

Submission to the Review of the Australian Automotive Manufacturing Industry – Tony Cossor

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I have spent the best part of the last 35 years involved in professional level motorsport in Australia and most recently I have been working on a project to establish a boutique automotive manufacturer in Australia.

The recent announcements by Ford, Holden and Toyota to cease manufacturing operations in Australia did not come as a surprise to me, as it did with many others. It was only a matter of when they ceased manufacturing rather than *if* they would.

As has been pointed out in a number of submissions to the commission, the car manufacturers in Australia are part of global companies and as such are directed by those global companies rather than being in control of their own destiny. The mindset of the parent companies appears to be about reducing cost 'at all costs' rather than placing a 'value' on their product. As such, they are establishing manufacturing operations in low cost countries such as Thailand, Mexico and former Eastern bloc countries which will 'do anything' to attract employment to their country. This has the affect of 'company operations' competing with each other for business, such as Toyota Australia is 'competing' with Toyota manufacturing in low cost countries such as Malaysia and Thailand.

As has happened in the past, over time, the working conditions and wages in these regions will increase and in 20 – 30 years these countries will have the same operating expenses as experienced in Australia at present and the car companies will have learnt nothing.

There has been suggestion of attracting a low volume, premium product, niche manufacturer such as Porsche to establish operations in Australia. I would find it hard to call Porsche a low volume producer given that they produced 143,000 cars in 2012. The UK has a better understanding of what constitutes the low volume producer, companies such as Morgan, McLaren, Lotus and Aston Martin are 'real' low volume producers, rolling out between 500 and 4,000 cars per year.

Members of the Society of Motor Manufacturers and Traders (SMMT) Low Volume Manufacturers group collectively employ more than 10,000 people, including highly skilled designers, engineers and craftsmen. They produce around 25,000 cars per year and have a combined turnover of almost 2.5 billion GBP in 2011.

<http://www.smmt.co.uk/2012/07/specialist-car-manufacturing-%e2%80%93-a-uniquely-british-success-story>

Niche manufacturers such as Ferrari (7,000 cars/2,700 staff) and Lamborghini (3,000 cars/900 staff) generate greater economic and employment benefits for their country than our current manufacturers.

Australia could learn from this success of low volume, premium quality products and develop their own home grown success story. Unfortunately, in the past there have been many Australian start-up car companies fail, and there are many contributing factors. Lack of funding options has been a prevalent reason in many cases. Venture capital funds and Government incentive programs only support the large established companies. The ATS is a good case in point having a minimum production requirement of 30,000 units per annum for MVP or turnover of \$500,000 for an ACP, just not achievable for a start-up. On the VC front there are no tax incentives to support start-up operations.

As mentioned earlier, I am working to establish boutique car company which will specialise in the production of a low volume 'premium product'. We aim to target niche markets to generate profit from these products. Sports Cars, Grand Tourers, Luxury Sedans as well as specialty vehicles are in the product range we aim to deliver using good old fashioned Australian ingenuity and skills.

Based on historical data we will be lucky to get off the ground, but that is not going to stop us 'giving it a go'. If we do get up and going, our target production is only a maximum of 3-4,000 vehicles per year, nearly all to be exported, but due to the specialised nature we will have high staffing levels. By nature, hand crafted cars are labour intensive which will be good for employment at all levels.

I believe that we will be able to work with currently established Australian companies, and future start-ups, to develop technologies, products and intellectual properties which will be attractive to domestic and export markets. These products will not just serve the car industry but others such as defence, marine, aviation, rail, road transport, security and disability services.

Throughout my many years in motorsport I have met people with amazing talents who can develop products from concept to race ready in ultra quick timeframes and with low and often nonexistent budgets.

I believe that Australia has this ability and I expect that many people who are currently employed by the big manufacturers will use their redundancy packages to establish their own small businesses to develop their ideas. The closure of the big manufacturers is an opportunity to reinvigorate our car manufacturing industry if there is enough support available.

My Recommendations:

Provide government funding for displaced employees of the car manufacturers and component suppliers who wish to establish technology based businesses (make use their current knowledge).

Increased government funding (grants, low interest loans, loan guarantees, tax exemptions etc) for Innovative companies, both start-up and established.

Increased tax incentives for venture capital funds and investors which support start-ups and Innovation based research companies. 100% write off within 3 years would encourage investment into what could otherwise be considered higher risk areas.

If anyone wishes to discuss any offer the points covered in this submission I can be contacted at tonycossor@gmail.com

Regards

Tony Cossor