

In the best interests of the community.

Dear commissioners,

After having read your Position Paper a number of times, it was evident that it would provide some support for the current Government's austerity measures. The main aim appears to be to bring the Budget deficit into surplus, in a way treating the country as a business that needs to make a profit, simplistically speaking.

The proposals outlined in the Position Paper will undoubtedly influence the Government's decision-making process; therefore I implore you to re-consider some of the proposals when you submit your Final Report in March.

Here-with I present a case and argument based upon your draft Proposals asking you to reconsider the following.

Argument 1:

Is in support of Toyota Australia – to continue government assistance to TMCA specifically beyond 2020.

Toyota Australia is the "goose that lays the golden eggs" in the form of vital and much needed export dollars.

To propose that ...*"ATS funding for Toyota and other eligible businesses should cease in 2020, and not be extended or replaced with other specific assistance"* is not in the best interests of the community.

Reasons being:

In 2012/13 Toyota Australia injected approximately \$1.5 billion dollars into the Australian economy.

The export market constitutes 70% of that amount which equates to \$1.05 billion dollars.

Assuming a conservative figure of 50% for Australian made content, that would mean \$525 million of someone else's money is being directly injected into the Australian community to pay for the:

- Wages of Toyota employees including engineers, office staff, production workers, maintenance staff, tool makers etc. (Altona, Port Melbourne and Notting Hill).
- Wages of all the staff at their 53 suppliers (current).
- Wages of the suppliers who make the raw materials.
- Wages of the logistics people that transport raw materials and finished goods to and from suppliers and the end product.
- Supply of raw materials such as steel (Bluescope), plastic and glass.
- Machinery and equipment used to manufacture subcomponents.

In 2012/13 Toyota Australia received \$72 million from the Automotive Transformation Scheme, adding another say \$28 million for the supplier base would total around \$100 million.

An investment from the community of \$100 million each year yielding a return of \$525 million is in the best interests of the community.

In the business world this would constitute *“good return on the investment”*.

The abovementioned figures are conservative and rough.

An in-depth investigation into the financials would need to be conducted to determine the true return on the cost associated with Government (taxpayer) assistance.

However, I am sure that the numbers will indicate that the return on the investment would be positive and that the assistance given to Toyota would be beneficial to the economy and justified.

This argument based purely upon the ‘numbers’ should form the basis of a case to retain government assistance to Toyota and its supplier base beyond 2020 so long as the figures are in favour of a return to the community.

Argument 2:

Is in support of Toyota’s supplier base – to continue government assistance to TMCA specific suppliers beyond 2020.

There is confidence in industry that after some consolidation of the supplier base, that Toyota Australia will be able to “go it alone”.

There will be the need for the supplier base to receive government assistance in supporting Toyota for the long term.

As stated, *“Policy rationales for providing industry specific assistance to the automotive industry are weak.”* But they are not insignificant.

It is difficult to quantify spillover benefits where there is no direct monetary value attached. There is a direct monetary cost reduction such as the cutting of \$500 million from ATS, whereas it is more difficult to work out the true cost associated with say, multiplier benefits.

That is why I believe that the argument to continue government assistance up to and beyond 2020 should be based around “export dollars” that provide a tangible and measurable monetary benefit to the community, rather than spillover and multiplier affects.

The statement, *“Decades of transitional assistance have forestalled but not prevented the structural adjustment now being faced by the industry”* holds true to a certain extent.

It’s not because the industry is complacent about this subject, it’s because there really isn’t much out there to transition into.

For example, consider the manufacturing structure of an automotive supplier whom is geared up for fast paced high volume production.

Diversifying into other industries utilising one’s current capabilities is well nigh impossible because there are limited numbers of similar industries. And, if there are such industries, they don’t offer the volumes available in the car industry.

It will take decades for transitioning to happen and not all of the industry has commenced this process from ‘the starting line’.

Some will take longer than others. Those companies that have transitioned rely upon Toyota as their “core base”.

It is imperative that Toyota remain so that the hard work conducted so far by industry to transition is not wasted.

“Assistance imposes costs on the community and dulls incentives to improve productivity, seek export opportunities, and diversify into other industries”.

Yes, there is cost associated with assistance, but if the return on that investment is greater than the cost then it is justified. As per Argument 1.

On page 7 of the ‘Overview’ paragraph two states that *“As a consequence of changing market conditions, some component manufacturers have already closed or have undergone considerable structural adjustment by diversifying into other industries or into export markets”.*

It is evident from the commission’s own findings that it, too, recognises that some component manufacturers have already sought new markets. I am sure that most will embrace better productivity, most will seek new markets and are willing to diversify.

In summary, although the rationale for industry specific assistance may seem weak to some there is substance in the argument from a holistic perspective.

Determining a “return” on spillover/multiplier affects to offset the cost of Government assistance is harder than herding cats.

Please reconsider the continuation of assistance to Toyota and its supplier base beyond 2020 given that the export dollars are real and give rise to just cause.

Also please recognise that suppliers are at different levels of transitioning and that ample time is required for reliance upon government assistance to wean off.

Some suppliers rely upon Toyota as the foundation of their business to build upon and expand into other products and markets.

Argument 3:

Is in support of the procurement of Australian-made Toyota vehicles – against the removal of fleet procurement policies.

I ask the commission to reconsider the proposal to remove this policy.

In fact I take this opportunity to ask the commission to propose that the Australian Government, including its states and territories make it **mandatory** to purchase Australian made vehicles where practicable.

There is a direct correlation between consumer purchasing behaviour and employment, local economic development and prosperity (www.icn.org.au).

When you buy Australian-made products, you can be sure you are keeping your family members and friends employed, which is in the best interest of the community.

Research published by the Industry Capability Network (ICN) states that for every \$1 million of new or retained manufacturing business in Australia, the following effects flow through to the economy:

- \$333,900 worth of tax revenue generated
- \$985,000 worth of value-added generated
- \$95,000 worth of welfare benefits saved
- 10 full-time jobs created

Argument 4:

Is against the unrestricted importing of used vehicles on a large scale.

I ask the commission to reconsider this proposal and maintain resistance towards the importation of second hand vehicles on a large scale.

As suggested in the commission's paper, removal of restrictions and thereby increasing the level of importation of second hand vehicles "*may have put downward pressure on second-hand car prices and increased consumer choice in the second-hand vehicle market*" in New Zealand.

If an influx of cheap second hand vehicles enters Australia there would be instances of poor quality that would result in:

- 1) Cars with altered odometers
- 2) Cars with no service history
- 3) Cars with different specifications to cars made for Australia: for example, an imported used Mazda3 may not have the airbags that were fitted to all the new cars brought to Australia by Mazda.
- 4) Imported used cars may be welded up from two different halves from wrecked cars
- 5) Cars that have been badly repaired after an accident.

Allowing such cars into the country would put consumers' lives at risk. They could also undermine the value of millions of used cars owned by Australians and dealers. This could result in the loss of billions of dollars of value to Australian car owners because the value of their used cars would drop.

Argument 5:

Is in support of the Effective Rate of Assistance (ERA) given to the automotive industry.

Please consider the following argument supporting the current ERA to the automotive industry. It also helps support the continuation of Government assistance to Toyota and its suppliers beyond 2020.

The chart below shows the difference in drop of ERA between 1993/4 and 2011/12.

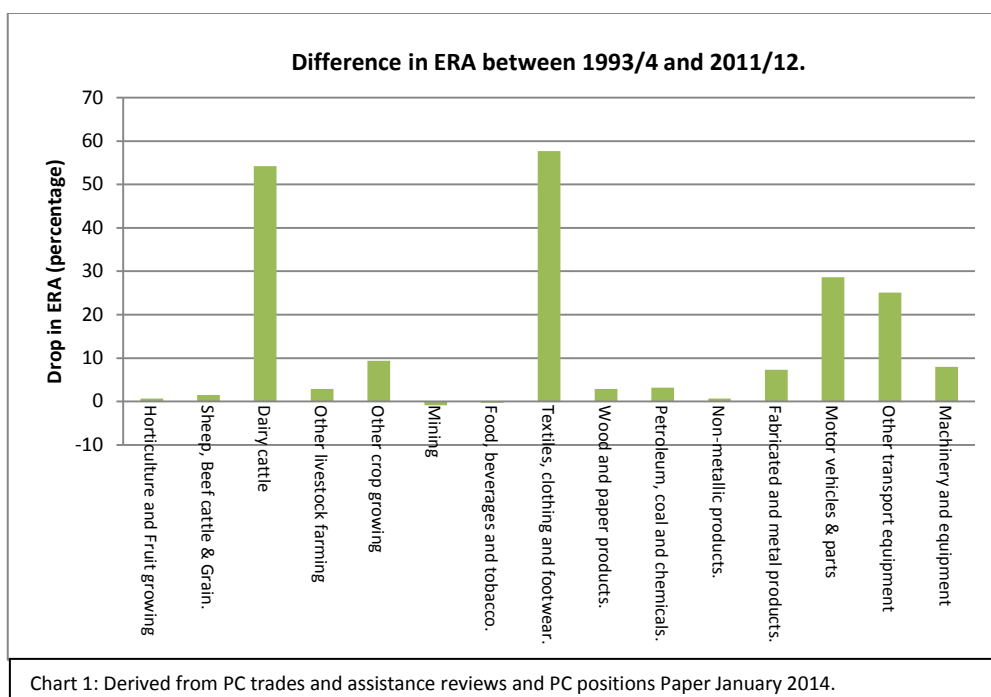
Example:

In 1993/4 the ERA to the Dairy cattle industry was 56 per cent.

In 2011/12 it was 1.8 per cent.

A difference (drop) of 54.2 per cent.

This number was plotted on the chart as others.



	ERA		
	1993-4	2011-12	Difference
Horticulture and Fruit growing	4	3.3	0.7
Sheep, Beef cattle & Grain.	5	3.5	1.5
Dairy cattle	56	1.8	54.2
Other livestock farming	4	1.1	2.9
Other crop growing	11	1.6	9.4
Mining	-0.6	0.3	-0.9
Food, beverages and tobacco.	3	3.3	-0.3
Textiles, clothing and footwear.	65	7.3	57.7
Wood and paper products.	7.5	4.6	2.9
Petroleum, coal and chemicals.	6	2.8	3.2
Non-metallic products.	3.5	2.8	0.7
Fabricated and metal products.	12	4.7	7.3
Motor vehicles & parts	38	9.4	28.6
Other transport equipment	26	0.9	25.1
Machinery and equipment	11	3	8

There are 4 industries which have had their ERA reduced by a significant amount over the period outlined, they are:

1. Dairy Cattle.
2. Textiles clothing and footwear.
3. Motor vehicles and parts.
4. Other transportation equipment.

This next chart shows the difference in drop in tariff rates between 1998 and 2008.

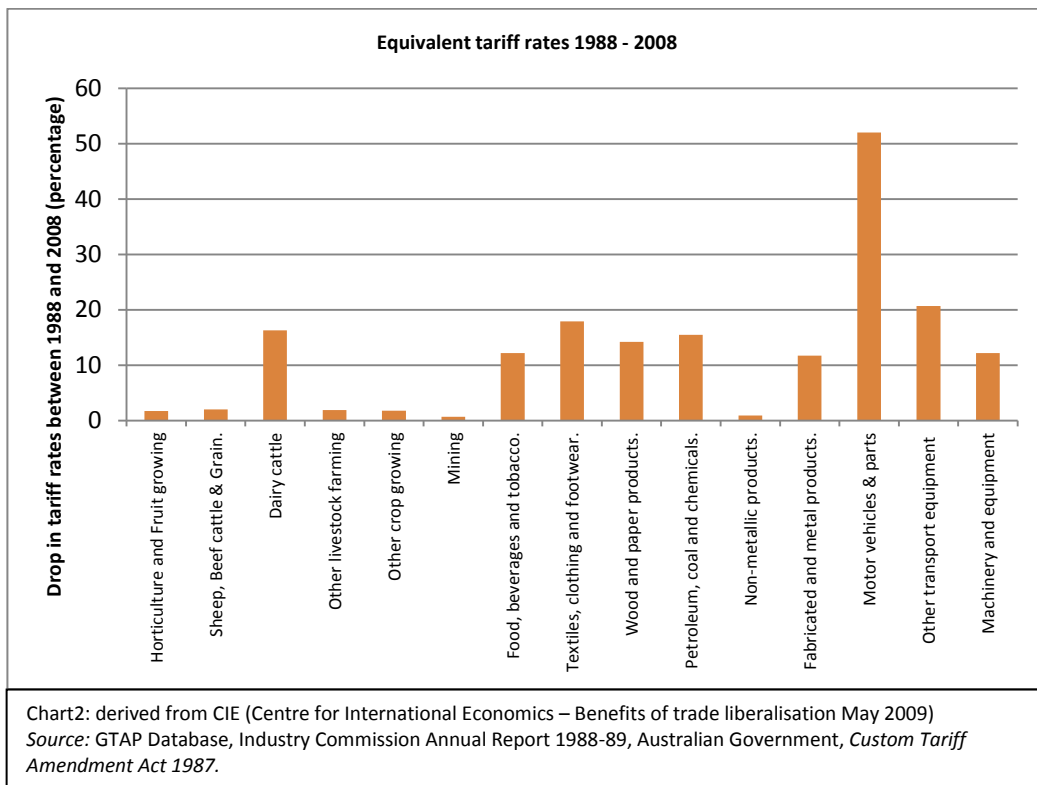
Example:

In 1998 the tariffs for the motor vehicles and parts was industry was 56.1 per cent.

In 2008 it was 4.1 per cent.

A difference (drop) of 52 per cent.

This number was plotted on the chart as others.



	Tariff reduction		
	1988	2008	Difference
Horticulture and Fruit growing	2	0.3	1.7
Sheep, Beef cattle & Grain.	2	0	2
Dairy cattle	17	0.7	16.3
Other livestock farming	2	0.1	1.9
Other crop growing	2	0.2	1.8
Mining	0.7	0	0.7
Food, beverages and tobacco.	13.5	1.3	12.2
Textiles, clothing and footwear.	24	6.1	17.9
Wood and paper products.	16	1.8	14.2
Petroleum, coal and chemicals.	17	1.5	15.5
Non-metallic products.	3.3	2.4	0.9
Fabricated and metal products.	15	3.3	11.7
Motor vehicles & parts	56.1	4.1	52
Other transport equipment	22	1.3	20.7
Machinery and equipment	14	1.8	12.2

From the information provided above it is clear that although the current effective rate of assistance to the automotive industry is 9.4%, this industry has suffered the most with major cuts to its ERA and the highest reduction in tariff protection of any industry. Therefore one could argue that the assistance given is fair and reasonable considering the detrimental effects of decisions from the past.

Summary: (written on Tuesday the 11th of February, one day after the announcement from Toyota – to cease manufacturing of Camry's in Australia).

I was going to end this submission by cautioning the Commission about “sending the wrong message to Toyota” and that their (PC) proposals may be interpreted by Toyota as a clear sign that Australia will not support an automotive manufacturing industry.

But i wasn't able to.

“The Australian and Victorian Governments should provide Toyota Australia as the only outstanding automotive vehicle manufacturer with assistance due to their unique export program which benefits the Australian economy and community.

We are confident that with some support they will be able to “weather this storm” and come out for the better maintaining manufacturing in Victoria, Australia.

Which would be in the best interests of the community.”

Murat Kiremitciyan.

Metalsa Australia Pty Ltd.