



**Australian Government**

**Department of Innovation  
Industry, Science and Research**

# **Automotive Supply Chain Development Program**

## **Draft Framework Paper**

**April 2009**



**The Automotive Supply Chain Development Program is an initiative of the Australian Government under the *New Car Plan for a Greener Future***

# **Automotive Supply Chain Development Program**

## **Framework Paper**

### **Purpose of this Framework Paper**

The purpose of this framework paper is to provide information on the operation of the Automotive Supply Chain Development Program (ASCDP), and provide potential applicants the information they need to decide whether or not to apply for a grant under the ASCDP.

### **Objective of the Program**

The objective of the ASCDP is to assist the automotive components sector further develop its capabilities, better integrate into local and global supply chains and enhance the industry's domestic and international competitive advantage by improving the operational performance of individual firms and the sector as a whole.

### **New Car Plan for a Greener Future**

On 10 November 2008, the Australian Government announced *A New Car Plan for a Greener Future*, worth up to \$6.2 billion, to make the Australian automotive industry more economically and environmentally sustainable by 2020. The Plan works in four key areas:

- to attract new investment in innovations, technologies, capabilities and skills;
- to green the industry – improving fuel efficiency and reducing carbon emissions;
- to strengthen the local supply chain and boost skills; and
- to link local and international supply chains.

The Plan consists of:

- a new, better targeted, greener assistance program, the Automotive Transformation Scheme (ATS), running from 2011 to 2020-21 and providing \$3.4 billion to the industry;
- an expanded Green Car Innovation Fund of \$1.3 billion brought forward to 2009 and running over ten years;
- changes to the Automotive Competitiveness and Investment Scheme in 2010 to smooth the transition to the ATS (\$79.6 million);
- \$116.3 million to promote structural adjustment through mergers and consolidation in the components sector and facilitate labour market adjustment;

- \$20 million from 2009-10 to help suppliers improve their capabilities and their integration in complex national and global supply chains under the new Automotive Supply Chain Development Program;
- \$6.3 million from 2009-10 for an enhanced market access program;
- a new Automotive Industry Innovation Council, bringing key decision makers together to drive innovation and reform; and
- \$10.5 million to expand the LPG Vehicle Scheme to double payments to purchasers of new private use vehicles that are factory fitted with liquefied petroleum gas (LPG) technology.

The legislated reduction of the automotive tariff to five per cent will go ahead as planned in 2010. Matching the world's best on tariffs will prepare the Australian industry for competition in an increasingly open global market.

## **The Automotive Supply Chain Development Program**

The ASCDP will provide \$20 million to 2012 -13 to assist the automotive components sector to enhance its capabilities and to better integrate into local and global supply chains. It will be a competitive grants based program. Funding will commence from 1 July 2009.

The ASCDP will fund work aimed at enhancing the supply chain capabilities of automotive component manufacturers, producers and suppliers currently facing challenges from global competitive pressures, an inadequate capital base, a variable exchange rate and changes in consumer demand away from domestically manufactured vehicles.

A key element of the ASCDP will be a collaborative consortia approach involving all key stakeholders. It will feature industry co-contributions to ensure genuine commitment and independent oversight and management of the process.

Information on the *New Car Plan for a Greener Future* and the ASCDP is available on the Department of Innovation, Industry, Science and Research's website at: [www.innovation.gov.au/ascdp](http://www.innovation.gov.au/ascdp)

## **Who will the Program Support?**

Program funding will be available to those business entities operating in Australia that provide automotive industry specific, specialist high level intermediary assistance and/or mentoring to companies in the Australian automotive supply chain to identify and improve the operational performance of individual firms; work with the sector as a whole to improve understanding of domestic and international markets; and implement strategies with consortia of firms to enhance the industry's competitive advantage. ASCDP funding will facilitate this activity on an on-going basis to ensure that the improvements in capability can be sustained over the long term.

The ASCDP will be delivered in three elements running in parallel over the life of the Program:

- **Element 1:** Funding for a service provider to coordinate assistance for individual firms (across the automotive supply chain, including all tiers of component production and supporting businesses such as tooling and service providers) and implement collaborative strategies to enhance the industry's competitive advantage. This Element will utilise 50% of the funding available under the ASCDP;
- **Element 2:** Funding for domestic Motor Vehicle Producers (MVPs) to enhance the capabilities of component suppliers through a program of support and mentoring; and more effectively identify and secure emerging opportunities in international supply chains. This funding will be available on a competitive basis. In total, this Element will utilise 40% of the funding available under the ASCDP; and
- **Element 3:** Competitive grants of capped amounts for Tier 1 suppliers to undertake a program of support and mentoring to enhance the capabilities of their Tier 2 and Tier 3 component suppliers and assist them to more effectively identify and secure emerging opportunities. Individual grants will ordinarily range between \$50,000 and \$80,000, but there will be scope for the Assessment Panel to consider grants outside this range. This Element will utilise 10% of the funding available under the ASCDP.

Should funds in any Element be unexpended there will be scope for that money to be re-allocated within the program.

Only one application per applicant will be accepted. Applicants may apply for funding to implement multiple Supplier Development Plans, or multiple projects and associated Supplier Development Plans, within the one application.

### Consortia

If a consortium wishes to apply for a grant, the application must be made by the 'lead member' of the consortium. The lead member, who becomes the applicant, is a member of the consortium appointed by all its other members as an agent with the power to act on their behalf for the purposes of the project.

### **Grant Duration**

Funding for proposals will be limited to two years for Elements 1 and 2. Proposals may be considered for an extension of funding for up to a maximum of a further two years.

### **What activities will be supported?**

Four key areas of improvement for suppliers in the supply chain have been identified:

1. Company management structures and leadership;
2. Manufacturing efficiencies and quality management;
3. Integration into extended supply chains; and
4. Global sourcing and marketing strategies.

The ASCDP will support the facilitation of industry benchmarking, components, parts and manufacturing sector assessments, business diagnostics, mentoring, enterprise management systems, management restructuring and training, business process re-engineering, e-commerce initiatives, marketing and branding strategies and collaborative activities in the sector.

The ASCDP seeks to fund projects that assist businesses in the automotive components sector to enhance their competitiveness and capability. Particular types of projects that can be funded have not been prescribed, and a wide variety of projects may be supported.

## **The ASCDP Assessment Panel**

To review and assess applications under the ASCDP, a four member panel will be convened. This panel will comprise:

- a representative of the Federation of Automotive Products Manufacturers (FAPM);
- a representative of the Federal Chamber of Automotive Industries (FCAI);
- an independent panel member; and
- the General Manager of the Automotive and Engineering Branch of the Department of Innovation, Industry, Science and Research.

There may be instances where members of the assessment panel find that their private, business or professional interests conflict with, or may be perceived to conflict with, their role as a member of the Assessment Panel. Members are required to disclose the potential conflict and, where appropriate, remove themselves from deliberations on that application.

Personnel from the Department of Innovation, Industry, Science and Research will provide administrative support to the Assessment Panel.

## **Assessment of applications**

All applications received from eligible applicants will be assessed against the merit criteria by the Assessment Panel. Projects that meet the objectives of the program and each of the merit criteria to a high degree will be considered for funding support under the program. Applicants should be aware that meeting the eligibility and merit criteria to a high degree does not guarantee that an offer of funding under the program will be made.

The final awarding of grants is dependent on the quality of the applications received, the availability of funds and the willingness of the applicant to enter into a funding agreement with the Commonwealth.

The actual amount of grant monies awarded to a successful applicant may be less than the amount originally sought by the applicant.

As part of the assessment of applications, the Department may need to consult with and provide material from the application to other government agencies or bodies, other organisations and/or relevant individuals in order to substantiate any claims or statements made in the application form, or to otherwise assist in the assessment of the application.

The Program Delegate, a Departmental employee authorised by the Minister to administer the program, will make grant offers taking into account the Assessment Panel's merit assessment and the availability of program funds.

An application round for funding under Elements 1 and 2 will be conducted in 2009 and 2011, unless the successful applicant's grant period is extended beyond the initial two year period.

An application round for funding under Element 3 will be conducted annually.

## **Confidentiality and disclosure of information**

The use and disclosure of information provided to the Department by applicants for the *ASCDP* is regulated by the relevant provisions and penalties of the *Public Service Act 1999*, the Public Service Regulations, the *Privacy Act 1988*, the *Crimes Act 1914*, the Criminal Code and the general law.

The Department will use the information provided in the application form for the purposes of discharging its functions under the program, and for related uses. These functions include determining eligibility for assistance under the program, assessing merit, preparing grant agreements, calculating the amount of funding that will be paid to successful applicants, and assisting with compliance activities. The Department may also use information received in applications in any other legitimate departmental business.

## **Typical information to be furnished by grant applicants**

Application forms will be tailored to the particular Element. The following information is indicative of what might be sought in a typical application:

- the applicant's name, corporate information (e.g. address, ABN, ownership), financial status, role in the proposed activities under the submitted Supplier Development Plan, and capabilities relevant to the proposal;
- details of proposed participants and their responsibilities, including details of contracted activities;
- information about other key parties involved in the proposal, including their role, contribution, capabilities, and how they will benefit;
- a detailed Supplier Development Plan (refer to the information below regarding individual Elements for more detail on Supplier Development Plans), an outline of eligible activities occurring in the context of the proposals, and the locations where such activities will occur;
- the benefits of the proposal, specifically the expected benefits for the businesses taking part in/being developed under the proposal;

- the predicted benefits of the proposal, including on the competitiveness and sustainability of the Australian automotive sector and members of the Australian automotive manufacturing supply chain identified by the applicant, and, where applicable, on employment;
- the approval status of the proposal within the applicant's firm or group;
- the amount of ASCDP assistance sought, evidence that assistance, if provided, will result in new or additional activity, a proposed grant milestone payment schedule, and the implications for the proposal if the assistance is not forthcoming; and
- information on other forms of assistance provided by, or sought from, Commonwealth, State or Territory governments relevant to the applicant and the proposal.

## **Criteria**

Applications will be assessed against the following criteria:

- the capacity and capability of the applicant to undertake the proposal, including management capability;
- experience delivering similar proposals;
- evidence that the funding will enable activity in addition to what would otherwise have occurred;
- level of financial and in-kind contributions from applicants;
- quality of the Supplier Development Plan;
- the projected benefits relative to the funding sought; and
- other aspects of the proposal deemed relevant by the Panel.

# DETAILS OF SPECIFIC PROGRAM ELEMENTS

## Element 1

### Objective

To provide funding for a service provider to coordinate assistance for individual firms and implement collaborative strategies to enhance the industry's competitive advantage.

### Commencement

The first stage of this element will commence on 1 July 2009 and supported activity must commence by 31 December 2009. If successful, an extension for funding for up to a further two years may be granted.

### Eligible Applicants

This element will be open to applications from any organisation or groups with a demonstrated capability to deliver the Element's objective.

### Eligible Activities/Expenditures

- Payments to advisers, consultants, training organisations and other service providers for business improvement and development work undertaken with firms in the automotive supply chain to achieve the objectives of Element 1;
- Other costs associated with preparing relevant materials, training and other guidance in support of the objectives of the ASCDP; and
- Administration and overheads directly arising from the implementation of the approved Supplier Development Plan.

### Supplier Development Plan

The Supplier Development Plan should present business and financial plans pertaining to the proposed activities, including:

- a detailed description of proposed activities to improve the operational performance of companies and enhance the industry's competitive advantage;
- details and timing of activity milestones and expenditure milestones;
- human and other resource requirements;
- detailed costings and budget; and
- sources and amounts of contributions to be provided by the applicant and other parties, including in-kind contributions.

An application should outline the benefits that would accrue to Australia. Economic benefits could include increased employment, spill-overs from investment in innovation, and increased value adding at the industry level. The benefits could include both direct and flow-on benefits. Wherever possible, applicants should explain how beneficial outcomes are to be measured, identified or confirmed.

### Reporting Requirements

The approved applicant will be required to submit quarterly progress reports against the Supplier Development Plan and budget, and provide details of the outcomes generated to the Department. They will also be required to submit any other

information requested to assist in Departmental administration and oversight of the ASCDP.

## **Element 2**

### Objectives

To provide funding for MVPs to carry out programs including mentoring and other types of support for their suppliers with the aim of enhancing their capability to identify and secure emerging opportunities in international supply chains.

### Commencement

Funding will commence on 1 July 2009.

### Eligible Applicants

To be eligible to apply for a grant under Element 2 an applicant must:

- be a MVP registered under the Australian Government's Automotive Competitiveness and Investment Scheme (ACIS) or the Automotive Transformation Scheme (ATS); and
- demonstrate that it can fund the costs of the proposal which are additional to the grant sought by the applicant;

### Eligible Activities

Eligible activities are those activities undertaken by MVPs that are aimed at improving a product or process of a component supplier or suppliers in Australia including:

- cost estimating;
- project management;
- quality control;
- production readiness;
- supply chain integration and management;
- financial management (including the design and installation of financial management systems);
- marketing;
- global sourcing strategies;
- operations management;
- strategic planning; and
- other activities determined by the Assessment Panel to directly contribute to the objectives of the program. (Where applicants seek funding for other activities, they should provide a precise explanation as to how the activity will do this).

### Supplier Development Plans

Applicants are to develop detailed proposals for Supplier Development Plans to be supported under the program. Proposals may be brought forward by individual MVPs or submitted collaboratively by two or more MVPs. Proposals can involve MVPs contracting a third party to deliver eligible activities. Proposals may involve a single supplier or multiple suppliers.

Supplier Development Plans should present business and financial plans pertaining to the proposal, including:

- a detailed description of proposed activities;
- details and timing of activity milestones and expenditure milestones;
- human and other resource requirements;
- detailed costings and budget; and
- sources and amounts of contributions to be provided by the applicant and other parties, including in-kind contributions.

Applicants should also provide a summary of any existing supplier development activities and an explanation of how proposed supplier development activities to be funded will constitute an extension of existing supplier development activities.

#### Reporting Requirements

The selected MVP(s) will be required to submit to the Department:

- quarterly progress report against the plan and budget (including acquittals); and
- a final report on outcomes achieved.

### **Element 3**

#### Objective

To support Tier 1 suppliers to MVPs to implement development strategies for their own suppliers and other businesses further down the supply chain.

#### Commencement

Funding will be available from 1 July 2009. Application rounds for funding under Elements 3 will be conducted annually.

#### Eligible Applicants

Any business, being a Tier 1 supplier to one or more MVPs, registered or eligible to be registered as an Automotive Component Producer, Automotive Machine Tool or Automotive Tooling Producer, or an Automotive Service provider under ACIS or the ATS, will be eligible to apply for funding under Element 3.

#### Eligible Activities

Eligible activities are those activities undertaken by Tier 1 businesses that are aimed at improving a product or process of a Tier 2 or Tier 3 component supplier including:

- cost estimating;
- project management;
- quality control;
- production readiness;
- supply chain integration and management;
- financial management (including the design and installation of financial management systems);
- marketing;
- global sourcing strategies;
- operations management;
- strategic planning; and
- other activities determined by the Assessment Panel to directly contribute to the objectives of the program. (Where applicants seek funding for other activities, they should provide a precise explanation as to how the activity will do this).

The focus of Element 3 will be on "Tier 1" suppliers developing the capabilities of their upstream suppliers. However, applications that include some training or other development activity for the benefit of the applicant company itself will be considered. Any 'internal' funding provided will not exceed 25% of the total project funding provided.

#### Supplier Development Plans

Proposals may be brought forward by individual suppliers or submitted collaboratively by two or more suppliers. Proposals can involve contracting a third party to deliver eligible activities.

Supplier Development Plans should present business and financial plans pertaining to the proposal, including:

- a detailed description of proposed activities;
- details and timing of activity milestones and expenditure milestones;
- human and other resource requirements;
- detailed costings and budget; and
- sources and amounts of contributions to be provided by the applicant and other parties, including in-kind contributions.

Applicants should also provide a summary of any existing supplier development activities and an explanation of how proposed supplier development activities to be funded will constitute an extension of existing supplier development activities.

#### Reporting Requirements

The selected applicants will be required to submit to the Department of Innovation, Industry, Science and Research:

- quarterly progress report against the Supplier Development Plan and budget (including acquittals); and
- a final report on outcomes achieved.