To The Honourable Members of the Productivity Commission

Dear Sirs

With reference to your review of Australia's Automotive Manufacturing Industry, as well as recent articles in the Press regarding SPC Ardmona and parent company CocaCola Amatil's request for $50m of government assistance, it is surely time for Australia to think out of the box?

In order to encourage investment, countries worldwide offer incentives in the form of accelerated depreciation allowances, allowing companies who invest to recover the cost of their investment before they start paying tax on the increased profit that the investment brings. Such incentive can make all the difference between shareholder investment in a stronger business or closure.

Ring-fencing of such incentive to the investment on a particular project can be achieved in many ways, although matching of the period of the write-down to the project's simple return is the most effective route. Thus governments **do not** use taxpayer funds (or even future taxes on current underlying company earnings) **to support industry investments** by way of direct grants and handouts, they merely **forego,** for a defined period, **the future tax on the increase in earnings** that ongoing investment brings. Which is far better than the alternative of closure, no tax and no jobs!

For example,

- UK capital allowances are currently at **40 percent of the original capital cost** of all plant and machinery, and **100 per cent for expenditure on energy conservation machinery**.

- South African Revenue Services allows a **20% per annum Investment Allowance** write-down of capital over **5 years on a straight line** basis, **over and above** the standard annual 4% asset depreciation, on all manufacturing investments.

- Singapore allows a **100% capital allowance, deductible over up to 10 years**

In contrast, ATO currently only allows a minimal - and utterly insufficient and completely uncompetitive when compared to the above - “lifetime” annual depreciation between 4% (for the Oil Industry, ie investments are deductible over 25 years) and a slightly better 13% (for investments in the Petrochemicals Industry), and only similarly minor amounts in respect of machinery, etc investments in other manufacturing industries. A standardized 20% per annum writedown over 5 years across all investment in manufacturing assets would have a far more beneficial effect.

As an aside, it is clear that while Australia remains locked in perpetual election mode due to its short three year government term, which results in all too frequent Federal and State elections, it is difficult to foresee any advance from the current all-consuming and ultimately futile point-scoring between the political parties, and little chance of any meaningful bipartisan progress for the greater good.

Regards
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