

TERMS OF REFERENCE FOR THE REVIEW OF THE AUSTRALIAN AUTOMOTIVE INDUSTRY

1. The Australian automotive industry plays an important role in employment, exports and innovation in the Australian economy. In particular, innovation in the automotive industry results in significant spillover effects across the economy, and particularly the manufacturing sector. In this context, the Australian Government has commissioned a high level review panel to conduct a review of the automotive sector, in consultation with a broad range of industry stakeholders. This review is to take place concurrently with a wide-ranging review of Australia's national innovation system and should have regard to the issues raised in that review.
2. The review will bear in mind the Government's desire:
 - a. for an internationally competitive and globally integrated automotive manufacturing sector; and
 - b. to optimise the overall economic performance of the Australian economy, including limiting price impacts on Australian consumers and businesses.
3. The review is to report on key outcomes of the current policy settings for the automotive manufacturing sector, including:
 - a. an evaluation of the key outcomes of the Automotive Competitiveness and Investment Scheme (including an assessment of the impacts on each of the four categories of participants in the Scheme);
 - b. an assessment of the legislated passenger motor vehicle tariff reductions, taking into account the global automotive sector and general trade environment; and
 - c. an assessment of current and prospective trade obligations arising from Australia's multilateral, regional and bilateral commitments.
4. The review will evaluate the appropriateness of the Automotive Competitiveness and Investment Scheme (ACIS) in the current competitive environment in relation to:
 - a. the possible retargeting of assistance within ACIS; and
 - b. investigating, identifying and evaluating possible alternative assistance mechanisms, consistent with Australia's international trade obligations.
5. The review will also make an assessment of the challenges and opportunities currently facing the sector, including how those challenges and opportunities might impact on the long-term viability and sustainability of the sector. In making this assessment, the review should take account of factors such as:
 - a. the strengths and weaknesses of the sector;
 - b. recent developments and expected future developments and conditions in the global automotive sector, including:

- i. opportunities for, and barriers to, enhanced global integration;
 - ii. competition for investment in the global sector; and
 - iii. progress on trade liberalisation (including free trade agreements) in the automotive sector in both existing and prospective export markets for Australia.
 - c. the impact of climate change and changing consumer preferences towards low emissions and fuel efficient vehicles; and
 - d. other possible hindrances to the viability of the sector on both the demand and supply sides, such as exchange rates, petrol prices, skill shortages and other environmental issues.
- 6. The review will make recommendations on any of the issues identified, including:
 - a. measures to boost innovation in the sector and to take advantage of the highly innovative nature of the automotive industry;
 - b. measures to ensure that suitably skilled people are available and that fair working practices are guaranteed;
 - c. the impact of climate change policy on the automotive industry;
 - d. the delivery of the Australian Government's Green Car Innovation Fund from 2011;
 - e. facilitating leadership among Australian automotive producers and component suppliers in developing and adapting fuel efficient technologies and know-how in the production of motor vehicles in Australia; and
 - f. improving Australian companies' access to global supply chains and export markets.
- 7. The review is to provide an interim report to the Government by 31 March 2008 and a final report by 31 July 2008.