Cover image for the Australian Government Productivity Commission position paper titled 'Australia's Automotive Manufacturing Industry'. Published January 2014. 
This is a position paper prepared for further public consultation and input.
The Commission will finalise its report after these processes have taken place.

Commonwealth of Australia 2014

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The Productivity Commission

The Productivity Commission is the Australian Government’s independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians. Its role, expressed most simply, is to help governments make better policies, in the long term interest of the Australian community.

The Commission’s independence is underpinned by an Act of Parliament. Its processes and outputs are open to public scrutiny and are driven by concern for the wellbeing of the community as a whole.

Further information on the Productivity Commission can be obtained from the Commission’s website (www.pc.gov.au) or by contacting Media and Publications on (03) 9653 2244 or email: maps@pc.gov.au

# Opportunity for further comment

You are invited to examine this position paper and provide written comment or attend a public hearing. The deadline for all written submissions is Thursday 13 February 2014. The Commission will hold public hearings during February 2014.

The final report will be prepared after submissions have been received and public hearings have been held, and will be forwarded to the Australian Government in March 2014.

Further information on how to provide a written submission or register your attendance at the public hearings (as a participant or an observer) is available on the inquiry website www.pc.gov.au/projects/inquiry/automotive.

**Public hearing dates and venues**

|  |  |  |  |
| --- | --- | --- | --- |
| *Location* | *Date* |  | *Venue* |
| Melbourne | Wednesday | 19 February 2014 | Productivity Commission - Rattigan Room  Level 12, 530 Collins St, Melbourne |
| Adelaide | Thursday | 20 February 2014 | Stamford Plaza Hotel – Boulevard Room  150 North Terrace, Adelaide |

# Terms of reference

Review of the Australian Automotive Manufacturing Industry

***Productivity Commission Act 1998***

I, Joseph Benedict Hockey, Treasurer, pursuant to Parts 2 and 3 of the Productivity Commission Act 1998, hereby request that the Productivity Commission undertake an inquiry into public support for Australia’s automotive manufacturing industry, including passenger motor vehicle and automotive component production.

**Background**

Australian and State Government support for the automotive manufacturing industry is provided through the current Automotive Transformation Scheme, which provides assistance in respect of production and support for research and development and capital investment, through ad hoc grants provided to vehicle and component manufacturers, through tariffs and through relief from some state taxes.

With the withdrawal of some manufacturers from local production in Australia, recent uncertainty surrounding tax policies affecting the industry, variability in exchange rates and the increasing openness of Australia’s automotive retail market, the circumstances under which assistance is provided to the industry warrant review.

**Scope of the Inquiry**

The Australian Government desires an internationally competitive and globally integrated automotive manufacturing sector and wishes to ensure that any support for the local automotive manufacturing industry is accountable, transparent and targeted at the long-term sustainability of the sector. In consultation with a broad range of stakeholders, and in the context of the Australian Government’s desire to improve the overall performance of the Australian economy, the Commission should, in its Review of the Australian Automotive Manufacturing Industry (the ‘Review’):

1. Examine national and international market and regulatory factors affecting:

* the Australian automotive manufacturing industry’s current structure, productivity, investment, profitability, international competitiveness, exports, workforce structure and practices, skills levels and long-term sustainability;
* Australia’s attractiveness as an investment location for all phases of automotive manufacturing activity, from research and development through to production of components and vehicles;
* domestic and international demand for Australian design and engineering services, vehicles and automotive products; and
* consumer preferences, including consumer demand for new products and technologies.

1. In examining these factors, take into account the following matters:

* international automotive industry assistance arrangements, including reporting on and quantifying tariff, non-tariff barriers and budgetary assistance provided by major and emerging automotive-producing countries and the barriers and opportunities for Australian manufacturers and suppliers;
* the impact of current workplace arrangements in the industry, domestic industry assistance, government vehicle purchasing policies, the Government’s broader deregulation agenda and the taxation environment (noting fair work laws and taxation reform are subject to separate comprehensive review processes); and
* the spill-over benefits of the automotive sector, such as technology diffusion.

1. Taking into account all of the above, identify and evaluate possible alternative public support mechanisms that:

* improve the long‑term profitability, sustainability and productivity of the industry;
* facilitate research into, and the development of, innovative alternative vehicle and component technologies by the industry;
* contribute to national productivity growth;
* promote mutual obligation, accountability and transparency; and
* are consistent with Australia’s international trade obligations.

Including:

* retargeting of assistance, including within the Automotive Transformation Scheme; and
* introducing more internationally-competitive workplace, regulatory and taxation policies; and
* identifying any significant transition issues or adjustment costs that may arise from alternative support mechanisms or policy changes and how they might be best managed.

1. Assess the significance of the capabilities within the industry, its direct employment and economic benefits, its secondary impacts on other sectors of the economy, and quantify the costs and benefits, including at the economy-wide and regional level, of existing and alternative assistance mechanisms.

**Process**

The Commission is to undertake an appropriate public consultation process, inviting public submissions and releasing a preliminary findings report to the public.

The preliminary findings report should be released by 20 December 2013, with the Final report due to the Government by 31 March 2014.

**J. B. HOCKEY  
Treasurer**

**[Received 30 October 2013]**

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