



Australian Government

Australian Government response to the Senate Economics References Committee Report

Future of Australia's Automotive Industry

September 2017

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Economics References Committee Future of Australia's Automotive Industry

Government Response

The Australian Government welcomes the Economics References Committee (the Committee) Report into the *Future of Australia's Automotive Industry* and thanks the Committee for its considered report. This response outlines the Government's view on the Committee's recommendations contained in the final and interim reports.

Automotive passenger vehicle manufacturing has been a great part of Australia's economic and social history. It has been a significant contributor to employment, to regional economies, to research and development and to Australia's exports. And it has long received bi-partisan support from Governments. The automotive passenger vehicle manufacturing sector received \$18.4 billion from 2000-01 to 2014-15 through tariff protection and budgetary assistance¹. This includes around \$1.7 billion in assistance from the Automotive Transformation Scheme (ATS) to date, while the total automotive assistance including through its predecessor the Automotive Competitiveness and Investment Scheme since 2001, is \$7 billion.

However, things changed with the decisions by Toyota (announced 10 February 2014) and Holden (announced 11 December 2013) to end their automotive vehicle manufacturing in Australia by the end of 2017, following Ford's earlier decision (announced 23 May 2013) to wind up manufacturing in 2016. Toyota and Holden have since confirmed the dates they will cease manufacturing as 3 and 20 October 2017 respectively. The manufacturers cited the then high Australian dollar, a highly competitive market and relatively small production volumes for their decisions. All three manufacturers have plans to continue an Australian presence through their other automotive industry activities such as national sales and distribution, as well as engineering services and design/product development. Toyota will maintain around 150 highly skilled engineering and technical roles in Victoria, in addition to over 1200 sales and marketing positions. This is on top of the 1750 engineers, designers and technicians retained by Ford in Victoria and the 300 to 350 design and engineering jobs GM Holden will retain post 2017.

The future of manufacturing in Australia lies in these kind of value-adding activities, from product concept, research and development, design and production to distribution and after-

¹ Various Trade and Assistance Reviews (2000-2015), Productivity Commission, Commonwealth of Australia.

sales service. Australia must remain competitive as manufacturing around the globe undergoes major transformation. The Australian Government has been on the front foot of this transition to advanced manufacturing, firstly through the successful \$155 million Growth Fund, and now with the announcement of the new \$100 million Advanced Manufacturing Fund which will boost innovation, skills and employment in advanced manufacturing as industries transition following the wind-down of vehicle manufacturing. The new fund will help car-related businesses move into other industries and fund tertiary engineering courses and research into manufacturing techniques.

The Advanced Manufacturing Fund will include the following elements:

- \$47.5 million for a new Advanced Manufacturing Growth Fund, committed over two years, to provide matched funds of up to a third of the cost of capital upgrades to establish and expand high value manufacturing in South Australia and Victoria;
- \$4 million for the Advanced Manufacturing Growth Centre, committed over two years, to support small scale and pilot research projects in advanced manufacturing, benefiting small firms and early stage researchers, allowing them to quickly move to larger scale research or commercialisation;
- \$20 million under the Cooperative Research Centre – Projects initiative, committed over two years, for larger scale advanced manufacturing research projects of up to \$3 million in funding over three years;
- \$10 million to establish Innovation Labs in South Australia and Victoria to serve industry in a variety of roles including test centre facilities and business capability development, delivered through existing government services like Entrepreneurs' Programme, Industry Growth Centres and Austrade;
- \$5 million to maintain engineering excellence by investing in student research at universities, technology institutions and in industry to maintain the flow of highly trained engineers to the automotive design and engineering sector; and
- Removing tariffs on imported vehicle prototypes and components used by Australian motor vehicle design and engineering services that operate in a global network.

The Advanced Manufacturing Fund is the latest instalment in the Australian Government's support for the transition of the automotive passenger vehicle manufacturing sector since 2013. The three year window for transition has provided a unique opportunity for businesses to diversify and for workers to reskill. In addition to the \$100 million Advanced Manufacturing Fund, there are a variety of initiatives that have supported and will continue to support the Australian automotive industry in its transition, including those workers and businesses affected by the closures.

The Automotive Transformation Scheme (ATS) is a legislated entitlement scheme that provides assistance to registered participants for the production of motor vehicles and engines. The Scheme aims to encourage competitive investment, innovation and economic sustainability in the Australian automotive industry. The continuation of the ATS, as legislated to 2020, will support an orderly transition of the automotive manufacturing sector post 2017. This means, firms who undertake eligible ATS activities, including in the export side of their businesses, can continue to apply for funding during this period.

The Government recognises while in transition, business could benefit from reduced regulatory burden of ATS participation. The Government will review the administrative regulations that impact on businesses transitioning, such as re-registering for the ATS, or changing registration categories from a Motor Vehicle Producer to an Automotive Services Provider, or registering under the national interest provisions of the ATS. The Government understands the time pressures businesses are under, and will consult with ATS participants on how best to reduce the regulatory burden associated with the ATS.

One thing must be made clear though: The decline in demand for locally made vehicles has resulted in a reduction in production volumes. This has seen a corresponding fall in demand for the ATS, so expenditure has correspondingly declined. That has led to calls for the ATS “underspend” to be redirected for other activities, such as funding for other related automotive activities such as caravans and trailers or the aftermarket component makers – sectors their respective industry associations report are growing. The ATS has a legislated cap with expenditure based on claims for eligible activity. Budget provision is made on estimated demand. There is no underspend that can be redirected for other purposes should the legislated cap not be reached, no ATS ‘pot of money’ to use for non-ATS eligible activities.

Support is already available to these other growing sectors through other Government initiatives such as skills and training initiatives, the R&D Tax Incentive, and the National Innovation and Science Agenda. The Government is focused on getting the economic framework right for further investment and job creation by businesses.

The transition of the sector is complemented by the Government’s successful \$155 million Growth Fund, developed in response to the decisions by Holden and Toyota to end passenger vehicle manufacturing in Australia by 2017. The Growth Fund is helping automotive workers transition to new jobs, encouraging diversification by automotive supply chain firms, and accelerating new private sector business activity outside of car manufacturing in Victoria and South Australia.

The Growth Fund comprises four elements:

- The \$90 million Next Generation Manufacturing Investment Programme (NGMIP) which aims to accelerate private sector capital investment in areas of high value manufacturing, in Victoria and South Australia. The programme has resulted in

grants worth \$87.1 million to 48 firms across both states, for expected investment totalling over \$282 million. The funded projects support high value manufacturing across a wide range of sectors, including defence and aerospace, pharmaceuticals, medical devices, precision engineering and engineered timber building products.

Grant recipients in Victoria include Sealite which is establishing a new manufacturing centre for specialist marine navigation aids and aviation ground lighting systems, MiniFAB which is manufacturing medical diagnostic consumables with built-in bioassays and molecular reagents, and Third Zeton which manufactures road transport tankers.

Grant recipients in South Australia include LaserBond which is producing innovative mineral extraction tool products, Seeley International which manufactures evaporative coolers and air conditioners and Ezy-Fit Engineering which manufactures heavy-duty hydraulic cylinders.

- The \$30 million Skills and Training Initiative funded by Toyota and Holden provides access to tailored support services to help employees transition to a new job, career, their own business or retirement.

The \$30 million Skills and Training Initiative, open until the end of 2018, is helping automotive workers find new jobs before they are retrenched. The initiative will provide displaced Holden and Toyota and automotive supply chain workers with access to a range of information services, careers and training advice, skills recognition and training as well as support to find a new job.

Funded by Holden and Toyota, this is primarily assisting their workers, however, Toyota have specifically partitioned \$3 million of their contribution for workers in their supply chain.

- The \$15 million extension to the Automotive Industry Structural Adjustment Programme (AISAP) supports workers who have lost their job in the automotive manufacturing industry, including component suppliers. The AISAP provides retrenched workers with immediate access to intensive employment support, including further training, licences or tickets, to help them find new jobs suited to their circumstances. This type of assistance will be available for affected workers until 30 June 2018.

This complements South Australian and Victorian Government programmes and includes information about jobs in demand in local and regional areas, financial education, careers and training advice, skills recognition and training.

- The \$20 million Automotive Diversification programme (ADP) assists automotive supply chain firms to diversify, develop new products and processes and expand into new markets. The ADP has generated \$51 million in private sector investment over three rounds of grants, announced between March 2015 and March 2016.

Grant recipients in Victoria include Australian Precision Technologies which is manufacturing components for aerospace and defence, Dolphin Products which is producing booster detonator retention items for the mining industry, and Venture DMG which is manufacturing edge-lit light display panels.

Grant recipients in South Australia include precision parts manufacturer Precision Components Australia which is manufacturing heliostat fields for solar thermal power generation, Numetric Manufacturing which is helping to make tail fins for the F-35 Joint Strike Fighter Program, and Quality Plastics and Tooling which expanded its clean room and in-mould labelling facilities to produce thin walled containers for the medical, food processing and cosmetic sectors.

The Australian Government also provided support for Ford workers and component manufacturing supply chain workers through the Ford Workers in Transition project which commenced in June 2013 and concluded in April 2017.

The project complemented Ford and Victorian Government transitional support for Ford workers. Pre-closure, the focus of activity through the project was on job readiness and employability skills through a range of activities. Post-closure, the focus was on the continuation of support services through outreach centres.

Jobs Fairs – connecting retrenched workers with local jobs

As part of the Government's commitment to supporting automotive workers transition into new employment, the Australian Government has run two jobs fairs targeted at Ford workers, impacted supply chain workers, their families and local communities. The Geelong Jobs Fair occurred on 25 July 2016 with around 40 exhibitors and over 600 jobs available. Around 870 job seekers attended this event. The Broadmeadows Jobs Fair occurred on 24 August 2016 with around 50 exhibitors and over 1000 job opportunities. Over 4000 job seekers attended this event.

The Department of Employment will run another six Jobs Fairs across Geelong, Melbourne and Adelaide in 2017 to further support automotive workers.

Following the announcement of the closure of Ford's manufacturing operations, the Geelong Region Innovation and Investment Fund (GRIIF) and Melbourne's North Innovation and Investment Fund (MNIIF) were established. The GRIIF and MNIIF are joint responses by the Australian and Victorian governments, together with Ford and Alcoa, to support innovative,

job creation projects that strengthen and diversify their respective regional economies and employment bases. These programmes show that the Government understands that the transition of Australian manufacturing is causing broader shifts in regional areas.

The funds, as initially announced as part of a package to support the regions impacted by Ford's closure from October 2016 were each \$24.5 million. In 2014, the GRIIF, comprised of the Australian and Victorian governments, together with Ford, was increased by \$5 million following a contribution from Alcoa to support the region affected by its decision to close its Port Henry aluminium smelter and rolling mill in Geelong.

Three rounds of GRIIF funding have been completed with 17 grant recipients undertaking projects supported by funding totalling \$26.9 million to create an estimated 818 jobs and leverage over \$213 million in total project investment. As at 31 August 2017, 897 new jobs had been created and \$129.1 million had been invested.

Two rounds of MNIIF funding have been completed with 20 grant recipients undertaking projects supported by funding totalling \$18.8 million to create an estimated 487 jobs and leverage over \$92.4 million in total project investment. As at 31 August 2017, 558 new jobs had been created and \$86.5 million had been invested.

Automotive Supplier Excellence Australia (ASEA)

Business capability development is an important complement to the Automotive Diversification Program which has been funding capital equipment purchases.

Automotive Supplier Excellence Australia (ASEA) is a national programme established to assist tiers 1, 2 and 3 within the Australian automotive supply base to achieve world-class levels of competitiveness and sustainability. Since 2007, ASEA have worked with more than 120 companies within the automotive supply chain, including some who have set up manufacturing facilities in South East Asia.

ASEA had previously received a \$2.6 million competitive grant from the Australian Government up to June 2016 to work with supply chain companies to transition and diversify them outside of the automotive industry.

The Australian Government has now provided an additional \$1.125 million in funding to allow ASEA to keep improving and diversifying these businesses up to the end of passenger vehicle manufacturing at the end of 2017. The extension in funding will allow ASEA to work with around 20 further companies.

Manufacturing will continue to be an important element in Australia's industry mix. It adds diversity and depth to economic activities that provide resilience to global and domestic economic changes. It is a supplier and market for other industries, and makes large contributions to research and development, skills and technology transfer, exports, productivity growth and jobs.

The Government is committed to ensuring that our manufacturing industry is internationally competitive and moves in step with the global transition to the smart, value-added and export-focused industries of the future.

Ford's Asia-Pacific Product Development Centre (APPDC)

With the cessation of domestic vehicle manufacturing, Ford Australia will now focus on non-sales and marketing activities at its Asia-Pacific Product Development Centre. The APPDC headquarters, located at Broadmeadows, has already evolved into a R&D innovation hub and will serve as the primary product development campus, aiming to accelerate the pace of new vehicle launches and lead consumer driven product improvements. When combined with the R&D Centre at Geelong and the Ford Proving Ground at Lara, Ford Australia has an estimated product development workforce of approximately 1,750 people. The three facilities will continue to design, engineer and test vehicles with leading quality, fuel economy, safety and smart technologies for global markets and customers.

Ford Australia has announced that it has ongoing business with around 63 Australian component suppliers to ensure the supply of service/replacement parts for up to ten years. In addition, around 19 of these local suppliers have earned business within Ford's global supply operations.

Holden

Post 2017 Holden will continue its Global Design centre based at its Port Melbourne headquarters in addition to the Lang Lang Proving Ground to adapt and test imported vehicles for Australian conditions. Engineering work conducted will cover vehicle structures and dynamics, power train specialising in global V6 engines and global emissions calibration, and advanced vehicle development. Holden estimates it will retain around 300 to 350 design and engineering jobs between the two sites.

Toyota

Toyota Motor Corporation Australia's post-manufacturing business model will include a number of strategic automotive R&D functions supporting approximately 150 engineering, design, and technical training roles in Victoria. This includes the dedicated design studio, the expanded vehicle evaluation facility and workshop, the proving ground, the multimedia and connect mobility workshop, and the Toyota genuine accessory engineering centre and workshop.

These functions will specialise in a range of areas including: styling design, software design, heavy duty off road vehicle performance development, benchmarking, and technical and driver training.

The Government is implementing the \$1.1 billion National Innovation and Science Agenda (the Agenda) which is a blueprint for building a more innovative Australia, and will position our country to seize the next wave of economic prosperity. The Agenda comprises a suite of initiatives designed to encourage businesses to be more innovative. It is designed to help deliver new sources of growth, maintain high-wage jobs and seize the next wave of economic prosperity. As in many other areas of industry, advances in technology have the potential to transform existing manufacturing business and build new ones; and to create new products, processes and business models.

The Agenda is building on key measures the Government already has in place including its \$250 million Industry Growth Centres initiative. The Growth Centres Initiative is the centrepiece of the Government's industry policy direction to boost Australia's productivity and competitiveness. Growth Centres have been established in six key sectors of the Australian economy:

- Advanced Manufacturing;
- Cyber Security;
- Food and Agribusiness;
- Medical Technologies and Pharmaceuticals;
- Mining Equipment, Technology and Services (METS); and
- Oil, Gas and Energy Resources.

Each Growth Centre highlights opportunities and drives activities to boost productivity by increasing collaboration and commercialisation, improving management and workforce skills, reducing red tape and assisting the sector to engage in international markets. The Growth Centres are working to realise commercial opportunities and drive innovation by building links between businesses and industry organisations and the science and research sector. They will continue to assist Australian industry to better capitalise on the excellent research and development undertaken and scientific knowledge generated in Australia.

The Advanced Manufacturing Growth Centre (AMGC) has established collaboration hubs in 3D printing, advanced materials and industry 4.0, to leverage off our strong research base in these areas and encourage stronger collaboration with industry. The Growth Centre will work closely with the Innovative Manufacturing Cooperative Research Centre to accelerate Australia's rapid transition into high value, high knowledge-based manufacturing.

One of the key areas of advanced manufacturing for Australia is defence industries. The Government has established a new Centre for Defence Industry Capability

(CDIC) to help build a strong, sustainable, internationally competitive, Australian industry that meets defence capability requirements.

The CDIC is the front door for business to access the Government's defence industry business advice and grants. The CDIC also facilitates access to the Government's new Defence Innovation Hub and Next Generation Technologies Fund, which are key elements for building Australia's integrated defence innovation ecosystem as an essential part of our economy.

The CDIC is delivered through the Department of Industry, Innovation and Science's AusIndustry to leverage the networks and expertise of other business support programmes. The CDIC's national presence is enhanced by accessing and working with AusIndustry Regional Managers.

In addition to the advisory services and grants that businesses can apply for the CDIC is providing new ways for defence and industry to work together to ensure a closer alignment between industry's investment in future skills and defence's capability needs.

The Entrepreneurs' Programme is also working with 639 advanced manufacturing businesses to help them fundamentally review their processes and operations. The Programme uses experienced Advisers and Facilitators, drawn from industry, to ensure businesses get the advice and support they need to improve their competitiveness, productivity and to maximise their growth potential. The primary focus is on providing access to tailored advice and connection and networking opportunities to grow their business and capitalise on opportunities. This is done through three elements:

- Accelerating Commercialisation: providing expert guidance, connections and financial support to assist small and medium businesses, entrepreneurs and researchers to find the right commercialisation solutions to their novel product, process or service;
- Business Management: providing support for business improvement and growth; and
- Innovation Connections: providing support for business to collaborate with the research sector and connect with appropriate sources of expertise, technology and advice.

Although not specifically focused on auto diversification, the Entrepreneurs' Programme through its Business Management element, is currently building the capabilities of automotive component suppliers in niche markets. For example, projects are currently underway, focusing on the supply chain of a manufacturer of long haul trucks, and another on the conversion of imported vehicles.

Through the Ministerial Forum on Vehicle Emissions, the Government is working with the automotive sector to address environmental and health challenges and keep Australia in line with international vehicle markets. The Forum is consulting on three measures to reduce emissions from motor vehicles: new fuel efficiency standards for light vehicles, stronger air pollution standards for cars, trucks and buses, and improved fuel quality standards. The Forum is also considering support for emerging technologies.

From 20 December 2016 to 10 March 2017, the Ministerial Forum released for public consultation two Regulation Impact Statements on:

- new fuel efficiency standards for light vehicles; and
- tighter noxious emissions standards for light and heavy vehicles.

The Ministerial Forum also released a discussion paper on options to improve fuel quality standards.

Over 40 submissions were received on both Regulation Impact Statements and over 70 were received on the discussion paper. The submissions were made by businesses, individuals and other organisations, including vehicle manufacturers, state governments, transport operators, consumer, health and environment groups.

The Government will consider all submissions as it finalises its position on these issues.

In summary, Australia's automotive industry has been in transition and will continue to be an important part of Australia's economic prosperity. The Australian Government has provided and is continuing to provide significant assistance for the transition of the sector, its workers and businesses. To be globally competitive the transition of the automotive industry must focus on adapting to new technologies, expanding into new markets and connecting to global opportunities. The Australian Government has the policies and programs in place to enable the transition.

Attachment A addresses the recommendations made in the Committee's Report into the Future of Australia's Automotive Industry. **Attachment B** addresses additional recommendations from the Australian Greens and the Australian Motoring Enthusiast Party.

Attachment A

Recommendations made in the Committee's Report

Recommendation 1

The committee recommends that the Australian Government work with stakeholders— across industry, unions and state and territory governments—to develop an internationally competitive automotive industry policy framework for the entire industry, recognising the strategic role the industry can continue to play in a diversified economy.

The Australian Government **notes** this recommendation.

The Government has worked with stakeholders across the industry on the development and implementation of automotive initiatives. The Government will continue to work with stakeholders across the industry as the automotive industry continues to transition.

Automotive manufacturing is part of a broader set of manufacturing activities in Australia that are critical to the economy. The Government has a broad set of initiatives aimed at promoting innovation in the Australian economy, including manufacturing.

The Government will work closely with a range of stakeholders across industry, research, and government on the implementation of the \$100 million Advanced Manufacturing Fund.

Recommendation 2

The committee recommends that the Australian Government maintain the current level of Automotive Transformation Scheme (ATS) funding through to 2020-21 as provided for in the ATS Act, and allow current underspends in the ATS to be brought forward from stage 1 (ending 2015-16) to stage 2 (ending 2020-21).

The Australian Government **partially supports** this recommendation.

The ATS will remain as legislated so that it will continue to support the orderly transition of the automotive manufacturing sector post 2017. The ATS has a legislated cap for a particular purpose with expenditure based on eligible activity. Therefore, there is no “underspend” that can be used for other purposes, should the legislated cap not be reached.

Recommendation 3

The committee recommends redefining the ATS into a broader, automotive-related advanced manufacturing, engineering and design program that is intended to

maintain skills and industrial capabilities and mitigate the loss of jobs by supporting supply chain diversification, new manufacturing investment and jobs growth.

The Australian Government **does not support** this recommendation.

The Australian Government has no plans to amend the ATS. The ATS aims to encourage competitive investment, innovation and economic sustainability in the Australian automotive industry. The Government already has a broad range of initiatives that support many different aspects of Australian manufacturing such as the Advanced Manufacturing Fund, the Growth Fund, the Entrepreneurs Programme, the R&D Tax Incentive and the National Innovation and Science Agenda. These measures assist manufacturers to improve different business areas from product concept, research and development, design and production, to distribution and after-sales service. This will enable manufacturers to transition to the necessary skills and capabilities needed for smart, niche and export-focused industries of the future.

Recommendation 4

The committee recommends that the object of the Automotive Transformation Scheme Act be updated to better reflect the current situation within industry and the need for targeted support for diversification and transformation activities, particularly in the automotive manufacturing supply chain. The new object should specify that the ATS is designed for the promotion and growth of advanced automotive industries in Australia, including: components and materials, new technologies, engineering and design for both domestic and offshore customers when that work is performed in Australia.

The Australian Government **does not support** this recommendation.

As noted, the Australian Government has no plans to amend the ATS. This means, firms who undertake eligible ATS activities, including in the export side of their businesses, can continue to apply for funding during this period.

However, the Government recognises while in transition, automotive businesses currently supported by the ATS could further benefit by reducing some the regulatory burden of the ATS. The Government will consult with participants on elements of the ATS regulations that may be a barrier to the further transition of the sector.

Automotive diversification is already being actively supported through the Growth Fund and will be assisted by the new Advanced Manufacturing Fund.

Recommendation 5

The committee recommends that the ATS rules and eligibility criteria should be amended to encourage further investment in research and development (R&D) so that manufacturers can continue to secure complex design and engineering work and to provide greater support for diversification initiatives, including (but not limited to):

- amend the ATS rules to allow for the claiming of R&D relating to products and services for non-automotive industry sectors to facilitate the transition of manufacturers out of motor vehicle production;
- amend the ATS rules to allow for the claiming of R&D and engineering services across the registration categories for both domestic and offshore automotive customers when that work is performed in Australia;
- amend the definition of automotive services so that the concept of eligible automotive services is broader than passenger motor vehicles and light commercial vehicles (and covers all modes of mobility);
- remove the once a year registration requirement to allow for ease of movement between ATS registration categories as the transition within the industry progresses; and
- amend the ATS rules to allow motor vehicle producers to remain eligible for the scheme, even in the event of declining production volumes.

The Australian Government **does not support** this recommendation.

As noted, the Government will consult with the sector on how best to reduce the regulatory burden associated with the ATS, to assist in the transition of the sector.

The ATS already supports R&D of automotive manufacturers and the automotive supply chain. As defined in the ATS there are a broad range of R&D activities for creating new or improved materials, products, devices, production process or services that are supported by the program.

The automotive industry also benefits from the broad range of existing initiatives that can support its R&D activities, such as the R&D Tax Incentive, the Advanced Manufacturing Fund, the National Innovation and Science Agenda, the Growth Fund, Cooperative Research Centres and the Industry Growth Centres Initiative.

Recommendation 6

Government must recognise that the automotive industry will endure. Given this recognition, the committee recommends that the government devote the necessary resources across a range of government departments to ensure the process of transformation continues. This includes a redefinition of the automotive industry to recognise and support the role of all sectors, including, but not limited to, motor vehicle production, component making, aftermarket manufacturing, engineering and design, servicing and smash repairs, retail motor trades, sales support and training.

The Australian Government **partially supports** this recommendation.

The Government recognises the importance of the automotive industry and that it is currently in transition. The Government has resources across the Commonwealth with responsibility for the various parts of the industry that will continue to monitor and work with the industry as it transitions.

Recommendation 7

The committee recommends that the Australia Government support the establishment of an Automotive Industry Taskforce—with representatives from industry, unions and governments—to facilitate a collaborative and coordinated approach to developing and implementing a national automotive policy framework which encompasses all sectors of the industry.

The Automotive Industry Taskforce would also build on the work of the AutoCRC and the Automotive Australia 2020 Roadmap Project. It would develop strategies to understand and meet the challenges and opportunities associated with alternative fuels and emerging technologies as they affect the automotive industry, including electrification, light-weighting, gaseous fuels and fuel cell technologies, car sharing, telematics and autonomous vehicles.

The Automotive Industry Taskforce should also examine the findings of this committee inquiry and report back to government with further recommendations for action and strategies to address the issues raised over the course of this inquiry.

The Australian Government **does not support** this recommendation.

The Government has worked with stakeholders across the industry for the development and implementation of automotive and broader manufacturing initiatives. The Government will continue to work with stakeholders across the industry as the automotive industry continues to transition. As a result an Automotive Industry Taskforce is not necessary.

The Government has been progressing a variety of automotive industry issues including:

- On 31 October 2015 the Australian Government announced a whole of government review of vehicle emissions through the establishment of a Ministerial Forum. This Forum is chaired by the Minister for Urban Infrastructure, the Hon Paul Fletcher MP.
- The terms of reference included the examination of future infrastructure to support new vehicles.
- The Government is also examining ways to improve the productivity of Australia's vehicle fleet through the National Energy Productivity Plan, announced in December 2015. The Plan covers all energy use, including electricity, gas and transport fuels. It incorporates energy efficiency measures that support better energy use, including in vehicles and energy market reforms to increase the market's flexibility to accommodate new services, like electric vehicles.
- CSIRO has developed a Low Emissions Technology Roadmap to highlight opportunities to grow Australia's clean technology sector, fast track emissions reductions and capitalise on future global supply chains. The Roadmap looks at the mix of low emissions technologies in the electricity, industrial energy and transport sectors.
- The Australian Government regulates the supply of vehicles to the Australian market and sets standards for new vehicles through the Australian Design Rules (ADRs). The Australian Government has a long standing policy of harmonising the ADRs with United Nations vehicle regulations and in 2014 committed to accelerating harmonisation. Accelerated harmonisation is being achieved through adoption of UN vehicle regulations in the ADRs, and removal of local content from the ADRs, where this is warranted. The review of the *Motor Vehicle Standards Act 1989* explored further opportunities for harmonisation with United Nations vehicle regulations.
- In-service regulation, including vehicle operations, modifications and roadworthiness checks, is the responsibility of the States and Territory Governments. The Australian Government is also committed to ensuring a high level of harmonisation in state and territory vehicle regulation. The National Transport Commission works with states and territories to maintain harmonised vehicle regulations; and the National Heavy Vehicle Regulator is working with jurisdictions to ensure a national approach to the regulation of heavy vehicles.
- In relation to new vehicle technologies, in March 2017 the Australian Government announced \$55 million funding over 10 years for the i-MOVE Cooperative Research Centre (CRC), to be matched by \$178.8 million in cash and in-kind participant contributions from industry and academic stakeholders. The i-MOVE CRC will bring together government, industry and academia for applied research relating to smart transport and infrastructure, enhanced personal mobility and end-to-end freight solutions.

- Australian governments are working together and with industry to ensure the right policy and regulatory settings are in place for connected and automated vehicles through the National Policy Framework for Land Transport Technology and its action plan, a phased regulatory reform programme, and on-road trials.

Recommendation 8

The committee recommends that the government urgently develop and implement a comprehensive and coordinated strategy to:

- avoid a social and economic catastrophe arising in those areas most affected by the closure of vehicle manufacturing; and
- address the unprecedented structural adjustment occurring across the retail service, repair, recycling and associated sectors.

The Australian Government **partially supports** this recommendation.

Governments and businesses implemented coordinated and strategic measures that delivered a targeted and integrated response following the announcements of the closures of automotive manufacturing. The Government continues to recognise the changes that the transition is having on the automotive industry, in particular in Victoria and South Australia. The Government has a range of initiatives that are supporting those people and businesses that are affected as the industry transitions.

The \$100 million Advanced Manufacturing Fund expands on the Government's current range of initiatives. Designed as a package of interrelated measures to boost innovation, skills and employment in advanced manufacturing, the fund aims to further strengthen the transition of the automotive industry. A number of measures specifically target Victoria and South Australia. The Advanced Manufacturing Fund includes the following elements:

- The Advanced Manufacturing Growth Fund;
- Funding for the Advanced Manufacturing Growth Centre to support small scale research projects;
- Cooperative Research Centre – Projects initiative for large scale advanced manufacturing research projects;
- Innovation Labs in South Australia and Victoria;
- Support to maintain automotive design and engineering excellence at universities, technology institutions and in industry; and
- Removing tariffs on imported vehicle prototypes and components.

Announced in 2014, the \$155 million Growth Fund is a targeted and integrated response to the closure of vehicle manufacturing in Australia. This initiative is designed to assist workers transition to new jobs, encourage diversification by automotive supply chains, and accelerate new business activity in the two states that are most affected by the closures, Victoria and South Australia. The Growth Fund received contributions from Holden and Toyota and comprises five elements:

- The Next Generation Manufacturing Investment Programme
- The Automotive Diversification Programme
- The extension of the Automotive Industry Structural Adjustment Programme (AISAP)
- The Skills and Training Initiative
- The Regional Infrastructure Programme which did not proceed and funds were rolled into the Next Generation Manufacturing Investment Programme

In particular, the industry-funded \$30 million Growth Fund Skills and Training Initiative for Holden and Toyota workers and complementary State Government programmes for South Australian and Victorian supply chain workers is helping workers to transition to new jobs, self-employment or retirement following closure of local car manufacturing. Affected workers are able to access tailored support, including careers and training advice, general training and wellness support and financial counselling. Holden will provide transition support under the Skills and Training Initiative until the end of 2018. Toyota has committed to provide support to the end of June 2018 but may also continue until end 2018. Ford workers have also had access to the \$5.25 million Ford Workers in Transition project which provided support for up to 1500 workers from Ford and the component manufacturing supply chain to transition to new employment opportunities.

Displaced automotive workers are also supported by the AISAP to find new employment by providing training and assistance. To address the impact on displaced workers following the cessation of Australian automotive manufacturing, the AISAP was extended to 30 June 2018 to provide further assistance.

During the 2016 Election, the Government announced funding of up to \$24 million over four years for at least 1,200 scholarships to undertake tertiary study in South Australia. The Commonwealth Scholarships Program for South Australia will target current and former automotive industry employees for a small number of these scholarships. A stream of scholarships will be allocated for state-based skills needs, with some occupations aligned with automotive and engineering trades workers, such as automotive electricians and panel beaters, eligible for scholarships under this stream. Other streams of scholarships will be

allocated for the defence industry (including naval shipbuilding), and a range of industries including advanced manufacturing.

The Commonwealth Scholarships Program for South Australia will complement the Rural and Regional Enterprise Scholarships, another 2016 election commitment that will provide up to \$24 million over four years for at least 1,200 scholarships for undergraduate, postgraduate and VET students from regional and rural Australia to undertake science, technology, engineering and mathematics (STEM) studies. For the purpose of the scholarships, STEM includes agricultural and health courses, except complementary therapies.

The Australian Government is establishing an ongoing Skilling Australians Fund, prioritised towards apprenticeships and traineeships, including in occupations in high demand and growth industries, as well as rural and regional Australia.

The Skilling Australians Fund underpins a new partnership with the states and territories. From 2017–18 to 2020–21, an estimated \$1.5 billion will be available through the Fund.

Further, the Government is committed to the creation of an indigenous naval shipbuilding industry through a commitment to a continuous naval shipbuilding strategy. This will commence with the building of 12 Offshore Patrol Vessels, 9 Future Frigates and 12 Future Submarines. This will result in the creation of 5200 direct jobs, with more than double that number employed in sustainment activities and in supply chain and related institutions and industries that directly and indirectly support the enterprise, on both the customer (Government) and supplier (industry) sides of the activity.

In order to meet those skills requirements the Government announced the establishment of a Naval Shipbuilding College. The mission of the College will be to ensure that there are adequate skilled workers available as and when the shipbuilders require them. Skills required in the future naval shipbuilding industry will be complementary to the skills that current and past employees of the automotive industry currently have. As a result of this the Government expects that workers from the automotive industry will flow into the future naval shipbuilding industry as the shipbuilding work ramps up from 2018 onwards.

The Government has also established a \$220 million Regional Jobs and Investment package to deliver regional jobs and growth. This package, which is being delivered in partnership with local communities, will incentivise local businesses to invest and employ, enable regional communities to upgrade local infrastructure and deliver new skills and training programs. The package will support regional communities, including Latrobe Valley, Geelong and Goulbourn Valley in Victoria and Whyalla and Upper Spencer Gulf in SA, to diversify their economies, create new export opportunities and help boost regional jobs.

Recommendation 9

Given the consolidations and closures in the automotive and related industries, the committee recommends that a close examination of the operation of the Franchising Code of Conduct be undertaken as part of the next scheduled review of the code, with particular regard to the automotive sectors, including new cars, motorcycles, farm and industrial machinery and fuel retailing franchising arrangements.

The Australian Government **notes** this recommendation.

The Government is committed to supporting fair and transparent franchising relationships between motor vehicle dealers and manufacturers/importers.

The automotive industry is a key industry regulated by the Franchising Code of Conduct (the Code). The Code has benefited from a comprehensive independent review and public consultation process that concluded in 2014, which helped shape improved and modernised regulation for this important part of Australia's small business sector. These reforms commenced on 1 January 2015 to strengthen protections for current and future franchisees during commercial dealings with franchisors.

The Code includes a new obligation on the parties to act in good faith during all of their dealings with each other. This allows the Australian Competition and Consumer Commission (ACCC), as well as individual franchisees, to take action against franchisors for opportunistic and unfair conduct in breach of good faith. This new protection can attract court imposed civil penalties of up to \$54,000 and ACCC issued infringement notices of \$9,000.

New protections have also been introduced to restrict franchisors from forcing franchisees to undertake significant capital expenditure, such as facility upgrades. This includes requiring franchisors to disclose the expenditure upfront or to provide the franchisee with a sound business case to justify the capital investment.

The Government is interested to see the outcomes and effectiveness of the changes to the Code on the franchising sector following its comprehensive review. The Government will continue to monitor and receive stakeholder feedback on the Code's operation. This will help inform future reviews of the Code.

Recommendation 10

The committee recommends that the current restrictions and requirements on the parallel importation of both new and used vehicles be maintained.

The Australian Government **supports** this recommendation.

As announced in the Australian Government's response to the Harper Review, the Australian Government has ruled out reforms which would allow for the increased

importation of used vehicles, noting the potential safety concerns and difficulty in ascertaining the vehicle's provenance.

The Australian Government has explored options that would allow for the potential personal importation of new light road vehicles or motorcycles through the reforms to the Motor Vehicle Standards Act 1989, announced on 10 February 2016.

After detailed work on implementation arrangements, the Australian Government has decided not to proceed with this proposal, noting the cost and complexity of providing appropriate consumer awareness and protection arrangements. When weighing these up against the modest benefits of the personal import arrangements – including price reductions estimated to be less than 2 per cent across the market – the Australian Government has concluded that the benefits do not justify the cost and complexity of this particular change.

Recommendation 11

The committee recommends that the government continues to work with industry to ensure suitable access to manufacturer information by independent automotive service and repair businesses. The committee notes the progress that has been made through the Voluntary Code of Practice for Access to Service and Repair Information for Motor Vehicles (the Code) and recommends that the Commonwealth Consumer Affairs Advisory Council undertake a review of the Code no later than three years after commencement.

The Australian Government **notes** this recommendation.

The ACCC is currently reviewing the issue of access to data in its New Car Retailing Market Study, with a final report due in late 2017. This study will inform further Government consideration of the issue.

Recommendation 12

The committee recommends that an independent inquiry into the smash repair industry be undertaken to examine the relationships between insurers, parts suppliers and smash repair businesses, and inform an appropriate policy response.

The Australian Government **notes** this recommendation.

The Government will continue to monitor the smash repair industry to better understand the issues arising from it. Where there is a demonstrated competition issue the Government will investigate appropriate options for action.

Recommendation 13

The committee recommends that the government recognise the vital role of training in this sector and support a comprehensive, industry-wide approach to assist the automotive sector to redesign and implement training courses that reflect the needs of employers and give workers the skills they require.

Due to the unprecedented structural adjustment across all sectors of the automotive industry, changes to training and skills development VET packages in the automotive fields should be put on hold for a period of 12 months. During this time, Auto Skills Australia and a coordinated alliance of national industry sectors should undertake the necessary work to recast all qualification requirements, including for new skills occupations.

Owing to their national reach and previous experience, the committee suggests that the Motor Trades Association of Australia is the most suitably qualified organisation to lead and coordinate this work.

The Australian Government **partially supports** this recommendation.

The Australian Industry and Skills Committee (AISC) was established on 8 May 2015 at the request of the Council of Australian Governments (COAG) Industry and Skills Council (CISC). The role of the AISC is to provide advice to ensure that the directions taken by Ministers are informed by an industry-based perspective focused on the quality and relevance of the national training system.

The AISC is responsible for approving national VET training products for implementation. A key feature of the new model is a stronger focus on prioritising and scheduling of training products based on evidence of industry demand and government priority.

As part of the \$100 million Advanced Manufacturing Fund, \$5 million in funding will go towards maintaining engineering excellence by investing in student research at universities, technology institutions and in industry to continue the flow of highly trained engineers to the automotive design and engineering sector.

Industry Reference Committees (IRCs) supported by Skills Services Organisations (SSOs) are the industry engagement mechanism at the centre of training package development and are the formal point through which industry requirements for skills are defined. IRCs are made up of industry representatives with expertise from a cross-section of the particular industry or sector. The purpose of the IRC is to provide industry intelligence to the AISC that represents the experience, expertise and needs of the industry or sector.

The role of SSOs is to support IRCs in this work by providing technical, operational and secretariat support to IRCs to facilitate the development of training packages for approval by

the AISC. IRCs and SSOs became operational from 1 January 2016. The AISC website can be found at www.aisc.net.au.

The AISC is reviewing the structure and membership of the IRCs to ensure they are representative of their industry. The Motor Trades Association of Australia has been allocated positions on four of the five IRCs; Automotive Light Vehicle; Automotive Vehicle Body Repair; Automotive Allied; and Automotive Strategic. Information on progress and how industry can be involved with the review can be found at www.aisc.net.au/ircs.

Auto Skills Australia had been providing interim SSO support to the automotive sector. On 10 November 2016, the Hon Karen Andrews MP, Assistant Minister for Vocational Education and Skills, announced PricewaterhouseCoopers (PwC) Skills for Australia as the SSO for the automotive sector. Support for the automotive sector has transitioned to PwC on 1 January 2017.

Recommendation 14

The committee recommends that the government, through the Council of Australian Governments (COAG), work with state and territory governments to identify and address barriers for mature workers seeking to enter the automotive industry as apprentices.

The Australian Government **supports in principle** this recommendation.

The Australian Government will continue to work with state and territory governments to improve the skills and capabilities of workers through strengthening the Vocational Education and Training sector.

The Australian Government supports this recommendation as part of a broader strategy in place to support mature aged workers. The Australian Government's strategy for assisting mature aged workers targets all mature aged workers and is not industry specific.

The Government's Restart wage subsidy provides up to \$10,000 to employers who hire a job seeker (including an apprentice) 50 years of age or older who has been unemployed and on income support for six months.

The Government also supports employers of adult and mature aged workers to encourage skilling and upskilling for an Australian Apprenticeship, through the Australian Apprenticeships Incentives Programme (AAIP). As well as standard incentives for which employers may be eligible, employers may be eligible for incentives for workers aged 45 years and over who are experiencing barriers to employment and training, and for workers aged 25 and over who are working towards an occupation in an area of national skills shortage. Further information on the AAIP is available at

www.australianapprenticeships.gov.au/programmes/incentives.

Recommendation 15

The committee recommends that the mentoring program for automotive apprentices developed under the Australian Apprenticeships Mentoring Program and the Australian Apprenticeships Advisers Program be reinstated.

The Australian Government **notes** this recommendation.

The Australian Apprenticeships Mentoring and the Australian Apprenticeships Advisers Programs were non-ongoing programmes with a defined timeframe and no funding commitment beyond 30 June 2015.

The Industry Specialist Mentoring for Australian Apprentices program was announced in Budget 2017-18 and will provide intensive support to around 45,000 apprentices and trainees in the first two years of their training in industries that are undergoing structural change, including restructuring or transitioning.

The program complements other Government support for apprentices, trainees and their employers through the Australian Apprenticeships Incentives Program, Trade Support Loans and the Australian Apprenticeship Support Network.

Recommendation 16

Subject to any changes to the Automotive Transformation Scheme after 2017 and providing no existing registered companies are adversely affected by changes to the scheme, the committee recommends that a proportion of the funding available under that Automotive Transformation Scheme (for example, from underspends in the scheme) be allocated to manufacturing diversification programs such as the Automotive Diversification Programme.

The Australian Government **does not support** this recommendation.

The Australian Government has no plans to amend the ATS. The ATS has a legislated cap for a particular purpose with expenditure based on eligible activity. Therefore, there is no “underspend” that can be used for other purposes, should the legislated cap not be reached.

The ADP is part of the \$155 million Growth Fund, which was established to support employees, businesses and regions affected by the closure of Australia’s car manufacturing industry by the end of 2017. The \$20 million ADP is a competitive merit-based grants programme, with projects supported on a match funding basis. The initiative is assisting Australian automotive supply chain companies to diversify out of the domestic automotive manufacturing sector. The ADP’s funds are fully committed with supported projects scheduled for completion by 2017-18. There are no plans to expand the ADP.

Broadly, the types of support provided by the ATS and ADP are different. The ATS is a programme where any business that is eligible will be able to apply for support for activities defined in the legislation. While the ADP is a merit based programme that will only fund the most competitive eligible projects.

To complement the outcomes of the ADP and continue supporting Australian companies to diversify in this period of transition, the recently announced \$100 million Advanced Manufacturing Fund will provide \$47.5 million in funding for an Advanced Manufacturing Growth Fund. Building on the existing \$155 million Growth Fund, funding is for up to a third of the project cost of capital upgrades to establish and expand high value manufacturing in South Australia and Victoria

It is also useful to note that the South Australian and Victorian Governments have also provided a range of programmes aimed at supporting displaced workers and the transition of the automotive industry. These programmes comprise:

- The \$11.65 million South Australian Government's Automotive Supplier Diversification Program provides support to eligible automotive supply chain companies to diversify and secure alternative revenue streams.
- The \$7.3 million South Australian Government's Automotive Workers in Transition Program assists affected workers through a variety of activities including access to professional career advice, training support, skills recognition and business start-up advice.
- The \$5 million Victorian Government's Automotive Supply Chain Transition Program supports companies to identify and capture new opportunities in other markets.
- The \$43 million Victorian Government's Local Industry Fund for Transition Program supports economic development by businesses in the Victorian communities most affected by the closure of the major car manufacturers. \$10 million was added to the Fund in Victoria's 2017-18 Budget.
- The \$8.4 million Victorian Government's South-East Automotive Transition Skills Program provides affected workers with assistance to strengthen skills, training and job search support.

Recommendation 17

The committee recommends that the activities eligible for assistance under the Automotive Diversification Programme be expanded to include support for research and development, engineering and product development, commercialisation, feasibility studies, site relocation and/or consolidation activities and marketing

activities. In particular, the committee recommends that grants for the appointment of export managers plus on-costs on 50:50 matched basis be included as an eligible activity under the Automotive Diversification Programme.

The Australian Government **does not support** this recommendation.

The ADP supports a wide range activities including R&D, early stage commercialisation, pre-production development, business expansion, re-tooling and the development of export capability. The ADP's funds are fully committed.

The R&D Tax Incentive Programme provides eligible companies with a tax offset for expenditure on eligible R&D activities undertaken during the year. The programme is broad-based, market-driven assistance for all industries. It provides a targeted tax offset to encourage more companies from all industry sectors to engage in R&D. In 2013-14 income year, over 30 companies ranging from large manufacturers through to small component and aftermarket manufacturers from the Australian automotive industry (all companies nominating under ANZSIC 'Group 231 – Motor Vehicle and Motor Vehicle Manufacturing'), registered in excess of \$80 million worth of R&D expenditure.

In launching the National Innovation and Science Agenda, the Commonwealth committed to undertake a review of the R&D Tax Incentive programme to identify opportunities to improve the effectiveness and integrity of the programme, including how its focus could be sharpened to encourage additional R&D. The Government is currently considering its response to the Review.

A number of elements under the \$100 million Advanced Manufacturing Fund will support R&D, product development and commercialisation:

- the \$47.5 million Advanced Manufacturing Growth Fund will build on the \$155 million Growth Fund, and will provide up to a third of project cost of capital upgrades to establish and expand high value manufacturing in South Australia and Victoria;
- the Advanced Manufacturing Growth Centre will receive \$4 million to support small scale and pilot research projects in advanced manufacturing, allowing small firms and early stage researchers to move to larger scale research or commercialisation quicker;
- the Cooperative Research Centre – Projects initiative will receive \$20 million for large scale advanced manufacturing research projects of up to \$3 million in funding; and
- \$10 million in funding will establish Innovation Labs in South Australia and Victoria, providing test centre facilities and business capability development.

Recommendation 18

The committee recommends that the government undertake a feasibility study of the proposal put forward by the Truck Industry Council to modernise Australia's truck fleet. Pending a favourable evaluation, government should seek to implement this proposal as a matter of priority to assist the automotive manufacturing industry to adjust to cessation of passenger motor vehicle production in 2017 and as part of the broader reform agenda to reduce carbon emissions.

The Australian Government **notes** this recommendation.

The Government will continue to monitor and engage with the Australian truck industry to better understand the issues arising from it. Where there is a demonstrated issue the Government will investigate options for action.

The Government's Ministerial Forum on Vehicle Emissions is considering the Truck Industry Council's proposal along with other measures to reduce vehicle emissions.

Internationally, Australia is involved in the G20 Energy Efficiency Action Plan for ongoing collaboration and knowledge sharing to improve energy efficiency. Australia participates in the Transport Energy Efficiency Task Group established through the International Partnership for Energy Efficiency Cooperation (IPEEC) – which aims, amongst other goals, to build domestic support and enhance capability for action to reduce the energy impact of motor transport, especially heavy duty vehicles.

The Australian Government will use the G20 collaboration on heavy vehicle efficiency as an opportunity to learn from the experience of countries that have adopted standards for heavy vehicle efficiency and consider whether these measures may be appropriate for improving the efficiency of the Australian heavy vehicle fleet.

Recommendation 19

The committee recommends that the government undertake an independent review of the Specialist and Enthusiast Vehicle Scheme (SEVS) to ensure that:

- the scheme is meeting its stated objectives;
- the eligibility criteria for importation are appropriate; and
- the compliance and monitoring processes do not undermine the integrity of the scheme.

The Australian Government **partially supports** this recommendation.

The proposed reforms to the Motor Vehicle Standards Act 1989 announced by the Australian Government on 10 February 2016 include changes that would improve the existing arrangements for the Specialist and Enthusiast Vehicle Scheme (SEVS) and ensure the scheme is operating within its original intent and continuing to meet its objectives.

The proposed changes would include revision of the criteria for entry onto the Specialist and Enthusiast Vehicle Register to ensure eligible vehicles reflect genuine specialist and enthusiast demands and to increase consumer access to specialist and enthusiast vehicles. Additionally, independent third party inspections for all SEVS vehicles would be introduced to provide vehicle integrity assurance for the community and consumers.

The proposed reforms are the result of a review of the Motor Vehicle Standards Act 1989 which began in early 2014 and has included extensive consultation with the automotive industry and stakeholders. As such, further independent review is not required.

Recommendation 20

The committee recommends that the government, through COAG, pursue reform options to harmonise vehicle modification regulations and adopt a consistent national approach to compliance and enforcement with vehicle regulations. A critical part of this work will be the harmonisation of emerging federal, state and territory legislation and regulations designed to deal with the arrival of autonomous vehicles and driving systems.

The Australian Government **partially supports** this recommendation.

The Australian Government has a long standing policy of harmonising the ADRs with United Nations vehicle regulations and in 2014 committed to accelerating harmonisation. Accelerated harmonisation is being achieved through adoption of UN vehicle regulations in the ADRs, and removal of local content from the ADRs, where this is warranted. The review of the Motor Vehicle Standards Act 1989 explored further opportunities for harmonisation with United Nations vehicle regulations.

The Australian Government is committed to ensuring a high level of harmonisation in state and territory vehicle regulation. The National Transport Commission works with states and territories to maintain harmonised vehicle regulations; and the National Heavy Vehicle Regulator is working with jurisdictions to ensure a national approach to the regulation of heavy vehicles.

In relation to automated vehicles, Australia continues to actively participate in international forums to benefit from a harmonised approach to vehicle standards and regulation.

Domestically, in August 2016 the COAG Transport and Infrastructure Council agreed to the National Policy Framework for Land Transport Technology, which outlines a nationally

coordinated approach to the deployment of emerging transport technologies, such as automated vehicles, and is underpinned by a three-year action plan. Subsequently, in November 2016 the COAG Transport and Infrastructure Council tasked the National Transport Commission to deliver a regulatory reform programme to enable automated vehicles to operate on Australian roads. Projects within this reform programme include developing national guidelines for on-road testing of automated vehicles, developing national enforcement guidelines that clarify the application of Australian road rules to automated vehicles, and legislative reform of current driver and driving laws in all jurisdictions to incorporate automated driving systems.

Attachment B

Additional comments from the Australian Greens

Recommendation 1

The Greens recommend the ATS and its governing legislation be amended to:

- Continue support to currently eligible ATS recipients
- Establish a Green Car Transformation Scheme and redirect the estimated \$800m ATS underspend towards the scheme.
- Broaden the eligibility for new entrants to the scheme by removing current requirements for Australian component manufacturers to be producing components for Australian major vehicle producers to be eligible for assistance.
- Focus assistance on auto parts makers that are seeking to be part of the local or global supply chain for electric vehicles or vehicles not powered by fossil fuels.
- Provide support for any new major vehicle producers that are established and invest in Australia that intend to produce electric vehicles or vehicles not powered by fossil fuels.
- Extend the above assistance beyond the current and proposed government end date for the ATS for the next ten years until 2025.
- Favour new applicants who commit to hiring workers made redundant from existing car or component makers.
- Increase transition assistance to workers in the industry.
- Enable eligible participants to receive payments in quarterly instalments referable to the expenditure incurred in the preceding quarter.

The Australian Government **does not support** this recommendation.

As noted, the Australian Government has no plans to amend the ATS. This means, firms who undertake eligible ATS activities, including in the export side of their businesses, can continue to apply for funding under the current legislation.

However, the Government recognises while in transition, automotive businesses currently supported by the ATS could further benefit by reducing some the regulatory burden of the

ATS. The Government will consult with participants on elements of the ATS regulations that may be a barrier to the further transition of the sector.

Recommendation 2

In addition to the above measures, the Greens recommend:

- Establishing a fund to support incentives and infrastructure support to
- encourage the purchase and rollout of electric vehicles in Australia.
- Immediately placing on the Council of Australian Government's agenda the development of a policy framework for electric and alternative fuel vehicles including:
 - implementation of consumer incentives for electric vehicle ownership including, registration rebates or cash-backs, tax credits as well as significant targets for government fleets;
 - putting in place a regulatory environment that supports electric vehicles such as regulation of deployment and the setting of competition and policy standards; and,
 - maximising energy opportunities through appropriate regulation, such as requiring "smart" charging sourced through renewable energy.
- The Government, like the US and Germany, should commit to a near term target for the take up of electric vehicles in Australia.

The Australian Government **notes** this recommendation.

The Government has policies to encourage the uptake of electric vehicles.

- The Land and Sea Transport method under the Emissions Reduction Fund provides a way for vehicle fleet owners to earn Australian Carbon Credit Units by improving vehicle efficiency, including replacing older vehicles with new, more efficient vehicles such as electric vehicles. The resulting carbon credits may then be sold back to the Government through a reverse auction held by the Clean Energy Regulator.
- The Government owned Clean Energy Finance Corporation is investing in programs to support the uptake of electric vehicles.
- Vehicle emissions labelling and the Government's online Green Vehicle Guide also provide consumers with information on electric vehicles.

The Government is developing new policies to address emissions from vehicles.

- In October 2015, the Australian Government established a Ministerial Forum on Vehicle Emissions to coordinate a whole-of-government approach to addressing emissions from vehicles. The Forum is chaired by the Minister for Urban Infrastructure, the Hon Paul Fletcher MP, and includes the Minister for the Environment and Energy, the Hon Josh Frydenberg MP. The Forum is exploring the introduction of a fuel efficiency standard for light vehicles as well as other measures to support low and zero emissions vehicles.
- The Government is examining ways to improve the productivity of Australia's vehicle fleet through the National Energy Productivity Plan, announced in December 2015. The Plan covers all energy use, including electricity, gas and transport fuels. It incorporates energy efficiency measures that support better energy use, including in vehicles and energy market reforms to increase the market's flexibility to accommodate new services, like electric vehicles.
- CSIRO has developed a Low Emissions Technology Roadmap to highlight opportunities to grow Australia's clean technology sector, fast track emissions reductions and capitalise on future global supply chains. The Roadmap looks at the mix of low emissions technologies in the electricity, industrial energy and transport sectors.

Additional comments by the Australian Motoring Enthusiast Party

Recommendation 1

The AMEP recommends that the government provide funding to undertake a feasibility study to establish a Motor Sport Centre of Excellence for motor sport training and development. The AMEP believes that this initiative would also provide wider opportunities for automotive innovation, design and niche manufacturing.

The Australian Government **notes** this recommendation.

Initiatives such as the proposed Innovation Labs would encourage automotive innovation, design and niche manufacturing opportunities in Australia.

As part of its \$100 million Advanced Manufacturing Fund, the Australian Government will provide \$10 million to establish Innovation Labs in both South Australia and Victoria, two of the most affected regions by the cessation of vehicle manufacturing. The Labs will serve industry in a variety of roles, providing test centre facilities and business capability development, delivered through existing government services like Entrepreneurs' Programme, Industry Growth Centres and Austrade. The government will consult with industry to implement these Labs.

Recommendation 2

The AMEP recommends that the eligibility criteria for the Specialist and Enthusiast Vehicle Scheme (SEVS) be broadened to provide access to a wider choice of eligible makes and models.

The Australian Government *partially supports* this recommendation.

The proposed reforms to the Motor Vehicle Standards Act 1989 announced by the Australian Government on 10 February 2016 include changes that would improve the existing arrangements for the Specialist and Enthusiast Vehicle Scheme (SEVS) and ensure the scheme is operating within its original intent and continuing to meet its objectives. The proposed changes would include revision of the criteria for entry onto the Specialist and

Enthusiast Vehicle Register to ensure eligible vehicles reflect genuine specialist and enthusiast demands and to increase consumer access to specialist and enthusiast vehicles.

The proposed reforms are the result of a review of the Motor Vehicle Standards Act 1989 which began in early 2014 and has included extensive consultation with the automotive industry and stakeholders.

Recommendation 3

The AMEP recommends that the government reduce the barriers to the manufacturing of special and enthusiast vehicles by adopting a similar regulatory framework to that used to rebuild the automotive industry in the United Kingdom.

The Australian Government **notes** this recommendation.

The proposed reforms to the Motor Vehicle Standards Act 1989 announced by the Australian Government on 10 February 2016 include changes that would improve the existing arrangements for the Specialist and Enthusiast Vehicle Scheme (SEVS) and ensure the scheme is operating within its original intent and continuing to meet its objectives. In combination with changes to the Registered Automotive Workshop Scheme, the revised SEV Register eligibility process and criteria would allow for a wider range of specialist and enthusiast vehicles to be commercially viable for concessional supply in Australia.

Recommendation 4

The AMEP recommends that a PR campaign be undertaken for automotive vocations to encourage careers in the automotive industry.

The Australian Government **notes** this recommendation.

The Australian Government announced at the 2016 Australian Training Awards, the establishment of the Vocational Education and Training (VET) Alumni which facilitates the promotion of career pathways across all industry areas.

The VET Alumni includes individuals and businesses who have agreed to promote VET – including 24 individuals with automotive qualifications and one business. 23 of the 24 VET Alumni individuals are also Australian Apprenticeships Ambassadors.

Australian Apprenticeships Ambassadors promote the benefits of Australian Apprenticeships to school leavers, their parents/guardians, employers and the wider community.

Recommendation 5

The AMEP recommends that further independent and objective research prior to manufacturing wind up in 2017 should explore the impacts (both positive and negative) of increased competition by allowing a suitable volume of broader parallel imported near new used vehicles into Australia. From 2018, after wind up of domestic vehicle manufacturing, the findings should be reviewed with a view to finalizing Australia's policy position for the future.

The Australian Government **notes** this recommendation.

As announced in the Australian Government's response to the Harper Review, the Australian Government has ruled out reforms which would allow for the increased importation of used vehicles, noting the potential safety concerns and difficulty in ascertaining the vehicle's provenance.

The Australian Government has explored options that would allow for the potential personal importation of new light road vehicles or motorcycles through the reforms to the Motor Vehicle Standards Act 1989, announced on 10 February 2016.

After detailed work on implementation arrangements, the Australian Government has decided not to proceed with this proposal, noting the cost and complexity of providing appropriate consumer awareness and protection arrangements. When weighing these up against the modest benefits of the personal import arrangements – including price reductions estimated to be less than 2 per cent across the market – the Australian Government has concluded that the benefits do not justify the cost and complexity of this particular change.

The announced package of reforms includes increased consumer choice by streamlining and improving the existing pathways for importing specialist and enthusiast vehicles. This includes expanding the range of vehicles eligible for consideration as a specialist and enthusiast vehicle. Under the new arrangements, new or used vehicles can be eligible if they meet only one of six eligibility criteria - instead of meeting two out of four eligibility criteria as was previously required.

The new specialist and enthusiast eligibility criteria include superior power performance, environmental performance through alternative power sources, mobility access, rare production models and variants, left-hand drive manufacture only and originally manufactured campervans and motorhomes.

Recommendation 6

The AMEP recommends that an independent review of the Voluntary Code of Practice for Access to Service and Repair Information for Motor Vehicles be undertaken immediately.

The Australian Government **notes** this recommendation.

The ACCC is currently reviewing the issue of access to data in its New Car Retailing Market Study, with a final report due in late 2017. This study will inform further Government consideration of the issue.

Recommendation 7

The AMEP recommends that the proposed Automotive Industry Taskforce be commissioned to investigate the economic value of automotive aftermarket components, motorsport technology, bus, truck, mining, recreational vehicles and defence land transport manufacturing.

The Australian Government **does not support** this recommendation.

The Government recognises the importance of the automotive industry and that it is currently in transition. The Government has committed to continue to monitor and work with the industry as it transitions.

Recommendation 8

The AMEP recommends that the government provide funding to undertake a feasibility study into the establishment of an Australian Aftermarket Automotive Lab.

The Australian Government **supports** this recommendation.

Innovation Labs would encourage collaboration on automotive component R&D and exhibit Australian capability to export markets.

As noted, the Australian Government will provide \$10 million to establish Innovation Labs in both South Australia and Victoria, two of the most affected regions by the cessation of vehicle manufacturing.