, which helps to address this requirement.

Recommendation 11

3.48 The committee recommends that the government continues to work with industry to ensure suitable access to manufacturer information by independent automotive service and repair businesses. The committee notes the progress that has been made through the Voluntary Code of Practice for Access to Service and Repair Information for Motor Vehicles (the Code) and recommends that the Commonwealth Consumer Affairs Advisory Council undertake a review of the Code no later than three years after commencement.

Service and repair warranties

3.49 The issue of who is responsible for service and repair warranties was raised by some stakeholders in submissions and during the committee's visit to downstream businesses.

3.50 These concerns relate to the operation of Australian Consumer Law with regard to which party bears responsibility when replacement parts fail. The Engine Reconditioners Association of Victoria (ERA Victoria) submitted that:

...the current law actually disadvantages the consumer, and helps the importers and suppliers avoid responsibility in regards to warranty by placing the onus and expense back on the engine reconditioner.³⁹

3.51 Similar concerns were raised by the owner of an independent mechanical service establishment who told the committee that consumers purchased parts from a third party and when they asked his business to fit the part, it was his business that was ultimately responsible if the part prematurely failed.

38 *Holden Leads in Sharing Repair Data with Workshops*, 24 September 2015, <http://www.aaaa.com.au/news.asp?id=217> (accessed 26 November 2015).

39 *Submission 33*, p. [3].

3.52 These two examples appear to be representative of a systemic issue with how the Australian Consumer Law is applied to the automotive sector. The issue was succinctly described by the ERA Victoria:

Cars or trucks are far from the simple item that can be replaced with another from stock or returned and refunded in full...

Automotive warranty issues are complicated; they involve complex manufactured goods within which even a small defect can cause failure.⁴⁰

3.53 And it is the repairers that are not getting fair treatment as consumers and part suppliers are protected:

The overall result is that the repairer is actually taking on the risk of ACL guarantee costs which should be borne by the replacement part manufacturer/importer. Often the repairer does not contribute in any way to the failure of the part yet bears much of the consequences and costs to rework the job and ensure that the ACL protects the consumer.⁴¹

3.54 The committee notes that a review of the Australian Consumer Law will commence in 2016 and considers that this issue should be part of that review to establish whether the law is operating in a way that unfairly disadvantages automotive servicing and repair businesses.⁴²

Smash repairs

3.55 A number of stakeholders indicated the difficulties facing the smash repair industry, predominantly related to the market power of insurers, vertical integration and the supply of 'safe' parts, and access to information (as discussed above).

3.56 A number of participants highlighted the unconscionable conduct and misuse of market power by some car insurers (which are effectively the purchases of smash repair services on behalf of their customers). Mr Geoffrey Gwilym, Executive Director of the Victorian Automobile Chamber of Commerce, outlined how the car insurance market has become increasingly concentrated:

If you went back 20 or 30 years there might have been 40 insurers in the market and there were relationships between insurers and repairers...

It looks and appears that we are heading towards an environment of two or three dominant insurers in the market.⁴³

3.57 According to the MTAA, two powerful players effectively control 80 per cent of the market. In addition, these insurers are vertically integrating their activities by

40 *Submission 33*, Attachment 1, p. 4.

41 *Submission 33*, Attachment 1, p. 4.

42 Australian Consumer Law, *Review of the Australian Consumer Law*, <http://consumerlaw.gov.au/review-of-the-australian-consumer-law/> (accessed 21 November 2015).

43 *Committee Hansard*, 8 October 2015, p. 4.

'writing off' cars, harvesting their parts to supply the repairers and then are also involved in running some repair shops.⁴⁴

3.58 As a result, the dominant insurers dictate the prices they are prepared to pay for work, they can also effectively determine the availability of work and the quality of the repairs allowed.⁴⁵ Mr Gregory Patten, Chief Executive Officer of the Motor Traders' Association of New South Wales, summarised the situation:

There are large controlling and influential insurance companies who now control the policy holders. They direct where the work goes and they also formulate agreements with some repairers so that individuals cannot compete in a fair and open marketplace to win work. We have found that part of the arrangements that are now being put in place today...allows insurance companies to set unrealistic repair rates. That encourages a lot of small businesses to do work probably not at a professional and acceptable standard, but they need to do this to keep their doors open to keep employing staff.⁴⁶

3.59 Of particular concern to the committee was the implication that the safety of repairs was being compromised by the market power of insurers. In this regard, Mr Patten provide some examples:

In the modern-day technology, the older types of technique of stretching out chassis rails...with the new materials weakens the materials, and they really need to be replaced. But to meet that dollar value of the repair cost, a few repairers might carry out the older technologies and older methods of repair. Therefore, once the vehicle is back on the road, those major components do not have the strength in them anymore.⁴⁷

3.60 Similarly for repairs to door skins:

Instead of replacing a whole door shell that has an intrusion bar in it, if the car has been hit on the side and it has intrusion bars, the [repair] allowance might be to replace the door skin and not the actual intrusion bar.⁴⁸

3.61 For its part, Insurance Australia Group submitted that:

Repairers conducting repair work authorised by IAG have autonomy to order, procure and fit the necessary parts in accordance with the above guidelines. There are some circumstances where IAG may specify to a repairer that a particular type of part be fitted (for example, new genuine parts in newer cars) before issuing an authority to proceed with repairs. However, once IAG has assessed a proposed repairer quote and issued an

44 *Submission 30.1*, p. 54; Mr Geoffrey Gwilym, *Committee Hansard*, 8 October 2015, p. 5.

45 *Submission 30.1*, p. 54.

46 *Committee Hansard*, 8 October 2015, p. 3.

47 *Committee Hansard*, 8 October 2015, p. 3.

48 Mr Greg Patten, *Committee Hansard*, 8 October 2015, pp. 3–4.

authority to proceed, the sourcing of the replacement parts specified and their installation lies with the repairer.⁴⁹

3.62 The issues affecting the sustainability of the smash repair industry and the relationships between repairers, insurers and car parts suppliers are complex and very difficult to unbundle. The committee considers that a more comprehensive and systemic review of the structure, conduct and performance of the smash repairs market is warranted and should be undertaken as a matter of priority.

Recommendation 12

3.63 The committee recommends that an independent inquiry into the smash repair industry be undertaken to examine the relationships between insurers, parts suppliers and smash repair businesses, and inform an appropriate policy response.

Automotive skills and training

3.64 A flexible and appropriately skilled workforce is an important contributor to a well-functioning automotive industry. Continued investment in human capital is essential to meet the demands of Australian consumers and the requirements in keeping the national vehicle fleet moving.

3.65 But within the downstream automotive industry, there have been persistent skill shortages for over a decade.⁵⁰ The *Automotive Environmental Scan 2015*, the most recent industry report by Auto Skills Australia, concluded that:

A national shortage of approximately 16,359 people is forecast as at October 2014. Vehicle mechanical and vehicle body trades account for the bulk of this [shortage]...⁵¹

3.66 And there is an expectation that these workforce shortages will deepen as economic conditions improve. The MTAA reports that some of the key reasons for the continued labour shortages include competition for workers from other industries, the overall poor quality of many available candidates, and a lack of practical hand skills or exposure to basic trade technologies in school years.⁵²

3.67 As a result, the main workforce challenges faced by the industry are:

- attracting skilled workers;
- achieving productivity improvements with the current staff and skills base;
- adoption of higher skill levels across the workforce (including upskilling); and
- facilitating the uptake of mature age workers and training.⁵³

49 *Submission 2*, p. 3.

50 Mr Geoffrey Gwilym, *Committee Hansard*, 8 October 2015, p. 7.

51 Auto Skills Australia, *Automotive Environmental Scan 2015*, p. 3.

52 MTAA, *Submission 30.1*, p. 39.

53 MTAA, *Submission 30*, p. 20.

3.68 As in other parts of the automotive industry, technological change will profoundly reshape roles in the automotive workforce and the skills required by workers to undertake these roles. At the heart of this change is the increasing complexity and incorporation of new technologies in vehicles.

The increasing complexity of motor vehicles—as evidenced through the merging of electronic and mechanical technologies, intelligent transport systems, navigation, tracking and infotainment systems and the embedded network of computerised controls that manage these technologies—is placing greater demands on the skills base and workforce.⁵⁴

3.69 And as a result, automotive trade specialists will increasingly need to be multidisciplinary—part mechanical engineer, part chemical engineer, part structural engineer, part computer engineer, part mathematician, as well as specialising in hydraulics, diagnostics, information technology, electrical systems and other systems.⁵⁵

3.70 The rate of technological change means that it is difficult for even an experienced technician to keep up with the required technological knowledge without constant upskilling and training.⁵⁶ This has flow-on effects to the quality of the service that is delivered to the consumer.

A key problem area within the current skills base...is the absence of effective practical skills in vehicle diagnostics. This involves troubleshooting or fault-finding skills, along with the appropriate action to repair the problem. Even with the use of diagnostic scan tools in modern vehicle servicing, there is still a large element of misdiagnosis or failure to adequately pinpoint the real source of particular vehicle problems. This failure has led to a culture of parts replacement within the industry...⁵⁷

3.71 And such issues are only going to become more prevalent in the future as the complexity of vehicles increases.

Formal training mechanisms

3.72 Given the technological change and new business models facing the industry, it is imperative that skills development and formal training mechanisms equip workers with the knowledge and practical skills to undertake their roles. Some of this training is undertaken through the formal mechanisms, some is achieved through vehicle manufacturers but the vast majority is undertaken 'in-house' by employers directly.

Vocational education and training (VET)

3.73 The national vocational education and training (VET) system provides the framework through which industry and registered training organisations collectively deliver training and assess the competency of individuals. This system provides the

54 MTAA, *Submission 30*, p. 18.

55 MTAA, *Submission 30*, p. 21.

56 MTAA, *Submission 30.1*, p. 41.

57 MTAA, *Submission 30.1*, p. 41.

structure for training and assessment pathways that enable the growth of organisations and individuals through vocational skills development.⁵⁸

3.74 However, the use of VET training systems remains divided with just over half of all businesses choosing not to engage with the system. Consultations by the MTAA with employers raised significant issues relating to the quality, diversity and delivery of formal VET qualifications across Australia:

Employers have expressed concern over the general quality of training, lack of delivery or training provider options in most regions, lack of available technology and infrastructure with training providers, limited collaboration across the industry and public providers, limitations on post-trade training.⁵⁹

3.75 Concerns were also raised of a disconnect arising between the training provided at some registered training organisations and what is required in the workplace.⁶⁰

3.76 But the structure and delivery of VET training in the automotive industry is changing in some states. Mr Moir indicated that new delivery models were being implemented:

In New South Wales and Western Australia we have moved away from the traditional TAFE model of delivery to an employment based delivery model. This has a couple of advantages. One is that the apprentice is trained in the workplace by a qualified trainer. It also assists in keeping up to date with the latest technology that is coming in to the industry.⁶¹

3.77 It would appear that the VET system as it applies to the automotive industry should be reviewed to ensure that qualifications and training are recast to align more closely with future automotive and consumer requirements. In doing so, it is important that the adoption of new qualifications and training standards is flexible enough to incorporate appropriate skills as required for emerging technologies.

Apprenticeships

3.78 In addition to the VET system, apprenticeships are an important mechanism by which people enter the industry and receive training. According to the MTAA:

Employers are strongly supportive of the apprentice system linked to competency based progression and a national qualification framework.⁶²

3.79 Given the relatively low attractiveness of the automotive industry, facilitating the uptake of apprenticeships by older workers may be one way to address current shortages and meet future demand. Despite an appetite for employers to take on older

58 Auto Skills Australia, *Automotive Environmental Scan 2015*, p. 67.

59 MTAA, *Submission 30.1*, p. 41.

60 MTAA, *Submission 30.1*, p. 40.

61 *Committee Hansard*, 8 October 2015, p. 8.

62 *Submission 30.1*, p. 42.

workers as apprentices, it is difficult to do so when there is limited support from governments and employers have to pay adult apprentice wages over the four year training period. According to Mr Gwilym:

There are many adults who do seek to transition into industries like automotive, and often there are barriers at the state level, and this is normally found in terms of, 'You already have a high-level qualification; we can't fund you to do an apprenticeship'...

All that stuff needs to go. There need to be exemptions for adults coming into apprenticeship, who transition.⁶³

3.80 The retention of apprenticeships is also a significant factor contributing to workforce shortages. Traditionally, only around half of automotive apprentices actually finish their training. In response, some of the industry skills councils developed a national mentoring program to boost apprentice retention. Mr Moir outlined the effect that program had:

...in Western Australia's experience, we had three mechanical trained people doing our mentoring. They were also qualified mentors. The success rate was well into high 80 per cent retention as opposed to the traditional 50 per cent, so it did have a very real effect on turning it around predominantly in the areas where a lot of these young people were suffering at home. The mentors were able to help them manage that plus the work-life process.⁶⁴

3.81 Despite the success of this program, the government has decided to roll the program into the apprenticeship centres program. Mr Gwilym was not supportive of the change noting that:

Our [MTAA's] view is that that [change] will not provide the outcomes that we need...It will not be facilitated by automotive people; it will be facilitated, potentially, by people who are selling cake decorating in the morning, welding at lunchtime and underwater spaghetti knitting in the afternoon.⁶⁵

Committee view

3.82 The committee believes that reforming training systems for the automotive industry is necessary to ensure that Australia has enough skilled workers to meet the demand for automotive services. Developing and implementing strategies and actions to address workforce sustainability challenges and technological change should be a priority for the proposed Automotive Industry Taskforce (Recommendation 1).

3.83 The committee is also concerned that the future of Auto Skills Australia is unclear given the important role that this organisation has played, and will continue to

63 *Committee Hansard*, 8 October 2015, p. 7.

64 *Committee Hansard*, 8 October 2015, p. 3.

65 *Committee Hansard*, 8 October 2015, p. 2.

play, in understanding the automotive workforce and identifying trends and future needs.

Recommendation 13

3.84 The committee recommends that the government recognise the vital role of training in this sector and support a comprehensive, industry-wide approach to assist the automotive sector to redesign and implement training courses that reflect the needs of employers and give workers the skills they require.

3.85 Due to the unprecedented structural adjustment across all sectors of the automotive industry, changes to training and skills development VET packages in the automotive fields should be put on hold for a period of 12 months. During this time, Auto Skills Australia and a coordinated alliance of national industry sectors should undertake the necessary work to recast all qualification requirements, including for new skills occupations. Owing to their national reach and previous experience, the committee suggests that the Motor Trades Association of Australia is the most suitably qualified organisation to led and coordinate this work.

Recommendation 14

3.86 The committee recommends that the government, through the Council of Australian Governments (COAG), work with state and territory governments to identify and address barriers for mature workers seeking to enter the automotive industry as apprentices.

Recommendation 15

3.87 The committee recommends that the mentoring program for automotive apprentices developed under the Australian Apprenticeships Mentoring Program and the Australian Apprenticeships Advisers Program be reinstated.

Chapter 4

Automotive manufacturing

4.1 This chapter examines the future of automotive manufacturing in Australia and some policy responses to ensure that as much manufacturing capacity is retained and utilised following the cessation of vehicle production in 2017.

Future of automotive manufacturing

4.2 As noted in chapter 2, the manufacturing industry is an important contributor to economic growth and development. It is the fifth largest industry employer in Australia and employed 922,400 people in February 2015, which represented 7.8 per cent of total employment.¹ However, this contrasts with February 1995 when the industry was the largest employer in Australia—employing 1.08 million people and accounting for 13.4 per cent of all employment. The level of manufacturing in Australia is set to decline further with the cessation of passenger motor vehicle production.

4.3 Automotive manufacturing is an integral part of advanced manufacturing activities more broadly as the technologies and skills associated with automotive manufacturing are readily diffused into other manufacturing applications, such as defence, aerospace materials, renewables, biopharmaceuticals and medical devices (to name a few).

4.4 In contrast to much of the doom and gloom associated with the cessation of motor vehicle production, the committee was pleasantly surprised to learn that there were many businesses actively taking on the challenge of seeking new markets and/or diversifying their manufacturing activities to improve the viability and sustainability of their operations after 2017.

4.5 Even in a highly competitive international environment, some automotive manufacturers have been able to secure new work. Nissan Casting Australia is an example of one such business which exports all of its production:

What sets us apart is a drive to exceed our customers' expectations on new project works, in regard to innovation, offer solutions to their problems, manage the complexity, be reliable, deliver a quality product the first time and achieve the shortest possible project-introduction timing...Our factory has been awarded more manufacturing work, and we have not won this based on cost.²

4.6 But even a successful operation like Nissan Casting Australia needs to fill a funding gap of \$1 million (of a total investment of \$4 million) to cover the capital investment required to make castings for the next generation LEAF electric vehicle.

1 Australian Bureau of Statistics, *Labour Force, Australia, Detailed, Quarterly*, Cat. No. 6291.0.55.003, May 2015.

2 *Committee Hansard*, 8 October 2015, p. 38.

4.7 Some component makers have seen the writing on the wall for a number of years and sought new applications for their processes and workforce. For example, Mr Brian Hughes, Managing Director of Composite Materials Engineering, described his business diversification process:

With the announcement of the decision of GM [General Motors], which was our major customer, in December 2013 to close, we decided that we needed to ramp up a diversification program that we had been on for a number of years. At that time we were 70 per cent automotive...Our business is now split through a number of industries—building around 40 per cent and autos 30 percent. We are the No. 1 in the world and we export over 30 per cent of product—of our business and total exports—to the confectionary industry. In the last six months we have signed all of the leading multinational and international confectionary companies...We are making it all here in Melbourne and exporting it...³

4.8 In addition to expanding its production of diodes for the global group, Robert Bosch Australia has had some success in diversifying its engineering activities:

We are now undertaking R&D [research and development] for non-automotive third parties, we have established a global centre of competence in Melbourne for trailer safety, and we are beginning to work on the application of automotive technologies into adjacent industries, for example rail and marine.⁴

4.9 Indeed, the future of automotive manufacturing may not just be limited to component production. There are a number of different organisations working towards the establishment and manufacture of low-volume, niche motor vehicles in Australia. For example, RED Automotive Technologies, a spin-off from Applidyne Australia, is seeking to build a premium off-road capable sports utility vehicle, with an electric propulsion system that places a motor on each wheel.⁵ Similarly, Simmonds Global is in the process of developing a detailed business plan for the production of a specialist vehicle in Australia.⁶

4.10 Some stakeholders indicated that one of the main barriers to the development of a niche motor vehicle is the nature and application of the Australian Design Rules (ADRs).⁷ Tomcar Australia advised the committee that it:

...faces an incredible amount of bureaucracy and legislation trying to get our vehicles compliant for general road use...The current ADR scheme is expensive and limited to vehicle manufacturers who can afford to carry the testing and crash tests on their vehicles.⁸

3 *Committee Hansard*, 8 October 2015, p. 10.

4 *Committee Hansard*, 1 October 2015, p. 13.

5 RED Automotive Technologies, <http://www.redautotech.com/> (accessed 22 November 2015).

6 *Submission 22*, p. 2.

7 See, for example, Mr Robert Bryden, *Submission 38* and Tomcar Australia, *Submission 12*.

8 *Submission 12*, p. [4].

4.11 A number of stakeholders urged the committee to continue and increase government support for those parts of the manufacturing industry (including business that have diversified and new entrants) that will continue to operate after 2017. For example, Mr Gavin Smith, President of Robert Bosch Australia, reflecting on the experience in other countries of rebuilding automotive manufacturing, commented that:

...don't let it all go. If it all goes it will likely never come back. Hold onto all that can be possibly retained, because from the ashes something can rise. If the ashes are scattered on the four winds then it is much harder.⁹

4.12 The Australian Automotive Aftermarket Association (AAAA) noted the significant potential for the component manufacturers supplying the aftermarket to expand production and absorb some of the workforce if assistance was available.¹⁰

4.13 Given the right policy settings and incentives, there would appear to be a relatively bright future for Australian automotive manufacturing, and advanced manufacturing more broadly, if some of the current barriers to investment can be overcome.

Policy settings are important

4.14 Realising the potential of the automotive manufacturing industry requires the government to set policies that give businesses the certainty to invest and assist them to overcome some initial challenges to realising new opportunities. As such, the policy environment for encouraging manufacturing and innovation more broadly is an essential element of a diverse economic base.

4.15 A number of stakeholders highlighted the interactions between policies to support automotive manufacturing and innovation in manufacturing more broadly, particularly advanced manufacturing. For example, the Ai Group advocated for government policy to support innovation across a range of manufacturing activities, not just automotive activities:

While the imperative to innovate extends well beyond manufacturing, transformation and innovation in this industry is particularly urgent for Australia...Australia requires a coordinated and clear government policy, aimed at promoting opportunities for new industrial directions.

4.16 And, along with other stakeholders, Business SA highlighted the importance of commercialisation to drive the outcomes of innovation into tangible goods and services:

The future of advanced manufacturing will also rely heavily on Australia's ability to increase the commercialisation of research for industrial purposes...Enabling the auto-component supply chain to better leverage

9 *Committee Hansard*, 1 October 2015, p. 15.

10 *Submission 5*.

university resources to diversify will also help provide a future beyond auto related manufacturing.¹¹

4.17 Stakeholders provided mixed reviews of the outcomes of partnerships with universities. Mr Paul van de Loo, Technical Director of Applidyne Australia, noted that:

Where we tend to fall over with our university engagement is the sense of urgency and timing. In our business, we live in a very fast moving segment, where clients come and want results even more quickly than we think is possible. Where it would be very tempting to get a university postgraduate student or final year project running on a particular aspect of that project, we find that generally the timeframes preclude it.¹²

4.18 By contrast, Precision Component, a 50 per cent joint partner in the Heliostat SA solar thermal electricity generation project, considered their relationship with the University of South Australia to be excellent:

...the experience that Precision Components and Heliostat SA have through research and industry collaborations is an excellent one. It is not very common, and there should be a lot more done to support those initiatives.¹³

4.19 The committee notes that a Senate inquiry into Australia's innovation system is underway. The issues paper for that inquiry highlighted that collaboration 'between universities and business is firmly on the innovation agenda'.¹⁴ As such, the committee believes that the recommendations from the innovation inquiry may also be relevant to automotive manufacturing.

4.20 Policy consistency was also highlighted as an important factor in encouraging long-lived capital investment in manufacturing processes. For example, the political stoush over the funding associated with the Automotive Transformation Scheme has created a level of uncertainty that is not conducive to a smooth transition. According to the Federation of Automotive Products Manufacturers:

The industry urgently needs funding certainty to maximise its chances of charting a path to the cessation of Australian volume production without an uncontrolled collapse of the supply chain...

As the industry operates on a just-in-time basis...certainty of funding provides a fundamental cornerstone of this requirement.

Further, with the commercial banking system employing ever more stringent lending practices to this industry, the importance of the certainty

11 *Submission 10*, p. 3.

12 *Committee Hansard*, 1 October 2015, p. 31.

13 Mr Darin Spinks, *Committee Hansard*, 1 October 2015, p. 31.

14 Senate Economics References Committee, *Australia's Innovation System—Interim report*, August 2015, Attachment 1, p. 8.

that ATS funding provides to the supply chain is even more important than ever.¹⁵

4.21 As a relatively small part of a large multinational, Robert Bosch Australia is largely dependent on the decisions of its international parent, which is starting to ask questions about the policy regime in Australia:

...I am answering more questions in the last six months about the outlook for Australia, the policy stability in Australia and the extent we can accept the risks of investing in Australia. I was called to a teleconference recently and asked what is going on with the legislated scheme for automotive transformation being killed off five years early despite activity continuing. I was asked why Australia is, up until recently, looking to reduce spending on R&D rather than increasing it.¹⁶

4.22 Policy makers also need to be cognisant of possible unintended consequences arising from assistance measures. For example, the AAAA noted that:

There is a genuine concern from our members, and other sectors of the automotive industry, that an easy (but ineffective) option is to simply pay the PMV [Passenger Motor Vehicle] [component] producers to diversify **into our segments**. This would be the ultimate insult. To replace the dominant paradigm of a narrow focus on PMV with a program of funding these companies to compete against us is unfair, anticompetitive, unwise and insulting.¹⁷

4.23 The availability of raw materials and other inputs into the manufacturing process is a limiting factor in the decision for many businesses to invest in manufacturing in Australia. Many of the inputs to Australian manufacturing are imported, despite the raw materials coming out the ground here. Mr Gavin Smith outlined the problem well:

The case for manufacturing complex products in Australia will fail if the components are predominantly coming from overseas. It is far more sensible to ship in a finished product produced in a lower cost country than to bring in all the parts and assemble it at high cost for a relatively low-volume domestic market.¹⁸

4.24 On this point, Mr Smith urged the government to 'pick winners' and make strategic decisions about how to facilitate globally competitive conversion of raw materials into semi-finished products that are inputs needed to support complex manufacturing in strategic industries or sectors.¹⁹

15 *Submission 17*, p. 10.

16 Mr Gavin Smith, *Committee Hansard*, 1 October 2015, p. 18.

17 Australian Automotive Aftermarket Association, *Submission 5*, p. 9 (emphasis in original).

18 *Committee Hansard*, 1 October 2015, p. 14.

19 *Committee Hansard*, 1 October 2015, p. 14.

Policy options to support automotive manufacturing

4.25 This section seeks to take a broad view on how government can best support automotive manufacturing and secure the jobs that depend on it.

Automotive Transformation Scheme (ATS)

4.26 The interim report focused on the Automotive Transformation Scheme (ATS) which is the main government support program to the local automotive industry. The ATS is a legislated and funded government program that requires redefining and updating to ensure that it can continue to support local manufacturers to grow and prosper.

4.27 In the interim report, the committee made various recommendations to amend the ATS rules and eligibility requirements to support manufacturers to continue to secure complex design and engineering work, and provide greater support for diversification activities.

4.28 Stakeholders supported the committee's recommendations to redefine the ATS and widen eligibility for support under this program. Mr Gavin Smith outlined the opportunities of a reformed scheme:

The industry does not end because three vehicle manufacturers leave. There are still component companies here who are doing things, who will continue doing things and they should be supported through that period, as was legislated. But there are also companies today that may not be eligible who perhaps could be and they can grow, they can introduce new development and new manufacturing with the support that that scheme could provide.²⁰

4.29 The committee believes that the funding allocated to support the automotive industry should be spent, in full, on supporting the industry and its constituent businesses. It is disappointing that the government continues to shirk its responsibility to the sector and refuses to support local manufacturing by widening the eligibility criteria for the ATS. As such, the committee reiterates its support for Recommendations 2 to 5 from the interim report and calls on the government to implement them as a priority.

Automotive Diversification Programme (ADP)

4.30 The Automotive Diversification Programme (ADP) is a \$20 million programme that provides grants to assist Australian automotive supply chain companies to diversify out of the domestic automotive manufacturing sector. The ADP is planned to run for four years, commencing in the 2014–15 financial year and has \$20 million in funding, including \$18 million in competitive merit-based grants.²¹

4.31 The Federation of Automotive Products Manufacturers (FAPM) raised a number of concerns about the operation of the ADP. It was concerned that funding

20 *Committee Hansard*, 1 October 2015, p. 16.

21 *Automotive Diversification Programme Ministerial Guidelines 2015*, p. 2.

constraints may lead to high merit projects not receiving the funding needed. Funding could be sourced from reallocating some of the projected underspend from the ATS.²²

4.32 FAPM was also concerned that a number of activities essential to a successful diversification process—such as research and development, commercialisation, feasibility studies, site relocation and/or site consolidation, and marketing activities—are not rewarded through the ADP.²³

4.33 A number of stakeholders noted the significant costs associated with building export markets. For example, Mr Hughes indicated that Composite Materials Engineering invested significantly to establish the market supplying confectionary businesses:

In relation to exporting and finding a new market... you do not just wake up and find it. You have to actually invest in the time to go and do it...To create that market we put a guy into Europe last year for six months, full-time. We covered every bill and we spent just under \$100,000 because we needed the work.²⁴

4.34 Recognising the significant costs associated with establishing export markets, FAPM also called for funding under the ADP to be available for the appointment of export and marketing managers on a 50:50 basis.²⁵

4.35 The committee considers that the ADP is an important support initiative for component suppliers to diversify. Refinements to the ADP, in conjunction with the recommendations previously proposed to the ATS, would better assist the industry transition.

Recommendation 16

4.36 Subject to any changes to the Automotive Transformation Scheme after 2017 and providing no existing registered companies are adversely affected by changes to the scheme, the committee recommends that a proportion of the funding available under that Automotive Transformation Scheme (for example, from underspends in the scheme) be allocated to manufacturing diversification programs such as the Automotive Diversification Programme.

Recommendation 17

4.37 The committee recommends that the activities eligible for assistance under the Automotive Diversification Programme be expanded to include support for research and development, engineering and product development, commercialisation, feasibility studies, site relocation and/or consolidation activities and marketing activities. In particular, the committee recommends that grants for the appointment of export managers plus on-costs on 50:50 matched

22 *Submission 17*, pp. 16–17.

23 *Submission 17*, pp. 16–17.

24 *Committee Hansard*, 8 October 2015, p. 14.

25 *Submission 17*, p. 17.

basis be included as an eligible activity under the Automotive Diversification Programme.***Retaining engineering and development skills***

4.38 The retention of core skills and capabilities, particularly engineering and product development, is essential if Australia is to maintain and grow its manufacturing activities. Crucial to this is the ability to transform ideas into tangible outcomes. Traditionally, however, Australia has not been successful at doing this as described by Mr Smith:

We do lots of good research but we are no good at commercialising it.²⁶

4.39 Recognising this problem, FAPM proposed an approach based on the German Fraunhofer method of application-oriented research as a way to increase the collaboration between research and development centres (including universities) and industry. According to FAPM:

This concept involves utilising the core knowledge and skills of displaced (or soon to be displaced) automotive engineering and purchasing staff to identify opportunities and build business cases for new product development. This process is designed to provide SMEs [small and medium enterprises] with access to skills and know-how previously beyond their reach.²⁷

4.40 These specialist skills are expensive to develop and maintain, and retaining and redirecting them wisely could be considered a prudent investment in Australia's manufacturing sector. The proposal is to establish a mechanism by which opportunities for engineering services or componentry supply suitable for the Australian industry can be identified and fostered. Industry Growth Centres, especially the Advanced Manufacturing Growth Centre, would be well placed to support such a model for industry and research and development collaboration.²⁸

4.41 The proposal would address two pressing policy objectives:

- the efficient identification of diversification opportunities; and
- support to preserve, nurture and grow the high-end engineering capability of the Australian automotive industry.

4.42 The committee agrees that there is merit in exploring alternative options for improving links between automotive manufacturing businesses and research and development organisations. It also acknowledges that this issue should be considered in conjunction with the recommendations from the broader inquiry into Australia's innovation system.

26 *Committee Hansard*, 1 October 2015, p. 18.

27 *Submission 17*, p. 17.

28 FAPM, *Submission 17*, pp. 17–18.

Affected regions may need additional support

4.43 The Australian and Victorian Governments have provided some targeted support for the regions most heavily affected by the closure of local vehicle production, most notably in North Melbourne and Geelong. Some stakeholders argued for more government assistance to support affected regions to manage the transition.

4.44 The South Australian Government noted the concentration of automotive manufacturing in the northern suburbs of Adelaide and the relative disadvantage this region already experiences. As the closure of GM Holden effectively represents the closure of an entire industry in the region, affected workers are likely to have great difficulty being absorbed by the labour market.

4.45 The South Australian Government is in the process of developing a Northern Economic Plan to build on existing strategies to build the South Australian economy and create employment. In their submission, the South Australian Government concluded that:

Northern Adelaide requires a coordinated and collaborative approach across all levels of government, the community and industry to adjust and recover from the closure of the automotive industry.

The South Australian Government recommends that the Commonwealth Government [use] unspent ATS funds to establish a targeted Commonwealth Government structural adjustment program in consultation with the State and Local Government and local communities, which would focus on the hardest hit areas such as northern Adelaide.²⁹

4.46 Further, LeadWest submitted that Melbourne's west will be significantly affected by the exit of Toyota Australia's Altona manufacturing plant but, as yet, this region has not been supported like neighbouring regions, such as Melbourne's north and Geelong.³⁰

4.47 In order to ameliorate the effects of the local vehicle manufacturing ceasing, it may be necessary for governments to evaluate whether further targeted regional assistance programs are required.

Aftermarket testing facility

4.48 In addition to providing direct industry assistance, the AAAA put forward a proposal for an 'Automotive Aftermarket Lab' to support the maintenance and growth of automotive engineering and research and development activities. The Lab would assist aftermarket manufacturers to reduce product development costs and time to market.³¹

4.49 The Automotive Aftermarket Lab would be modelled on an existing facility in the US, the Specialty Equipment Market Association (SEMA) Garage. This facility

29 *Submission 32*, p. 14.

30 *Submission 29*, pp. [1, 8].

31 *Submission 5*, p. 12.

provides access to the high-tech tools and equipment required to take products from initial concept through to product launch, and has facilities for aftermarket-part certification.³²

4.50 The AAAA noted that most testing of Australian components occurs in the US and Europe as there is no such facility in Australia.³³

4.51 Various stakeholders, including component manufacturers and motorsport workshops, indicated that they would be interested in utilising an Automotive Aftermarket Lab if it were available. Mr Peter Langworthy, Managing Director of Dana Australia, reflected on a recent development experience:

Certainly an entity such as this would provide a forum for companies like ours, at an efficient cost, to go in and develop products specifically for local and imported vehicles. We would certainly utilise it greatly.³⁴

4.52 While the committee can see the potential benefits from establishing a specialised Automotive Aftermarket Lab, it considers that the development of such a facility should be developed and funded by the industry itself.

Enhancing truck manufacturing

4.53 Automotive manufacturing extends beyond the production of cars and automotive components. Australia has a robust and sustainable truck manufacturing industry with three local manufacturers building just over 5,100 cab chassis in 2014. These trucks are not merely assembled in Australia but manufactured, as the local content, by value, exceeds the imported content. This local content is designed and tested specifically for Australian conditions.³⁵

4.54 Unlike high volume car manufacturing, truck production lines are less automated and allow for a high degree of customisation to suit the end task of the vehicle. According to the Truck Industry Council,

...a heavy truck plan can be profitable when production levels are in the order of 1,000 units per annum, with each unit value (retail cost) averaging more than \$150,000.³⁶

4.55 In addition, at least a further 29,000 trucks sold each year require second stage modification to supply ancillary equipment and complete their on-road configuration. There are hundreds of second-stage manufacturing companies—from major trailer manufacturers and tanker builders to the smaller companies making everything from specialist bodies to hydraulic for tippers and garbage collectors.³⁷

32 *Submission 5*, p. 12.

33 *Submission 5*, p. 13.

34 *Committee Hansard*, 8 October 2015, p. 17

35 Truck Industry Council, *Submission 30*, p. 6.

36 *Submission 30*, p. 6.

37 Truck Industry Council, *Submission 30*, pp. 6–7.

4.56 And the truck manufacturing industry has prospered without government assistance for at least 3 decades.³⁸

4.57 Recognising the need to expand manufacturing activity in Australia, the Truck Industry Council (TIC) put forward a proposal to modernise Australia's truck fleet:

The Truck Industry Council proposes a policy option that could be considered to ensure Australia's future capacity to engage in advanced manufacturing, while at the same time modernising Australia's truck fleet, making the fleet safer, cleaner and greener.³⁹

4.58 The TIC highlighted that around 30 per cent of the truck fleet, or some 175,000 trucks were manufactured before 1996 and, as a result, predate any Australian exhaust emission laws or regulations. Indeed, it would take 60 of today's trucks to equal the exhaust emissions of one pre-1996 truck.⁴⁰

4.59 To achieve this, the TIC proposed the provision of investment allowances to accelerate the adoption (and local manufacture) of new trucks that are compliant with current emissions standards (that is, ADR 80/03 based on Euro 5 standards).⁴¹

4.60 The TIC acknowledged that these incentives would have to be funded and proposes that a reprioritisation of the fuel tax credit rebate would fund much, if not all, of the investment proposal. Currently, the fuel tax credit rebate is payable to all on-highway truck operators, irrespective of the emissions standard of the truck. There would also be substantial benefits arising from avoided health costs, avoided fatalities, reductions in emissions and direct savings by operators.⁴²

4.61 As the demand for trucks would increase, the TIC estimates that:

Such a measure could reasonably lead to an additional 3,300 trucks being manufactured here in Australia each year for the next five years and a 66 per cent increase in local production, providing a valuable stimulus to Australia's automotive industry.⁴³

4.62 Noting that not all operators would be in a position to invest in new trucks, the TIC also proposed a scheme whereby a smaller investment allowance could be provided to operators which upgraded fleets through the purchase of used trucks that meet less onerous emissions standards (such as Euro 3 or 4 standards).⁴⁴

4.63 Subject to further evaluation, the committee supports the proposal by the TIC to modernise Australia's truck fleet. It is attracted by the broad array of benefits across a variety of areas and by the redirection of existing funding.

38 Truck Industry Council, *Submission 30*, p. 1.

39 *Committee Hansard*, 8 October 2015, p. 23.

40 *Committee Hansard*, 8 October 2015, p. 24.

41 *Submission 30*, p. 9.

42 *Committee Hansard*, 8 October 2015, pp. 24–25.

43 *Committee Hansard*, 8 October 2015, p. 24.

44 *A National Truck Plan for Australia*, Version 4.0, 30 July 2013, p. 27.

Recommendation 18

4.64 The committee recommends that the government undertake a feasibility study of the proposal put forward by the Truck Industry Council to modernise Australia's truck fleet. Pending a favourable evaluation, government should seek to implement this proposal as a matter of priority to assist the automotive manufacturing industry to adjust to cessation of passenger motor vehicle production in 2017 and as part of the broader reform agenda to reduce carbon emissions.

Chapter 5

Motorsport and motoring enthusiasts

5.1 This chapter explores the role of motorsport and motoring enthusiasts to the Australian automotive industry and examines specific barriers to the expansion of these activities.

Importance of motorsport and motoring enthusiasts

5.2 Motorsport and motoring enthusiast activities are a significant and growing part of the Australian automotive industry and the economy more broadly. Motorsport is deeply embedded in Australian culture and it adds to community cohesion and development. The Confederation of Australia Motorsport (CAMS) submitted that motorsport is the fourth most watched sport in Australia behind Australian Rules football, horse racing and rugby league.¹

5.3 In 2013, motorsport in Australia generated \$2.7 billion in direct industry output, \$1.2 billion in value add, and over 16,000 jobs. Each participant spends, on average, around \$60,000 on motorsport vehicle purchases and modifications, and a further \$13,000 a year participating.² Motoring enthusiasts are also strong supporters of the automotive aftermarket and the products and services it provides. According to the Motoring Advisory Council (MAC):

Australia continues to create people that possess the passion and enthusiasm for automotive products. It is crucial that the automotive market keeps a foot hold within the Australian economy by building on what we do well now and looking forward to developing technologies of the future.³

5.4 As a significant contributor to the economy, the motorsport and motoring enthusiast activities provides an opportunity for further growth and development. In particular, motorsport is an established platform for innovation, creativity, design and niche manufacturing.⁴

Challenges facing the expansion of this sector

5.5 The issues that affect the motorsport and motoring enthusiast sectors cut across many parts of the automotive industry, including infrastructure, manufacturing, retailing and regulation. There are also considerable linkages between these sectors and the automotive aftermarket which can work together to retain skills and jobs in Australia.

1 *Submission 7*, p. 2.

2 CAMS, *Economic Contribution of the Australian Motor Sport Industry*, 2013, pp. 5, 20 and Mr Eugene Arocca, *Committee Hansard*, 8 October 2015, p. 36.

3 *Submission 35*, p. 2.

4 CAMS, *Submission 7*, pp. 2–3.

Investment in motorsport infrastructure

5.6 In many respects, there is the potential for Australia to become a motorsport leader in the Asia-Pacific region given the experience and talent that exists here.

5.7 One of the major constraints to the expansion of the motorsport industry is access to facilities. The Confederation of Australia Motorsport (CAMS) faces difficulty getting access to tracks as around 95 per cent are owned by private operators and it costs \$10,000 to get a track to do a come-and-try-day.⁵ According to Mr Eugene Arocca, Chief Executive of CAMS:

We really suffer immeasurably from a lack of infrastructure.⁶

5.8 And the flow on benefits from having accessible infrastructure are large:

...if you build more tracks, you get more participation and when you get more participation, you get more economic activity...What we really do need is a knock-your-socks-off track with a fantastic industry park next to it, and you will have everyone from car manufacturers to overseas participants wanting to use that area or use that experience.⁷

5.9 CAMS has proposed a Motorsport Centre of Excellence (the Centre) to develop and train new and emerging driving and engineering talent. The Centre would ideally be based at one of the major existing permanent race track facilities and offer high quality training and development opportunities to expand the number of junior participants. It could also provide courses in the management of motor sport events and training for officials and participants. With an established track record, the Centre could also be used to offer motorsport education, training and innovations to international visitors.⁸

5.10 Mr Arocca highlighted the parallel between this proposal and the Silverstone Park model:

Right next to the Silverstone track in the United Kingdom is a fantastic, innovative engineering and motorsport development park...We invite the committee to look at the opportunities that might exist in Australia in a regional area where we could create a track, build into that an industry element which would be supported by the aftermarket industry, the automotive industry and the motorsport industry.⁹

5.11 The committee recognises the important role that motorsport plays in the broader automotive industry and supports, in principle, the industry's efforts to increase participation by developing more facilities and a Motorsport Centre of Excellence.

5 Mr Eugene Arocca, *Committee Hansard*, 8 October 2015, p. 34.

6 *Committee Hansard*, 8 October 2015, p. 35.

7 Mr Eugene Arocca, *Committee Hansard*, 8 October 2015, pp. 35–36.

8 *Submission 7*, pp. 3–4.

9 *Committee Hansard*, 8 October 2015, p. 33.

Importation of specialist and enthusiast vehicles

5.12 The Specialist and Enthusiast Vehicle Scheme (SEVS) enables the importation of makes and models, both new and used, into Australia providing they have not already been sold domestically as new cars in full volume. SEVS has been operating for over a decade and, according to the Auto Services Group:

..for the most part, has successfully enabled enthusiasts to access rare and unusual vehicles through networks operating outside the official channels.¹⁰

5.13 Diversity is the cornerstone of the enthusiast community and a well-functioning SEVS is an important mechanism for achieving this diversity.

5.14 Vehicles imported through SEVS must be made compliant with Australian Design Rules relevant to the year of manufacture. This work is completed by a Registered Automotive Workshop (RAW). Due to restrictions on the vehicle eligibility of SEVS as well as limits on the number of vehicles each RAW can comply each year, the total number of vehicles imported through SEVS represents less than one per cent of new vehicle sales.¹¹

5.15 There are concerns about the long term viability of SEVS and the businesses that import vehicles through this scheme. Auto Services Group indicated that:

Of the approximately 800 models currently listed on the SEVS eligibility register, less than 25 per cent of them are being regularly imported for sale in Australia. Lack of supply and the expense and time-consuming testing procedures required to comply new models are the most common complaints from the importing industry. Compounding the problem, new vehicle distributors have become more adept at putting certain models onto the market in a manner that prevents them from becoming eligible for import via SEVS.¹²

5.16 The Motoring Advisory Council (MAC) and the Auto Services Group submitted that SEVS cannot be sustained in its current form.¹³ Auto Services Group proposed a number of actions which could potentially improve the sustainability of the scheme:

- increase the number of vehicles each Registered Automotive Workshop can comply in any 12-month period;
- variants not sold in Australia should be considered for eligibility (providing it meets SEVS criteria), even if the model is already sold here in full volume;
- the current pre-1989 rule is changed to a 25-year rule with a rolling date;

10 Auto Services Group, *Submission 36*, p. 4.

11 *Submission 36*, p. 4.

12 *Submission 36*, p. 4.

13 *Submission 35*, p. 6 and *Submission 36*, p. 4.

- vehicle manufacturers have 6 months, instead of the current 18 months, from overseas release to commence an Australian delivery of new models, or these models become eligible for importation through SEVS;
- testing procedures for eligible models be drastically reduced to cut red tape—compliance requirements to be determined by age and country of first sale rather than model-by-model;
- SEVS criteria revised and refined to reflect current trends and changing societal expectations;
- SEVS eligibility determined by an industry-panel rather than a Minister's delegate having sole authority; and
- all SEVS-complied vehicles inspected by a third-party body (with the cost borne by the importer) prior to registration to ensure the integrity of the system, rather than the current practice of random audits by government inspectors.¹⁴

5.17 A review of SEVS was proposed by the Federal Chamber of Automotive Industries in its response to the *Review of the Motor Vehicle Standards Act 1989* with an aim to develop appropriate entry criteria to meet the intention of SEVS.¹⁵

5.18 Given that the committee does not support the relaxation of parallel vehicle imports, it considers that there is a case for SEVS to be independently reviewed.

Recommendation 19

5.19 The committee recommends that the government undertake an independent review of the Specialist and Enthusiast Vehicle Scheme (SEVS) to ensure that:

- **the scheme is meeting its stated objectives;**
- **the eligibility criteria for importation are appropriate; and,**
- **the compliance and monitoring processes do not undermine the integrity of the scheme.**

National harmonisation of vehicle standards

5.20 A number of stakeholders were concerned that differences between jurisdictions in relation to the regulation and enforcement of vehicle standards were frustrating for motoring enthusiasts and detrimental to parts of the automotive manufacturing industry. For example, the MAC contended that:

With sensible reform, the unrealised potential of the aftermarket and motor sport industries is simply staggering. The full growth potential both

14 *Submission 36*, p. 5.

15 *FCAI Response to the 2014 Review of the Motor Vehicle Standards Act*, 25 November 2014, p. 3.

domestically and internationally within niche markets can be unlocked with sensible nationally consistent regulatory reform.¹⁶

5.21 Regulatory restrictions on the ability of motoring enthusiasts to modify vehicles are limiting the potential of the industry significantly. State based inconsistency and enforcement around modifications creates layers of confusing red tape and paperwork.

5.22 Issues also arise with the legality of modifications when enthusiasts travel interstate where there are different regulations. The MAC's view is that:

It is lunacy that an Australian vehicle owner can drive a legally certified vehicle in their home state, but then be deemed defective in another.¹⁷

5.23 These cross border issues are exacerbated when inspections of, and judgements about, vehicles are generally undertaken by people with insufficient training with respect to rules surrounding vehicle modifications.¹⁸ Mr Peter Styles, Chairman of the MAC, described the situation faced by many enthusiasts:

At the moment, the state based inconsistencies and the layers of regulations created in every state are too hard for the community and the industry to bear...you pass from one state into the next, and your control measures and your guidance change. They are the same ADRs but are interpreted differently by the states. How can business deliver products and models that are economically viable when they cannot even sell to the neighbouring state or the person driving the vehicle may not be able to drive it into the next state?¹⁹

5.24 Mr Styles went on to provide an example of a Sydney-based company that manufactures a muffler system that enables the user to vary the noise associated with the exhaust. The technology was subsequently banned by regulators in some states despite similar technology being allowed on certain production vehicles.²⁰

5.25 The MAC offered a regulatory and compliance solution to improve national consistency based on existing frameworks.

5.26 The National Code of Practice for Light Vehicle Construction and Modification (VSB14) is considered by the MAC to be a 'fair, effective, transparent and easy to follow mechanism for determining the requirements of vehicle modification'. As it is only a model law, however, states have chosen to put their own layers of regulation on top or not apply it at all. The MAC believes that if VSB14 was adopted consistently by all states and territories, there would be significant compliance cost savings.²¹

16 *Submission 35*, p. 14.

17 *Submission 35*, p. 15.

18 *Submission 35*, p. 15.

19 *Committee Hansard*, 8 October 2015, p. 19.

20 *Committee Hansard*, 8 October 2015, p. 20.

21 *Submission 35*, pp. 15–16.

5.27 The Vehicle Safety Compliance Certification Scheme (VSCCS) is used in New South Wales and allows a licensed certifier to assess vehicles and modifications in specific licence categories.²² The MAC contended that the VSCCS model reduces the regulatory code from state and territory road authorities and enables governments to reallocate and strengthen compliance operations.²³

5.28 The MAC considered that harmonising regulations through incorporating VSB14 into the National Road Safety Strategy and the Motor Vehicle Standards Act, and adopting a measured approach to certification nationally, based on the VSCCS, would reduce compliance costs and deliver significant efficiencies and effectiveness in the enforcement sphere. In addition, it is proposed that this approach be applied to personal imports with modifications, thus offering further opportunities to cut unnecessary red tape burdens.²⁴

5.29 In summarising the benefits of harmonisation, the MAC contended that:

For state and territory governments, this presents an opportunity to realign resources by implementing better systems that harmonise with personal imports an engineer certified modifications to assure regular checks for vehicle safety occur.²⁵

5.30 More broadly, Mr Robert Bryden outlined how relaxing regulations could benefit the wider industry:

Encouraging the growth of the aftermarket industry in Australia will occur with the removal of ADR [Australian Design Rules] impediments and also through the adoption of inexpensive Certification procedures and National Regulation, removing the anti-industry discretion used by Registration Authorities and Police in some jurisdictions.²⁶

5.31 The committee recognises that there may be potential benefits from harmonising vehicle modification regulations between states and adopting a national approach to compliance and enforcement by people who are appropriately qualified. Recognising that these are predominantly state issues, however, it is probably an issue more appropriately pursued through the Council of Australian Governments.

Recommendation 20

5.32 The committee recommends that the government, through the Council of Australian Governments, pursue reform options to harmonise vehicle modification regulations and adopt a consistent national approach to compliance and enforcement with vehicle regulations. A critical part of this work will be the

22 NSW Roads and Maritime Authority, *Vehicle Safety Compliance Certification Scheme (VSCCS)*, <http://www.rms.nsw.gov.au/business-industry/examiners/vsccs/> (accessed 24 November 2015).

23 *Submission 35*, p. 16.

24 *Submission 35*, pp. 15–16.

25 *Submission 35*, p. 16.

26 *Submission 38*, p. 16.

harmonisation of emerging federal, state and territory legislation and regulations designed to deal with the arrival of autonomous vehicles and driving systems.

Senator Chris Ketter

Chair

Government Senators' Dissenting Report

1.1 As announced on 10 March 2015, and reiterated in Government Senators' dissenting comments in the interim report released on 19 August 2015, the Government will not make changes to the current Automotive Transformation Scheme (ATS) legislation.

1.2 The ATS programme will conclude at the end of 2017 when Holden and Toyota end their Australian manufacturing (following Ford in 2016). The Government's decision gives component makers certainty to transition their businesses to cope with the decline in production as a result of the independent decisions of the car makers to leave Australia. This means that the original \$300 million legislated cap on funding for each of the years from 2015 to 2017 remains in place.

1.3 The industry has indicated that it is likely to draw down \$175 million of the \$500 million that has been restored to the legislated cap for the period 2015–2017.

1.4 The Government will continue to support component makers in transitioning their businesses to cope with the decline in production as a result of the independent decisions of the car makers to end manufacturing in Australia.

1.5 While the Committee's report makes a number of recommendations to assist the automotive sector transition to other industries, the report largely ignores the steps the Government is already taking to address this.

1.6 The Government is supporting Australian industry through a range of specific programs targeted at manufacturing industries.

1.7 The \$20 million Automotive Diversification Programme will help automotive supply chain firms enter new markets. To date, there have been two completed grant rounds with 21 successful applicants awarded \$12.4 million, leveraging a total investment of \$33.6 million. A third round of applications closed on 17 September 2015 and is currently being assessed by an independent expert panel.

1.8 The \$60 million Next Generation Manufacturing Investment Programme will accelerate private sector investment in high value non-automotive manufacturing sectors in Victoria and South Australia. On 13 November the Government announced the successful Victorian tenders. This resulted in eleven Victorian companies sharing in \$27.4 million of support, which is expected to leverage a total of \$75 million in investment. On 3 August 2015, South Australian Minister Kyam Maher and Hon Ian Macfarlane MP announced the results of the South Australian Round awarding \$28.3 million to 15 businesses creating over 430 new jobs. Complementary investment by each business will take the total investment in new manufacturing capability to over \$72.5 million.

1.9 As an open economy, Australia needs to engage with the complex task of economic reform and restructuring, particularly addressing underlying issues of efficiency and productivity. In this regard, support to Australian industry, including automotive component manufacturers, is provided through the successful completion of the Trans Pacific Partnership, the Free Trade Agreements with China and with

Japan and with South Korea. These agreements are opening up supply chains for Australian businesses who previously had suffered disadvantages in accessing overseas markets.

1.10 We endorse the comments in the majority report about the impressive record of Australia's truck manufacturing sector and the fact that it has developed into a robust and sustainable industry without government assistance. We do not, however, support the proposal to deny fuel tax credits to on-highway truck operators who operate trucks manufactured before 1996 (recommendation 18). This would be a costly and economically damaging way of reducing carbon emissions relative to the Emissions Reduction Fund, the centrepiece of the Australian Government's policy suite to reduce carbon emissions.

1.11 On-highway truck operators who operate trucks manufactured before 1996 represent almost one third of the truck fleet. Many of these are sole operators. To push up costs, and reduce the profitability and employment prospects of these businesses in this way would be harmful to a vital element of Australia's transportation sector. This policy is inconsistent with the Coalition Government's commitment to ensuring that Australian small businesses are both supported and not subjected to unnecessary regulatory and cost imposts. Further, the policy would have adverse impacts on the wider Australian economy though the adverse impacts on transportation costs that would flow through to other sectors.

1.12 Coalition Senators note that the Committee has also made recommendations in relation to the Franchising Code of Conduct (recommendation 9), the service and smash repairs industries (recommendations 11–12), training and re-employment (recommendations 13–15), specialist and enthusiast vehicles (recommendation 19) and regulatory arrangements for aftermarket modifications (recommendation 20). The Government should consider the merits of these recommendations in its response.

Senator Sean Edwards
Deputy Chair

Senator Matthew Canavan
Senator for Queensland

Additional comments from the Australian Greens

1.1 The Australian Greens recognise that there are significant challenges facing the industries and workforce of Australia's automotive manufacturing sector.

1.2 This senate inquiry into the future of Australia's automotive industry has elicited important evidence demonstrating how these challenges will impact the various businesses, workers and communities engaged with automotive manufacturing currently.

1.3 The committee report provides a set of strong recommendations following the committee's inquiry into the issues facing Australia's automotive industry. The Greens support these recommendations, but wish to highlight a number of areas where the majority report fails to emphasise timely and future-proofing action in order to insulate against the collapse of key industries.

1.4 The Greens put forward additional comments to the inquiry's interim report. In these additional comments to the final report we will reiterate our earlier proposed recommendations, but we will endeavour not to repeat previously submitted additional comments.

1.5 The Australian automotive components industry is in crisis and without prompt action there is a real prospect most of the components industry will not survive the transition. Successive governments' lack of action to support transition in the industry could see the component sector collapse and the big car makers leave early, with potentially devastating consequences for hundreds of thousands of workers and their families.

1.6 As noted in our additional comments to the inquiry's interim report, electric mobility is the future. By joining the shift to electric and alternative-fuel vehicles Australia will reap enormous benefits in the economy and the environment. Electric vehicles are cleaner and can be powered by renewable energy. They can contribute to electricity demand management by providing battery storage to the grid. Over the coming decades electric vehicles will join internet, mobile communications and distributed energy in transforming our economy and society. The government can play a role in creating a domestic market for electric vehicles.

1.7 The Greens echo the majority recommendation to redefine the Automotive Transformation Scheme into a broader, automotive related advanced manufacturing, engineering and design program that is intended to maintain skills and industrial capabilities and mitigate the loss of jobs by supporting supply chain diversification, new manufacturing investment and jobs growth. However, we believe there should be a timeframe placed on this recommendation to ensure this occurs as a matter of urgency, given the imminent exit of the major automotive manufacturers.

1.8 Opportunities would be missed if a new plan wasn't put in place soon. Ford's planned exit in 2016 together with shrinking forward orders in the component sector frees up savings in the Automotive Transformation Scheme which could be redirected and spent on a longer-term jobs plan.

1.9 The Greens support the recommendation to broaden the object of the Automotive Transformation Scheme to drive diversification and transformation activities. We consider complementary industries, for example electric or alternative fuel vehicles and renewable energy technologies should be given priority support.

1.10 We note the majority recommendation for government to urgently develop and implement a coordinated strategy to avoid social and economic catastrophe associated with the closure of vehicle manufacturing. We would add to this recommendation that such a strategy must have a level of guidance based on the evidence presented to the committee. For example, we would see value in highlighting issues as skills and job transitions, community support and services, and appropriately targeted economic stimuli for communities facing downturn following the exit of 'Big 3' manufacturers.

1.11 The Greens note the recommendation to conduct a review of Voluntary Code of Practice for Access to Service and Repair Information for Motor Vehicles. We believe that the voluntary nature of the Code should be a key aspect of that review, as the committee heard evidence that so far this Code had poor take-up and impact in its first year. The Greens submit that this review should be undertaken as soon as possible, and making this Code mandatory should be under strong consideration.

1.12 In summary, the Greens do not oppose the intent of the recommendations in the committee's report, but we believe they are not sufficiently forward thinking. We would adopt those recommendations, but would modify them to incorporate the following, as foreshadowed in our additional comments in response to the inquiry's interim report.

Recommendation 1

1.13 The Greens recommend the ATS and its governing legislation be amended to:

- **Continue support to currently eligible ATS recipients**
- **Establish a Green Car Transformation Scheme and redirect the estimated \$800m ATS underspend towards the scheme.**
- **Broaden the eligibility for new entrants to the scheme by removing current requirements for Australian component manufacturers to be producing components for Australian major vehicle producers to be eligible for assistance.**
- **Focus assistance on auto parts makers that are seeking to be part of the local or global supply chain for electric vehicles or vehicles not powered by fossil fuels.**
- **Provide support for any new major vehicle producers that are established and invest in Australia that intend to produce electric vehicles or vehicles not powered by fossil fuels.**
- **Extend the above assistance beyond the current and proposed government end date for the ATS for the next ten years until 2025.**

- **Favour new applicants who commit to hiring workers made redundant from existing car or component makers.**
- **Increase transition assistance to workers in the industry.**
- **Enable eligible participants to receive payments in quarterly instalments referable to the expenditure incurred in the preceding quarter.**

Recommendation 2

1.14 In addition to the above measures, the Greens recommend:

- **Establishing a fund to support incentives and infrastructure support to encourage the purchase and rollout of electric vehicles in Australia.**
- **Immediately placing on the Council of Australian Government's agenda the development of a policy framework for electric and alternative fuel vehicles including:**
 - **implementation of consumer incentives for electric vehicle ownership including, registration rebates or cash-backs, tax credits as well as significant targets for government fleets;**
 - **putting in place a regulatory environment that supports electric vehicles such as regulation of deployment and the setting of competition and policy standards; and,**
 - **maximising energy opportunities through appropriate regulation, such as requiring "smart" charging sourced through renewable energy.**
- **The Government, like the US and Germany, should commit to a near term target for the take up of electric vehicles in Australia.**

Senator Janet Rice

Australian Greens Senator for Victoria

Additional Comments by Senator Nick Xenophon

There is still petrol in the tank of Australian automotive manufacturing

1.1 We can't afford to give up on car making in Australia. I endorse the majority report of the committee, and commend the collaborative approach the committee took to this inquiry. I especially wish to thank Senators Carr, Madigan and Muir for their role in this inquiry.

1.2 I still hold hope for an Australian Automotive sector, seeing numerous opportunities amidst current structural changes within the industry.

1.3 I have previously highlighted the innovative work being done by Australian manufacturer Supashock in my state of South Australia and the potential synergy between a domestic automotive manufacturing industry and local shipbuilding.

1.4 More recently, I have met with Australian companies Ethan Automotive and Red Automotive Technologies, and Belgian company Punch Corporation who want to be part of a revival of the auto sector.

1.5 Mr Matthew Newey, the chief operating officer of Ethan Automotive, fully believes cars can be made profitably in Australia stating that the 'success in this market requires an agile low-volume facility and an entirely new manufacturing infrastructure.'

1.6 The Punch Corporation has been successful in reinstating a GM plant in Strasbourg where it now makes high quality transmissions for Audi, BMW and GM.

1.7 I commend the Chair for also maintaining hope, identifying 'opportunities to expand automotive manufacturing in other areas, such as automotive aftermarket and the truck industry if the policy settings are conducive' and additionally recognising 'the motorsport and motoring enthusiast sector are significant contributors to the automotive industry and should be encouraged to expand their activities.'

1.8 GM-Holden themselves, maintains hope for a domestic automotive industry stating they are 'very open' to the prospect of their main automotive plant being used by other companies in a push to revive the car industry.'

1.9 The Abbott Government, however, seemed to hold no hope for the future of a domestic car manufacturing industry with its announcement on 10 March 2015 that it will not make changes to the current Automotive Transformation Scheme (ATS) legislation.

1.10 I am hopeful that the Turnbull Government, with Industry and Innovation Minister Christopher Pyne, will take a radically different approach and be supportive of projects to revive car manufacturing in Australia post 2017.

1.11 It's critical that the government embraces the potential of new car making firms in Australia because that is the best way to ensure the automotive supply chain does not collapse post 2017.

1.12 As Mr Newey points out the British automotive industry, and its 'powerful partnership' with government, is a prime example of the recovery of what was a dying local industry. Why should Australia be any different?

1.13 Thomas A. Edison hit the nail on the head – 'our greatest weakness lies in giving up. The most certain way to succeed is always to try just one more time.'

1.14 I urge the government not to give up on an industry which, on many fronts, offers huge potential given the right conditions and one of those right conditions is a much more conducive exchange rate, around 70 cents to the US dollar. With real political will and a concerted effort by industry we can create those right conditions to revive car making in Australia. Let's try just one more time.

Nick Xenophon

Independent Senator for South Australia

Additional comments by the Australian Motoring Enthusiast Party

1.1 The Australian Motoring Enthusiast Party formally offer the following comments as a follow up to the report for the consideration of the Senate committee.

1.2 We congratulate the committee on recognising the value of motorsport, enthusiasts and the aftermarket within the wider automotive industry, and calling attention to areas of growth potential.

1.3 We call on the federal government for funding to support the Confederation of Australian Motorsport (Submission 7) to undertake a feasibility study to establish a Motor Sport Centre of Excellence for motor sport training and development, including scope to pursue automotive innovation, design, and niche manufacturing opportunities in partnership with the AAAA as highlighted by the MAC (Submission 35, sections A-3e, A-4c, and section D-4). As a nation, this is an excellent initiative to assure we stay invested in product R&D. Chapter 5 did not make a recommendation in this regard. We seek more commitment from the findings.

Recommendation 1

1.4 The AMEP recommends that the government provide funding to undertake a feasibility study to establish a Motor Sport Centre of Excellence for motor sport training and development. The AMEP believes that this initiative would also provide wider opportunities for automotive innovation, design and niche manufacturing.

1.5 We congratulate the committee on the findings relating to SEV's scheme, but request expansion to include broadening of the eligibility criteria for the Specialist and Enthusiast Vehicle Scheme to provide access to a wider choice of eligible makes and models. Our community remains hopeful that a wider range would be available in the future, as current limitations are caused by base model variants offered to the Australian market. The current wording of Recommendation 19 could be improved to address this concern.

Recommendation 2

1.6 The AMEP recommends that the eligibility criteria for the Specialist and Enthusiast Vehicle Scheme (SEVS) be broadened to provide access to a wider choice of eligible makes and models.

1.7 We feel that opportunities around specialist and enthusiast vehicle manufacturing in Australia have been under stated by the inquiry. The submission by Rob Bryden (Submission 38) and the MAC (Submission 35, section D-3) highlighted this area to the inquiry based on the success realised in the UK since wind up of their vehicle manufacturing industry. We recommend consideration as part of chapter 4 and expansion for a new recommendation from the report as it requires substantial policy revision and wider support.

Recommendation 3

1.8 The AMEP recommends that the government reduce the barriers to the manufacturing of special and enthusiast vehicles by adopting a similar regulatory framework to that used to rebuild the automotive industry in the United Kingdom.

1.9 We request that a national PR campaign would also be necessary as part of the Senate report findings to promote and encourage careers in the automotive industry as part of Recommendation 13.

Recommendation 4

1.10 The AMEP recommends that a PR campaign be undertaken for automotive vocations to encourage careers in the automotive industry.

1.11 We support the removal of the financial burdens imposed on vehicle importers by prior importation schemes as a mechanism to protect domestic vehicle manufacturing, after it winds up in 2017, as well as the removal of the luxury car tax.

1.12 We feel that the findings leading up to Recommendation 10 do not give balance to the debate on parallel imports. We request that the committee give balance to the debate by inclusion of comments from the Auto Services Group (Submission 36) and the MAC (Submission 35, sections A-5a and D-3), or consider removing it all together as the findings appear skewed.

1.13 The Recommendation 10 finding did not allow opportunity to revisit the issue from 2018, after manufacturing ceases, as it was originally intended by the Harper Review and the Productivity Commission reports. The party suggests that recommendation 10 be revised and expanded.

Recommendation 5

1.14 The AMEP recommends that further independent and objective research prior to manufacturing wind up in 2017 should explore the impacts (both positive and negative) of increased competition by allowing a suitable volume of broader parallel imported near new used vehicles into Australia. From 2018, after wind up of domestic vehicle manufacturing, the findings should be reviewed with a view to finalizing Australia's policy position for the future.

1.15 We support Recommendation 11 to review the Voluntary Code of Practice for Access to Service and Repair Information for Motor Vehicles (the Code) by an independent body. However, we feel that the proposed timeframe of three years after commencement would delay the review unnecessarily and believe that sufficient time has passed for the review to be undertaken immediately.

Recommendation 6

1.16 The AMEP recommends that an independent review of the Voluntary Code of Practice for Access to Service and Repair Information for Motor Vehicles be undertaken immediately.

1.17 We request that taskforce covered by Recommendation 7 be commissioned to investigate the economic value of automotive aftermarket components, motorsport

technology, bus, truck, mining, recreational vehicles and defence land transport manufacturing (AAAA, Submission 5). This is crucial to assist with good automotive policy formation.

Recommendation 7

1.18 The AMEP recommends that the proposed Automotive Industry Taskforce be commissioned to investigate the economic value of automotive aftermarket components, motorsport technology, bus, truck, mining, recreational vehicles and defence land transport manufacturing.

1.19 We request funding of a feasibility study to assist the AAAA to formulate a business model for industry to fund the establishment of an Australian Automotive Aftermarket Lab (Submission 5). Establishing testing and prototyping facilities in Australia would be a meaningful contribution to expanding this industry and supporting the maintenance and growth of automotive engineering and R&D. We are seeking a government commitment to this initiative rather than outright funding.

Recommendation 8

1.20 The AMEP recommends that the government provide funding to undertake a feasibility study into the establishment of an Australian Aftermarket Automotive Lab.

Senator Ricky Muir

AMEP Senator for Victoria

Appendix 1

Submissions and additional information received

Submission Number	Submitter
1	Products That Work
2	Department of State Development, Government of South Australia
3	Australian Automotive Dealer Association L
4	Ford Motor Company of Australia Limited <ul style="list-style-type: none">• 4.1 Supplementary to submission 4
5	Australian Automotive Aftermarket Association <ul style="list-style-type: none">• 5.1 Supplementary to submission 5• 5.2 Supplementary to submission 5
6	Swinburne University of Technology
7	Confederation of Australian Motor Sport
8	Victorian Government <ul style="list-style-type: none">• 8.1 Supplementary to submission 8
9	Federal Chamber of Automotive Industries <ul style="list-style-type: none">• Attachment 1• 9.1 Supplementary to submission 9
10	Business SA <ul style="list-style-type: none">• Attachment 1• 10.1 Supplementary to submission 10
11	AMWU
12	Tomcar Australia
13	Toyota Australia
14	Robert Bosch Australia Pty Ltd
15	Applidyne Australia Pty Ltd
16	Department of Industry and Science
17	Federation of Automotive Products Manufacturers
18	City of Greater Dandenong
19	Mr Shegasen Govender
20	Truck Industry Council
21	Insurance Australia Group (IAG)
22	Simmons Global

23	PrefabAUS
24	Victorian Trades Hall Council
25	Australian Fleet Lessors Association
26	National Automotive Leasing and Salary Packaging Association
27	Turn 2 Work Force Solutions
28	Australian Productivity Council Pty Ltd
29	LeadWest Ltd
30	Motor Trades Association of Australia Limited and Australian Motor Industry Federation
31	Ai Group <ul style="list-style-type: none">• Attachment 1
32	South Australian Government
33	Engine Reconditioners Association of Victoria (ERA Vic) <ul style="list-style-type: none">• Attachment 1• Attachment 2
34	AutoCRC Ltd
35	Motoring Advisory Council
36	Auto Services Group
37	Mr Jeff Leddin
38	Mr Robert Bryden

Answers to questions on notice

1. Answers to questions on notice from a public hearing held in Melbourne on 10 March 2015, received from the Department of Economic Development, Jobs, Transport and Resources on 30 March 2015.
2. Answers to questions on notice from a public hearing held in Adelaide on 13 March 2015, received from Professor Göran Roos on 30 March 2015.
3. Answers to questions on notice from a public hearing held in Adelaide on 13 March 2015, received from Professor Göran Roos on 2 April 2015. Those sources referenced are available from the committee secretariat upon request.
4. Answers to questions on notice from a public hearing held in Canberra on 15 April 2015, received from the Department of Employment on 5 May 2015.
5. Answers to questions on notice from a public hearing held in Canberra on 15 April 2015, received from the Australian Motor Industry Federation on 6 May 2015.
6. Answers to questions on notice from a public hearing held in Canberra on 15 April 2015, received from the Department of Industry and Science on 7 May 2015.

7. Answers to questions on notice from a public hearing held in Canberra on 15 April 2015, received from the Department of Education and Training on 13 May 2015.
8. Answers to questions on notice from a public hearing held in Canberra on 15 April 2015, received from the Department of Social Services on 15 May 2015.
9. Answers to questions on notice from a public hearing held in Canberra on 15 April 2015, received from the Department of Foreign Affairs and Trade on 22 May 2015.
10. Answers to questions on notice from a public hearing held in Canberra on 15 April 2015, received from the Department of Human Services on 10 June 2015.
11. Answers to questions on notice from a public hearing held in Adelaide on 1 October 2015, received from Applidyne on 26 October 2015.

Appendix 2

Public hearings and witnesses

MELBOURNE, 10 MARCH 2015

ALBERT, Mr Mark, Managing Director, MTM Pty Ltd

CHARITY, Mr Stuart, Executive Director, Australian Automotive Aftermarket Association

DE KONING, Mr Carl, Business Development Manager, Automotive, Quickstep Automotive Pty Ltd

GREEN, Dr Michael, Director, Industry Programs, Department of Economic Development, Jobs, Transport and Resources

GRIFFIN, Mr Jim, National President, Federation of Automotive Products Manufacturers

HUGHES, Mr Brian, Managing Director, Composite Materials Engineering

KIWAN, Mr Mounir, General Manager, Federation of Automotive Products Manufacturers

MEEK, Mr Jason, Acting Deputy Secretary, Business Engagement, Department of Economic Development, Jobs, Transport and Resources

REILLY, Mr Richard, Chief Executive, Federation of Automotive Products Manufacturers

WEBER, Mr Tony, Chief Executive, Federal Chamber of Automotive Industries

WELLS, Mr Ashley, Director of Policy, Federal Chamber of Automotive Industries

WILSON, Mr Robert, Managing Director, Palm Products

WONG, Mr Christopher Jason, Manager, Industry Programs, Department of Economic Development, Jobs, Transport and Resources

YATES, Ms Lesley, Senior Manager: Government Relations and Advocacy, Australian Automotive Aftermarket Association

ADELAIDE, 13 MARCH 2015

CAMILLO, Mr John, South Australia State Secretary, Australian Manufacturing Workers' Union

EVANS, Mr Tony, Australian Manufacturing Workers' Union

HARRY, Mr John, Chief Executive Officer, Salisbury Council

KENNEDY, Mr Shaun, General Manager Planning, Strategy and Compliance, City of Playford

KIWAN, Mr Mounir, General Manager, Federation of Automotive Products Manufacturers

LOWE, Mr Gregory Ross, President, Central Region, Federation of Automotive Products Manufacturers

MAHER, Mr Kyam, Minister for Automotive Transformation, South Australia

PIRO, Mr Len, Chief Executive, Automotive Transformation Taskforce, Department of State Development, South Australia

REILLY, Mr Richard, Chief Executive, Federation of Automotive Products Manufacturers

ROOS, Professor Nils Goran Arne, Private capacity

SKLADZIEN, Dr Tom, National Economic and Industry Adviser, Australian Manufacturing Workers' Union

SMITH, Mr David, Vehicle Division National Secretary, Australian Manufacturing Workers' Union

SPOEHR, Associate Professor John Douglas, Executive Director, Australian Workplace Innovation and Social Research Centre, University of Adelaide

TYLER, Mr Phil, Director, Automotive Transformation Taskforce, Department of State Development, South Australia

CANBERRA, 15 APRIL 2015

BERNE, Mr Brendan, First Assistant Secretary, Trade Investment and Economic Diplomacy Division, Department of Foreign Affairs and Trade

CHESWORTH, Mr Peter, Head of Division, Sectoral Growth Policy Division, Department of Industry and Science

DAWSON, Ms Philippa Joy, General Manager, Trade, Australian Trade Commission

DUDLEY, Mr Richard, Chief Executive Officer, Australian Motor Industry Federation; and Executive Director, Motor Trades Association of Australia

GROWDER, Mr Michael, Free Trade Agreement Legal Issues and Advocacy Branch, Free Trade Agreement Division, Department of Foreign Affairs and Trade

HALBERT, Ms Cath, Group Manager, Payments Policy Group, Department of Social Services

KIDD, Ms Margaret, Group Manager, Labour Market Strategy Group, Department of Employment

LOVELOCK, Mr Grant, Branch Manager, Skills Funding and Apprenticeship Policy Branch, Department of Education and Training

RICHARDS, Dr Gary, General Manager, Advanced Technologies Branch, Sectoral Growth Policy Division, Department of Industry and Science

RYAN, Ms Melissa, General Manager, Participation Division, Department of Human Services

ADELAIDE, 1 OCTOBER 2015

CAIRNEY, Mr Richard (Rick), Director of Policy, Business SA

FIORINOTTO, Mr Oscar, Managing Director, Supashock

HOLMES, Ms Julie, General Manager Safety and Policy Programs, Department of Planning, Transport and Infrastructure

KIWAN, Mr Mounir, Corporate Affairs Manager, Robert Bosch Australia

McCANN, Mr Kevin, Managing Director, Volvo Car Australia Pty Ltd

McKENNA, Mr Andrew, Senior Policy Adviser, Business SA

NALATO, Ms Isabel, Director of Business Development, Supashock

ROSCIO, Mr David, Founder, KPM Motorsport

SMITH, Mr Gavin, President, Robert Bosch Australia

SPINKS, Mr Darrin James, Managing Director, Precision Components Australia Pty Ltd

VAN DE LOO, Mr Paul, Technical Director, Applidyne Australia Pty Ltd

WALDRON, Mr Gerard, Managing Director, ARRB Group Ltd

MELBOURNE, 8 OCTOBER 2015

AROCCA, Mr Eugene, Chief Executive Officer, Confederation of Australian Motor Sport (CAMS)

BROWN, Mr Malcolm John, Vice-President, Group Trucks Technology, Volvo Group Australia

COOPER, Mr Brian, New Projects Manager, Engineering Department, Nissan Casting Australia Pty Ltd

DONOVAN, Mr Peter, Executive Director, Motor Trades Association of the Northern Territory; Motor Trades Association of Australia

DOZIER, Mr Christopher Michael, Managing Director, PACCAR Australia

DUDLEY, Mr Richard, Chief Executive Officer, Motor Trades Association of Australia

GRASSO, Mr Ronald Stewart, Head of Corporate and External Affairs, APC-ANZ, CNH Industrial

GWILYM, Mr Geoffrey, Executive Director, Victorian Automobile Chamber of Commerce

HUGHES, Mr Brian, Managing Director, Composite Materials Engineering

ILLMER, Mr Paul Kelly Robert, Director, Sales, Strategy and Support, Volvo Group Australia

LANGWORTHY, Mr Peter, Managing Director, Dana Australia Ltd

McMULLAN, Mr Anthony J., Chief Executive Officer, Truck Industry Council

MOIR, Mr Stephen, Chief Executive Officer, Motor Trade Association of Western Australia

PATTEN, Mr Gregory, Chief Executive Officer, Motor Traders' Association of New South Wales; Motor Trades Association of Australia

SPINDLER, Mr Markus, General Manager, Nissan Casting Australia Pty Ltd

STYLES, Mr Peter John, Chairman, Motoring Advisory Council

UNERKOV, Mr Paul, Chief Executive Officer, Motor Trade Association of South Australia