Australian Manufacturing Workers' Union

Preliminary Submission

Productivity Commission Inquiry into Australia's Automotive Industry

27 November 2013

AMWU

Introduction

The Australian Manufacturing Workers' Union (AMWU) represents approximately 100,000 members working across major sectors of the Australian economy. AMWU members are primarily based in manufacturing industries, in particular; metal, vehicle, and food manufacturing, but also in the industries of mining, building and construction, printing and graphic arts, repair and service and laboratory and technical services. We have nearly 15,000 members employed in Ford, Holden, Toyota and several hundred auto component suppliers who are first, second or third tier suppliers of components and services to Australia's automotive manufacturing industry.

We look forward to participating constructively in this inquiry into the future of this important industry. It will be a part of the AMWU's campaign leading up to our submission to the Parliament of Australia dealing with the current state of the industry, the challenges and opportunities facing the industry, the industry's role in the broader Australian economy and the industry's future in Australia.

This preliminary submission focuses on the international context of the Australian automotive industry and its perceived status as a major benefactor of government support domestically. This submission is intended as an input to the Productivity Commission's preliminary report of 20 December, which will itself focus on the international context of Australia's automotive industry and also outlines the AMWU's preliminary proposals for a new automotive industry plan.

The Future of Australia's Automotive Industry 2015-2025

During 2012 the National Secretaries of the AMWU, the ACTU, the AWU, the CFMEU, the NUW and the TCFUA participated in the Prime Ministers Manufacturing Taskforce. In the joint union leaders submission to the Prime Minister and business leaders on the Taskforce in April 2012 we stated:

"Australia's manufacturing industry can secure a more prosperous future with greater security of employment and living standards for ordinary workers by the actions we take now that position our industry for the 2015-2025 decade. To do this we need a vision and action agenda to tackle the challenges manufacturing faces. The foundations of a successful 2015-2025 decade require commitment by employers, unions, workers and Government to a new high growth strategy and a detailed agenda to restore the industry's international competitiveness."

For the AMWU this statement applies as much to the future of Australia's automotive industry as it does to the future of Australia's manufacturing industry. We face the stark reality that in the next six months decisions could be taken that would result in the automotive industry closing before 2020.

Alternatively decisions can be taken that would mean the industry goes through a process of restructuring and consolidation followed by a process of growth and renewal. This later course would see the industry survive and thrive through the 21st century and all that would mean for workers, their families and communities as well as the people of Australia. The closure scenario would be one that resulted in:

- mass unemployment in automotive manufacturing regions,
- a loss of both a skills base and a skills generator for the broader economy,

- the loss of access to advanced manufacturing technology and processes (including management and work organisation systems) that substantially benefit the broader manufacturing sector,
- the loss of billions of dollars of foreign direct investment which would not be replaced,
- the loss of tens of billion of dollars worth of economic activity, largely concentrated in communities where alternative sources of activity would be hindered, not helped by closures, and
- a massive impact on federal and state government budgets, both on the revenue and the expenditure side.

In the AMWU's view, this alternative is not one which should be contemplated by policymakers as it is clearly not in the long term interests of the nation.

In order to ensure that a positive future for the automotive industry and the broader manufacturing industry can be achieved, a constructive partnership needs to be built between firms, workers and government. Such a partnership must be able to address the challenges facing the industry and ensure that Australia retains a strong manufacturing base well into the 21st Century. But such a partnership will need both state and federal governments to accept that the global context of automotive manufacturing is not one of freely functioning markets untouched by government intervention. It is one dominated by aggressive industry policies. If Australia chooses to retain an automotive manufacturing industry, a bipartisan partnership between governments and the industry is necessary.

The future of Australia's automotive industry between 2015 and 2025 needs to be the ultimate focus of the Productivity Commission Review and will be the subject matter of the final submission of the AMWU to the Productivity Commission Review as well as our submission to the Australian Parliament. However, in order to reach this end point, we first need to address the domestic and international context in which the industry finds itself, and in particular we need to address popular myths regarding industry support and productivity. These myths hinder the public's support for the industry and therefore the ability to maintain a bipartisan consensus for support for the industry and in so doing they do a great disservice to the industry, its many thousands of workers, and the nation's economic interests as a whole.

The AMWU will be taking a plan for the automotive industry for 2015 to 2025 to tens of thousands of workers all around Australia for their input and endorsement. This will allow us to finalise a plan for the industry to be submitted by the workers and their union to the Parliament of Australia which ultimately must decide on a plan of action to help secure the industry's future.

The International Context: strategic competition for automotive manufacturing.

Since its inception, and especially since the mechanisation of war, the automotive industry has been viewed as a strategic industry by governments around the world. This is due to the fact that automotive manufacturing is an industry that brings both strategic and economic positive spill overs to society. These spill overs are crucial to maintaining an advanced manufacturing base in host countries. As a result, the industry has received support for investment, production and research and development from government where ever and whenever it has operated.

For the majority of the 20th Century, this support was provided largely in the form of tariffs and other trade barriers. Over time, as global trade barriers, especially on merchandise trade have fallen, support has transferred to behind the border barriers, favourable tax treatment and monetary incentives for production, research and development, and crucially, investment. More recently, with the emergence of hybrids and electric vehicles a new focus of Government support has included the physical infrastructure for such vehicles.

It remains the case that there is not a single mass produced car in the global automotive market that has not benefited from some (usually a large) degree of government support, regardless of its country of manufacture.

The history of Australian government support for the automotive industry mirrors this international experience, but is distinguished by several factors which are unique to Australia. These factors have stemmed from a desire by policy makers to place Australia at the forefront of economic openness and transparency, ultimately out of a desire to improve the dynamism of the economy and the standard of living of all Australians. However, this admirable desire has too often lead to unfair trade agreements and cuts in justified industry assistance. This in turn has meant increased pressures on the Australian manufacturing sector including automotive manufacturing, and has made it difficult to maintain a bipartisan consensus for support of the industry, especially in times when the industry faces challenges.

Australia's approach to Free Trade Agreements (FTAs) has opened up the Australian market to our trading partners, but too often our trading partners, who are not motivated by a fundamental belief in the benefits of openness and instead are motivated by pragmatic economic interests, have in response turned to other forms of protection which have hurt Australian industry. The most prominent example is the Australian/Thailand FTA. This agreement was intended to produce a level playing field between Australian and Thai automotive producers. Instead, once signed, the Thai Government instituted a series of behind the border trade barriers in the form of excise taxes which increase the price of Australian made cars by up to 50 per cent and have succeeded in locking out a number of potential Australian automotive exports to Thailand. While the current difficulties facing the Australian automotive industry cannot entirely be attributed to the Thailand FTA, this example does highlight the negative impact that a blind adherence to a free trade doctrine can have if such an adherence is not shared by trade partners.

Likewise, industry assistance of all types in Australia is provided with a level of transparency that is unmatched anywhere in the world, in particular thanks to the Productivity Commission's annual Trade and Assistance Review.

In and of itself, this transparency is a good thing. It allows the Australian public to be informed about where their taxes are being spent and it allows more informed decision making about the effectiveness and efficiency of assistance. However, because this transparency is largely unique to Australia, it also creates the impression that Australia is unique in providing substantial assistance to industry and it does not provide the public with a complete view of the effectiveness of assistance measures. In particular, it makes comparing Australian industry assistance with that overseas very difficult. This is a crucial point in a globalised world with open capital markets, as what is demonised by some as wasteful industry assistance is often necessary to attract significant and important foreign direct investment. This is exactly the case with the automotive industry.

A consequence of this transparency is therefore a tendency for industry assistance to be criticized as if the rest of the world operates in an ideal free market without industry assistance, or is heading in that direction. Stemming from these forces is the now common notion that the Australian automotive industry should not be supported because it cannot 'stand on its own two feet'. Such a notion is extremely naive and neglects the fact that the industry is significantly supported the world over, and given this fact, it should not be a pre-condition of support that the industry transitions to a situation where no government support is provided. This is not a condition that is placed on the industry in other countries and given the bipartisan long term commitment to the industry in other countries and the fact investment in the industry is subject to competition between jurisdictions, it is not a condition that can ever be met.

While it is difficult to quantify the level of support the automotive industry receives in other countries, there are several data sources and analyses which provide some guidance.

Table 1 below provides examples of co-investment packages for the automotive industry in recent years. The size of the co-investments and their location in countries and regions which are committed to maintaining an automotive manufacturing capacity should be noted. The predominance of co-investments in the USA should put to bed any notion that the USA is a beacon of free markets above all else. When it comes to an aggressive industry policy to support a crucial industry, the USA is no different than other countries, and is willing to devote scarce taxpayer funds.

Table 1: Co-investment packages

Company	Year	Location	Facility/Product	AUD m's
Ford	2010	Bridgend (UK)	Low-emission Engines	$670
Volkswagen	2008	Tennessee (USA)	Assembly Plant	$600
BMW	2002	Leipzig (Germany)	Assembly Plant	$519
Nissan	2010	Sunderland (UK)	Electric Cars	$308
Ford	2010	Kentucky (USA)	Expansion	$250
Hyundai	2002	Alabama (USA)	Assembly Plant	$246
Toyota	2013	Kentucky (USA)	Assembly Plant refit	$152
LG Chem	2010	Michigan (USA)	Battery cell plant	$147
Ford	2013	Oakville, (Canada)	Assembly Plant refit	$144
GM	2012	Kansas (USA)	Expansion	$125
Mercedes-Benz	2002	Alabama (USA)	Expansion	$120
BMW	2002	South Carolina (USA)	Assembly Plant refit	$108
Nissan	2009	Tennessee (USA)	Electric Cars	$102

Good Jobs First (USA) 2013, PriceWaterhouseCoopers 2012, Wall Street Journal 2002

The lack of Asian co-investments in Table 1 above should not lead the reader to draw the conclusion that in Asia, the automotive industry does not benefit from government support. This is not an exhaustive list and support can come in many forms. Indeed US policy makers lament the support that the Chinese Government provides its sector. It is estimated that between 2001 and 2010, China's automotive components industry benefited by indirect subsidies to the value of USD$27.5 billion[i]. In addition, China's foreign exchange policy is estimated to have provided a discount of between 25 and 30 per cent for components exported to the US[ii]. In addition, Chinese Government purchasing policy includes procurement specifications that effectively exclude foreign car models.[iii] While it is certainly the case that Chinese labour costs play a role in attracting automotive manufacturing investment, there is also no doubt that a deliberate and aggressive industry policy plays a very significant role. This is particularly the case for those wanting access to its large and growing domestic market.

In addition, it will come as no surprise to those familiar with international competition in manufactured goods that large countries are not dissuaded from engaging in behaviour that may violate WTO rules. The potential retaliatory action of the large players and the difficulty of proving WTO breaches often shield large players from being held to account, while Australia remains absolutely committed to complying with the letter of WTO law. For example, the Economic Policy Institute has noted:

> "China has imposed performance requirements on foreign investors, requiring them to transfer technology to local joint-venture partners; discriminated against imported goods; and imposed restrictions on the exports of rare-earth minerals and other critical raw materials—giving an unfair advantage to its domestic auto-parts producers. Each of these policies appears to violate China's WTO commitments".[iv]

While it is insightful to contrast Australia's support for the automotive sector with that seen in the US, it is perhaps even more interesting to contrast the US experience with that of Germany. Just as Australia sees itself as a champion of free markets and free trade relative to others, the USA acknowledges that it could learn much from the more interventionist and planning oriented Germans.

In their paper on unfair competition from China, Scott and Welthing (2012)[v] write:

> "German firms provide an alternative, positive example of supporting domestic manufacturers. German automakers have prospered despite paying high wages and providing excellent benefits to their workers. German manufacturers practice "stakeholder capitalism" in which boards of directors include an equal number of representatives of managers and workers (Meyerson 2011)[vi]. Germany also has an entire sector of banks devoted to financing small- and medium-sized firms, which reduces such firms' need to rely on private capital markets and lessens the demand for maintaining short-term profits. Additionally, Germany has a highly developed school-to-work job training system for non-college-educated workers that is much more effective than U.S. job training and displaced-labor-assistance programs. As a result, over the past decade Germany has maintained a large and growing trade surplus even relative to low-wage countries outside the eurozone. Furthermore, it has maintained its competitiveness in world export markets, and its exports are dominated by autos and other high-value, durable manufactured goods."

It is interesting to note that the things that are held up as worthy of admiration and imitation in the German system are the things that the AMWU and others have been advocating for Australia in order to improve manufacturing competitiveness. These include stronger engagement of workers by management, a greater focus on and coordination of innovation and better access to capital. These all form part of the AMWU's Smarter Australia agenda.[1]

Another method for supporting domestic manufacturing industries, employed by Japan, China, the EU and the USA, are policies aimed at devaluing the value of the domestic currency and thereby

[1] For a detailed exposition of the Smarter Australia agenda, see the report of the Non Government Members of the Prime Minister's Manufacturing Taskforce. Available at: http://www.amwu.org.au/campaigns/49/MAF/

increasing the competitiveness of the domestic manufacturing sector. Whether these policies explicitly have this goal, as in the case of China or Japan, or whether this is a bi-product of broader monetary policy as in the EU and US case, these policies have served to inflate the value of the Australian dollar above and beyond its already inflated value due to the decade old mining boom. Chart 1 below shows the magnitude of this currency effect.

Chart 1: AUD vs Yen and USD – 2009 to 2013.

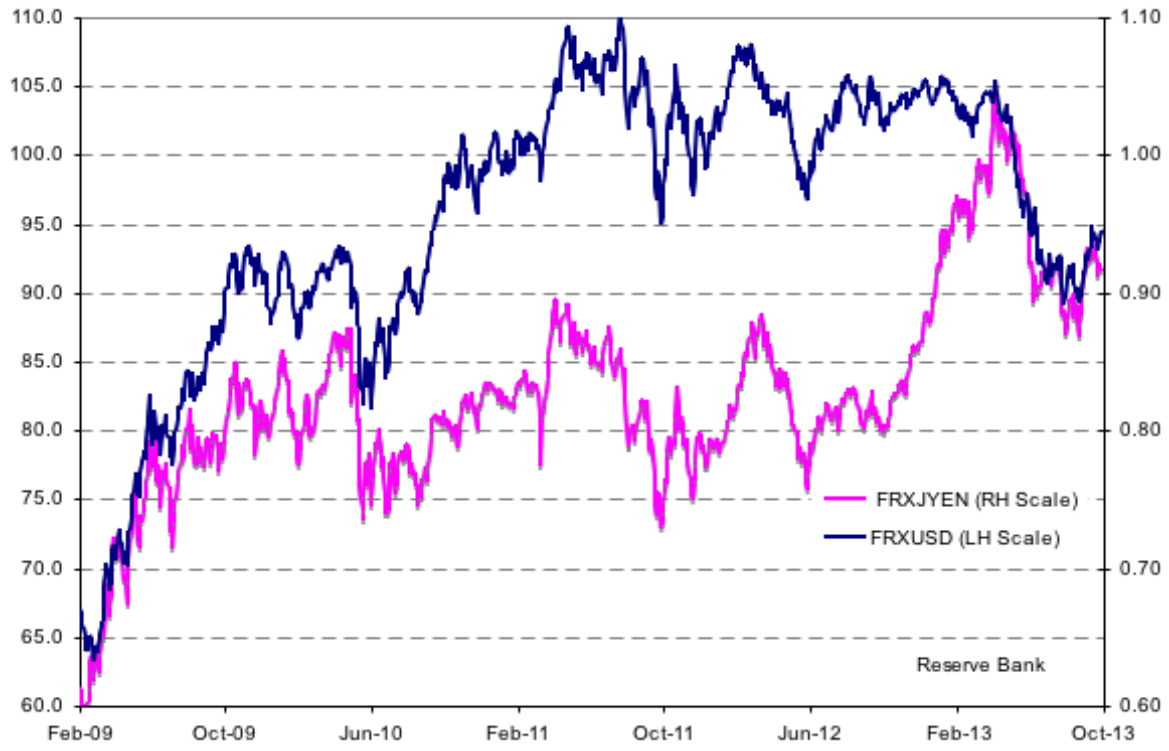


Chart 1 shows an appreciation of between 46 and 55 per cent for the USD and Yen respectively. This has had a huge impact on the competitiveness of our automotive manufacturing industry relative to the industries of these two countries; countries with which we directly compete for General Motors and Toyota investment dollars.

Exchange rates are notoriously difficult to forecast. However, there are reasons to believe that the AUD will not remain at current elevated levels over the medium and longer term, meaning that the Australian automotive industry could receive a substantial boost to its international competitiveness. Firstly, we would expect commodity prices to ease as global supply increases, putting downward pressure on the AUD. Indeed, this has already started to occur. Secondly, as the US removes quantitative easing and both the US and the EU continue to recover from the Global Financial Crisis (GFC), we would expect an eventual tightening of monetary policies, attracting capital away from relatively high return safe havens such as Australia. And finally, as our economy continues to slow due to the wind down in the investment phase of the mining boom and the continued pressure on the manufacturing sector, we would expect the RBA to continue loosening monetary policy here, making the AUD less attractive as a safe haven currency.

While these are broad observations and not intended to be predictions of currency movements in coming months, they do make the point that it would not be unreasonable to expect the AUD to devalue significantly in the medium and longer term. Indeed, this is supported by the conclusion of the IMF, which on 20 November 2013 published a report[2] which stated the AUD was overvalued by 10 per cent. In addition, on 22 November, the Governor of the Reserve Bank of Australia used his speech to the Australian Business Economists annual dinner to point out that other countries and regions continue to manipulate their currencies to gain a competitive advantage over their trading partners. In his speech, the Governor signalled that the RBA would consider intervention in foreign exchange markets were this to continue.[3]

It would be a cruel tragedy were a significant devaluation and the competitiveness boost it would bring to occur only after Australia lost its automotive manufacturing sector and the many thousands of jobs it provides, due to a lack of government support.

Policy makers and automotive companies are aware that in order to protect their future competitiveness, the industry and its leading firms need to be at the forefront of innovation.

In the automotive sector, one of these technological frontiers is methods to cut CO_2 emissions and the energy intensity of automobiles. In recognition of this, all the major automotive producing countries have instituted support for the development and deployment of green car technologies (see Table 2 below).

In Australia, while initially recognising the opportunities support for green car investment brings, the previous government cut the Green Car Innovation Fund in two rounds by a total of $800 million and currently Australian automotive manufacturers do not receive co-investment support in this important area.

Table 2: Green Car Support

Country	Program	Funding in National Currency	AUD equivalents
Germany	'Electromobility' Program	Euro 1.5b	$2b
European Union	European Green Car Initiative	Euro 5b	$7b
USA	Energy Policy Act tax credits	US$1.3b pa	$1.4b pa
USA	Advanced Technology Vehicles Manufacturing Incentive Plan	US7.5b	$8b
China *	New energy Automobiles	57b Yuan	$10b
India	Electric and hybrid vehicles	140b rupees	$2.4b

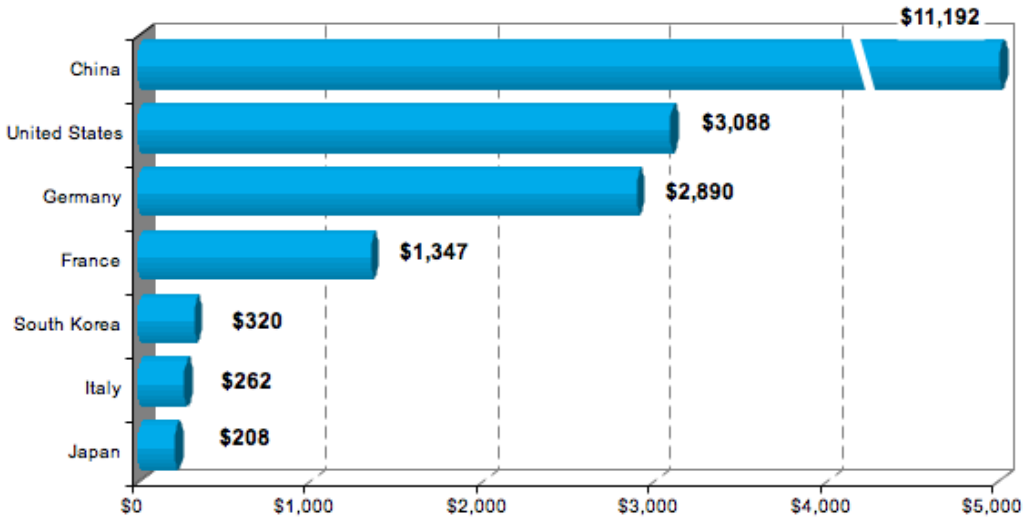
* Guangdong Province

[2] Available at: http://www.imf.org/external/np/ms/2013/112013.htm

[3] Speech by Glenn Stevens, Governor, to the Australian Business Economists' Annual Dinner, Sydney. Available at: http://www.rba.gov.au/speeches/2013/sp-gov-211113.html

Countries and companies are also investing huge resources in the development of e-mobility technologies, or electric vehicles and the infrastructure that is required to support the take up of electric vehicles. The Roland Berger quarterly E-mobility index tracks this investment and the development of technologies, industries and markets. In their most recent report[vii] Roland Berger estimate the value of annual subsidies for R&D in e-mobility in the major automotive producing countries at almost AUD $19 billion, with China alone contributing a massive AUD $11 billion. Chart 2 below shows these subsidies in AUD terms.

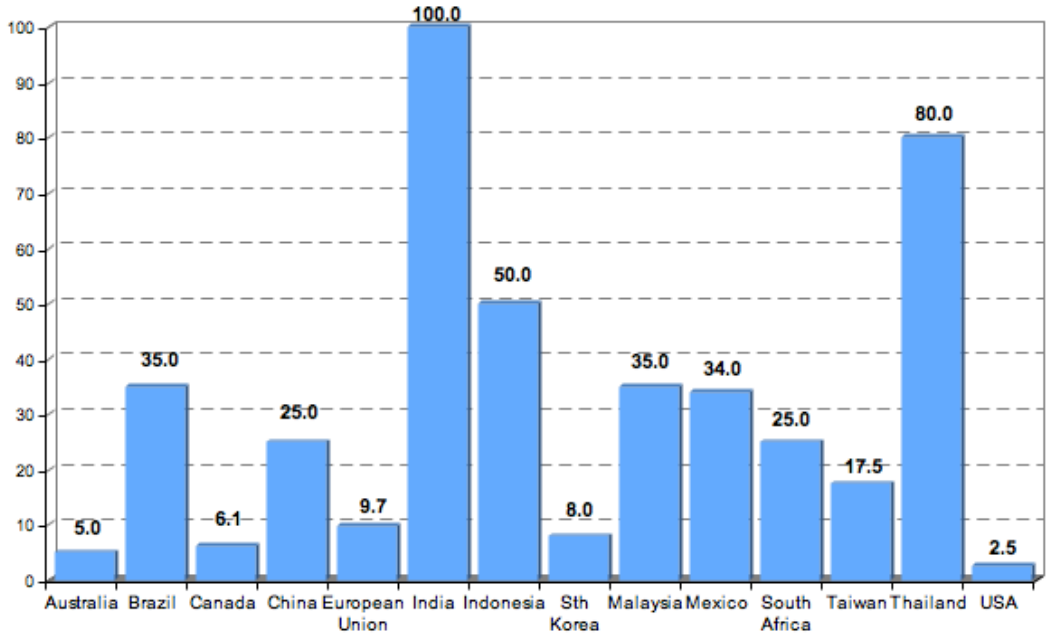
Chart 2: E-Mobility Government R&D Subsidies (AUD millions)



Source: E-Mobility Index, Q3, 2013. Roland Berger, fka.

Finally, while the trend over recent decades has been for trade barriers to come down, trade barriers still play a significant role in protecting the industries of certain countries from international competition, although notably not Australia's. In addition, it is the countries which are often cited as the new competitive automotive producers (such as China, Brazil and Thailand) which enjoy the largest protection from trade barriers, begging the question; how much of their competitive advantage, especially in home markets, comes from trade barriers rather than efficiency in production? Chart 3 below presents the official automotive tariff rates in selected countries.

Chart 3: Automotive tariff rates



Source: WTO Tariff Database

While the rates presented in Table 4 do not always reflect the effective tariff imposed between any two given countries due to various trade agreements, the table does make clear that trade barriers in automotive products are far from zero, especially for countries which are currently rapidly expanding automotive production capacity. In addition, these rates do not include tariffs on SUVs, such as the US 25 per cent tariff, or behind the border barriers, such as the EU VAT deduction on EU imports.

As discussed above, the global automotive industry is the subject of aggressive industry policies in all automotive producing countries. The exact figures for effective assistance rates are subject to disagreement, largely due to a lack of transparency with respect to policies in countries other than Australia. It is clear however that countries which have an automotive manufacturing industry significantly support that industry, usually with a range of measures.

The most often cited and perhaps the most rigorous analysis of the relative level of support provided to the sector in various countries is presented in the Federal Chamber of Automotive Industries Sapere Research Group report.[4] This report focuses on assistance in the financial year 2008-2009 and is therefore subject to the criticism that it includes non-ongoing assistance provided during the GFC. Nevertheless, the report makes clear both that the industry in other countries receives significant assistance (especially when under pressure) and Australian assistance equates to a very modest outlay per capita (just $18 per capita). The main table from this report is reproduced below as Table 3.

[4] Available here: http://www.fcai.com.au/library/publication/fcai_report.pdf

Table 3: Sapere Research Report assistance rates

Per Capita Assistance for the Automotive Industry, $US 2007 (purchasing power parity), 2008-09					
Country	**Estimated Assistance (Local Currency)**	**Population (million)**	**Per Capita Assistance (Local currency)**	**Currency Conversion (purchasing power parity)**	**Per Capita Assistance $US**
Australia	$573.3 million	22.0	$26.11	1.467	$US17.80
Canada	$C4 billion	32.5	$C118.55	1.23	$US96.39
France	€8.6	62.1	€137.36	0.932	$US147.38
Germany	€6,5	81.7	€79.52	0.88	$US90.37
Sweden	28.5 billion kronor	9.2	3085.81 kronor	9.234	$US334.18
United Kingdom	£1.15 billion	61.8	£18.61	0.665	$US27.99
United States	$US81.3 billion	307.0	$US264.81	1.0	$US264.82

Data Sources: Agence France Presse (2008) (2009); Productivity Commission (2010); US Department of the Treasury (2010); Industry Canada (2009); United Nations (2010); US Department of Energy (2008); House of Commons Business and Enterprise Committee (2009); IHS Global Insights (2010); Reed & Schafer (2009); United Nations Statistics Division (for purchasing power parity data).

The analysis and evidence provided above leaves no doubt that the automotive manufacturing industry is one which strategically competes on a global level and in which governments compete for automotive investment, research and development and production. Table 4 below provides a summary of the various methods used by automotive manufacturing countries to support their industries. Australia is not a particularly heavy supporter of its industry and by most measures provides comparatively little support.

Table 4: Summary of International Automotive Assistance

Assistance Type/Country	Subsidies	Tariffs	Non-Tariff Barriers	Currency Manipulation
Australia	✓	✓	✗	✗
EU-27 *	✓	✓	✓	✓
China	✓	✓	✗	✓
Japan	✓	✗	✓	✓
Russia	✓	✓	✗	✗
Thailand	✓	✓	✓	✗
United States	✓	✓	✗	✓

A reliance on the insights of traditional trade theory would lead to the conclusion that the support for the automotive industry documented above is counter-productive in terms of national welfare. But as academic economists now know, the question of whether industry policies (such as subsidies as well as trade barriers) can be welfare improving for a home country is far from settled. The application of game theory to trade issues has created a burgeoning and hotly contested new field in economics, namely strategic trade policy (or theory). While the conclusions of this theory are heavily dependent on specific assumptions made and frameworks used, the research has made it clear that those governments which engage in industry policies, whether they be trade barriers or subsidies or other forms of assistance, are not necessarily acting against the welfare interests of their populations as traditional trade theory would conclude.[5]

Putting other assumptions to one side, in order for such interventions to be welfare improving the industry in question needs to exhibit strategic interaction between companies. While economists can argue about other aspects of the automotive industry, there is no doubt that the international automotive industry is one where companies compete strategically, especially in terms of development and deployment of new technologies. As a result, it would be overly simplistic and a mistake to blindly apply traditional trade theory, which is based on an assumption of perfectly competitive markets, to the issues and the industry that is the subject of this review, as has so often been done in the past. It has often been the case in economics that observed behaviours that are seemingly counterproductive based on a perfectly competitive framework turn out to be both rational and welfare improving once real life 'complications' are taken into account, whether these complications are strategic, behavioural or informational in nature. Strategic trade policy points to the possibility that governments have been behaving rationally by supporting industries such as automotive manufacturing in an attempt to increase the welfare of populations while economists have been criticizing their behaviour as damaging based on overly simplistic economic models.

[5] For a review of Strategic Trade Policy, see: Spencer, Barbara and James A. Bredner, "Strategic Trade Policy", in *The New Palgrave Dictionary of Economics*, ed. by S.N. Durlauf and L. E. Blume (Basingstoke, Hampshire : Palgrave Macmillan, 2008).

It is the AMWU's contention that this is indeed the case, not only with respect to support for the automotive sector but across a range of other government policies such as support for shipbuilding, the importance of workers rights, anti-dumping and other policies.

In addition, there is a long standing debate about optimal tariffs in the context of the automotive manufacturing industry. This debate makes an additional case for non-zero tariffs as optimal policy.[6] As this debate has played out in previous Productivity Commission inquiries we will not re-prosecute the debate here[7], but it should be noted that the AMWU is still of the opinion that the optimal tariff on automotive imports in Australia's case is around 10 per cent. Needless to say, the optimal tariff debate as well as strategic trade policy, leave no doubt that the case for industry assistance, including trade barriers, is neither contrary to economic theory nor is it contrary to welfare maximising policy in light of this theory.

The Domestic Context: misdirected industry assistance

Australian government support for the automotive industry has received considerable attention from the media and public for many years. The reasons behind this are varied but the explicit direct nature of support and its politicisation has played a significant role. Indeed, the current Productivity Commission Review into the industry is the latest example of the politicisation of support for the industry.

The AMWU believes that it would be far better for the industry and the economy as a whole were the current government to re-create the former bipartisan support for the industry by pledging support for the industry without delay rather than cutting support while engaging in a lengthy inquiry process.

In order to make informed decisions about support for the automotive manufacturing industry, this support needs to be put into context domestically as well as internationally.

One source for information on some forms of government support that various industries receive from governments in Australia is the Productivity Commission's annual Trade and Assistance Review. The most recent Trade and Assistance Review was released in 2013 and looks at assistance in fiscal year 2011-12. There are several insights relevant to this review contained in the Productivity Commission's work, with the main insight being that assistance to the automotive manufacturing industry is neither of a quantum that overshadows the assistance other sectors receive and that assistance has not significantly increased over time, unlike that received by other sectors. In fact, the effective rate of assistance to automotive manufacturing shows a consistent and downward trend.

Table 5 below shows budgetary assistance going to broad economic sectors between 2006 and 2012. Budgetary assistance includes direct payments or subsidies as well as tax incentives. This is the measure of assistance that equates to direct transfers from taxpayers to industry.

[6] For a summary of the case for optimal tariffs, see: *Should we cut automotive tariffs*, LateralEconomics. 2008. Available at: http://www.lateraleconomics.com.au/outputs/LE_Automotive_Report_Final.pdf

[7] Appendix B deals with this debate in some detail.

Table 5: Budgetary assistance by industry sector, 2006-07 and 2011-12

Sector	2006-07	2011-12	Per cent change
Primary industries	$1,831	$1,440	-21%
Mining	$317	$700	121%
Manufacturing	$1,661	$1,753	6%
Services	$2,337	$4,201	80%
Unallocated	$661	$1,326	101%

Source: Productivity Commission, Trade and Assistance Review, 2013

Table 5 clearly shows that assistance to the broad manufacturing sector has effectively been constant over the period. It is worth noting that this period coincides with the mining boom, the resulting dramatic appreciation of the AUD and the GFC.

While assistance to the services sector has increased by 80 per cent and to the mining industry, which has seen an unprecedented boom over the period, by an incredible 121 per cent, assistance to the manufacturing industry, which has struggled due to the high dollar and other factors largely outside of the sector's control such as falling tariffs, has only increased by 6 per cent.

If we look at budgetary assistance to the automotive industry in particular[8], it has not changed at all between 2006-07 and 20011-12. Over the same period, assistance to the financial services industry has increased by 86 per cent, to the wholesale trade industry by 132 per cent and to utility services by an incredible 1,358 per cent.

It is a bitter irony that the manufacturing sector and in particular the automotive manufacturing sector, has seen assistance flat-line during a period of increased pressure and decreased competitiveness due to currency movements, while budgetary assistance to the sectors which are often held up as those in which Australia has a comparative advantage (with the implication that these sectors do not need or receive assistance), in particular mining and services, has dramatically increased.

If assistance to automotive manufacturing increased at the same rate as assistance to the mining sector since 2006-07, automotive manufacturing would currently receive an additional $150 million annually. Instead, the sector faces a cut in assistance of almost $50 million in 2012-13 and a cut of over $180 million in 2013-14 and 2014-15 under election promises made by the current Government.

In net combined assistance measures, these differences are even more stark. Net combined assistance, which includes both the positive (protection) and negative (input cost) impacts of tariffs as well as budgetary assistance, has fallen by 16 per cent for automotive manufacturing since 2006-07. For mining however, net assistance has increased by 152 per cent, while financial services

[8] Detailed assistance data by industry is available on the Productivity Commission website at: http://www.pc.gov.au/annual-reports/trade-assistance/2011-12

assistance has increased by 86 per cent and assistance to property, professional and administrative services has increased by a staggering 2,383 per cent (admittedly off a small base). The overall combined assistance rate for automotive manufacturing has fallen by 25 per cent since 2006-07, while the same measure has increased by 50 per cent for the mining sector.[9]

So at a time when automotive manufacturing has been under increased pressure, government assistance has been falling and at a time the mining sector has seen its greatest ever boom, government assistance has been increasing.

The failure of Governments to adequately address the competitive pressures released on non-mining sectors (and in particular the manufacturing sector) due to the mining boom has been well documented and has been outlined in the AMWU's paper, *Smarter Australia*.[10] The assessment of industry assistance above reinforces these concerns and trends.

The trends in assistance over the past few years outlined above are not due to automotive assistance being of a quantum significantly higher than other sectors and the catch up of these other sectors. If we look at the level of outlays, it is clear that automotive manufacturing does not receive a disproportionate share of budgetary assistance.

For example, automotive manufacturing received almost $580 million in outlays or subsidies while utilities received over $1 billion, agriculture received $890 million and mining received $400 million. But while automotive manufacturing received only $40 million in tax concessions, mining received and additional $300 million, property, professional and administrative services received an additional $417 million, agriculture an additional $548 million and financial services and additional $845 million.

Table 6 below summarises the budgetary assistance to the top 6 sectors receiving such assistance in 20011-12. It is worth noting that this summary is not exhaustive. For example, it does not include the value of fossil fuel subsidies such as the diesel fuel rebate for mining, nor does it include the value of substantial protection from foreign takeovers due to national interest protections through the Foreign Investment Review Board.

[9] There is a long debate about effective rates of assistance which is addressed in Appendix B to this submission.

[10] The paper can be accessed at:
http://www.amwu.org.au/content/upload/files/publications/FINAL_A_Smarter_Australia.pdf

Table 6: Budgetary assistance by industry, 2011-12

Industry	Budgetary assistance ($m)	Per cent of total budgetary assistance.
Agriculture	$1,439.5	15.3%
Utilities	$1,077.4	11.4%
Financial and insurance services	$914.7	9.7%
Mining	$700.4	7.4%
Motor vehicle and parts	$620.7	6.6%
Property, professional and admin. services	$611.3	6.5%

Source: Productivity Commission, Trade and Assistance Review, 2013.

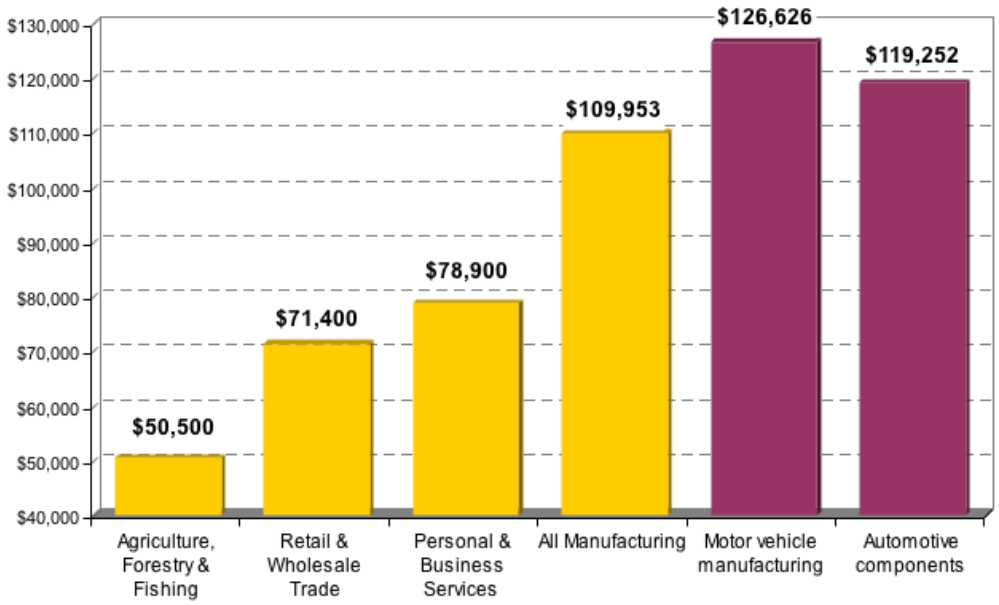
Automotive manufacturing receives significantly less assistance that agriculture, utilities, financial services and even less than the booming mining sector. It makes up just 6.6 per cent of all budgetary industry assistance. This is an incredibly small number given the degree of scrutiny this assistance receives, both from the media, the public and from politicians.

State of the industry: facts and challenges

There is no doubt that the Australian automotive manufacturing industry has been under extreme pressure in recent years. The persistently high Australian dollar has hit competitiveness in the sector by around 50 per cent, while our automotive market has continued to become more competitive with lower trade barriers, more imported brands and models, and less government assistance. In addition, the global financial crisis and the industrialisation of Asia has led automotive companies to refocus production in growing markets and seek to take greater advantage of economies of scale. These challenges are significant, but with the industry, governments and workers working together, they can be overcome. It is in the interests of not only the tens of thousands of automotive workers, their families and communities, but the broader economy and Australia as a whole that they are overcome. While a comprehensive plan for the industry in not presented in this submission, it is valuable to consider some key issues and facts which need to be considered when formulating such a plan.

In contrast to popular perception, Australian automotive workers are some of the most productive in the economy, especially outside of the mining sector. Chart 4 below shows value added per worker for selected industries including automotive manufacture and automotive parts manufacture. If it is the case, as some argue, that the automotive industry should not be supported by government because its workers are not sufficiently productive, then the 2.25 times greater level of assistance going to the agricultural sector is a much worse use of public funds. This is not the view of the AMWU but it is noteworthy that those same critics do not criticize support for the agricultural sector as much as they do the automotive sector.

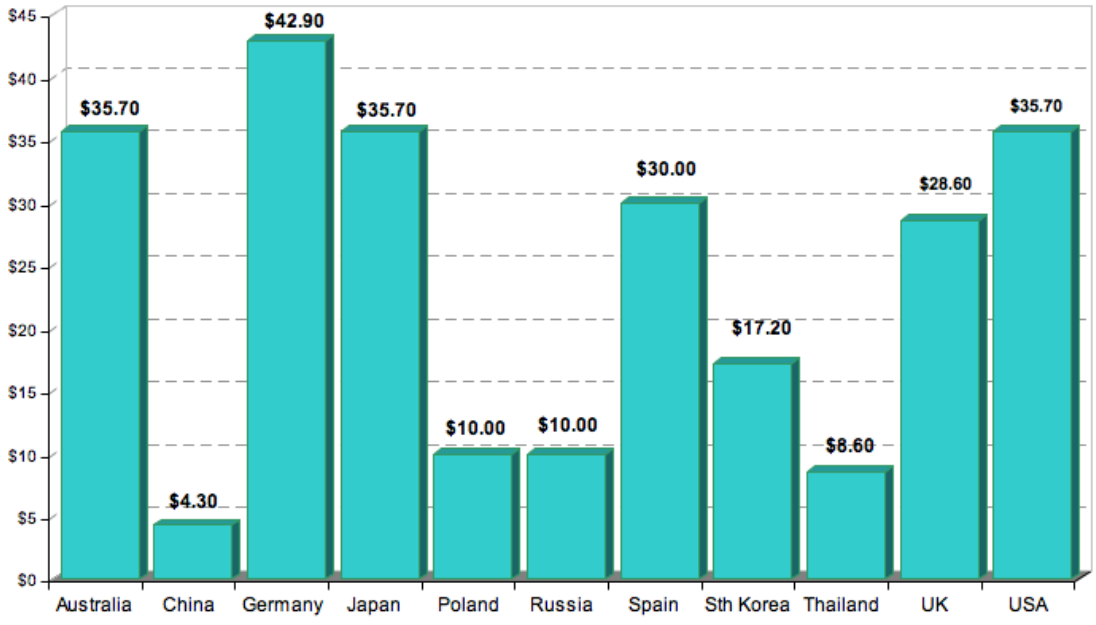
Chart 4: Labour Productivity in Selected Industries, 2011-12.



Source: ABS, Catalogue number 8155.0.

Another common misconception is that Australian automotive workers are payed exorbitantly compared to their overseas counterparts. The evidence clearly shows this isn't the case. Chart 5 below provides automotive manufacturing labour costs in the major automotive producing countries as well as Australia. While higher than developing countries, Australia's labour costs are clearly not higher than the USA, Japan and are significantly below those in Germany.

Chart 5: Global Automotive Manufacturing Labour Costs (in AUD)



Source: Morgan Stanley Global Auto Benchmarks, May 2013

This implies that in order to have a competitive automotive manufacturing sector it is not necessary to lower labour costs. The key to productivity and competitiveness lies in other areas.

The Australian car market is one of, if not the most competitive in the world if measured by the average sales per brand in the market. This is a reasonable way to measure competitiveness as it captures how fierce competition between brands is.

In Australia, the average brand sells just 16,500 units. This compares to 33,000 average units per brand for Canada. This figure for the USA is 255,000. This intense competition means it is extremely difficult for automotive producers to gain the scale needed to be competitive, effectively ensuring that exporting needs to be part of any long term viable Australian industry.

The drive for efficiency and scale has led the leading car manufacturing companies to increasingly turn to the use of global platforms and global supply chains. Both of these developments decrease cost per unit of production by allowing manufacturers to increase scale and efficiencies in the supply chain.

As an example, General Motors relied on global platforms for just 39 per cent of production in 2010. This is projected to increase to 96 per cent by 2018.[11]

The use of global platforms and an increased reliance on global supply chains will be central to the improvements in productivity which are needed in Australia's automotive manufacturing industry. Australian suppliers will need to join global supply chains to themselves take advantage of economies of scale and Australian automotive producers will need to make greater use of global platforms to reap the rewards of increased scale.

While the industry has seen unprecedented pressures in recent years, at the same time it has also seen a breakdown in the investment certainty that automotive manufacturers the world over look to governments to provide. Table 7 below documents the recent history of government commitment to the industry and how this commitment has frayed.

[11] Wards Auto, June 2013. Available at: http://wardsauto.com/management-amp-strategy/gm-vehicle-platform-consolidation-accelerating-product-chief-says

Table 7: The rise and fall of investment certainty

Date	Event
July 2008	Bracks review hands Rudd Government review of auto industry and recommendations for a new auto plan
November 2008	PM announces 13 year $6.2 billion New Car Plan for a Greener Future including $1.3 billion green car innovation fund (GCIF)
August 2009 to August 2010	Australian industry, government and unions sign up to the Australian Automotive 2020 Roadmap around 32 recommendations and four priorities including vehicle electrification, gaseous fuels, light weighting, data and communication systems.
May 2010	Labor Government budget cuts $200 million from GCIF.
May 2010	Coalition agrees to $200 million cut and trumps Labor by announcing an extra $278 million cut to GCIF over 4 years if elected.
August 2010 to January 2011	Government cuts $600 million from GCIF and promises a cash for clunker scheme that comes and goes.
February 2011	Having agreed to Labor's GCIF cuts the Coalition trumps Labor and announces it will cut $500 million from ATS if it wins

In this context of increasing pressure on the industry and a breakdown in bipartisan and consistent long term government support for the industry, automotive manufacturing has remained at the core of Australia's manufacturing capacity. Automotive manufacturing has developed technologies and production techniques which are taken up by the broader manufacturing sector and the rest of the economy. For example, Goran Roos, the well respected manufacturing expert has pointed out that: "the automotive industry is an excellent source of management capacity that you have problems finding elsewhere".[12] It is slightly ironic that the extremely competitive nature of automotive manufacturing contributes to both the positive spill overs from the industry, in terms of technology and process development as well as skills and management expertise spill overs, while it also contributes to the pressures faced by the industry. The competitive global nature of the industry and its constant striving for productivity improvements is both the reason why the industry is so important to broader manufacturing and the reason behind the global will of governments to support their domestic industries.

What needs to be done.

While a broader and more in depth plan for the automotive manufacturing industry will be presented in the AMWU's submission to the Productivity Commission Review and the Australian Parliament, an outline of the features this plan will need to have can be drawn from the evidence presented above.

[12] Goran Roos interview on *The Business*, ABC TV, 15 March, 2012. Transcript available at: http://www.abc.net.au/news/2012-03-14/concerns-linger-over-aussie-manufacturing/3890396

The first thing to note is that Australian automotive manufacturing is not competing on a level playing field internationally. The use of trade barriers, behind the border barriers, subsidies, currency manipulations, preferential regulations and tax treatment, all characterise international automotive markets and serve to undermine the viability of Australia's industry.

In order to address the longer term viability of the industry, this lack of a level playing field needs to be acknowledged and addressed by government.

The second thing to note is the need to address the immediate pressures facing the industry, specifically low domestic demand for locally produced cars. And finally, the government's stance towards the industry needs to revert to long term support which provides certainty for the industry and can go some way in addressing the lack of a level playing field.

As a consequence designing a plan for a future automotive manufacturing industry should give consideration to the following factors:

1. Re-commitment to (bipartisan) government support for the industry.

    a. A commitment to no more arbitrary reductions in the level of Automotive Transformation Scheme (ATS) funding and an increase in this funding to levels which are deemed sufficient to attract the foreign investment needed to maintain the industry.

        i. ATS funding should be held to at least $300 million per year. This funding commitment should be held constant to at least 2020 to provide industry with investment certainty.

        ii. In addition, the ATS needs to be amended to better account for the impacts of Ford's planned departure from manufacturing in 2016 as well as to better provide transparency and certainty of co-investment to both manufacturers and the supply chain.

    b. Re-institute a remodelled version of the Green Car Innovation Fund (GCIF), to support the development and deployment of the latest e-mobile and low carbon automotive technologies. A reconstituted GCIF could be established and administered consistently with the framework and priorities identified in the Auto Roadmap.[13] To do this, an expert panel could be assembled to design the framework for a reconstituted GIF. Doing this could help restore the international reputation of Australia and provide certainty to the industry in a manner broadly consistent with the 2008-2020 plan legislated for in 2009.

    c. A recommitment to use all levels of government procurement (Commonwealth, State and Local) to purchase Australian made cars for their fleet requirements where possible.

[13] The Automotive Roadmap 2020 is available at: http://www.autocrc.com/about/2020

i. Government procurement is exempt from WTO provisions and could be used to support local industry consistent with our other FTA commitments.

1. Given the competitiveness of the automotive market in Australia, price cannot be used as an excuse to purchase imported vehicles.

ii. Commonwealth funding of State and Local governments could be used as an incentive mechanism to induce the purchase of locally made fleets.

d. Strong consideration should be given to recommitment to programs such as the Automotive New Markets Initiative which support the diversification of the automotive supply chain, thereby both spreading the benefits of automotive sector expertise and technologies and increasing the resilience of the automotive supply chain itself.

2. Levelling the playing field for the Australian industry.

a. RBA intervention in foreign exchange markets to bring down the overvalued AUD, as recently flagged by the RBA Governor.

b. Mandatory advertising of (ANCAP) safety ratings for all new vehicles sold on the Australian market. In addition, the cost of vehicle registration could be a decreasing function of the vehicle's safety rating. Besides supporting 5 star rated Australian made cars, there is a good public policy reason for doing this.

i. With a public healthcare system, the public expenditure on healthcare increases with the number of low safety rated cars on the road. Tying registration costs to vehicle safely ratings will lower the externality of low safety rated vehicles by better applying the 'user pays' principle to health related costs of automobile accidents.

c. Imposition of behind the border excise taxes on automotive imports from countries that themselves impose such restrictions on potential Australian exports.

i. This would not only raise tax revenues and ensure automotive trade with these countries is fairer; it would serve as a disincentive for future FTA partners to engage in behind the border trade barriers, especially following the agreement of FTAs.

d. Consideration of an increase in the general tariff on automotive imports to 10 per cent on imports from countries which themselves impose tariffs on potential Australian exports of over 10 per cent.

3. A positive plan to maximise the competitiveness and viability of the industry.

a. Establishing an Automotive Industry Advisory Panel, to consist of industry, union and government representatives, to oversee the revival of the automotive industry by:

i. developing an in-depth plan for the automotive industry to 2025. This plan should be developed in light of the Automotive Roadmap to 2020 and the Prime Minister's Taskforce on Manufacturing (PMMT) and on its recommendations dealing with improving the competitiveness of Australian manufacturing.[14]

ii. advising on the best way to consolidate and diversify the industry's supply base,

iii. overseeing adoption of smarter workplace procedures to improve worker training and engagement with management (as outlined in the PMMT and Smarter Australia reports),

iv. periodically assess adequacy of automotive support programs, especially in light of the policies of trade partners,

v. report on the progress of governments in purchasing Australian made cars for fleets, and

vi. oversee the implementation of the automotive plan to 2025.

The above options provide an outline of what the AMWU will consider as necessary actions to revitalise and grow the automotive manufacturing sector. Specifics around any policy proposal contained above will be provided by the AMWU in its final submission to the Productivity Commission and the Australian Parliament, once these proposals have been taken to tens of thousands of workers around Australia for their input and endorsement. The above is intended to provide some guidance to the Productivity Commission and the broader community as to what the AMWU deems to be a necessary set of actions if Australia is to retain a competitive automotive manufacturing industry and the jobs and other benefits it brings.

Conclusion

The global automotive manufacturing industry is one that for historical and economic reasons relies on partnerships with local national governments. The automotive producers themselves are open and explicit about this reality. If any given country wishes to retain an automotive manufacturing capacity and the huge economic benefits that it brings, it needs to partner with producers through co-investment and other forms of support. This in turn requires a bipartisan political consensus for support of a domestic automotive industry. Such a consensus exists in the USA, in the UK, in Japan, Germany and until recently it existed in Australia.

The Australian automotive industry directly employs around 50,000 workers (almost 5 per cent of all manufacturing employment), contributes $5.4 billion of value added to the economy (5.4 per cent of

[14] In particular, any plan for the automotive manufacturing industry needs to be guided by recommendation 36 of the PMMT report, which is contained Appendix A to this submission.

all manufacturing value added), and contributes $700 million or 15% of manufacturing R&D to the economy. It is an industry which sits at the core of the manufacturing industry and is responsible for skills, technology and management and production process transfer to the rest of manufacturing as well as other sectors. In addition, it lies at the centre of regional economies in Adelaide and Melbourne, with offshoots in regional Victoria, and in Queensland, New South Wales and Western Australia. The total economic benefit of the sector is estimated to be around $21 billion in net present value terms.[viii]

While the industry faces challenges, largely not of its own making such as the high Australian dollar and incredibly competitive domestic market, these challenges are not insurmountable through a partnership with government and workers. Key to overcoming these challenges is a will from government to take the steps necessary to support and revitalise the industry. This will has been demonstrated by overseas governments in recent years. It is time for the Australian Government to show the same determination to maintain this vital industry in Australia.

The alternative is too damaging to consider as an option. The loss of the automotive manufacturing industry would cause tens of thousands of jobs to be lost, billions of dollars in foreign direct investment to be lost, billions of dollars of research and development investment to be lost and it would cause regional recessions in Adelaide and Melbourne, with significant flow on impacts across the whole nation. Yet this is the scenario that the Australian economy is facing due to a lack of support for the industry just when the industry needs support the most.

Recently, the US Treasury informed Congress that they have booked a USD $9.7 billion loss from the bailout of General Motors during the global financial crisis.[15] This is testament to what other countries are willing to do when faced with the prospect of losing their automotive manufacturing industry. The AMWU believes the Australian Government needs to show similar resolve with respect to our automotive industry.

The costs of the industry's closure would not be restricted to workers, families and communities. They would also be felt by state, local and the Commonwealth governments. Expenditure on unemployment and other benefits would rise, while tax revenues from the industry and from indirectly supported workers and businesses would fall. In addition, governments would be called on to provide significant regional structural adjustment support to economically devastated regions.

It is clearly in the interests of Australia's economy for the automotive manufacturing industry to be provided both the time and support required to achieve a greater degree of viability. Abandoning the automotive industry would be a large step towards abandoning the entire manufacturing industry, leaving Australia as a mining, agriculture and service economy. This is neither in our economic interest nor is it something the Australian public wants to see happen. Australia can have a competitive and vibrant automotive manufacturing industry; we simply need the will to make that goal a reality.

[15] See: http://www.afr.com/p/business/companies/us_to_exit_gm_by_year_end_sees_bn_qVwMdKQ448fZV3p0o21IHJ

Appendix A: Prime Minister's Taskforce on Manufacturing Report

The Non Government Members of the Prime Minister's Taskforce on Manufacturing report committed their organisations to the following recommendation (recommendation 36):

1. Developing a broader and deeper knowledge of what firms and workers need to significantly transform the productive performance of their businesses and workplaces, and how the change process at the level of the firm and work place can be better managed.

2. Transferring that knowledge into new content and approaches in delivering education and training material for members through internal union and employer association programs, and through new alliances with external providers with expertise to add value to the training/education effort.

3. Developing high level capabilities internally and through new alliances with specialist external providers to assist members in workforce development initiatives and to improve the productive performance of firms through an agenda for developing high performance workplaces.

4. Embedding a new culture in employer and union organisations that prioritises these activities regardless of the changing political landscape.

Appendix B: The Productivity Commission and the Effective Rate of Assistance Debate

In measuring what it calls the effective rate of assistance (ERA) the Productivity Commission seeks to shed light on the debate about allocative efficiency. As suggested in the recent Trade and Assistance Review:

"that is, where there is some competition between industries for resources, those industries with relatively high effective rates of assistance are more likely, as a result of their assistance, to be able to attract resources away from those with lower effective rates of assistance" (page 30)

Within the framework of the Productivity Commission 's Computable General Equilibrium (CGE) modelling exercise these differences in ERA's can give rise to an interpretation that the long term cost to the economy of keeping an industry or industries with high ERA's is greater then the short term cost of letting the industry rationalise or close. Thus the Productivity Commission usually suggests, one way or another that:

A. the assistance to the auto sector per worker employed is higher than in other industries.

B. the assistance to the auto industry as a proportion of its value added is higher than other industries

C. there is a cost to the Australian economy of continuing to provide support to the Australian auto industry that is higher than other industries, and therefore

D. we should reduce support for the auto industry and by reducing disparities in rates of assistance between industries and improving allocative efficiency will enhance consumer welfare.

In reply and as a critique of this position the debate about the Productivity Commission 's approach to auto tariffs usually starts with the optimal tariff debate as was the case in the pervious review of the industry in 2008. Here the point is made that when tariffs are relatively low then the negative terms of trade effects outweigh the allocative efficiency benefits of reducing tariffs below 5% or 10%. Governments also remind the Productivity Commission that there is the additional issue of the $1 billion per year in revenue that the auto tariffs are expected to rise on average over the next four years.

In relation to budget and tariff assistance or ERA's the counter position put to that of the Productivity Commission suggests:

1. The ERA's never capture all of the variables that impact allocative efficiency. For example how do we include within the measure of an Industries ERA fossil fuel subsidies or protection through FIRB regulation? Similarly why is imposing or removing the mining resources rent tax not included in assessments of ERA’s? Such a tax will certainly impact allocative efficiency and its removal (at a cost we estimated in AMWU's Smarter Australia publication at $2.5 billion per annum over the next 15 to 20 years) is certainly portrayed by some politicians as an act of assisting the industry.

2. Unfortunately there are some costs and some benefits that we can't measure accurately that have a significant impact on allocative efficiency. This is particularly the case of spill over benefits that most nations deem to be particularly high in their auto industries.

3. In the case of auto the capital is foreign capital and is unlikely to be replaced by new foreign capital. As a result, arguments about allocative efficiency in terms of labour are more prominent, but:

    a. It is not clear (as highlighted by the Mitsubishi closure) that labour is reallocated the way CGE models and neo-classical economics might imagine (and so it is not clear that the benefits will be as models suggest).

4. If through changes in commodity prices a nation's increases in its terms of trade are largely transitory as are the impact on its exchange rate, it is unclear that moving labour out of industries with large fixed costs and significant spill over benefits in the short term is an efficient reallocation of resources in the longer term. Similarly as pointed out in Appendix three of the recent manufacturing Task force report:

" if the market were efficient in allocating labour and capital between various activities it would be reasonable to expect some symmetry in outcomes it produces. If that we're the case, when international competitiveness declines, manufacturing companies may go out of business, but when competitiveness improves its should reasonably be expected that the market would allow such activities to re-appear.

" in practice of course this is most unlikely to eventuate. If the current surge in the terms of trade resulted in Australia losing say the car industry, aluminium smelting or parts of the Pharmaceuticals industry, it is very difficult to imagine such activities re- emerging sometime in the future when the terms of trade decline. While this may be what simple market models may tell us should happen, it would not reflect the way in which transnational corporations allocate their global investment dollars. "

"Australian competences in many manufacturing activities have been developed over a long period of time and involve substantial sunk costs. In a high cost economy, it would almost certainly not be efficient to re- invent such competences when the terms of trade fell. Rather, new investment would go to those other countries that had continued to build their manufacturing competencies while the sector in Australia was in decline."

At the end of the day all nations come to have some industries and activities that have higher measured ERA's then other industries and activities. The exact costs and benefits of this will never be entirely clear. Fortunately in the negotiations that will occur following these proceedings a key issue that will be addressed is how can we get a higher rate of return for the community from the support that is provided.

The AMWU had to address this question at companies like Holden and Tenneco during the GFC when sacrifices had to be made to save the businesses. We have had to do similar things in recent times. Government's also have to address this issue in terms of ensuring a higher degree of certainty about the level of industry assistance to support investment. In the AMWU's view, the rate of return

from auto assistance to the community was substantially reduced by the "assistance cutting" competition played out in Australian politics in relation to the auto industry in recent times and highlighted in Table 7 in this submission.

Similarly we need the firms in the industry to more carefully asses how they can improve their and their supply chain's management systems and organisational capability so that the firms in the industry are more productive and profitable and the return to the community from each dollar of assistance is maximised. Fundamental to this challenge will be looking at how we as an industry go through the adjustment process now under way and come out the other side with the capacity to grow the industry and the benefits it provides.

Ultimately these are matters of judgement. In our judgement the real issue today is how to get a better rate of return from that level of assistance rather than arguments about improving allocative efficiency as a rationale for reducing assistance .That is why we said in our submission to the Prime Minister's Taskforce on Manufacturing, as cited above:

"The foundations of a successful 2015-2025 decade require commitment by employers, unions, workers and Government to a new high growth strategy and a detailed agenda to restore the industry's international competitiveness".

That is the debate about getting a higher rate of return for the community from each dollar of assistance provided to the industry and it is a debate we will take to our members in plants around Australia and then to the Parliament next year.

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[i] Haley, Usha C. 2012. *Putting the Pedal to the Metal: Subsidies to China's Auto-Parts Industry from 2001 to 2011.* Economic Policy Institute Briefing Paper #316, Washington, D.C.

[ii] Scott, Robert E. 2011. *The Benefits of Revaluation: Full Revaluation of the Chinese Yuan Would Increase U.S. GDP and Employment, Reduce the Federal Budget Deficit, and Help Workers in China and Other Asian Countries.* Economic Policy Institute Briefing Paper #318, Washington, D.C.

[iii] Ahrens, Nathaniel. January, 2013. *China's Competitiveness: Myth, Reality And Lessons for the United States and Japan*: CSIS.

[iv] Scott, Robert E. Welthing, Hilary. 2012. *Jobs In The U.S. Auto-Parts Industry Are At Risk Due To Subsidized And Unfairly Traded Chinese Auto Parts.* Economic Policy Institute Briefing Paper #336, Washington, D.C.

[v] Scott, Robert E. Welthing, Hilary. 2012. *Jobs In The U.S. Auto-Parts Industry Are At Risk Due To Subsidized And Unfairly Traded Chinese Auto Parts.* Economic Policy Institute Briefing Paper #336, Washington, D.C.

[vi] Meyerson, Harold. 2011. "Back from China." *The American Prospect*, vol. 10, no. 22, November 29.

[vii] E-Mobility Index, Q3 2013. Roland Berger, fka. Available at: http://www.rolandberger.com/media/pdf/Roland_Berger_E_Mobility_Index_Q3_E_20130905.pdf

[viii] Allen Consulting Group, 2013. *The strategic role of the Australian Automotive Manufacturing Industry*. Report to the Federal Chamber of Automotive Industries.