

Media Release

The Hon Steve Bracks

15 August 2008

RELEASE OF AUTOMOTIVE INDUSTRY REVIEW REPORT

The Australian Government today released the report of the Review of Australia's Automotive Industry, led by the Hon Steve Bracks.

The report is the culmination of extensive consultations, involving more than 130 public submissions and discussions with a broad range of stakeholders including industry, governments, associations and individuals.

The Productivity Commission modelled the economy-wide impacts of various industry assistance options. Mr Bracks also consulted with the leaders of other reviews that are underway, including into the National Innovation System and the Textile, Clothing and Footwear Industry.

The automotive industry is a major contributor to Australia's economy. It employs over 64,000 people and last year produced about 335,000 cars worth \$7.7 billion. Exports of \$4.7 billion put the industry among Australia's top 10 export earners and it is a major investor in innovation. The industry has important links to the rest of the economy, and supports Australia's capabilities in a range of other industries.

"There is no doubt that the industry is under considerable pressure because of the high Australian dollar, the cost of fuel, cleaner emission requirements and intense worldwide competition. Despite these challenges, the industry is transforming itself and my recommendations aim to assist that transformation out to 2020", Mr Bracks said.

"But these challenges can be turned into opportunities. For example, responding to climate change is opening up possibilities for more fuel-efficient and lower-carbon dioxide emission technologies. The Australian industry also has the potential to be a bigger supplier to global automotive supply chains. The industry is responding to the challenges and opportunities, and is transforming itself in the process of doing so. Already, we have seen Ford and Toyota announce plans to build the Focus and Camry hybrid respectively here in Australia", he said.

The recommendations in the report aim to continue the transformation that started with the Button Plan in the 1980s, when automotive tariffs were 57.5 percent.

The Review's recommendations are predicated on changing the behaviour of automotive firms and the industry to make them more competitive and better able to meet global challenges, including the move to a lower carbon environment.

The report proposes new transitional arrangements to enable the Australian automotive industry to be world-competitive and viable. Key recommendations cover:

- replacing the current Automotive Competitiveness and Investment Scheme with a new and retargeted Global Automotive Transition Scheme designed to support research, development, design and export;
- assisting the automotive supply chain to be more competitive;
- bringing forward, and doubling to \$1 billion if successful, the Government's Green Car Innovation Fund;
- reducing the passenger motor vehicle tariff from 10 percent to 5 percent by 2010, making Australian car tariffs the third-lowest amongst major automotive-producing economies in the world;
- including road transport in a carbon pollution reduction scheme;
- encouraging automotive exports through expanded free trade agreements, particularly with the Gulf States, ASEAN and South Africa;
- expanding access to overseas automotive supply chains through a 'Team Australia' approach using eminent automotive ambassadors;
- harmonising, and in some cases reducing, state and territory passenger motor vehicle taxes, while encouraging governments to support an environmentally sustainable Australian industry; and
- establishing a new Automotive Industry Innovation Council to provide advice and oversight in relation to the new transitional arrangements.

The transition won't be easy. In particular, some smaller firms supplying automotive components will need to achieve larger economies of scale and become more export-oriented in a highly competitive market. Consequently, the recommended package includes short-term funding to facilitate more orderly restructuring and consolidation than would likely occur otherwise.

"The Australian industry most definitely has a future. The future is one which is internationally competitive, more globally integrated and greener. It is essential that we develop considered and long-term policy settings designed to encourage a more world competitive and environmentally sustainable industry" Mr Bracks said.

Mr Bracks acknowledged the contribution that the many individuals and organisations have made to the Review, particularly the invaluable contribution of the Review's expert panel comprising Mr Tim Harcourt, Mr Peter Upton, Dr Beth Webster and Mr Nixon Apple.

The full report is available on the Automotive Review website at www.innovation.gov.au/automotivereview.