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27 October 2015


Senate Standing Committees on Economics  
PO Box 6100  
Parliament House  
Canberra ACT 2600

Dear Committee Members,

I write in response to the Senate Economics References Committee (Future of Australia's automotive industry) hearing in Adelaide on 1 October 2015.

Should you require any further information or have any questions, please contact Rick Cairney, Director of Policy, Business SA on [REDACTED].  
Thank you.

Yours sincerely,

  
Rick Cairney  
Director of Policy

As a result of the Senate Economics References Committee (on the Future of Australia's automotive industry) hearing in Adelaide on 1 October 2015, Business SA provides the following supplementary comments:

In regards to Senator Xenophon's questions relating to government subsidies to the automotive industry, we acknowledge that the Automotive Transformation Scheme (ATS) was established by the Federal Government in 2009 and according to the ATS webpage, was intended to place Australia's automotive industry on an economically sustainable footing. The fact that it was called a 'transformation' scheme explicitly implies the Government was endeavouring to transform the automotive industry. Furthermore, the fact that the specific subsidies reduced over time clearly demonstrated the direction of Government policy was to eventually remove subsidies to the automotive industry.

The Federal Government's 2012 decision to commit additional funding to the automotive industry did not align with its existing policy settings or that of previous Liberal and Labour Governments which had for decades been winding back tariff protection and direct subsidies to the automotive industry.

Business SA's February 2015 submission to the Senate Committee investigating the Future of Australia's Automotive Industry was largely focused on economy wide measures to ensure South Australia's economy can absorb Holden's local manufacturing exit. Business SA is a peak business lobby and the largest business representative organisation in South Australia. Our members span all sectors of commerce and industry and unlike an industry association; we do not focus our advocacy on benefits to one industry sector which are paid for by all others. Our submission focused on measures such as tax reform, infrastructure, skills and university/industry collaboration; policy areas which can create an environment for all types of businesses to grow and create jobs and not just businesses in the automotive industry.

In Business SA's 2013 pre-election survey released before Holden announced it would end local manufacturing, when asked if the Federal and State Governments should permanently subsidise auto-manufacturing in South Australia, less than 25% of respondents agreed. Furthermore, only 8% of respondents disagreed that the Federal and State Governments should gradually phase out subsidies to local auto-manufacturing.

Considering a majority of Business SA member responses to the survey did not support permanent subsidies to the auto-manufacturing sector, instead preferring subsidies to be phased out, our advocacy efforts since have been focused on what is required to enable business more broadly to drive economic growth to replace auto-manufacturing, rather than just being focused on assistance to help the component manufacturing sector diversify.

Notwithstanding, Business SA has supported its component manufacturing members directly to assist them with accessing diversification funding and has also lobbied both the State and Federal Governments to ensure that limited available resources were properly targeted to directly benefit impacted businesses, and not just consultants. An example of Business SA's advocacy on auto-sector diversification resulted in the State Government abolishing stamp duty on business transfers in the 2015/16 budget which will reduce the costs of component manufacturing business mergers.

We also refer the Committee to the Productivity Commission's review of the Australian Automotive Manufacturing Industry, and in particular Finding 3.2 which stated, "*The policy rationales for providing industry-specific assistance to the Australian automotive manufacturing industry are weak*".

In addition, we note that on 20 October 2015 Senator Xenophon's colleague, Mr Stirling Griff, publically stated that he did not support giving automotive companies further subsidies.

He was quoted as saying, "*I would not be supporting giving automotive companies further subsidies.*" (Refer to the attached media article).

In the hearing Business SA made the comment (to Senator Carr), "*Senator, with respect, GMH in America said categorically that it did not matter how much assistance –*"

However, Senator Carr interjected saying that Business SA was wrong. He further stated that the government chose to drive GMH out of South Australia and the country. That was the policy position that the government took.

Business SA provides the following evidence to substantiate our comments:

In January 2014 Mr Stefan Jacob, the international General Motors executive who announced the closure of Holden in South Australia was publically quoted as saying, "*The decision was not made on government policy. With or without government incentives, it doesn't pencil, he said, "even if you add all the incentives ...it doesn't make sense to produce.*" (Refer to the attached media article).