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27 October 2014

Committee Secretary
Senate Economics Legislation Committee
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Parliament House
CANBERRA ACT 2600

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City of Playford
12 Bishopstone Road
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Dear Sir/Madam

Re: Inquiry into Automotive Transformation Scheme Amendment Bill 2014

I refer to your invitation to make a submission to the above named inquiry.

It is noted that the City of Playford is home to the GM Holden plant. With the announced withdrawal of all automotive majors from Australia, tier 1 suppliers to them (many foreign-owned also) will also cease production in Australia. Tier 2 and 3 suppliers tend to be smaller and locally-owned, with many of these businesses in the Northern Adelaide Region. Some exhibit the capacity and agility to either effect a transition to new products and value chains based on 'new manufacturing' characteristics of short runs, high variability, complexity and high value, or to latch on to niche global supply chain opportunities within the global automotive industry. However, this requires supportive government frameworks, facilitation and investment.

At this time government investment in innovation- and growth-promoting industry development and diversification is needed and justified more than ever. We welcome the establishment of the Growth Fund which, in the wake of the closures of GM Holden and Toyota provides \$100.6 million of Commonwealth funds over six years from 2013-14 towards new jobs, investments and economic growth in South Australia and Victoria.

A key issue is allowing time and providing a framework for adjustment – particularly of enterprises and supply chains – to provide opportunity for companies to diversify to new product and value chains. Unless diversification opportunities are found rapidly, essential skills, capabilities and complexity will be lost permanently. Some of the enabling competences and technologies inherent in automotive manufacturing and engineering include: systems integration, materials science and engineering, process engineering, automation and control technologies, electronics and miniaturisation, digital content, sensing and simulation, high tooling skills, injection molding, etc. The objective is to identify applications for these capabilities outside automotive, in high growth local and global value chains in new manufacturing.

Support such as access to ATS funds is required to assist companies to make the transition and to diversify to alternative products and value chains, and to niches in the global automotive industry, where feasible.

This is critical to opportunities for northern Adelaide to diversify its economy. Approaches to this required diversification were outlined to the Senate Standing Committee on Economics in Manufacturing and Innovation, and to the Macfarlane committee of inquiry in the document, Strength in Diversity.

The City of Playford, for example, is the most disadvantaged LGA in greater Adelaide, and one of the most disadvantaged urban areas in Australia. Residents receive lower median incomes than in Greater Adelaide. At the 2011 census, the city's unemployment rate was almost double that of greater Adelaide.

Nonetheless, prior to the automotive closure, northern Adelaide is home to around 70 percent of SA's installed industrial capacity, reinforcing the above points concerning what is at stake.

The May 2014 Workplace Futures Survey of around 450 firms in the northern suburbs found that, in the wake of the announcement of GMH's closure:

- 33 percent reported at least some risk of closure
- Almost two in five employers believed they would have to shed staff
- Profitability would be negatively affected in retail (53 percent of businesses), manufacturing (45 percent) and construction (44 percent).

The City of Playford submits that:

- That the value and duration of the ATS be maintained
- That the remit of the ATS be amended and broadened to assist companies to make the transition and to diversify to alternative products and value chains, and to niches in the global automotive industry, where feasible.

Yours sincerely

Tim Jackson
CHIEF EXECUTIVE OFFICER