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**Australian Motor Industry Federation  
Submission to the Senate Economic Legislation Committee Inquiry into the Automotive  
Transformation Scheme Amendment Bill**

AMIF thanks the Senate Committee for the opportunity to provide a submission to the Inquiry into the Automotive Transformation Scheme (ATS) Amendment Bill.

AMIF is the national body representing the interests of over 100,000 retail motor trades businesses, which employ over 310,000 people and have an aggregated annual turnover in excess of \$208 billion. These figures, combined with the industry's scope and size, makes the retail motor trades the largest stand-alone small business sector in Australia. The Federation's membership consists of automobile chambers of commerce and the majority of state and territory motor trades associations.

**Executive Summary**

- ☞ AMIF is opposed to the proposed reduction of \$900million from the Automotive Transformation Scheme (ATS) and the early closure of the scheme in 2018.
- ☞ AMIF believes the ATS should be maintained to meet automotive industry research and development aspirations, product innovation and delivery, and business regeneration as the nation prepares for a revitalised industry after the cessation of automobile manufacturing.
- ☞ AMIF is of the view the Australian government should be working with various industry participants to identify and secure a future revitalised automotive industry including a framework for ongoing government's support and intervention strategies.
- ☞ AMIF repeats its call for the Australian Government to develop a whole-of-industry policy framework for the Australian automotive industry.
- ☞ AMIF suggests future government support and intervention strategies for the automotive industry can be best supported by evidence based policy developed through a business case utilising the green / white paper tool.
- ☞ AMIF believes these future support and intervention strategies may be in areas such as design; engineering; the convergence of consumer electronics, information technology and mobility; and other niche markets where the nation's considerable expertise and strengths in innovation can be best utilised.

## Overview

The closure of Ford, Holden, and Toyota's Australian manufacturing plants will change Australia's innovation and manufacturing landscape. The task facing the Australian Government and the entire automotive industry is whether the change will be maximised for the benefit of the nation or squandered through lack of support, poor planning and execution.

To build the foundations of a revitalised automotive industry post 2018 that continues to influence, secures the nation's ongoing reliance on road transport, and continues to make significant contributions to the economy, requires government and industry to finish what it started. That is for the Australian Government to continue to signal to the remainder of the globe that the Australian Automotive industry is repositioning – not closing down - and that government is supporting its transition. This will enable global brands to continue to confidently invest in their domestic operations and potentially attract new participants.

AMIF suggests there is no clearer pathway to meet this aspiration than to retain the ATS so that manufacturers and component and part suppliers can continue to innovate, products can be delivered and business regeneration can begin.

Simultaneously AMIF believes the industry as a whole and the Australian Government should take stock and identify a longer term policy framework for the entire industry including future support and intervention strategies.

## Innovation

The Committee is well aware though public discussions already of the considerable influence and strategic importance automobile manufacturing has played in the development of other industries and for innovation. With significant design and engineering capability and ongoing government support, Australia is one of only a handful of nations able to produce a car from sketch drawings to a product on a showroom floor.

While the automobile manufacturing chapter is coming to an end, the capability for this nation to continue to punch well above its weight in automotive design, engineering and other potential areas remains potent – provided the nation signals its' intent to back the capability with investment and support.

The three domestic manufacturers have committed to maintaining strong design and engineering capabilities beyond the cessation of manufacturing. Australian design, Australian engineering and Australian knowhow already feature prominently in current global motor vehicle model architecture, chassis and sub frame assemblies, drivetrains, interior fitouts and aftermarket part and accessories.

If support and investment continues, then Australia can remain a significant influencer in the design, engineering and construction of motor vehicles worldwide. This of course may continue to have benefits for the significant number of component and part manufacturers and suppliers, who have also been innovators and quick to respond to opportunity. Responses that arguably could not have occurred without Government assistance.

However, AMIF believes the real opportunities for a revitalised automotive industry may come other areas of national strength and innovation such as data, electronics and information technology.

At the annual Consumer Electronics Show held in Nevada, United States each January and the plethora of associated electronics, information technology and telematic shows held around it, the convergence of automotive, consumer electronics and information communications technology (ICT) has been growing in momentum.

Major consumer electronics firms believe the motor vehicle, and mobility in general, as the next frontier for expansion. Likewise automobile manufacturers wanting to stay in control of their own product and continue development, are either engaging with these information firms in partnerships or innovating solutions themselves. Included are emerging technologies to facilitate or control Vehicle to Vehicle (V2V) communications that will likely have a significant influence on road transport safety and security.

Data will be another new frontier worthy of exploration by a revitalised automotive industry. There will be significant issues to address such as data ownership, but the possibilities for new business are only just being fully realised and could impact safety enforcement, road user pricing methodologies, and a range of other policy and regulatory areas and well as even how motor vehicles are used in the future.

The application of advanced technologies into today's motor vehicle, the interoperability of those technologies and the convergence with consumer electronics and information technology is an area AMIF believes may hold significant promise for a revitalised industry.

### **Government Support and stability**

AMIF believes Australia, given its prominence in engineering, information technology and automotive could be well positioned to take advantage of these emerging opportunities, but will find it difficult if industry and government do not properly support the creation and continuous improvement of a revitalised industry.

Signalling limited or no support through the removal of \$900m from the ATS, the early retirement of the scheme in 2018, and no signal regarding what government proposes beyond that timeframe, will be regarded as a negative by those looking to invest.

The Australian Government has secured value for a comparably small investment over many decades by attracting global brand investment and the spawning, growth and development of complimentary support businesses.

Government should not underestimate the impact of the closure of automotive manufacturing on the rest of the supply chain. The Committee should also be aware that it is not just the manufacturing sector of the Australian automotive industry that is restructuring or facing unprecedented generational change.

AMIF's members represent the retail motor trades, the other 75+% of the industry who sell, service, repair, dismantle and recycle motor vehicles.

All of these sectors, and associated sectors such as fuel retailing, parts, tyre retailers, specialist technicians and many others are also undergoing fundamental change brought about by globalisation, technology advances, vertical integration of supply chains and a myriad of other influences.

These changes are already causing many to get out of their businesses, while others are restructuring to accommodate change and improve prospects for a sustainable future.

AMIF suggests to the Committee and to Government that what is required now is stability, surety and commitment to a smooth and successful transition to a revitalised environment that is known and reasonably assured.

It is strongly suggested that the maintenance of the existing ATS and the identification of future support beyond 2018 will assist in achieving this outcome.

## Plan for the future

So far in 2014, the Australian Government has been presented with recommendations to review road user pricing; look at removing restrictions to allow for the importation of second hand motor vehicles of a certain age; take away restrictions on parallel imports of new vehicles (it is understood personal importation); determined a proposal to downgrade the ATS and retire the scheme early; re-introduce fuel taxes, as well as undertake other inquiries which may well have an impact on automotive such as the Motor Vehicles Standards Review, Training and Skills Development, Competition Review, Tax Review, and Federation Review.

Unfortunately AMIF believes these are further examples of ad hoc policy formation without due regard for the impact one or all could have on the industry and ultimately Australians and their reliance on road transport.

Automotive policy for the past 40 plus years has centred on automobile manufacturing and has largely been ignorant or silent of the other 75+5 of the industry.

While not specific to the ATS Scheme, AMIF believes the proposal to cut the scheme and end it prematurely, is symptomatic of an environment producing unforeseen outcomes or unplanned and negative impacts.

AMIF strongly suggests that while all of the above examples of potential policy action impacting the automotive industry may appear reasonable, worthy of exploration, and valid in their construct for the issues they are attempting to address; the fact that they are all being undertaken in apparent isolation from one another suggests a lack of knowledge of the industry, potential impacts such policy may have, and little or no cohesion between the departments and or agencies undertaking the work.

AMIF repeats its call for a comprehensive policy framework for the Australian automotive industry.

AMIF believes industry needs to identify, prioritise and action critical issues facing the entire industry and Government and its policy makers and regulators need to do the same.

This process could be accommodated through the development of a Green Paper and then White Paper for the Australian automotive industry. Armed with information from the process Government could then make a determination on what level or type of support should be planned for in the future to take best advantage of future automotive opportunities.

AMIF would be pleased to provide any additional information or further clarity in regard to this submission or of the retail motor trades sectors more generally. Please do not hesitate to contact Chief Executive Officer, Richard Dudley

Yours Sincerely

Richard Dudley  
Chief Executive Officer  
Australian Motor Industry Federation