



**NICK XENOPHON**  
*Independent Senator for South Australia*  
**AUSTRALIAN SENATE**

Our ref: PRO – N/HW

Mr Peter Harris AO  
Chairman  
Productivity Commission  
Locked Bag 2, Collins St East  
Melbourne VIC 8003

Dear Mr Harris

**RE: Productivity Commission Inquiry into Australia's Automotive Manufacturing Industry**

I refer to the hearing the Commission will hold in Adelaide this morning, and I am grateful for the opportunity afforded to me to appear before it and make a submission.

I attach my response to the Commission's Position Paper. However, given the dramatic events that unfolded last week with Toyota's announcement to cease automotive manufacturing in Australia in 2017, I ask the following additional points be considered as a matter of priority:

1. Given Toyota's decision, I believe any policy and assistance should be focussed on:
  - a. Providing appropriate retraining and support for those workers who will be made redundant by MVPs;
  - b. Delineating between those component manufacturers whose survival has been directly dependent on the existence of MVPs, and those businesses who have scope to diversify, particularly those that are locally-owned. I strongly support the comments made by Mr Jim Griffin, President of FAPM, at the Commission's hearing in Melbourne yesterday. I agree that there needs to be an urgent profiling of the component sector in this regard. In order for this to be done, existing information from various stakeholders needs to be aggregated as a priority. I understand the reticence to pool this information to date has been due to

concerns of any potential action by the ACCC. There ought to be engagement with the ACCC as to an appropriate exemption that would not reasonably be considered to impede competition or prejudice consumers; and

- c. Providing a mechanism to identify those manufacturing businesses and associated industries that have scope to grow by virtue of their innovation and presence in emerging markets.
2. Concerns have been expressed to me within the industry that any assistance packages not have disproportionate funds directed to expensive consultants' fees, and consideration be given to a well-resourced independent advisory service that can provide advice to small and medium enterprises on restructuring at a much lower cost.
3. Great frustration has been expressed to me by some component manufacturers that there is a lack of clarity and certainty with respect to any policy framework for transitioning and assistance for their industry. They need an uncomplicated, clear and expedited access path to assistance. Too many companies feel they are in limbo. For instance, it has been put to me that the Automotive New Markets Program (ANMP) need 'turbo-charging', including a greater focus on identifying new market opportunities.
4. It is imperative that small and medium businesses are able to access a well-resourced trade remedies advisory service. The current service, which has been in existence from 1 July 2012, has provided useful assistance of an exceptional standard, but is grossly under-resourced and does not appear to have any funding post 30 June 2014.
5. The closure of Mitsubishi's auto-manufacturing plant in Adelaide in 2008, and the transitional measures used there, may provide a useful benchmark as to the efficacy of measures being proposed now, with one important qualifier. The loss of all existing MVPs by 2017 will pose challenges much broader and more profound than when Mitsubishi closed in 2008.
6. I strongly endorse and support the comments made by FAPM in their supplementary submission to the Commission that an emerging 'new manufacturing' model for the global automotive industry is the last best hope for component manufacturers in Australia, and should be seriously considered in the context of developing a policy framework. It seems that much of the debate has been focussed on the 'old' manufacturing model that seeks to compete with other global high-

volume, low cost producers. The 'new' manufacturing model focussed on a niche and premium market approach.

7. Finally, and most importantly, it is imperative that the ATS be refocussed, with its current funding intact, to 2020 for component manufacturers. This would inevitably involve a cross-over with the ANMP. For instance, the five per cent rule (which caps assistance to the level of domestic sales) needs to be reviewed. Further, the MYEFO statement indicating a \$500 million reduction in the ATS for 2016 to 2018 needs to be rephrased given the tightrope that component manufacturers are now traversing.

Thank you for your consideration of these matters.

Yours sincerely

**NICK XENOPHON**

20/02/2014