



**FORD MOTOR COMPANY OF AUSTRALIA LIMITED**

**(ABN 30 004 116 223)**

**SUBMISSION TO THE PRODUCTIVITY COMMISSION**

**REVIEW OF THE AUSTRALIAN**

**AUTOMOTIVE MANUFACTURING INDUSTRY**

**November 2013**

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**This submission is made by Ford Motor Company of Australia Limited (ABN 30 004 116 223). The Company is subsequently referred to as Ford Australia. In addition to this submission, Ford Australia has also contributed to a submission by the Federal Chamber of Automotive Industries (FCAI), and supports the recommendations incorporated in that submission.**

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# **CONTENTS**

## **CHAPTERS**

<b><u>Chapter</u></b>	<b><u>Subject</u></b>	<b><u>Page</u></b>
1.0	Introduction and Summary Recommendations	2
2.0	Ford Australia – An Overview	3
3.0	Australia – A Highly Competitive Market	7
4.0	The Global Industry Challenge	12
5.0	Ford Australia's Business Transformation	14
6.0	A Future Opportunity for Ford Australia	16
7.0	Post Review Policy Framework - Recommendations	21

## **TABLES**

<b><u>Number</u></b>	<b><u>Subject</u></b>	<b><u>Page</u></b>
1.	Ford Australia Key Recommendations	2
2.	Ford Australia 2012	3
3.	Ford Australia Facilities	4
4.	Ford Australia – Some Key Suppliers	5
5.	Ford Australia 2012 Sales by Model	6
6.	Australian New Vehicle Market	7
7.	Ford Australia – Employee Qualification Base	17

## **1.0 INTRODUCTION AND SUMMARY RECOMMENDATIONS**

- 1.1** This submission is made in response to the release of a Productivity Commission Issues Paper as part of its review of the Australian automotive manufacturing industry requested by the Treasurer on behalf of the new Coalition Government. In Ford Australia's view, this review represents an investment facilitation debate, not an industry protection debate as the world, including Australia, has moved on from this position. The task now is to recognize the challenges facing the industry and to determine appropriate policy settings that will attract the on-going investment and innovation necessary to enhance and grow a key strategic industry and to also release the true value of the significant industry and community investments made to date.
- 1.2** The automotive industry is among the largest private sector investors in research and development, with expenditures of around \$5 billion since 2002. Its future requires a full appreciation of the fundamental need for globally-comparable policies and how best to capture future investment in an era of mobile capital and low market entry costs. By understanding this reality, Australia will continue to be able to enjoy the strategic national benefits of being one of only a small number of countries fully capable of designing, engineering and manufacturing world-class motor vehicles.
- 1.3** Policy settings which facilitate the unlocking of the maximum value from all stages of the supply chain are required to enable Australian auto companies to enter global supply chains on a competitive basis.

**Table 1**

### **FORD AUSTRALIA KEY RECOMMENDATIONS**

- **Continuation of Automotive Transformation Scheme (ATS) until 2020.**
- **No reduction in ATS Step 2 funding.**
- **Modifications to ATS Regulations to facilitate ongoing investment into automotive Research and Development**
- **A comprehensive and fair trade strategy:**
  - A stronger focus on elimination of non-tariff barriers as part of trade negotiations coupled with the exclusion of automotive from any FTAs with highly constrained opportunity for genuine, reciprocal market access.

## **2.0 FORD AUSTRALIA – AN OVERVIEW**

**2.1** Ford Australia is a major automotive manufacturer with extensive globally-linked design, engineering and manufacturing facilities in Geelong, Lara and Broadmeadows, Victoria. These world class facilities reflect an organisation with significant investment in infrastructure and technical capability. This capability is reflected by Ford Australia's role as a design and engineering "Centre of Excellence" for the Asia-Pacific region. This makes Ford Australia one of just four corporate global hubs for the design, development and testing of Ford vehicles. The other Centres of Excellence are located in Cologne (Germany), Dearborn (USA) and Camacari (Brazil). Ford has had a manufacturing presence in Australia since 1925.

**Table 2**

<b>FORD AUSTRALIA - 2012</b>		
		<b>\$A</b>
<b>Employment (number)*</b>	-	<b>3,250</b>
<b>Vehicle Sales (units)</b>	-	<b>90,408</b>
<b>Gross Revenue</b>	-	<b>\$3.1 billion</b>
<b>Local OE Purchases</b>	-	<b>\$545 million</b>
<b>Research &amp; Development</b>	-	<b>&gt;\$200 million</b>
<b>Financial Result</b>	-	<b>(\$141) million</b>
*includes contractors		

(source: Ford Australia)

**2.2** Ford Australia is a subsidiary of the Ford Motor Company. Ford Motor Company was founded in 1903 and is headquartered in Dearborn, USA. It is a global industry leader with approximately 171,000 employees and 90+ manufacturing plants worldwide. It manufactures and distributes motor vehicles on six continents through its core brands of Ford and Lincoln. These automotive brands are complemented by the Company's ownership of Ford Credit, one of the world's largest automotive finance companies.

- 2.3** Ford Australia is an integral part of Ford Motor Company's Asia Pacific operations. Ford's Asia Pacific office has regional responsibility for 20 markets and is the Company's fastest growing sales region. This regional grouping is headquartered in Shanghai and includes responsibility for the parent company's investments in China. It is led by Group Vice President, David Schoch.
- 2.4** Ford Australia's core locally manufactured products are the Ford Falcon and Ford Territory, both off the Company's locally designed E8 platform. These vehicles and their derivatives are wholly designed, engineered and manufactured in Australia. They have high levels of local content and widespread local supplier linkages. A major update to both the Ford Falcon and Ford Territory is due to be launched to the market in the latter part of 2014. This is the culmination of a \$103.5 million investment program announced in 2012, with support from both the Victorian and Commonwealth Governments.

**Table 3**

<b>FORD AUSTRALIA FACILITIES</b>	
<b><u>Geelong</u></b>	<b>Research and Development Centre</b> <b>Iron Casting Plant</b> <b>Aluminium Casting Plant</b> <b>Engine Manufacture</b> <b>Stamping Plant</b>
<b><u>Lara</u></b>	<b>Proving Ground</b> <b>Emission Laboratory</b> <b>Climate Laboratory</b> <b>ACART</b>
<b><u>Broadmeadows</u></b>	<b>Research Centre/Design Studio</b> <b>Training Centre</b> <b>Assembly Plant</b> <b>Head Office</b> <b>Ford Customer Service Division/</b> <b>Parts Warehouse</b> <b>Fordstar Broadcast Studio</b> <b>Service Engineering</b> <b>Regional Sales Office</b>
<b><u>Sydney, Brisbane, Perth &amp; Adelaide</u></b>	<b>Regional Sales Offices</b>

(source: Ford Australia)

- 2.5** Ford Australia is the largest automotive R&D investor in Australia. In 2012 Ford Australia invested more than A\$200 million in R&D, bringing Ford Australia's total investment to A\$1.9 billion over the last six years.

In 2006, Ford Australia was awarded the global lead for the design and development of a major new light commercial vehicle. The Australian designed and developed Ford Ranger (and its Mazda counterpart the BT50) is now manufactured in three continents and sold in more than 180 markets worldwide. It has received numerous awards since its launch, including the prestigious "International Pickup of the Year 2013".

The successful delivery of the Ford Ranger program has enabled Ford Australia to win additional product development work. These programs include a new Ford Ranger derivative, a significant Ford Ranger model upgrade and numerous other projects for regional and global markets in the next few years.

- 2.6** Ford Australia has a large network of Original Equipment (OE) suppliers including nearly 100 Australian suppliers. Annual purchases of components, materials and services from its local suppliers are in the range of A\$545 million. The following table is a sample of some key local component suppliers for the Ford Falcon and Ford Territory.

**Table 4**

<b>FORD AUSTRALIA – SOME KEY SUPPLIERS</b>		
<b>Venture Sumitomo Aust Robert Bosch SWS Dana Walker EGR Plastics Yapp Aust. Futuris Continental Orbital Gas</b>	<b>Ext./Int. Components Electrical Chassis /Brakes Systems Wiring and ICC Chassis Exhaust/Emissions Control Exterior PTi Interior Instrument Panel PTi</b>	<b>Vic Vic Vic Vic Vic SA QLD SA Vic Vic NSW</b>

(source: Ford Australia)

**2.7** Ford Australia distributes its vehicles, replacement parts and technical/service expertise and knowledge through a network of more than 200 independently-owned dealerships in some 286 locations around Australia. These dealerships directly employ more than 7,000 people and many are located in rural and regional centres. Web-based video communication is used to conduct interactive information and employee training sessions with dealerships throughout Australia and New Zealand.

**Table 5**

<b>FORD AUSTRALIA – 2012 SALES BY MODEL</b>		
<b>Ford Falcon (all derivatives)</b>	<b>Australia</b>	<b>19,769</b>
<b>Ford Territory</b>	<b>Australia</b>	<b>14,646</b>
<b>Ford Focus</b>	<b>Thailand</b>	<b>18,586</b>
<b>Ford Ranger</b>	<b>Thailand</b>	<b>18,097</b>
<b>Ford Fiesta</b>	<b>Thailand</b>	<b>10,413</b>
<b>Ford Mondeo</b>	<b>Belgium</b>	<b>5,203</b>
<b>Ford Escape/Ford Kuga</b>	<b>Taiwan/Spain</b>	<b>2,046</b>
<b>Ford Transit</b>	<b>UK/Turkey</b>	<b>1,648</b>

(source: VFACTS)

**KEY MESSAGE:**

**Ford Australia is a significant investor and employer with a long history in Australia. It is globally-integrated and has extensive R & D, supplier and dealership linkages.**



### **3.0 AUSTRALIA – A HIGHLY COMPETITIVE MARKET**

**3.1** The Australian automotive market is one of the most open and competitive in the world with a strong consumer demand for variety, quality, value and performance. The domestic market is very much a world stage, particularly with the relatively low barriers to entry facing the variety of importers. The Australia automotive market is, by world measures, relatively small with an annual industry volume of approximately 1.1 million units. This compares with an annual US market of approximately 15 million sales and a market forecast of 19 million units for China this year.

**3.2** The Australian automotive market has become increasingly fragmented and derives much of its competitive ethos from its diversity of brands and products. There are no dominant marques in the automotive market. No brand has more than 20% of the market. Only two brands have market shares greater than 10% (source: VFACTS full year 2012 sales). The diversity of brands/products in the automotive market is further illustrated by the 65 different brands and more than 380 models of vehicle on sale. In addition, these brands and models are sourced from more than 28 different countries ranging from the established automotive economies of Japan, Germany and the United States to relatively new producer countries like Korea, Thailand and China. The value and volume of automotive imports from Thailand, for example, has grown dramatically over recent years. Thailand is now ranked second to Japan for the source of the largest number of vehicles sold in Australia.

**Table 6**

<b><u>AUSTRALIAN NEW VEHICLE MARKET</u></b>
<b>&gt;28 source countries</b> <b>65 different brands</b> <b>380+ different models</b> <b>≈ 1.1 million annual sales</b>

(source: VFACTS)

**3.3** In addition to the fragmentation resulting from the entry of new brands and models to the Australian automotive market, there has been significant change in relation to the types of vehicles being purchased and consequent

deterioration in the industry's traditional domestic "niche base" of large rear-wheel-drive passenger cars. This factor has had a major impact on the viability of domestic manufacture, particularly given the fundamental imperative for sustaining "critical mass" in such a fragmented marketplace. The fragmentation has also placed pressure on average model volumes as the Australian market has remained relatively stagnant at just over one million sales over recent years. Average model volumes in many segments are well less than 10,000 units and declining.

- 3.4** The Australian automotive market's competitiveness is also, however, derived from factors beyond brand/product diversity. These factors have a significant and sustained influence on the viability of local manufacturing, particularly when experienced concurrently as has been the recent experience of the automotive environment in Australia. They include:

**High Value of the Australian Dollar:** The sustained appreciation of the Australian dollar versus the US dollar is well documented. In the decade since 2002, the Australian dollar had appreciated by more than 90%, making imported vehicles relatively cheaper as compared to the locally manufactured models. Distributors of imported models are using the increased profit margin afforded by a favourable exchange rate to increase the feature content and specifications of their vehicles relative to the domestically made offerings. Alternatively, they may have greater scope to increase their purchase incentives, presenting a compelling customer offer at point of sale and impacting transaction price instead of reducing the published manufacturer's recommended price (MRP). Imported vehicles now comprise more than 90% of all vehicles sold in Australia (VFACTS YTD Oct 2013). The high value of the Australian dollar has also acted to unfavourably impact the cost competitiveness of potential and current vehicle and auto component export programs. It has also impacted the cost competitiveness of exported design and development services.

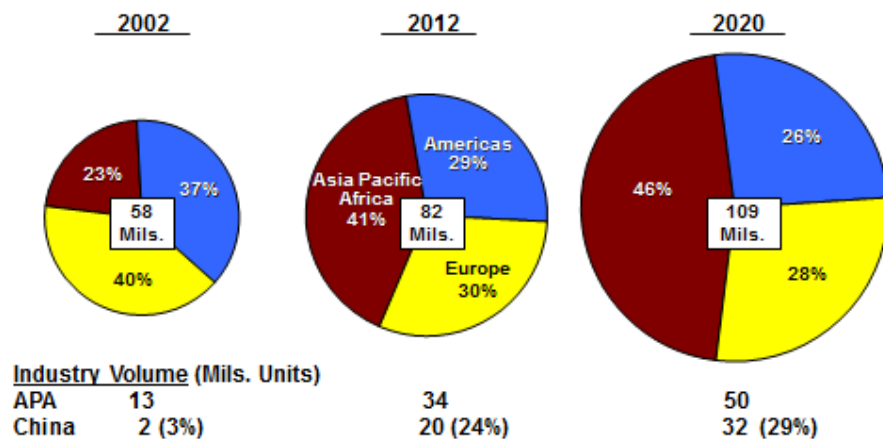
**Currency Intervention:** Conversely, the interventionist tactics engaged in by the Bank of Japan, designed to devalue the Yen to enhance the relative competitiveness of Japanese manufacturers and keep demand for Japanese automotive production strong, has resulted in an influx of relatively cheap Japanese vehicles onto the Australian market. This intervention has enabled surplus capacity within the Japanese manufacturing sector to be soaked up

without undertaking the comprehensive restructuring that is necessary to align production capacity with the true levels of demand. Reserve Bank of Australia Governor Glenn Stevens noted recently that the “extraordinary” monetary policies of the US, Japan and Euro zone are “outside any historical experience”, observing that “some very powerful forces have been at work” (source: AFR 21/11/2013). South Korea has also shown that it is prepared to intervene when it deems necessary to influence the value of its currency.

**Low Tariffs and Barriers to Entry:** Australia’s automotive tariff at 5.0% is one of the lowest rates in the world. Taking Free Trade Agreements negotiated with auto-producing economies into account and the effective tariff rate is closer to 3.5%. This makes Australia one of the most open trading economies in the world with very little reciprocity of fair market access. Even if published tariff rates under negotiated Free Trade Agreements appear to be reasonable, many non-tariff barriers come into play to effectively reduce the potential for significant or worthwhile export opportunity. For example, despite the terms of the trade agreement negotiated with Thailand (TAFTA), Ford Territory diesel vehicles exported to Thailand incur a 40% domestic excise tax (71.4% in actual practice), impacting its relative cost competitiveness and making it a luxury, niche market entrant and limiting its volume potential. These “beyond the border” barriers to entry must be comprehensively addressed prior to the conclusion of any Free Trade Agreement, as the opportunity for redress once negotiations are concluded is severely limited. Prior to the conclusion of the recently signed FTA with Malaysia, Ford Australia together with the Federal Chamber of Automotive Industries raised significant concerns relating to the genuine market access for automotive products which would be delivered under this agreement. Ford Australia still holds these legitimate concerns in view of the Australian Government’s stated ambition to conclude FTAs with China, Japan and South Korea. Historically, these nations have very low levels of import penetration with strong barriers to deter entry. Ford Australia urges the Government not to proceed without first securing genuinely reciprocal, fair market access for Australian automotive products. Globally, the Ford Motor Company is looking toward the Trans Pacific Partnership (TPP) negotiations to create a high quality and comprehensive WTO-plus agreement that will address many of the issues in existing trade agreements. This includes tariffs, non-tariff barriers and regulatory hurdles as well as the inclusion of currency discipline processes.

**Global Overcapacity:** Global overcapacity in the automotive industry is presently estimated at greater than 30 million units. Many overseas manufacturers are looking for sales opportunities and Australia is a relatively attractive market with easy access and few unique design rule requirements as regulatory standards are increasingly harmonized with other global standards. This is particularly true of European-based marques due to depressed domestic conditions as a result of the protracted effects of the global financial crisis still being felt. Brands such as Renault, Mercedes Benz, Fiat and Alfa Romeo have all had relatively strong sales growth as their parent companies look to Australia to compensate for slower sales growth at home. Global overcapacity is also a result of the dramatic movement of new production hubs to the Asia Pacific region over recent years to take advantage of the rapid growth in these markets as illustrated below.

### ***GLOBAL INDUSTRY GROWTH BY REGION***



Source: IHS Automotive

**Relatively High Cost Base:** As companies look to address the issue of global overcapacity, all manufacturing operations are heavily scrutinized in an attempt to match global supply with demand for product. Australia must compete for corporate investment with other Ford manufacturing locations around the world. Corporate internal data has shown that Australia is a relatively high cost place in which to manufacture, with relatively high costs of labour, electricity, gas, water and other input costs of production. Ford's manufacturing costs in Australia are approximately twice as high as those of a similar facility in Europe and nearly four times greater versus a comparable manufacturing operation located in Asia.

Industry participants are seeking to address these challenges in a number of different ways. Most are identifying ways in which to profitably enter the global supply chain of their parent companies in a sustainable, strategic and value-added way through vehicle and component export programs or as a provider of expertise such as product development design and engineering services and capability.

**KEY MESSAGE:**

**The combined effect of the above mentioned factors has made it increasingly difficult to achieve the scale necessary for the efficient, profitable and sustained domestic manufacture of automotive vehicles. Industry participants are seeking strategic ways in which to enter global supply chains.**

## **4.0 THE GLOBAL INDUSTRY CHALLENGE**

**4.1** The global automotive industry has undergone, and is still undergoing, dramatic change. This change is strategic, structural, technological, environmental and economic. This change is placing great pressure on all industry participants and in all areas of the supply chain. Although already underway, these changes have intensified following the global financial crisis and its effects, particularly those felt in North America and experienced across Europe, where recovery is still patchy.

**4.2** The global automotive industry's leading participants are seeking to address these significant challenges in a number of ways. This is in addition to a greater focus on capacity alignment between mature and new growth markets and includes:

- Accelerated development of new models;
- The continued disbanding of historically high levels of vertical integration and a strong focus on core activities;
- The discontinuation of low volume, low profit models and greater global platform commonality;
- More aggressive competition within global companies for future capital investment funds, along with a high degree of scrutiny of investment proposals.

**4.3** Ford Australia's parent company, the Ford Motor Company, has sought to align and support its global business by adopting what is known as the "ONE FORD" approach. Under this umbrella, all Ford affiliates have operating plans and strategies which are consistent with the underlying principles and objectives of this global mission. The elements of ONE FORD are:

➤ **ONE TEAM:**

- People working together as a lean, global enterprise for automotive leadership;

➤ **ONE PLAN:**

- Aggressively restructure to operate profitably at the current demand and changing model mix;
- Accelerate development of new products our customers want and value;

- Finance our plan and improve our balance sheet;
- Work together effectively as one team;
- ONE GOAL
  - An exciting viable Ford delivering profitable growth for all.

Accordingly, Ford Australia's product plans, strategies and annual business plans are reviewed and assessed against these elements to ensure consistency with the ONE FORD objectives designed to deliver the best possible corporate outcome.

**KEY MESSAGE:**

**Australia is very much part of a global automotive industry that is undergoing dramatic strategic, structural, technological and economic change. There are both opportunities and challenges arising from this change.**

<b>5.0 FORD AUSTRALIA'S BUSINESS TRANSFORMATION</b>
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- 5.1** In May 2013, following a comprehensive review process, Ford Australia announced its plans to cease local vehicle manufacturing in October 2016. Ford Australia was unable to identify a profitable and sustainable business model to continue to manufacture vehicles in Australia beyond this date despite investigating a number of scenarios.
- 5.2** At the same time, Ford Australia confirmed its plans to remain in the Australian market beyond 2016 and to grow its product range with new, exciting and innovative vehicles from Ford's global portfolio. It also affirmed its commitment to supporting its customers with an ongoing and full after-sales and service experience. Ford Australia also announced its intention to proceed with the development and launch of its upgraded Ford Falcon and Ford Territory models due at the end of 2014. Post-2016, Ford Australia expects to employ around 1,500 highly skilled employees, plus a significant number of additional specialist contractors, in its ongoing operations.
- 5.3** The early announcement of its planned exit has enabled a three year period in which Ford Australia will work to support its employees, suppliers and other stakeholders through the closure of its manufacturing facilities. Directly affected employees will receive entitlements in line with the prevailing workplace agreements and Ford Australia is working constructively with employees and their representatives on transitional arrangements including up-skilling, training and placement opportunities.
- 5.4** Affected domestic component suppliers have been contacted following Ford Australia's announcement. Ford Australia is working closely with its suppliers on a range of initiatives designed to support them in the lead up to the closure of Ford's local manufacturing operations. These activities include assistance to adapt and diversify their businesses as appropriate.
- 5.5** Ford Australia is also working with all tiers of Government to support the local communities of Geelong and the greater Broadmeadows region. Ford Australia has contributed \$10 million to Innovation and Investment Funds designed to attract new investment and job creation to each region. The first



round of applications under these Funds has revealed a number of significant new employment opportunities in a diverse range of industries.

**KEY MESSAGE:**

**Ford Australia is transforming its business. It plans to achieve an orderly closure of its manufacturing facilities in late 2016 and is committed to working with its employees, suppliers, dealers and Government through the transition.**

## **6.0 A FUTURE OPPORTUNITY FOR FORD AUSTRALIA**

- 6.1** Despite the challenges facing domestic manufacturing, Ford Australia sees a substantial and significant role for its extensive product development function into the future. In its announcement of May 2013, Ford Australia stated it would retain its Australian based product development capability as a lead source for the design and development of future global vehicle programs. Ford Australia sees an opportunity to grow this role and to increase its presence in the corporate global supply chain as a provider of R&D expertise, design, development and advanced engineering services.
- 6.2** A US Government survey suggests that the automotive industry is one of the top 6 industry sectors for R&D spending – with those 6 sectors making up more than 75% of total business R&D. One common technique used by Governments to attract R&D activity is through tax credits. For example, the US Federal Government provided tax credits for business research and experimentation (R&E) valued at about US\$8.3B in both 2007 and 2008. While this structure isn't applicable in Australia today, changes to the Automotive Transformation Scheme Regulations could offer a viable alternative.
- 6.3** As the largest automotive R&D investor in Australia, Ford Australia has invested heavily over recent years to establish world-class technical infrastructure and state-of-the-art facilities for its product development activities. These investments include significant upgrades to its Design Studio, the construction of a \$27m Research and Development Centre and the expansion of its testing facilities at Ford Australia's Proving Ground located at Lara. These facilities include an environmental wind tunnel and an emissions testing cell developed in partnership with the University of Melbourne with funding from the Victorian Government under the Advanced Centre for Automotive Research and Testing (ACART) collaboration. A key feature of this initiative is the ability for third party usage of these facilities.
- 6.4** Part of the upgrade to its design studio included the installation of a "Powerwall" – a 6m x 3m high-resolution screen capable of projecting vehicle and concept designs in 3D and virtual environments. The installation of the Powerwall has enabled local development engineers the ability to work in

conjunction with other design specialists located in Australia and across the globe. Ford Australia's design and engineering facilities are computer-linked to similar Ford Motor Company facilities in North America, Europe, South America and Asia. This provides for access to the very latest IT software and capability and allows for technological developments and information/data exchanges in real time. It enables employees to work in global, virtual teams and "around the clock" when developing automotive solutions.

- 6.5** In addition to its investment in infrastructure and technologies, Ford Australia invests significant resources in employee training and development. A broad mix of training and development options is available, designed to broaden employees' experience, knowledge and skills base. Ford Australia's current qualification base is shown in the table below:

**Table 7**

<b><u>FORD AUSTRALIA QUALIFICATION BASE</u></b> <b><u>HOURLY EMPLOYEES</u></b>	
• Certificate Two (or equivalent)	952
• Trades Certificate	439

<b><u>SALARIED AND CONTRACT EMPLOYEES</u></b>	
• Certificate / Advanced Level*	341
• Diploma / Advanced	151
Diploma / Associate	69
Diploma / Associate Degree	51
• Bachelor Degree	1,347
• Graduate Certificate / Diploma	73
• Masters Degree	251
• PhD	13

\*includes Certificates I to IV

- 6.6** Ford Australia presently provides employment for approximately 1,100 design and development engineers plus a significant number of specialist contractors. They include highly skilled designers, clay modelers, powertrain, vehicle and core systems engineers, electrical engineers, program planners, environmental and safety engineers. They are involved with all stages of the product development cycle including research, advanced engineering, styling, prototype development, testing and validation, and manufacturing launch prior to the onset of full-scale commercial production. Recent vehicle development programs completed by these employees include the Ford Ranger pickup, Ford Falcon and Territory models and the Ford Figo, a small car designed and developed for the Indian market. A number of other, yet-to-be-announced vehicle development programs are presently in progress for manufacture and sale in other global markets. The commercial and critical success of these products has greatly enhanced the reputation of the Australian product development team as one of great creativity, capability, quality and delivery.
- 6.7** As mentioned elsewhere in this submission, Ford Australia is one of four product development hubs for Ford globally. The ability of Ford Australia to compete for future global program development work will depend on its capability, capacity and cost competitiveness. Policy settings which enable and promote all three of these elements are required to support future growth and opportunity in this area.
- 6.8** The direct and indirect benefits of this global product design and development role are considerable. The tasks required in all elements of the PD function are highly complex and technical in nature. The existence of local employment opportunities will attract and retain highly qualified and skilled graduates and tradespeople who might otherwise seek work opportunities offshore. This adds to the broader pool of skilled and qualified people for other sectors of the economy to utilize and creates opportunities for skills and knowledge transfer across the wider economy.
- 6.9** Ford recognizes the importance of these external linkages and alliances, particularly through its collaboration with Australian universities. As a result, Ford has a dedicated Manager of University Programs held by one of its most senior technical engineers. Ford has an established history of working with Australian universities, including the University of Melbourne, Deakin University, the Royal Melbourne Institute of Technology and the Australian

National University in Canberra. The aim is to build on Ford's existing partnerships and develop new ones, creating alliances with the most technically capable universities in pursuit of new vehicle efficiencies and state-of-the-art technologies that will benefit customers. Five major Ford-funded university research projects are presently in progress with plans to add to this list in the near term. Ford Australia also has enduring relationships with the Kangan Institute, the Northern Melbourne Institute of TAFE and the Gordon Institute of TAFE for technical training. Ford Australia is also a Registered Training Organisation (RTO) for the purpose of training Ford dealership vehicle technicians.

- 6.10** Other nations also recognize and value these external linkages, spillovers and related economic benefits as evidenced by marked increases in levels of automotive investment facilitation assistance over recent years. This reflects the global and highly competitive nature of winning new automotive investments. New growth countries such as China, India, Thailand and South Africa are examples of where direct and indirect Government assistance have been used to promote the relative attractiveness of these nations as manufacturing and engineering locations. These incentives are additional to traditional tariff-type assistance and include the ready provision of land, utility connections, duty waivers on plant and equipment, income tax holidays or employee training concessions.
- 6.11** Ford Australia actively engages with its local communities and has strong educational, environmental and sporting links. It has a long running major sponsorship of the Geelong Football Club, as well as sponsorships of surfing events and motorsports. Ford Australia also actively supports the National Breast Cancer Foundation and is a global partner of the Juvenile Diabetes Research Foundation. Ford Australia is a sponsor of the Salvation Army's Camp Bambara youth centre and in Geelong, Ford Australia is a major supporter of the Give Where You Live charity. Ford Australia also provides volunteering opportunities for its employees to contribute to local projects and numerous other community initiatives such as the annual Ford Kids' Day Out for children with special needs.

Ford Australia also enjoys a respectful and constructive working relationship with all levels of the Federation of Vehicle Industry Unions and associated automotive industry unions.

Ford Australia values its role as a responsible and committed corporate citizen and anticipates its engagement and strong bonds forged in the many areas of community life will continue beyond 2016.

**KEY MESSAGE:**

**Ford Australia sees a significant and ongoing role for its Product Development function as a design and development “Centre of Excellence” for global vehicle programs given the right policy settings.**

## **7.0 POST REVIEW POLICY FRAMEWORK - RECOMMENDATIONS**

### **7.1 Modification of ATS to Facilitate Continued R&D Investment**

Ford Australia supports the assertion made by the FCAI in its submission that internationally competitive policy assistance, including ongoing funding, is required to sustain the Australian automotive industry into the future. Ford Australia believes that the present industry policy framework headed by the Automotive Transformation Scheme is fundamentally sound. However, an opportunity exists for further, necessary enhancement. Ford Australia recommends modifications to the present ATS funding parameters to recognize and facilitate investment in the significant research and development activities undertaken by the automotive companies. This is required to retain and attract high value, complex vehicle design work and engineering capability in Australia which may well otherwise go off-shore.

Ford Australia also welcomes the early engagement with industry and other key stakeholders in the consideration and development of policy arrangements beyond those of the current scheme.

### **7.2 Free and Fair Trade Required**

Ford Australia also recommends a cautious approach be taken in relation to concluding trade agreements with those economies where the opportunity for genuine, fair and reciprocal market access for Australian automotive products is likely to be severely limited. Work to remove and resolve both tariff and non-tariff barriers to entry must be completed prior to the signing of any trade agreement, with appropriate resolution mechanisms incorporated to the agreement to address any issue arising post-execution. In cases where such assurances cannot be secured, Ford Australia advocates the elimination of automotive from any subsequently negotiated bilateral or multi-lateral agreements.

### **7.3 Competitive Co-investment Model Required**

An important advantage is the existence of a long-established industry in Australia with a substantial infrastructure base and highly capable people. Policy settings which put Australian industry participants on a competitive footing with those of other countries are required in order to enter and participate in global supply chains. Ford Australia is already integrated in the

global supply chain of its parent company as a lead design and development source for future vehicle programs intended for sale both in both local and global markets.

#### **7.4 Investment Decisions Driven by Competitive Returns**

Innovation, coupled with an ability to attract continuous new global investment, are the keys to a sustainable future for the Australian automotive industry. New funding will be competed for in a difficult global industry where investment funds are scarce and increasingly contestable.

#### **KEY MESSAGE:**

**The Australian automotive industry requires internationally competitive policy settings including ongoing funding assistance to sustain its future. Investment decisions require certain and long term policy frameworks. Modifications to the existing policy framework are necessary to facilitate and realise the true value and full benefits of the significant industry and community investments which have been and continue to be made.**