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Australian Government

Department of Industry

MEETING BRIEF

Minister Macfarlane Information

cc: Parliamentary Secretary Baldwin

Brief No: B13/1749

Division: Manufacturing

MEETING AT GM HOLDEN'S FACTORY IN SOUTH AUSTRALIA

Date: Wednesday, 2 October 2013

Time: 9am – 1:15pm

s22 irrelevant material

Clearing Officer: Mark Durrant
Designation: General Manager
Branch/Division: Automotive/Manufacturing
(02) 6213 7540 / s22 irrelevant material

Contact Officer: s22 irrelevant material
s22 irrelevant material

Consultation: Mr David Magill, Government Relations & Public Policy Advisor, Holden.

Released under FOI Act - DMS

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Attachments:

Attachment A: Holden's Next Generation Next Vehicle Program
Attachment B: Background on the Australian Automotive Industry
Attachment C: List of Invitees
Attachment D: Order of Proceedings
Attachment E: Map for meeting venue
Attachment F: Talking Points: Press Conference
Attachment G: Possible Questions and Answers
Attachment H: Talking Points: Holden and SA Government

Quality of Brief:

1

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1 = Briefing did not provide adequate information and/or advice for the purpose intended.

5 = Briefing provided succinct and relevant advice and/or information for the purpose intended.

Comments:

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ATTACHMENT A

HOLDEN'S NEXT GENERATION VEHICLE PROGRAM

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On 26 July 2013, 400 manufacturing employees at Holden's Elizabeth facility accepted voluntary redundancies and a further 200 redundancies were made to Holden's design and engineering employees and head office staff at its Port Melbourne facility. After the redundancies, Holden's total number of employees stands at 3,678, including 1,749 persons at Holden's vehicle assembly plant in Elizabeth and around 1,517 at its Port Melbourne facility which includes around 900 persons employed in D&E activities at Holden.

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BACKGROUND ON THE AUSTRALIAN AUTOMOTIVE INDUSTRY

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Employment

The automotive industry employment averaged around 46,400 persons in the year to May 2013, down 36% from an average 72,200 persons employed in the year to May 2004.

s22 irrelevant material

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ATTACHMENT C

LIST OF INVITEES

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ATTACHMENT D

ORDER OF PROCEEDINGS

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ATTACHMENT E

MAP FOR MEETING VENUE

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ATTACHMENT F

TALKING POINTS – PRESS CONFERENCE

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ATTACHMENT G

POSSIBLE QUESTIONS AND ANSWERS

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ATTACHMENT H

TALKING POINTS – HOLDEN/ SA GOVERNMENT

s22 irrelevant material



HOLDEN'S REDUNDANCY NEGOTIATIONS

Recommendation: That you note the information provided.

Key Points:

- On 14 November 2013, 150 Holden employees walked off the job at its Port Melbourne engine plant due to a dispute about redundancies.
- Holden and its unions have been in the Fair Work Commission during the past week to resolve differences regarding about 30 planned involuntary redundancies at Holden's Melbourne engine plant and engineering trade operations. The redundancies are required because a voluntary redundancy program earlier this year failed to achieve the necessary numbers despite a lengthy process.
- In September 2013, Holden sought 100 voluntary redundancies from its Port Melbourne facility. It is reported that only around 70 employees accepted the offer of a redundancy, leaving around 30 employees possibly facing a forced redundancy.
- It is reported that Holden is seeking to cap the redundancy payouts of these 30 employees at 3.5 weeks per year of service for 52 weeks under the revised agreement. It is understood the Australian Manufacturing Workers Union is seeking to have the payouts uncapped at 3.5 weeks per year of service, which is the case for voluntary separation packages.
- The legalities of Holden's proposal are unclear as the enterprise agreement does not specifically cover the payouts of employees who are forced to take a redundancy.
- However, the agreement does state that if a forced redundancy is required and all other avenues have been exhausted, the Parties, Unions and Senior Employee Representatives would negotiate an appropriate redundancy formula consistent with general automotive standards. These standards must meet the requirements in the *National Employment Standards* in the *Fair Work Act 2009*.
- Holden is seeking orders from the Fair Work Commission for its employees to return to work as it believes the industrial action is unauthorised (as it is not about a new agreement and no ballot was undertaken to walk off the job).
- It is understood these orders will cover the action at Port Melbourne and also the threat of action at Elizabeth.

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Background:

- On 13 August 2013, Holden workers at its assembly plant in Elizabeth voted to accept multiple amendments to their Enterprise Bargaining Agreement. This amendment is contingent on Holden announcing that its next-generation project will proceed.
- Further background is at Attachment A.

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Mark Durrant (02 6213 7540)
General Manager
Automotive Branch
Industry Division
14 November 2013

Consultation:

~~NOTED~~ PLEASE DISCUSS
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Ian Macfarlane 11/11/13

Slipstream version: 14 November 2013

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ATTACHMENT A

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Holden Elizabeth Assembly Plant Enterprise Bargaining Agreement

On 13 August 2013 workers at the Holden assembly plant in Elizabeth voted to accept multiple amendments to their Enterprise Bargaining Agreement (EBA), which will be implemented if the next generation vehicle (NGV) investment proceeds. These changes were agreed to by the relevant unions and endorsed by the Fair Work Commission on 10 September 2013.

The most notable of these changes is a wage and salary freeze between 14 November 2013 and 14 November 2016, (the previous arrangement allowed an increase of three per cent to wages and salaries on the 15th of November each year from 2011 to 2013. Other notable conditions of the new EBA include:

- Allowances will be frozen as at 14 November 2013;
- Holden will be allowed to employ casual employees where there is no on-going permanent role;
- Employees can take phased retirement (ie, work part time but be paid part time until retirement);
- Flexible arrangements for rostered days off to be introduced;
- Flexible employment arrangements for production staff to be introduced (ie, production employees can be directed to undertake non-specific production tasks as and when required);
- As with the previous agreement, lunch breaks are to be no less than 20 minutes and no more than 60 minutes except for continuous workshifts;
- Post-shift wash up time of 2 minutes is to be discontinued;
- Relief breaks restricted to 26 minutes (down from 40 minutes), including for continuous workshifts;

- Toilet breaks outside relief breaks are subject to approval from a Group Leader; and
- Annual leave must be taken during Christmas shutdowns and leave balances are to be maintained should market conditions change and shutdowns (or production down days) be required.

Holden has indicated that the variation is expected to save the company \$15 million a year, mainly through efficiency improvements.

Automotive Industry Structural Adjustment Program

Any workers who are made redundant from Holden's Elizabeth and Port Melbourne plants are eligible for immediate access to intensive employment support at the Stream 3 level through Job Services Australia (JSA).

In response to continued challenges facing the automotive industry, the Government announced that it would provide an additional \$15.6 million to extend the labour market element of AISAP until 2017.

Under AISAP, support is available through the Employment Pathway Fund (EPF) for JSA providers to purchase a broad range of tailored assistance to help redundant automotive manufacturing workers find new employment. Each redundant automotive worker attracts a Stream 3 credit to the EPF of \$1,100 plus the AISAP top-up of \$1,780 for a total credit of \$2,880. These credits are then used by JSA providers to purchase a wide range of goods and services for the redundant worker such as skills assessments, training courses, work licenses, work-related clothing and safety equipment, as well as help with short term travel costs and relocation costs to commence in employment.

ATTACHMENT B**TALKING POINTS:**

- The breakdown in renegotiations over the Enterprise Bargaining Agreement between Holden and its employees, which caused Holden's engine plant employees to walk off the job is disappointing.
- Any job loss is regrettable, and I feel for any workers who may be forced to take a redundancy from Holden.

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- Any workers who are made redundant from Holden's Elizabeth and Port Melbourne plants are eligible for Automotive Industry Structural Adjustment Program (AISAP).
- This provides for immediate access to intensive employment support at the Stream 3 level under through Job Services Australia.
- This can include help with skill assessments, training courses, obtaining work licenses, work-related clothing and safety equipment, as well as help with short term travel costs and relocation costs to commence in employment.

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DEPARTMENT OF INDUSTRY

Minister for Information

By 15 October 2013 - To provide information on job losses at
Toyota which will be announced today.

Min ID: B13/1896

File No:

VOLUNTARY REDUNDANCIES AT TOYOTA

Recommendation: That you note the information provided.

Key Points:

- At 12.00 noon on Tuesday 15 October 2013, Toyota Australia announced it is offering 100 voluntary redundancies to its full-time production workforce. The voluntary redundancies will occur at Toyota's Altona plant and are to take effect on 29 November 2013.
- These redundancies will reduce Toyota's total workforce from 4,035 to 3,935. The redundancies will reduce Toyota's production workforce from 1,908 to 1,808. A further 600 people work in non-production roles at Altona.
- The voluntary redundancies are a result of market conditions, with Toyota rebalancing production from 470 to 431 vehicles per day as a result of falling export volumes. Toyota exports around 70 per cent of its production of 100,000 vehicles a year.
- Under Toyota's Enterprise Bargaining Agreement, employees accepting a voluntary redundancy will be given four weeks notice or four weeks payment in lieu. Employees will also receive severance pay of three weeks for each year of service up to a maximum of 75 weeks and long service leave will be paid on a pro rata basis.
- Through the Automotive Industry Structural Adjustment Program, any automotive workers who are made redundant are eligible for immediate access to intensive employment support through Job Services Australia.

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- Toyota recently employed 80 persons on fixed term contract. A decision will be made on these positions at the end of the contract period.
- In April 2012, Toyota rebalanced its manufacturing operations, resulting in 350 compulsory redundancies.
- Talking points are at Attachment B.

Mark Durrant (+61 2 6213 7540)
General Manager
Automotive
Manufacturing Division
15 October 2013

Consultation:
Toyota
Dept of Employment

NOTED/PLEASE DISCUSS

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Ian Macfarlane / /

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Quality of Brief:	1	2	3	4	5	Comments:
1 = Briefing did not provide adequate advice/information						
5 = Briefing provided succinct and relevant advice/information						

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ATTACHMENT A

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Support for Workers Made Redundant

Automotive Industry Structural Adjustment Program (AISAP).

Any automotive workers who are made redundant are eligible for immediate access to intensive employment support at the Stream 3 level through Job Services Australia. Under AISAP, support is available through the Employment Pathway Fund (EPF) for JSA providers to purchase a broad range of tailored assistance to help redundant automotive manufacturing workers access the right mix of training and other support that is relevant to their particular needs and most likely to enable them to find new employment.

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ATTACHMENT B

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Minister for Information

Min ID: B13/2028

File No:

TOYOTA – WORKPLACE AGREEMENT NEGOTIATIONS

Recommendation: That you note the information provided.

Key Points:

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- This follows the announcement by Toyota on 15 October 2013 that it is offering 100 redundancies to its full-time production workforce to rebalance production with demand as a result of falling exports to the Middle East market. These redundancies will take effect on 29 November 2013.

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- In April 2012, Toyota rebalanced its manufacturing operations, resulting in 350 compulsory redundancies.

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General Manager
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31 October 2013

Consultation:

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Ian Macfarlane / /

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Minister for Meeting

Min ID: B13/2254

File No:

MEETING WITH TOYOTA AUSTRALIA

Meeting Arrangements:

Date: 2 December 2013

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Key Points:

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- On 15 October 2013, Toyota announced it was offering 100 voluntary redundancies to full-time production workers at its Altona plant. The voluntary redundancies are a result of market conditions, with Toyota rebalancing production to meet lower export demand.

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Attachment A – Background on Toyota and Future Investments
Attachment B – Background on the Australian Automotive Industry
Attachment C – Biographies
Attachment D – Talking Points

Mark Durrant (+61 2 6213 7540)
General Manager
Automotive Branch
Industry Division
28 November 2013

Consultation:
PM&C
Toyota

NOTED/PLEASE DISCUSS

s22 irrelevant material

Ian Macfarlane / /

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ATTACHMENT A

BACKGROUND ON TOYOTA AND FUTURE INVESTMENTS

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As at the end of 2012, Toyota employed 4,035 persons across its various sites. At its Altona site, Toyota employed 3,400 persons in both production (1,908 persons) and non-production (1,422) roles. The Toyota Technical Centre is a separate entity, and undertakes design and engineering work for Toyota internationally.

On 15 October 2013, Toyota announced it was offering 100 voluntary redundancies to its full-time production workers at its Altona plant, which will take effect on 29 November 2013. The voluntary redundancies are a result of market conditions, with Toyota rebalancing production from 470 to 431 vehicles per day as a result of falling export volumes.

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ATTACHMENT B

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Employment

Automotive industry employment averaged around 45,000 persons in the year to August 2013, down 38 per cent from an average of 73,200 persons employed in the year to August 2004.

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ATTACHMENT C

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ATTACHMENT D

TALKING POINTS

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Australian Government
Department of Industry

MEETING BRIEF

Minister Macfarlane Information

Brief No: B13/1804
Division: Manufacturing

Meeting with Ford Australia

Date: Wednesday, 9 October 2013

Time: 13:30 – 16:30

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On 23 May 2013, Ford announced that it will cease manufacturing at its Geelong and Broadmeadows plants in October 2016. This will result in around 1,200 direct job losses at Ford. Ford will continue its Design and Engineering (D&E) functions at its design centre beyond its manufacturing closure. This will support around 1,500 jobs.

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Clearing Officer:
Mark Durrant
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4 October 2013 material

Contact Officer:
s22 irrelevant material

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Consultation: Mr Ian Mearns, Government Affairs Director, Ford Australia.

Attachments:

Attachment A: Background Information on Ford
Attachment B: List of Attendees
Attachment C: Order of Proceedings and Meeting Agenda
Attachment D: Map for meeting venue
Attachment E: Talking Points – Ford
Attachment F: Talking Points – Media

Quality of Brief:

1 2 3 4 5

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5 = Briefing provided succinct and relevant advice and/or information for the purpose intended.

Comments:

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ATTACHMENT A

BACKGROUND ON FORD

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This follows Ford's announcement on 23 May 2013 that it will cease vehicle and engine manufacturing at Broadmeadows and Geelong in October 2016. This will result in around 1,200 direct job losses and up to a further 5,000 in the supply chain. Ford will continue its global D&E operations and maintain its Head Office functions at Broadmeadows which will support over 1,500 jobs post-2016.

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ATTACHMENT B

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ATTACHMENT C

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ATTACHMENT D

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ATTACHMENT E

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ATTACHMENT F

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DEPARTMENT OF INDUSTRY

Parliamentary Secretary for Information
By 22/10/13 in preparation for meeting with Departmental Officials

Min ID: B13/1910
File No:

cc: Minister Macfarlane

STATE OF THE AUTOMOTIVE INDUSTRY

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Sensitivities:

- On 15 October 2013, Toyota announced it will offer 100 voluntary redundancies to production line employees in the face of a drop in export orders.
- Holden has reduced its workforce by around 600 jobs over recent months.
- In May 2013, Ford announced its intention to cease vehicle and engine manufacturing in October 2016.

Mark Durrant (+61 2 6213 7540)
General Manager
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18 October 2013

Consultation: NIL

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Contact: s22 irrelevant material

Activity:

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Quality of Brief:	1	2	3	4	5	Comments:
1 = Briefing did not provide adequate advice/information						
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STATE OF THE AUSTRALIAN AUTOMOTIVE INDUSTRY

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Employment

Automotive industry employment averaged around 45,000 persons in the year to August 2013, down 38 per cent from an average 73,200 persons employed in the year to August 2004 (2004 was the most recent peak of automotive production in Australia since the 1970's). Around two-thirds of industry employment is involved in the passenger, SUV and light commercial vehicle manufacturing segment, with the remaining third involved in heavy vehicle and aftermarket manufacturing.

According to 2011 Census data, over half of all automotive industry employment is located in Victoria with around 40 per cent spread evenly across New South Wales, Queensland and South Australia. Typically, automotive employment is located in areas of social disadvantage as measured by higher than average unemployment and youth unemployment rates and other measures such as high migrant populations and low educational attainment levels. Areas that exhibit some, if not all of these measures and that have a high dependency on automotive employment include Northern

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Adelaide, Outer Western Melbourne and South Eastern Melbourne. As at the end of 2013, these regions all had higher than average unemployment and youth unemployment.

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Ford

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This follows Ford's announcement on 23 May 2013 that it will cease vehicle and engine manufacturing at Broadmeadows and Geelong in October 2016. This will result in around 1,200 direct job losses and up to a further 5,000 in the supply chain. Firms such as Futuris are likely to close their sites that supply directly to Ford such as its plant at Campbellfield, which employs around 220 persons. Ford will continue its D&E operations and maintain its Head Office functions at Broadmeadows which will support over 1,500 jobs.

Holden

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26 July 2013, 400 manufacturing employees at Holden's Elizabeth facility accepted voluntary redundancies and left the company. A further 200 voluntary redundancies have also affected Holden's Port Melbourne facility involving mostly D&E employees (150 voluntary redundancies in D&E and 50 forced redundancies in other office roles) in September 2013. This has left around 3,678 persons at Holden including 1,749 persons at Holden's vehicle assembly plant in Elizabeth and around 1,517 at its Port Melbourne facility. Around 900 persons will remain employed in D&E activities at Holden.

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Toyota

s22 irrelevant material

15 October 2013, Toyota announced that it will offer 100 voluntary redundancies to its full-time production workforce. The voluntary redundancies will occur at Toyota's Altona plant and are to take effect on 29 November 2013. This will reduce Toyota's total workforce to around 4,100 persons.

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Supply Chain

There is currently 144 supply chain firms registered under the Automotive Transformation Scheme (ATS), a decrease of 28 per cent since 2008 when 200 supply chain firms were registered. These firms employ around 16,000 workers across all Australian States (but not Territories) mostly in areas of social disadvantage such as North Adelaide, North West Melbourne and Outer Eastern Melbourne.

The supply chain is likely to experience significant pressure in the short and medium-term as a result of falling production volumes, lower local content of next generation vehicles and the cessation of production by Ford. It is estimated that by 2017, the local parts spend by the MVPs will fall to around \$1.4 billion (or 40 per cent lower than in 2012). It is estimated that around 20 supply chain firms will

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ATTACHMENT A

be directly impacted by Ford's exit from the industry and if production volumes and/or local content falls from Holden and Toyota, a further 20 to 30 firms may also face significant pressure.

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Minister for Information
By 22 November 2013 (routine)

Min ID: B13/2088

REPORTS ON THE AUSTRALIAN AUTOMOTIVE INDUSTRY

Recommendation: That you note the information provided.

Key Points:

The strategic role of the Australian automotive manufacturing industry

- The Federal Chamber of Automotive Industries (FCAI) commissioned Allen Consulting Group to produce a report on the strategic importance of the Australian automotive manufacturing industry. s22 irrelevant material

(FDI); there would be employment losses of some 33,000 jobs in Melbourne and 6,600 jobs in Adelaide; s22 irrelevant material

s22 irrelevant material

- The campaign quotes numbers specific to employment, research and development (R&D), exports and repeatedly states that automotive workers have diverse skills which can be transferred to other industries. Some of the statistics in the report overstate the importance of Holden and automotive manufacturing to the State (refer Attachment B). For example, it states that up to 13,000 jobs are dependent on automotive manufacturing. This is double the estimated job losses in the State as forecast in the FCAI report. It also suggests there will be more direct automotive jobs lost than there are automotive workers in the State.

Economic importance of Holden to South Australia.

- The *More than Cars* campaign has been informed by a report on the economic contribution of Holden to the South Australian economy written by Barry Burgan and John Spoeher.
- This report was featured on the 7:30 Report on 5 November 2013. It found that the impact on the State's economy should Holden close its Elizabeth assembly plant would be: 13,200 jobs lost; a reduction in Gross State Product of \$1.24 billion; and the tax base shrinking by \$22 million. The report uses the input-output tables as the basis for modelling. These lead to estimates which overstate the importance of Holden to the South Australian economy, including the employment estimate, (refer Attachment C).

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General Manager
Automotive
Industry Division
8 November 2013

Consultation:
Industry Economics and Analysis
Division

NOTED/PLEASE DISCUSS

Contact: s22 irrelevant material

Ian Macfarlane / /

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ATTACHMENT A
THE STRATEGIC ROLE OF THE AUSTRALIAN
AUTOMOTIVE MANUFACTURING INDUSTRY – A REPORT
TO THE FCAI

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ATTACHMENT B

MORE THAN CARS CAMPAIGN

On 31 October 2013, the Hon Jay Weatherill MP, Premier of South Australia (SA) launched his Government's *More than Cars* campaign in support of the automotive industry. The launch was accompanied by a video posted on-line at <http://www.morethancars.com.au/>.

The *More Than Cars* campaign will spend \$350,000 on a push to boost community awareness on the role and importance of the automotive industry to the South Australian economy.

The key claims of the campaign are:

- In South Australia, the automotive industry has 33 direct suppliers, 700 indirect suppliers and has an impact on thousands of businesses, workers and families in the State;
- Up to 13,000 jobs in South Australia are dependent upon the automotive industry;
- Over 10 per cent of the State's manufacturing workforce is employed in the automotive industry;
- The Australian automotive industry employs 52,000 people directly;
- The Australian automotive industry was the largest contributor to manufacturing research and development - \$700 million in 2010 – 11;
- Around \$3.3 billion worth of vehicles and components were exported in 2011;
- The automotive industry is more than cars. It means jobs, people and the community;
- The automotive industry is a key driver of innovation and builds skills that can be used in a range of industries; and
- Workers in the automotive industry build a range of diverse skills that are easily transferable to other industries.

In South Australia, the automotive industry has 33 direct suppliers, 700 indirect suppliers and has an impact on thousands of businesses, workers and families in the State.

Departmental figures indicated that South Australia has 34 direct suppliers to Ford, Holden and Toyota.

The automotive industry means up to 13,000 jobs in South Australia (based on the Burgan Report October 2013). Over 10% of the State's manufacturing workforce is employed in the automotive industry.

The claims are based on research and modelling undertaken in 2011 by Barry Burgen for the South Australian Government (refer Attachment C). The data primarily used in this study is taken from the SA Input Output tables for 2007 prepared for the Department of Trade and Economic Development, in March 2009. Modelling undertaken for the Allen Consulting Group (refer Attachment A) found the closure of the automotive industry in Australia would lead to 6,600 lost jobs in South Australia. This estimate is one-half that claimed in the Campaign.

In addition, in November 2013 an updated study was released. The study utilised more recent data, placing some of the conclusions of the campaign in doubt. This is particularly so, for example, in the case of the employment data, where updated study states that the automotive industry supports 9,500 jobs, a reduction of 3,500 jobs over the Campaign claim. This report, however, still asserts the closure of the industry would lead to 13,000 lost jobs in the State.

The November 2013 updated assessment 'The Contribution of GMH Elizabeth Operations to the South Australian economy and the Potential Impacts of Closure' (Burgan and Spoehr, November 2013) states that, as of 2013, 9,500 Full Time Equivalent jobs were supported by the automotive industry. This represented 8.3 per cent of the State's manufacturing workforce.

Australian automotive industry employs 52,000 people directly.

The Australian automotive industry employment averaged 45,007 in the four quarters to August 2013, down from 50,376 in the same period in 2012.

Australian automotive industry was the largest contributor to manufacturing research and development - \$700 million in 2010 - 11

In 2011-12, the automotive industry spent \$692.8 million on research and development, down from \$739.7 million in 2010-11.

Around \$3.3 billion worth of vehicles and components were exported in 2011

In 2012, Australia's automotive exports were \$3.7 billion of which vehicles were \$2.1 billion and parts \$1.6 billion.

The automotive industry is a key driver of innovation and builds skills that can be used in a range of industries.

2011 Census data indicates that 14.8 per cent of automotive employees have qualifications at the bachelor degree level or higher, compared to 13.7 per cent in the manufacturing sector (excluding automotive employees). In addition, over 40 per cent of all automotive industry employees have a certificate level qualification or an advanced diploma, which is two per cent higher than for the rest of manufacturing. The automotive workforce also has a lower percentage of employees with no post-school qualifications, at 41 per cent in comparison with 44 per cent for the rest of manufacturing.

Other domestic industries, such as iron and steel manufacturing, provide significant inputs to the automotive industry. The automotive industry is the largest user of professional, scientific and technical services in the manufacturing sector, underlining its importance to advanced manufacturing processes.

Workers in the automotive industry build a range of diverse skills that are easily transferable to other industries.

The automotive industry ranks equal fifth out of the total 16 manufacturing subdivisions in terms of the proportion of highly skilled employees (bachelor degree level or higher) it contains, with only Basic Chemical and Chemical Product Manufacturing (33.4 per cent), Beverage and Tobacco Product Manufacturing (26.0 per cent), Petroleum and Coal Product Manufacturing (25.3 per cent), and Machinery and Equipment Manufacturing (19.2 per cent) having a higher proportion of employees with qualifications at the bachelor degree level or higher.

For the entire Australian economy, this number is 15.2 per cent. This is largely a result of some services sectors which have high proportions of employees with qualifications at the bachelor degree level or higher. These include Education and Training (60 per cent), Financial and Insurance (40 per cent), and Information Media and Telecommunications (36.5 per cent).

ATTACHMENT C

THE CONTRIBUTION OF GMH ELIZABETH TO THE SOUTH AUSTRALIAN ECONOMY AND THE POTENTIAL IMPACTS OF CLOSURE REPORT

On 4 November 2013, the Australian Workplace Innovation and Social Research Centre released a report written by Barry Burgan and John Spoehr for the South Australian Government on the economic importance of Holden to the South Australian economy. This was an update of a previous paper written in 2011, and which informed the South Australian Government's *More than Cars* campaign.

The report finds that should Holden close its Elizabeth assembly plant:

- 13,200 jobs would be lost in South Australia;
- South Australia's Gross State Product would fall by \$1.24 billion; and
- South Australia's tax base would shrink by \$22 million.

Modelling the Impact of Holden's Contribution to the South Australian Economy

The report uses input-output tables as the basis for modelling the importance of Holden to the South Australian economy. Input-output tables provide a detailed dissection of intermediate transactions in an economy. As such, they are a means of describing the supply and use of products in an entire economy. However, they have limitations in helping determine the economy-wide effects from a change in output from an industry in the medium to longer term. For example, they assume prices are unaffected, industry structures do not change and they lack budget constraints.

The results from this modelling indicate that more than 4,300 automotive industry jobs in South Australia are dependent upon Holden for employment. This is slightly higher than all automotive industry employment in the state as reported by the Australian Bureau of Statistics. It would also be expected that the closure of Holden would not affect firms involved in truck body and trailer manufacturing or firms producing automotive aftermarket components. As such, the modelling overstates the number of direct jobs dependent upon Holden.

Further, the modelling assumes those employed in sectors such as transport and storage, wholesale and retail trade and so on rely solely on locally-manufactured Holden vehicles for income and employment. Rather, many of these jobs would be retained in logistics and sales of imported (into South Australia) vehicles should Holden cease manufacturing. These factors would suggest the 13,200 jobs lost as a result of Holden's closure are also overstated.

The report does acknowledge that should Holden close, resources would be diverted to other uses and the total impact would be less than estimated. It notes that computable general equilibrium modelling (i.e., CGE models such as the Monash model) would include relationships where the decline in demand for resources associated with Holden's closure would result in falling prices (e.g., real wages, property prices and so on) and therefore increased output and employment in other sectors.

The Allen Consulting Group used a CGE model to determine the effects of the total closure of the industry. It found employment in South Australia would fall by around 6,600 persons in 2018 should the industry close over 2017 and 2018. This is around one-half of the employment impact in the South Australian report.

From: MediaTeam <MediaTeam@industry.gov.au>
Sent: Friday, 6 December 2013 3:29 PM
To: Durrant, Mark; s22 irrelevant material

Cc:
Subject: Summary of CCH & other reports re car industry [SEC=UNCLASSIFIED]
Attachments: 340Q1100.doc; image003.png; image006.png; image004.jpg; image007.jpg; image002.jpg

Hi,

For info. A short summary of media activity relating to today's GM Holden stories.

s22 irrelevant material

AMWU National Secretary Paul Bastian said reports attributed to unnamed Government ministers that Holden will leave Australia by 2016 were deeply troubling for 50,000 auto workers and called on Holden to clarify the situation for their sakes. ✓

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Kim Carr Shadow Minister for Innovation and Industry holds a press conference in the Senate Courtyard Parliament House Canberra Carr comments that there needs to be a serious intervention by the Prime Minister if the car industry and the 200,000 jobs and hundreds of businesses it supports - is to survive. Carr asks why has there been no mission to Detroit to talk to senior management at General Motors from the Minister Carr says that the Coalition knew the timetable for a decision is urgent and has known this since before Christmas last year. These are international decisions about the roll out of new models that need to be made. Carr says that this is a failure of the Abbott Government to face up to its responsibilities and that we are faced with a situation that we don't need to be in. With our New Car Plan for the 2020s Labor had secured the future of automotive in Australia and the coalition has totally failed to act on securing the jobs in the manufacturing sector.

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Automotive related website (linked from the SA Premier's website)
It's more than cars

Without a decision on national funding soon, the future of automotive manufacturing in Australia is uncertain.
This means up to 13,000 people will lose their jobs in South Australia alone.

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**SENATOR KIM CARR
SHADOW MINISTER FOR HIGHER EDUCATION,
RESEARCH, INNOVATION AND INDUSTRY
SHADOW MINISTER ASSISTING THE LEADER FOR
SCIENCE
SENATOR FOR VICTORIA**

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There needs to be a serious intervention by the Prime Minister if this industry – and the 200,000 jobs and hundreds of businesses it supports - is to survive.

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