



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## SENATE

ECONOMICS LEGISLATION COMMITTEE

**Reference: ACIS Administration Amendment Bill 2003; Customs  
Tariff Amendment (ACIS) Bill 2003**

MONDAY, 18 AUGUST 2003

CANBERRA

BY AUTHORITY OF THE SENATE



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**SENATE**  
**ECONOMICS LEGISLATION COMMITTEE**  
**Monday, 18 August 2003**

**Members:** Senator Brandis (*Chair*) Senator Stephens (*Deputy Chair*), Senators Chapman, Murray, Watson and Webber

**Participating members:** Senators Abetz, Boswell, Buckland, George Campbell, Carr, Cherry, Conroy, Cook, Coonan, Eggleston, Chris Evans, Faulkner, Ferguson, Ferris, Forshaw, Harradine, Harris, Kirk, Knowles, Lees, Lightfoot, Ludwig, Lundy, Marshall, Mason, McGauran, Murphy, Payne, Ridgeway, Sherry, Stott Despoja, Tchen and Tierney

**Senators in attendance:** Senator Brandis (*Chair*) Senator Stephens (*Deputy Chair*), Senators Webber and Ridgeway

**Terms of reference for the inquiry:**

ACIS Administration Amendment Bill 2003; Customs Tariff Amendment (ACIS) Bill 2003.

**Committee met at 6.12 p.m.**

**McKELLAR, Mr Andrew John, Executive Officer, Federal Chamber of Automotive Industries**

**STURROCK, Mr Peter Macgregor, Chief Executive Officer, Federal Chamber of Automotive Industries**

**CHAIR**—We are here this evening to take evidence on the [ACIS Administration Amendment Bill 2003](#) and the [Customs Tariff Amendment \(ACIS\) Bill 2003](#). On 13 August 2003, the Senate adopted the Selection of Bills Committee report No. 8 of 2003, which referred the provisions of those bills to this committee for report by 15 September 2003, or as soon as practicable. The two bills form part of one integrated package, making changes respectively to the ACIS Administration Act 1999 and the tariff schedule. If enacted, the bills would extend the Automotive Competitiveness and Investment Scheme, or ACIS, and reduce the rate of customs duty on passenger motor vehicles and certain parts for passenger motor vehicles.

Before we begin to take evidence I remind you for the record that all witnesses appearing before the committee are protected by parliamentary privilege with respect to their evidence. Parliamentary privilege refers to the special rights and immunities necessary for the discharge of parliamentary functions without obstruction or fear of prosecution. Any act, by any person, which operates to the disadvantage of a witness on account of evidence given by them before this committee is treated as a breach of privilege. Those privileges are intended to protect witnesses. I also remind you that giving false or misleading evidence to the committee may constitute a contempt of the Senate.

I welcome the witnesses from the Federal Chamber of Automotive Industries. The committee prefers all evidence to be given in public but, should you at any stage wish to give

any part of your evidence in private, you may ask to do so and the committee will consider your request. Do you wish to make a brief opening statement? After that, we will proceed to questions.

**Mr Sturrock**—I would like to make a brief opening statement. Firstly, thank you for the opportunity to appear before the committee this evening to comment on the two bills. The Federal Chamber of Automotive Industries is the peak industry organisation representing the four Australian vehicle manufacturers and all major importers of passenger vehicles, four-wheel drive vehicles, light commercial vehicles and motor cycles.

The FCAI was closely involved in the post-2005 review of the industry. We made extensive submissions to the Productivity Commission and to the government on a wide range of issues of interest to the Australian car industry. It is important to note that there was strong and unified agreement from all sections of the industry in relation to the key policy issues addressed in last year's review. Significantly, it was the first such occasion that the FCAI has presented a single submission to government, representing the common views of both manufacturers and importers. Equally, there was consensus between the FCAI and our sister organisation, the Federation of Automotive Products Manufacturers, representing the views of component manufacturers.

The FCAI strongly endorsed the government's announcement of its response to the Productivity Commission's review. Indeed, the chief executives of all four Australian vehicle manufacturers appeared side by side with the Prime Minister at a media conference on 13 December last year to announce the details of the government's response. The key elements of the government's response to the post-2005 review included the renewal of the Automotive Competitiveness and Investment Scheme for a further 10 years from 2005 to 2015. Under this arrangement, ACIS is to be renewed with ongoing capped funding worth up to \$2 billion in stage 2 of the program from 2006 to 2010 and a further \$1 billion over stage 3 from 2011 to 2015. The program also includes a continuation of uncapped transitional support for vehicle manufacturing and production worth an estimated \$1.2 billion over this period.

A new feature is the creation within ACIS of a \$150 million R&D subscheme for vehicle manufacturers to provide increased emphasis on investment in innovation and high end R&D. A further reduction in automotive tariffs from a scheduled rate of 10 per cent to five per cent is to take place on 1 January 2010. Importantly, the government has committed to a further review of international competitiveness and investment issues, to be undertaken by the Productivity Commission in 2008, prior to the implementation date for this reduction in tariffs. Combined, these measures represent a vital underpinning to ongoing and increased investment in the Australian car manufacturing industry.

In his response to the government's announcements, the then president of the FCAI, Mr Peter Hanenberger, acknowledged the government's response as 'a strong vote of confidence in the future of automotive manufacturing in Australia.' The two bills being considered by this committee implement the substantive elements of the government's response to the post-2005 review. We are appreciative that we have been closely consulted on the development of this legislation and that the process is ongoing, as arrangements for the more detailed ministerial guidelines that will sit with this legislation are currently being developed. The FCAI is strongly supportive of this legislation. We believe that it provides the industry with a much

needed decade of policy certainty and we would urge this committee to support the legislation and to recommend its timely consideration and passage by the Australian Senate.

**CHAIR**—Thank you, Mr Sturrock. Do you want to add anything, Mr McKellar?

**Mr McKellar**—No, thank you.

**Senator STEPHENS**—You make this comment in your written submission, Mr Sturrock, in the final paragraph on page 1:

It should be noted that FCAI understands and supports the Government's decision to legislate a further reduction in automotive tariffs from a scheduled rate of 10 per cent to 5 per cent ...

How has your industry modelled the effects of that reduction? In terms of your industry group, have you considered how you are going to address that five per cent tariff in such a short time frame?

**Mr Sturrock**—The issue of the policy plan and its development were things that were very detailed and were considered widely by our members through the period of the review process. We acknowledged during the period of 2002 that the government was wishing to see a continuing reduction of tariffs over time and that, in return for that, there would be potentially the ongoing support of the ACIS scheme. This was in the transition towards the lower tariff regime. So our companies—the four manufacturers, together with the importers—considered those issues quite widely, and we reached the view quite firmly that it was in the long-term interests of Australian manufacturing industry because it would further enable us to move towards world competitiveness in terms of our export programs so essential to underpin the domestic car manufacturing base.

**Senator STEPHENS**—Given the situation of the car industry in South Australia and the level of support to, for example, Mitsubishi, do you envisage that there will have to be any kind of additional government intervention in the short term, such as occurred with Mitsubishi only a couple of years ago?

**Mr Sturrock**—I think it is fair to say that the car companies addressed the long-term plans of the industry through this review and considered that a period of five to 10 years was an essential time frame for transition, to enable investments to continue in Australia and to enable the surety of overseas shareholders in Australian manufacturers. That was the basis of our discussions and negotiations with government.

Having said that, there are individual company business plans and they differ amongst the four vehicle manufacturers—that would be reasonably clear. I do not think that one can ever be certain of what may be around the corner in a year or two or next week, for example, in terms of business circumstances. But I can say that we have got a plan which suits and is appropriate for ongoing investment across the manufacturing sector. All four manufacturers are pleased with the outcome: they welcomed the announcement and are working vigorously to deliver on the commitments given and on the business plans which they have in place. Having said all that, we cannot be certain what may be occurring in circumstances to do with the individual companies' operations, be it in a year or two or three. It would not matter which company you were talking about, you could never be certain about those sorts of issues. One cannot predict those matters at all.

**Senator STEPHENS**—You talk about the industry plans—and I am just reading here from the explanatory memorandum about the 200 registered participants in ACIS, ranging from the large vehicle manufacturers down to small and medium sized firms. Do you envisage that this is going to have any adverse impacts on smaller or medium sized firms?

**Mr Sturrock**—You have the opportunity, as an ACIS participant, to seek the rewards that are provided within the scheme to maintain development of your business. The rules are quite specific about the eligibility of support through the scheme in its various sections. You have sections which deal with the vehicle manufacturers and the component suppliers. Again, with the growth and development of the industry and with the long-term certainty that the scheme provides for the underpinning to manufacturing, you could reach the view that there is good upside and good opportunity for the participants. To say that would not affect a particular company or would not have an adverse effect on a particular organisation would be unrealistic, because you cannot predict those matters. However, it is fair to say that the financial support through ACIS is essential in the long-term development of the industry and the growth of the industry, from the point of view of manufacturing for a domestic market as well as for our export opportunities around the world.

It is also important to note the progress in the past few years as a result of the existing ACIS program. It was brought in at the beginning of this decade for the period 2001-05 to provide the same sort of support in principle to vehicle and component manufacturers. It has enabled those companies, both big and small, to grow in that process. Certainly, there have been some changes in the structure of the industry, but fundamentally we have grown considerably in the period. The government has recognised that providing ACIS support for the period 2005-15 as ongoing transitional support is an essential element in the process of reaching ultimately lower tariff regimes—where those protection mechanisms have been progressively erased.

That is the framework within which the companies are making their business decisions, and I do think that the success in the domestic market and in the export program, both from the vehicle manufacturers' and from the component manufacturers' side, is indicative of the success of the scheme and the way in which the industry has embraced the scheme and has been able to deliver on the sorts of promises which were in vogue at the time when the first scheme was determined prior to 2001.

**Senator STEPHENS**—Thank you. You are strongly supportive of the R&D aspects of the scheme. Would you like to comment on the kinds of research and development activities that you have identified in the industry as being significant for its future growth?

**Mr Sturrock**—The purpose of the \$150 million R&D figure within the ACIS scheme for the four vehicle manufacturers was to encourage very high-level and innovative R&D research in technology and development. It was to be beyond, if you like, 'business as usual'—our normal business and model development. It was to encourage the very essence of high-level R&D innovation in automotive design and technology—again, essential elements to take us to the higher plateau to be world competitive and to be able to take our technology developments to other parts of the world through our products. That was the fundamental basis of the scheme and it was why we were pleased when the government announced that as part of the package and why we have welcomed its implementation. I should note that the

broad details are still being determined as to what would be eligible within the scheme, but it is part of the package, we accept that it has been announced as part of the package and we look forward to ultimately moving forward with that, once it has been defined and implemented.

**Senator STEPHENS**—Thank you very much.

**Senator RIDGEWAY**—Picking up on the last discussions that we had on this particular issue, I get the impression that what is being proposed by the government this time around—and what you are supporting—is a change in emphasis from the quantity of vehicles that are produced for export and for the domestic market to the quality of the build and the componentry of vehicles. Looking at it from the point of view public tax and moneys made available—since the scheme was place up to \$2 billion has been provided for assisting the Australian industry to make the transition—what other things have been done to place emphasis on innovation and research and development, such that it makes a distinction between where the Australian car industry is going as compared to its global competitors? Presumably there is a realisation here that there are going to be limits on how much can be exported. At the same time, what distinguishes Australian cars as world-class vehicles that are good value for money? In that sense, could you comment on what the proposals now talk about and whether it will assist moving down that path.

**Mr Sturrock**—The money coming through ACIS over the past few years and the allocations identified going forward are specifically designed to further enhance the manufacturing processes, to expand capacity by way of production facilities, and to encourage innovation in technology in both individual components or systems and total vehicle production. It is fair to say that there has been a marked improvement in the quality of the build of the Australian vehicles and of the major components. We build engines and other major componentry of course but from the FCAI's viewpoint, the vehicle side, we build a much better quality vehicle today than we did five or 10 years ago. We have a much higher level of equipment in many areas, including occupant protection, environmental improvement, engine technologies, fuel consumption, emissions, anti-theft measures and so on—those matters which are essential—as well as in areas such as primary safety with braking and suspension systems. Those things have been achieved at a higher level as a result of the financial commitment given by the government to the industry to ensure we can reach that higher plateau and that we can compete on the world stage.

It is also important to note that we recognise still that we are a small market and we have a small manufacturing capacity in Australia. We have done a remarkable job in being able to build product for niche markets to be sold in other parts of the world. The Middle Eastern region is a classic example of success. We have had recent success in South America. We are moving back into North America with the Monaro built by Holden, to be sold through the General Motors network. There are also other opportunities in other parts of world. These are some of the significant ones at the present moment. I do not think we could have achieved the sorts of quality improvements, the build and production processes and the technological developments without the investment and support that the government has provided to the industry over the past few years, and is committing to over the next few. It is part of a process.

By 2015 it will have been a 15-year period of transition from the first ACIS scheme at the beginning of this decade. That is the way we have to view the total subject.

**Senator RIDGEWAY**—I presume each car company will have a different industry plan about where they are going in the future. Does that mean less of an emphasis, for example, on the Middle East as one potential market—perhaps opening up US markets and so on? I know we can never know what is around the corner, but I am trying to get an idea of the sorts of market access the government or the industry is concentrating on to assist this transition.

**Mr Sturrock**—We are focusing on niche markets where we have the opportunity to sell large sized, generally rear wheel driven—sometimes front wheel driven—vehicles with a high specification level and high quality into market around the world where there is that appeal, that scope. That is fundamentally in passenger vehicles. The industry is now moving into the additional areas of recreational and four-wheel drive vehicles, fundamentally built from the same platforms as the conventional passenger vehicles. That is a diversification of models, which gives us greater scope in the area of four-wheel drive and recreational vehicles—which is one of the major growth segments in the various industry sectors of the world.

**Senator RIDGEWAY**—I would like to go to the issue of concept cars. You might remember that, when we spoke about this many years ago, one of the things that was on the drawing board at the time was the ECOMmodore. The Toyota Prius has since come onto the market. Is the industry looking at that as a niche market, and are you able to make any comments about it? Is this something that perhaps either the committee or the government should be encouraging the industry to have a look at in terms of new markets or new opportunities for the future?

**Mr Sturrock**—With the hybrid technology, which is the ECOMmodore or the Prius, you have an electric motor with a petrol motor and you have the opportunity to switch from one to the other in transportation mode. That hybrid technology has limited potential in Australia, but it certainly has scope. Fundamentally that technology is being developed by the major brands overseas in the head offices—Prius of course with Toyota in Japan, and so on. That technology is very expensive, has a high price tag attached and is limited in volume. It is unrealistic to think that we can build specialist type engines or drive trains with that type of vehicle in Australia in any volume, given the price circumstance that would need to be demanded for it. Certainly I think we can share in marketing products in Australia through the brands as they are being developed in different parts of the world. If we go back to the Toyota example for one moment, we can bring the Prius to this country, but I think it is also fair to say that it does have limited appeal because inevitably it will be an expensive vehicle, given the technology. You cannot presume that, being an expensive vehicle, it is going to sell in larger volumes than a niche small volume.

**Senator RIDGEWAY**—When we do get to the time when the next review is conducted, and we are looking at what may end up in 2015, presumably you may or may not have reached some thresholds by then in terms of total vehicle production. Are there any particular views or plans in mind in relation to this distinction between the making of componentry—and whether that emphasis on research and development is going to be a larger part of the industry plan—and just producing vehicles themselves? I notice that in its report the Productivity Commission spoke about the second and third tiers of operations and whether or

not they are a significant factor in car planning for the future. I would hate to think that we could be here in five years time, or something of that sort, facing the same problem—that there could be a reduction regime but that nothing had improved beyond that. That is not to say the industry has not improved; it certainly has.

**Mr Sturrock**—It would probably be inappropriate for me to make too much comment regarding component manufacturing, when that is the bailiwick of the FAPM group—and Peter Upton is going to appear shortly before you to discuss that side of the industry. Suffice to say that the component manufacturers have an ongoing and vital role in vehicle manufacturing. We have component manufacturers in many cases being given the task of designing componentry, interiors of vehicles, air-conditioning systems, seating systems and so on—rather than simply providing the supply of smaller componentry. So their role in model design is far greater and growing. That is a world trend that we are seeing. Again, Mr Upton should comment, as he sees the detail. That is a process which is fundamental to the efficient manufacturing of new models across the world, and I think we will be part of that same trend. If we are to compete with other manufacturing sectors and other countries in the world, we have to be able to take those sorts of challenges head-on and meet the challenges effectively in our manufacturing processes.

**Senator RIDGEWAY**—I have one final question. The Productivity Commission's report has essentially identified two industry weaknesses. One of them was about workplace arrangements and the other was about low production volumes in comparison to your competitors abroad. It comes back to my initial question, which was about changes in consumer sentiment and things of that sort and how you cater for that, given that the Australian industry is viewed as being small. Will there or will there not be a need for continual industry assistance even after 2015, or do you believe that it will be at the stage of an open and free trading market where no industry assistance is required?

**Mr Sturrock**—In our view it is likely that with the plan that has been announced by the government, with ASIS and the tariff arrangements, 2015 could basically be the sunset of major industry assistance for the manufacturing sector of the automotive industry. That sentiment was expressed to us in the negotiations with the government during last year. We would see a situation occur by 2015 where the Australian manufacturing sector is more resilient and has reached the point of being internationally competitive in a quality and an efficiency sense, and where we have grown our export markets for vehicles as well as engines and components, so that we have a wider range of products available through Australian manufacturing.

On a global scale, our manufacturing volume of 360,000 vehicles or thereabouts is relatively small. We are aiming to move that to at least 500,000 vehicles through the four Australian manufacturers by the end of the decade. It may grow beyond that. The opportunity to export about 50 per cent of our Australian manufactured product is the target we are shooting for. It is currently running at about one-third. We are seeing further growth as well in export markets for cars and for components in the wider sense—engines and so on. Those opportunities appear to be there for us. Certainly we are a niche manufacturer in terms of volume—we cannot deny that, on any statistical comparison—but we have been able to quite nimbly and effectively produce small runs of products and be quite versatile in our

manufacturing processes to enable us to achieve the economies and the quality so necessary to secure those export markets.

**CHAIR**—Thank you very much indeed, Mr Sturrock and Mr McKellar.

[6.41 p.m.]

**JAMES, Mr Paul Anthony, Executive Officer, Federation of Automotive Products Manufacturers**

**UPTON, Mr Peter John, Chief Executive Officer and Company Secretary, Federation of Automotive Products Manufacturers**

**CHAIR**—Welcome. I invite you to make a short opening statement before we move to questions.

**Mr Upton**—I would sign on to quite a few of the sentiments expressed by my colleague from the Federal Chamber of Automotive Industries, but I will also make these brief remarks. Firstly, thank you for the opportunity to comment on the [ACIS Administration Amendment Bill 2003](#) and the [Customs Tariff Amendment \(ACIS\) Bill 2003](#). Secondly, the Federation represents those companies, around 200 in number, which manufacture original equipment components for the four local vehicle manufacturers—that is, the four that are represented in the Federal Chamber of Automotive Industries. In the terms used in the ACIS legislation itself, the Federation represents the Automotive Component Producers, ACPs. The members of the Federation turn over approximately \$7 billion a year, employ about 30,000 people and directly export \$2 billion worth of components a year. I use the word ‘directly’ because I mean exports which are not embedded in a car which is exported. In doing so, they contribute to an industry total of car and component exports which exceeds \$5 billion a year.

Industry exports are continuing to grow quite strongly, and the industry has set itself the target of \$10 billion in combined exports by 2010. The Federation of Automotive Products Manufacturers was closely involved in the 2002 review of the automotive industry conducted on the government’s reference by the Productivity Commission, and in the various consultative processes which took place around that review. The Federation supported the conclusions the government reached in deciding between the options presented in the Productivity Commission’s final report. The government’s decisions announced by the Prime Minister on 13 December were warmly welcomed by the Federation and are, we believe, embodied in the bills currently under consideration, which we accordingly support.

We draw attention to the fact that the government’s decisions and announcements also embraced a number of things which were agreed between the industry participants, including the FAPM—in other words, there was a degree of industry consensus about particular elements of that report. Indeed, the processes undertaken throughout the 2002 review were marked by a high degree of consultation and agreement between all stakeholders of the industry about the needs of the industry and about what we saw as the appropriate government policy settings going forward. The Federation has also been consulted about this legislation and supports it. I welcome any questions.

**Senator STEPHENS**—Mr Upton, you heard the questions that I asked of the previous witnesses, and I wonder whether you would like to make any comment about, first of all, the component of the package being targeted for research and development.

**Mr Upton**—I have two comments. The piece I think you are referring to is the specific \$150 million component that is being targeted from the part of the capped funding which is

allocated to the motor vehicle producers. As I think it stands at the moment, that is a package still under development. The fine detail of what that means is still being dealt with.

As for the component side of the ledger, the ACIS scheme has always rewarded research and development in the component sector. It was originally set up to do so, and the great bulk of earnings for a component producer under the ACIS scheme come from research and development. In the course of the Productivity Commission's study last year, the evidence that that was inducing a considerable shift in component sector spending was quite clear. The ACIS scheme for component sector players rewards research and development and investment in new plant and equipment.

I will digress for a moment. In the original discussions that led up to the ACIS scheme, it was recognised in the component sector that the future of being in the component business required you to be pretty nimble in getting on with R&D, because that is the way in which your products stay fresh and relevant and ultimately have some longevity in the eyes of your customers. That is indeed the pattern of the component sector around the world. So, from our point of view, the ACIS scheme targeting R&D for the component sector was well targeted, and that is the reason we sought that the scheme should not be fundamentally changed in going forward, at least for our sector. We were essentially minimalist. It was working, and so let us keep doing it.

**Senator STEPHENS**—Are you able to give me an indication of what kind of expenditure the component sector spends on research and development?

**Mr Upton**—I can give you the figures that were produced in the course of some of our studies last year, but I cannot do that off the top of my head.

**Senator STEPHENS**—Would you take that on notice? Thank you.

**Mr Upton**—We will take that on notice and send you the details.

**Senator RIDGEWAY**—I note that you represent some 200 component manufacturers. I am wondering whether out of those we are talking about a high percentage of Australian owned manufacturers or whether they have significant investments from overseas companies and they are operating as subsidiaries. I am trying to get an idea of the impact upon the Australian market—for example, if there is a change in sourcing policy abroad, how that might affect some or a large part of the membership that you represent.

**Mr Upton**—The component sector has an ownership structure which represents both the major overseas component suppliers and a significant number of substantial Australian component suppliers. I suppose that the aim of a substantial Australian component supplier is to become an Australian owned multinational, if I can put it that way, because the demand increasingly from the car company is that it wants to find the same supplier supplying its plants in different parts of the world—for all sorts of reasons. The demand is sufficient to provoke the response that, if you are a substantial Australian component supplier, you clearly face the need to have your plants located in a number of places. That is the reciprocal situation of the demand that is being met already when a foreign owned company sets up an operation in Australia. At the moment, the industry has a mixture of both at all levels. There are many small and medium enterprises that are Australian owned. Equally, so there are some surprisingly small to medium enterprises owned as the offshoots of multinational companies.

I think the answer about sourcing decisions is implicit in what I have just said: if the sourcing decision is being taken because you cannot supply something in an overseas market, that is going to severely affect you, if your operations are contained to Australia. Hence the drive to become an Australian owned multinational, I suppose. The industry is complex in many ways. One way is that the linkages in the supply chain do not necessarily mean that a small firm without an export presence is doomed to suffer solely because of that fact, because they may be supplying a very successful large scale tier 1 or tier 2 which is heavily involved in exporting, and so in a de facto sense the small firm is already exporting. One of the clear things the component industry recognises is that the easiest kinds of exports that we can make are in the form of a built-up car. So there are 200-odd firms barracking for an outcome when our car company colleagues do those things to boost their exports.

**Senator RIDGEWAY**—Do you agree with the proposition that I was putting forward earlier to Mr Sturrock, about a threshold being reached at some stage in terms of total vehicle production? If so, what do you think the consequences might be for the member companies that you represent?

**Mr Upton**—It is almost teaching your mother to suck eggs. There is a recognition that if there are no car companies there is no component sector. So we are very intimately involved in that, but I do not know that anybody knows exactly what the answer is or how the future will pan out. The efforts we have seen the local vehicle manufacturers making to broaden their base, to go into different market segments and to find different export niches, are laudable. We are more than interested bystanders in hoping that those efforts are successful. I would like to make the point that the United States and the European Union are the biggest export markets for Australian component producers. That is one of the reasons that we think we may be competitive in the business that we are in. The size of our export market in the United States is a reasonable indication that we must be doing something right.

**Senator RIDGEWAY**—I have a follow-on question to that. None of us knows what the end outcome of the negotiation of a free trade agreement with the United States will be; but, given what we know of the way that the industry is supported in the United States, does that present any problems in terms of the policy response that the government is putting forward through ACIS to try and counter some of the difficulties of, firstly, breaking into the US market place—or even the European Union, for that matter—and secondly, providing adequate support to assist in the ventures that you have in mind?

**Mr Upton**—We certainly think that the non-tariff barriers in the United States need to be addressed. They are very significant. I am referring particularly to the UAW's ban on certain classes of imported vehicle, the Buy America Act, some applications of US standards—those sorts of things—which can be more powerful in preventing you from entering a market than is the level of tariff, which in the US case is quite low: it is 2½ per cent, except for the tariff on trucks, which is 25 per cent.

**Senator RIDGEWAY**—But the assistance package put forward here will assist in some way, not so much in directly addressing those issues but at least in providing access to the market place?

**Mr Upton**—Absolutely.

**CHAIR**—Thank you, Mr Upton and Mr James, for your evidence this evening.

**Committee adjourned at 6.54 p.m.**