Australian Automotive Aftermarket Association Submission

to the

Federal Government Review Export Policies and Programs

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Executive Summary

Following the announcement of a review of Australia's Export Policies and Programs by the Minister for Trade on 21 February 2008 the Australian Automotive Aftermarket Association (AAAA) has prepared this submission for consideration by the Review Panel in its report to Government.

The submission was prepared in consultation with the Government Relations Sub-Committee of the AAAA Board of Directors as well as direct input from AAAA member companies via a 21 question on-line survey which was conducted for the concurrent Federal Review of the automotive industry. A summary of the survey structure and results forms Appendix A and relevant feedback has been incorporated into the body of the submission where appropriate.

This paper is prepared by the Australian Automotive Aftermarket Association Ltd which is the national industry association representing 1200 manufacturers, distributors, wholesalers, importers and retailers of automotive parts and accessories, tools and equipment in Australia. Given the wide scope of the issues raised and the limited time frame provided for responses, this submission focuses only on aspects that are directly relevant to the independent aftermarket.

This paper draws the Review Panel's attention to a number of key issues which have particular impact on the automotive aftermarket which we would like considered as part of the final recommendations to Government. The issues raised include:

Improving Australian companies access to global supply chains and export markets.

The Australian automotive aftermarket manufacturing sector has developed a strong culture of export, innovation and collaboration over the past 15 years with around 170 manufacturers or 60% of the AAAA manufacturer base now actively involved in direct export, technology licensing and joint ventures internationally. There is significant potential to build on the estimated $600 million per annum in aftermarket component exports the sector is currently achieving with major growth opportunities in the USA and Middle East.

What is required for the industry to take full advantage of these opportunities is for Government and industry to work together on a "Team Australia" approach to common markets, customers and product groupings to assist the industry to take the next step in its internationalisation process. As such we would request that the Review Panel revisit the rationale behind the abandonment of the Global Opportunities pilot funding round and look at reinstating support for clusters of companies to work with industry associations to secure access to global supply chains and export markets. We also request that the panel review the Austrade fee for service policy to ensure that it represents solid value for money given the high cost burden for SME's developing international markets for their products. We also believe that the EMDG program should be structured so that established exporters are able to access funding assistance when developing new markets.

Legislated tariff reductions on passenger vehicles and automotive components.

The legislated reductions in tariff levels on vehicles and automotive components in Australia have had the impact of increasing market access to international companies. At the same time we are seeing very little tangible activity with respect to trade liberalisation from the majority of our competitors and in fact many Governments are strengthening trade blocs, aggressively chasing new investment and formulating a raft of non-tariff protection measures to protect and grow their local industries. As a result we would ask the review panel to consider a freeze on automotive tariffs at the current level of 10% until there is significant progress on the path to trade liberalisation by countries with which our industry must compete.

Bilateral and Multilateral Trade Agreements.

Due to the slow progress of multilateral trade negotiations and the lack of tangible outcomes for exporters, in general the AAAA supports the use of bilateral trade agreements to enhance market access. However we do not support FTA's with low cost manufacturing countries as in our view these agreements tend to provide preferential access to the developing nation which has the effect of accelerating job losses and speeding up the natural course of structural change that is under way in response to domestic reform and globalisation. While the AAAA strongly supports trade liberalisation and a "level playing field" the current global situation is far from that and we don't see any valid reason why Australia should lead the push for trade liberalisation at the expense of our domestic manufacturing base, when the Governments of our major competitors are positioning their own industries to take advantage of this increased market access.

Federal support of innovation in the automotive aftermarket.

Australia's automotive manufacturers are world class and in the aftermarket sector this capability is often used to develop new products and technology which ultimately flow into vehicle manufacturing. As the majority of aftermarket manufacturers are SME's they are nimble and agile in pursuing innovation and new markets because they are largely independent of the vehicle manufacturers. The sector is also capable of manufacturing small volumes profitably. The development of automotive products is very R&D intensive and to develop and maintain export markets you need to have a competitive advantage that is normally derived through product innovation. The lack of access to the ACIS program combined with the lack of relevance of other Federal Government R&D support programs has had a detrimental impact on the level of investment in innovation and R&D in the sector and unless this lack of support is proactively addressed the trend towards closing Australian manufacturing operations and importing product will only accelerate.

Skills shortages and appropriate recruitment and training strategies.

Although the trend in the automotive component manufacturing industry is for a reduction in overall employment, the sector is experiencing skills shortages particularly in specialist areas of engineering, design and development. Skills shortages are also a major issue across all trades and are having a significant impact on are both automotive component manufacturing and the repair and service sector. Major factors contributing to this issue include a lack of incentives for employers to employ and train apprentices, industry perception and stereotypes and the lack of flexibility and industry specific training programs.

1) About the Australian Automotive Aftermarket Association Ltd.

The Australian Automotive Aftermarket Association Ltd (AAAA) is the national industry association representing manufacturers, distributors, wholesalers, importers and retailers of automotive parts and accessories, tools and equipment in Australia.

The association has over 1200 member companies in all categories of the Australian automotive aftermarket and includes major national and multi-national corporations as well as a large number of Australian owned small and medium size businesses. Further information on the association can be accessed from our website: www.aaaa.com.au

We estimate the aggregate gross annual turnover of AAAA member companies at $ 5 billion and AAAA member companies employ around 30,000 people.

Approximately 25% of the AAAA membership base (280 companies) manufacture product in Australia with around 60% of these companies (170) actively exporting. We estimate the annual value of exports by AAAA member companies to be in the vicinity of $600 million per annum.

It is important to note that of the 280 AAAA member companies that manufacture in Australia, only around 25 supply original equipment (OE) components to Australian built passenger vehicles. While many more supply locally manufactured OE components and accessories to automotive manufacturers as replacement parts and accessories for fitment to locally built and imported vehicles, approximately 55% distribute their locally manufactured parts and accessories through networks external to the motor vehicle manufacturer networks (the independent aftermarket).

As the Review focuses on export programs our response will reflect the views of the 280 manufacturers that form part of the AAAA membership. However if appropriate, the views of the other segments of the AAAA membership will be incorporated into our submission.

2) Major AAAA Member Product Groups

Manufacturing members of AAAA primarily fall into two distinct categories - those that manufacture for the aftermarket and Original Equipment (OE) for fitment to new vehicles and those that manufacture for the aftermarket only. Forty-five percent of AAAA's manufacturing members fall into the former category, with the remaining 55% falling into the latter.

Aftermarket and OE manufacturers supply motor vehicle producers with components used in the assembly or manufacture of vehicles that either:

- Last the life of the vehicle or are replaced irregularly during the life of the vehicle, usually as a result of a crash or a major mechanical failure – eg, seats, instrument panels, engines and transmission; or
- Are replaced regularly throughout the life of the vehicle as a result of normal wear and tear – eg filters, tyres, wiper blades, spark plugs, bulbs, batteries and brake pads.

The manufacture of the latter type of component – replacement parts – is an important and significant element of aftermarket manufacture.

The second category manufactures all of the products used to maintain or enhance the appearance and performance of vehicles. These product segments include accessories, safety, comfort, appearance, entertainment and information, functional performance, body components, tools and equipment, mechanical, lubricants and additives and chemicals.

3) Industry Capability

The automotive aftermarket manufacturing sector in Australia:

- is predominately Australian owned and operated which means that decisions made on future activity and investment in the sector are made independently from the decision of global automotive manufacturers and their OE component producers;
- has a global expertise in niche specialty product (such as performance and 4WD components and accessories) that can be produced in smaller volumes and are less price driven;
- is export orientated with around 60% of manufacturers actively exporting an estimated $600 million in automotive components annually.
- Is not as constrained by "Just in Time" delivery requirements as OE suppliers and can therefore take manufacturing outside of the core automotive States of Victoria and South Australia and to regional Australia;
- Provides competition to imported aftermarket product, thereby assisting to control the cost of motoring.

4) Automotive Aftermarket Export Opportunities

Australian Automotive aftermarket producers have achieved a record of export success to Europe, Asia, North America and the Middle East. Export growth has been achieved through activities initiated by the AAAA in collaboration with Federal and State Government export agencies. Individual company success has resulted in increases in the production and export of domestically produced components.

According to our own research and that of the Austrade automotive unit the growth markets for automotive aftermarket parts include:

Replacement parts and accessories for Australian built vehicles exported to the USA and to the Middle East.

Toyota Australia and GM Holden have both developed significant export markets for Australian built vehicles over the past 10 years. Toyota exports approximately 70,000 Camry vehicles each year, primarily to the UAE, and has exported a total of 450,000 vehicles to the region since 1996. The majority of Camry vehicles are sold to fleet operators (Taxi Companies, Dubai Transport etc). As the Australian Camry is a global platform and is predominately sold to fleet operators, very little of the replacement part business is channelled through the Toyota Australia parts and accessory network, which creates significant opportunities for the Australian independent aftermarket.

GM Holden exports approximately 30,0000 Commodore (badged Lumina) and Caprice vehicles to the Middle East annually and has exported over 240,000 vehicles to the region since 1998. The majority of vehicles are sold into fleets in Saudi Arabia. GM Holden has recently launched the new VE Commodore (badged Pontiac G8) into the USA market and they anticipate sales of between 40,000 and 60,000 vehicles per year. Holden are also assessing the opportunity to export Commodore utes to the USA and the Commodore architecture will be the basis for a number of platforms built around the world including the Camaro, which will be built in Canada. As the Australian aftermarket already has parts and accessories specifically designed for the Commodore and are accustomed to producing niche volume quantities, this industry has a significant advantage over international competitors provided they take advantage of the opportunities in a timely and coordinated manner.

Replacement parts and accessories for 4x4 and high performance vehicles, in which Australia has a competitive advantage;

The Australian automotive aftermarket sector has an international competitive advantage in the design, development and manufacture of low volume high quality product suitable for 4x4 and high performance (street and racing) vehicles. Australia has built a strong reputation in the USA in this sector over the past 10 to 15 years with a number of manufacturers such as ARB, PBR and EGR establishing significant local operations in this market. In 2008 up to 40 Australian aftermarket companies will exhibit at either the SEMA or PRI Show in the USA however the reality is that without a coordinated and comprehensive approach to the market the high degree of competition, the rising Australian dollar, the complex regulatory environment and supply chain issues will mean that many of these companies will fail to gain a significant foot hold in the market and the opportunity may be lost.

5) Key Issues arising from the Terms of Reference

Given the wide scope of the issues raised in the Terms of Reference, this submission will focus on aspects of the Review that are directly relevant to the independent aftermarket.

5.1 - Improving Australian companies access to global supply chains and export markets.

The Australian automotive aftermarket manufacturing sector has developed a strong culture of export, innovation and collaboration over the past 15 years with around 170 manufacturers or 60% of the AAAA manufacturer base now actively involved in direct export, technology licensing and joint ventures internationally. While some companies have established significant global operations including offshore manufacturing and distribution facilities, the majority of aftermarket companies still do all of their engineering, design and manufacturing in Australia and export their product through the establishment of distributors, agents or representative offices in target markets. As the majority of these companies are small to medium sized enterprises they often find it difficult to navigate the regulatory and compliance issues and maintain a sustained and coordinated promotional effort.

Given the competitive environment in the Australian automotive aftermarket it is the strong view of the AAAA that to ensure their long term survival, Australian based aftermarket manufacturers must internationalise to diversify their customer base and achieve the economies of scale in production, R&D and capital equipment required to compete effectively in the global marketplace.

Federal and State Government support is critical in assisting companies to effectively establish international operations. Since the abolition of the Automotive Trade Strategy in 2002, there has been no Federal Government support for aftermarket export activities over and above EMDG and the Austrade network. While the AAAA is of the view that the EMDG program provides valuable support for new exporters, many AAAA members either no longer qualify for support or find that the time required to meet all the documentary and audit requirements does not justify the return provided through the grant process. As such, AAAA member participation in this program is at an all time low. Similarly the industry's use of Austrade services is reducing with many exporters indicating that the high fees charged for market research and in-market services adds to the significant cost burden of exporting and as a result many companies elect not to utilise Austrade's services. This view is supported by our survey results which showed 85% of respondents receive no Federal Government financial assistance and 57% of respondents called for a reduction in Austrade in-market fees.

The AAAA has led delegations to overseas trade shows in the USA, Europe and Asia for the last 15 years. In 2007 the Association led and managed successful trade displays at Automechanika Middle East in Dubai, the Performance Racing Industry Show (PRI) and Specialty Equipment Market (SEMA) shows in the USA. AAAA recruited, coordinated and supported over 60 companies in these initiatives. In October 2005, the AAAA launched an Exporters Network, which provides a range of assistance to exporters including seminars, mentoring, information sharing and a listing in an online and hard copy Exporters Directory. The Exporters Network has a current membership of over 100 companies.

While some State Governments provide support on a project by project basis, this is limited and the high costs of export promotion normally restrict the range of activities undertaken by companies directly. The limited and variable nature of the financial support provided by Federal and State Governments mean that the majority of the export activity undertaken is opportunistic and ad-hoc at a time when the industry requires a coordinated and sustained export strategy. The decision by the Rudd Government to abandon the pilot funding round of the Global Opportunities Program in February 2008 was a further blow to the export efforts of aftermarket manufacturers and we now await advice on the fate of that program.

There is significant potential to build on the estimated $600 million per annum in aftermarket component exports the sector is currently achieving. What is required for the industry to take full advantage of these opportunities is for State and Federal Government and industry to work together on a "Team Australia" approach to common markets, customers and product groupings to assist the industry to take the next step in its internationalisation process.

As the industry is global in nature and supply chains are being rationalised, it is critical that companies initiate export clusters to specifically target a particular export market opportunity. This combined effort is needed in order to address the three major challenges: meeting in-market regulatory requirements, facilitating a sustained and coordinated marketing and promotional effort and identifying common customers and distribution points to ensure continuity and ease of supply.

63% of respondents to our March 2008 Auto Industry Review Survey indicated that they now source product internationally that was once manufactured in Australia with the average percentage of locally sourced product estimated at 46%. Five years ago this figure was 57% which demonstrates an alarming decrease in the level of locally manufactured automotive parts in Australia.

These responses are supported by two separate studies of the automotive aftermarket commissioned by the AAAA in June 2007 and April 2005 which confirm that the proportion of product sourced from local manufacturers is reducing rapidly. The 2005 report revealed that 64% of aftermarket product was sourced from local suppliers (manufacturers and wholesaler/distributors) and 36% was imported. The 2007 report has revealed a ratio of 53% local, 47% imported.

The best way to assist the automotive industry to turn around this dramatic decline in locally manufactured product is to assist companies to develop export and international business opportunities both independently and collaboratively through the development of export clusters. As such, we request that the Review Panel revisit the rationale behind the abandonment of the Global Opportunities pilot funding round and look at reinstating support for clusters of companies to work with industry associations to secure access to global supply chains and export markets. We also request that the panel review the Austrade fee for service policy to ensure that it represents solid value for money given the high cost burden for SME's developing international markets for their products. Further, the EMDG program should be structured so that established exporters are able to access funding assistance when developing new markets.

5.2 – Legislated tariff reductions on passenger vehicles and automotive components.

Local aftermarket manufacturers face the challenge of a declining local customer base together with the ever present threat of import substitution for their product. The legislated staged reduction in tariff levels on vehicles and automotive components in Australia between 2005 and 2015 have had (and will continue to have) the impact of increasing market access to international companies. At the same time we are seeing very little tangible activity with respect to trade liberalisation from the majority of our competitors and in fact many Governments are strengthening trade blocs, aggressively chasing new investment and formulating a raft of non-tariff protection measures to protect and grow their local industries. This, combined with the rise of the Australian dollar against most major currencies, has reduced the international competitiveness of local manufacturers which has contributed to a dramatic shift in production offshore in recent years.

Similarly these policy settings have significantly increased the number and range of imported vehicles available in Australia. While the overall number of new vehicles sold in Australia has increased in recent years, competition in this sector has seen the market share of locally produced vehicles decline to less than 20% which has a flow on effect on the supply of replacement of parts and equipment for these vehicles. These structural adjustments have also resulted in the reduction in local content on Australian built vehicles which will have a flow on effect to the aftermarket as in most cases the replacement parts would be manufactured by the same original equipment supplier. It also will have a downstream impact on secondary exports of aftermarket replacement parts into our major vehicle export markets such as the Middle East and USA.

The AAAA contends that aftermarket manufacturing is now feeling the full impact of international competition as a result of the restructuring of the industry and can provide numerous examples of companies making the decision to shift production or source product offshore at the expense of local manufacturing over the past seven years.

For these reasons we would ask the review panel to consider a freeze on automotive tariffs at the current level of 10% until there is significant progress on the path to trade liberalisation by countries (particularly in Asia) with which our industry must compete. Trade liberalisation must also be viewed in the broader context than simply tariff regimes as in many cases the biggest impediments to market are the raft of non tariff barriers put in place by our competitors.

5.3 – Bilateral and Multilateral Trade Agreements

While ideally multilateral trade negotiations such as the current Doha Round would be preferred, the slow progress of these negotiations combined with the difficulties in achieving consensus from a large number of countries with mixed agendas makes this method ineffectual in respect to tangible outcomes for exporters. In relation to the current Free Trade Agreements entered into by the Australian Government, there is support for the agreements with New Zealand, Singapore and the USA. There is little support by AAAA manufacturers for Free Trade Agreements with developing nations such as the Thailand and particularly for the proposed FTA with China.

It is the view of the AAAA that FTA's with low cost manufacturing countries will accelerate job losses and speed up the natural course of structural change that is under way in response to domestic reform and globalisation.

While the AAAA strongly supports trade liberalisation and a "level playing field" the current global situation is far from that and we don't see any valid reason why Australia should lead the push for trade liberalisation at the expense of our domestic manufacturing base, when the Governments of our major competitors are positioning their own industries to take advantage of the increased market access.

AAAA believes the following should be taken into consideration by the Australian Government when negotiating the terms of any new Free Trade Agreements:

- FTA's must remove all tariff and non-tariff barriers that preclude participants in the Australian automotive aftermarket from taking full advantage of the opportunities that are presented by the agreement;

- unlike their counterparts who are being assisted in meeting the challenges of exposure to a global industry through the availability of the Automotive Investment & Competitiveness Scheme (ACIS) , Australian automotive aftermarket manufacturers have no such assistance package;

- given the level of State ownership in the automotive industry in Asia and the ability of the central and provincial governments to intervene directly in the operation of automotive enterprises through policy setting and the setting and enforcement of regulations, it is unlikely that, in the near future, the automotive industry in China, Malaysia and India will operate in a "market economy" – an economy where supply and demand are unregulated except by the country's competition policy, and rights in physical and intellectual property are upheld;

- based on the recent experience of AAAA members, there are issues relating to market access, investment and counterfeiting and the protection of intellectual property rights that must be addressed before entering into FTA's with low cost manufacturing countries;

- AAAA members are involved in the manufacture and supply of safety critical products to Australian consumers – the terms of any FTA should recognise the right of Australian government agencies to enforce Australian safety standards without fear of accusation of erecting a technical trade barrier; and

- That the Rules of Origin in any new FTA be based on the Change in Tariff Classification methodology as used in FTA's with Thailand and the USA.

5.4 – Federal support of innovation in the automotive aftermarket.

Australia's automotive manufacturers are world class and have moved from manufacturing for the local industry to manufacturing for the export or global market.

The automotive aftermarket is highly innovative and often develops new products and technology which ultimately flow into vehicle manufacturing. As the majority of aftermarket manufacturers are SME's they are nimble and agile in pursuing innovation and new markets because they are largely independent of the vehicle manufacturers. The sector is also capable of manufacturing small volumes profitably. This profitability is achieved by using alternative manufacturing processes and/or innovative product design where necessary.

The aftermarket in Australia has strong technical capabilities with the ability to improvise. This results in a high level of innovation in product design, and an ability to exploit niche opportunities.

The development of automotive products is very R&D intensive and to develop and maintain export markets you need to have a competitive advantage that is normally derived through product innovation. The majority of aftermarket manufacturers do not have access to the ACIS program which puts them at a competitive disadvantage to Australian Original Equipment component manufacturers as well as the majority of their international competitors that receive a range of Government support. It is clear from the survey results that this has had a detrimental impact on the level of investment in innovation and R&D in the sector and unless this lack of support is proactively addressed the trend towards closing Australian manufacturing operations and importing product will only accelerate. It was also clear from the survey that automotive aftermarket usage of other Federal Government R&D support programs is extremely low with most companies indicating that the structure of the programs combined with the level of "red tape" make participation unviable.

It is the view of the AAAA that Federal Government should provide support for product development and innovation in the automotive aftermarket but this support should not begin and end with R&D assistance. To ensure the long term survival and growth of the industry it is vital that the Federal Government provides:

- an industrial relations system that promotes a flexible and productive workforce;
- incentives for training and retraining of the workforce to ensure that skills are kept up to date with changes in technology and industry structure and dynamics.
- an industry specific training board that can ensure that training and support packages are in place to support the rapidly changing skill requirements of the sector as a result of technological advances.
- support for local automotive aftermarket manufacturers to internationalize through direct exports, joint ventures and technology transfer and licensing.
- a taxation and incentive system that encourages new investment in the industry.
- partnerships between public and private research institutions.

5.5 Skills shortages and appropriate recruitment and training strategies.

Although the trend in the automotive component manufacturing industry is for a reduction in overall employment, the sector is experiencing skills shortages particularly in specialist areas of engineering, design and development. Many automotive component manufacturers are actively recruiting staff offshore and encouraging them to relocate to Australia. While this practice fulfils a short term need, the cost of relocating expatriates has an impact on the competitiveness of individual businesses and the industry as a whole in the longer term.

Skills shortages are a major issue across all trades and are having a significant impact on are both automotive component manufacturing and the repair and service sector. Major factors contributing to this issue include a lack of incentives for employers to employ and train apprentices, industry perception and stereotypes and the lack of flexibility and industry specific training programs.

While the AAAA supports recent Federal Government initiatives to create more flexibility in the delivery of TAFE based training as well as additional technical places, the current regime is inconsistent across state and territories, is confusing for employers and in many cases the elongated process and red tape required to employ an apprentice or trainee is a significant disincentive. There is also confusion with the respective role of Federal and State Government agencies in the process.

In the past, larger automotive manufacturers have carried the training burden for the industry by taking on graduates, apprentices and trainees each year in the knowledge that many of these employees will leave and filter into small and medium sized enterprises. The increased global competition, resulting in decreased margins in the industry mean that companies, regardless of their size, can no longer absorb the full cost of training and development of staff that are not fully productive and remain competitive. As such, it is the AAAA's position that the Government has an ongoing role in providing appropriate incentives to encourage employers to continue to employ and train young and re-deployed workers.

The negative public perception of careers in the automotive industry is having a significant effect on both the number and quality of graduates, apprentices and trainees making automotive their career of choice. This is a long standing problem that is contributing factor in the skills shortages currently experienced in the industry. The only way to overcome these incorrect perceptions is for the industry, with the support of Federal and State Governments, to promote itself as internationally focused, at the cutting edge of technology and offering a diverse range of exciting and well paid career opportunities.

4) Conclusion

This Paper raises five key points arising from the Terms of Reference which have particular impact on the automotive aftermarket that the AAAA would like the Review Panel to consider as part of its report to Government.

The AAAA welcomes this review into the Export Policies and Programs which comes at a critical time for the future of manufacturing in Australia. We look forward to working with the panel to provide objective and constructive input into the process to enable the Rudd Government to put in place the appropriate economic and policy settings to ensure an internationally competitive and globally integrated automotive manufacturing sector. To that end we would be pleased to provide more detailed input via participation in the public hearings convened by the Review Panel.

APPENDIX A

To enable the AAAA to incorporate member feedback into the preparation of our submission, a 21 question online survey was developed and circulated to member companies encouraging their input. A list of the survey questions is shown below. We received 41 responses to the survey which was a strong response given the short time frame of the review and the specific focus of the terms of reference which is targeted towards exports.

SURVEY QUESTIONS/KEY RESPONSES

1. **Please fill in your Company details**
    - 41 companies fully completed the survey.

2. **Number of employees;**
    - 59% of respondents had under 20 employees with three organisations (7%) reporting over 500 employees.

3. **What is your company turnover?**
    - Turnover ranged from $250,000 to $200,000,000 with an average turnover of $16,000,000.

4. **What is your estimated value of exports? (if applicable)**
    - 17 of the 41 respondents (41%) were exporters with the average value of exports per annum $1,000,000.

5. **From which of the below is your company? (tick multiple answers if applicable)**

- Manufacturer/Re-Manufacturer – 46%
- Importer – 44%
- Wholesaler/Distributor/Reseller – 56%
- Retailer – 32%
  *NOTE: most aftermarket businesses operate in multiple segments (eg they may manufacture some product locally and also import product/components to supplement their range).

6. **Were you eligible to participate in the pre 2001 Export Facilitation Scheme?**

- Yes – 11%
- No – 89%

7. **Are you eligible to participate in the post 2001 ACIS Scheme?**

- Yes – 21%
- No – 79%

8. **Do you receive any other Federal Government financial support (ie: Export Market Development Grants, R & D Tax Concessions).**

- Yes – 15%
- No – 85%

9. **Has the availability (or lack of) of Federal Government financial support had an impact on your investment decisions in the last 5 years? (If you answered yes, please specify how).**

- Yes – 39%
- No – 61%

The response to this question is skewed by the fact that around 50% of the respondents do not manufacture locally. Of the local manufacturers that responded the following comments were reflective of the overall views:

- *“It has been difficult developing overseas customers with limited monies available”.*
- *“The aftermarket is not considered part of the automotive industry”*
- *“Without support, minor investment has occurred in aftermarket development”*
- *“Lack of Government support has been an impediment to employee training and development, early take up of technology, managing environmental and social improvements, supply chain improvements”.*

10. Would potential Federal financial support under the ACIS Scheme impact on your future investment decisions? (If you answered yes, please specify how).

- Yes – 51%
- No – 49%

The response to this question was also skewed by the fact that around 50% of the respondents do not manufacture locally. Of the local manufacturers that responded the following comments were reflective of the overall views:

- *“Would take pressure off tooling costs to develop new components and compete”.*
- *“Advancement of this product is stalled by financial support”*
- *“Relocation, expansion, investment in capital equipment”*
- *“Provide additional incentives for the procurement of high capital cost equipment”*
- *“We turn away work daily as we cannot fund it. We desperately need qualified tradesmen and could also update a couple of machines to help our production”.*

11. Do you now source product internationally that was once manufactured in Australia? (either by your company or another supplier)

- Yes – 63%
- No – 37%

12. What percentage of your product is now manufactured locally? What was the percentage 5 years ago?

The average percentage of product sourced locally was 46%. Five years ago the figure was 57%.

13. Did the reduction in tariff levels on automotive components from 15% to 10% effective in January 2005 have an impact (positive or negative) on your business? (Please specify positive or negative)

- Yes – 48%
- No – 52%

The impact of tariff reductions was directly dependent on if the respondent was a local manufacturer or importer. Of the manufacturers the following comments were representative:

- *“Allowed competitors to import against us with similar product”.*
- *“The growth, especially in China, has had a huge impact on our sales. We now purchase much more from overseas than ever and local manufacturing is shrinking at a rapid rate”.*
- *“Negative. This has brought about a proliferation of different vehicles requiring different parts and servicing routines increasing the aftermarket inventory levels and impacting on part availability. In many areas this has reduced competitiveness pushing up retail prices and creating virtual monopolies for the customer. This fragmentation has created complexity which has impacted on driver convenience and inflated prices.”*

14. What impact (positive or negative) will the proposed phasing out of tariffs on automotive components by 2015 have on your business? (Please specify positive or negative)

- Yes – 61%
- No – 39%

- “The phasing out of tariffs will send the locally produced product into the “too expensive” basket and will force us to source more product from overseas”
- “Further market fragmentation and broader proliferation of model applications is likely to have a large impact. This impact will be felt in an ever increasing development burden with reduced payback given that the sales will be smaller for any given product development”
- “More imports and substantially less local content”

15. What impact have the Free Trade Agreements with New Zealand, Thailand, Singapore and USA had on your business ? Do you support the proposed FTA's with Malaysia, UAE & China ?

The response to this question was mixed depending on the particular circumstances of the company. There was a definite negative view from the local manufacturers of FTA’s with low cost manufacturing countries, particularly China.

16. What impediments to export markets (tariff & non tariff barriers) have you experienced?

The main impediments to market included high tariff barriers, government red tape and bureaucracy, distance to market and the strength of the Australian dollar.

17. What assistance could Government provide to improve your access to global supply chains & export markets?

- Market research – 42%
- Increased export funding – 47%
- Assist with export planning–36%
- Reduced fees for in-market Austrade assistance – 56%
- Other, please specify
- Assist with standards
- Assist with O/S trips
- Get people that know our industry

18. What other assistance mechanisms could help sustain & grow your business?

#	**Response**
1	More Sensible & workable Legislation Getting more young people into traineeships
2	lower interest rates would go a long way
3	reduce taxes
4	Review Taxes
5	As per Q17 - Get some people that REALLY know how to grow small business, to take advantage of meaningful assistance, not just lip service, and reams of documents that most small business owners won't read.
6	national consistency on regulation
7	A fair trading environment regardless of size. Smaller operators are overlooked but their number impact the market environment.

8	Business training Better tax schemes Less red tape Someone to talk to for advice
9	Support the Australian Manufacturing Industry, impossible to find welders,machinists,fitters and turners
10	Support of Aftermarket manufacturing.
11	more support of Apprentices there is a GROWING LACK of new trade people entering the market and we will suffer badly from this in the coming years
12	Cheaper access to international trade shows
13	Education in "best practice" manufacturing techniques.
14	Free supply of vehicle carpark intelligence.
15	True understanding from the government in consistency of standards in environmentally approved parts in OE & aftermarket.
16	AWARNESS
17	Better financial assistance for training programs & more assistance in getting young people to enter our industry.
18	Keeping wages & costs under control. Labour is the biggest problem in Australia. Wages for non trades over the top, so people do not want to do 4years training in Trades at low wages to end up lower paid than unskilled workers. Australian made goods are well known overseas for their quality but are generally too expensive because of the labour costs to produce!!!!!
19	patent protection, protection against copyright infringements with Asian countries particularly China
20	Better border protection from counterfeit brand named products
21	Market research, car parc research, and country by model research e.g Car XYZ in USA = Car ABC in Asia etc

19. What are the major challenges & opportunities facing your business going forward?

- High Australian Dollar – 41%
- International Competition – 41%
- Government Regulation – 41%
- Technology – 22%
- Petrol Prices – 59%
- Skills Shortages – 51%

20. Is the trend towards low emission & fuel efficient vehicles likely to have impact on your business?(Please specify if yes)

- Yes – 69%
- No – 31%

The response to this question was dependent on the circumstances of the company but the majority of respondents saw this development as a positive provided there was effective and consistent national legislation covering emissions. A selection of responses is shown below:

- *“Will result in low growth in sales of key vehicle category groups including Light Commercial Vehicles, Large Passenger Cars and Large 4WD’s. We must take a lead in the development of alternative fuels and fuel-efficient technologies for these vehicle categories and not just focus on small vehicle development”.*
- *“We as a company have no problems in making a part or component Qualify & pass ADR emission requirements, but as this comes as an increased cost, the consumer will see a similar part (that is not tested or passed any ADR emission requirements)at a lower price and they think they as a consumer are comparing "Apples with Apples" but they are very misinformed”.*

- *"We need national laws on emissions..this will be great for business but we need a government that will do it properly".*

21. What assistance could Governments (State & Federal) provide to assist you with better access to skilled workers as well as on going training & skills development?

	Responses
1	Pay apprentices better. There is no incentive for young people to join our industry when they get less they get less than $300 pw
2	Re introducing Technical Schools will help
3	Subsidies on training the workers with Safety issues, fork lift licenses.
4	to get decent trainee / apprentices you need to pay them well, therefore the Govt needs to underwrite their training period.
5	Better education standards
6	Training is useful - Business analysis & mentoring is key.
7	Promotion of the Auto industry as not just assembly and dirty work fitting parts
8	Higher award wages for the industry to attract the younger generation
9	National standardised training
10	offset the cost of training and give tax benefits and social benefits to apprentices. Low apprentice wages are discouraging entry to trades.
11	Invest in trades, motor mechanics,welders,fitters and turners
12	Govt funded apprenticeships and trainees.
13	more financial / tax breaks and support
14	Greater incentives for their retention not just their employment.
15	We currently use government sponsored training programs which are a bureaucratic nightmare. We won't use them again for this reason.
16	Control Wages and imports. People need to be paid what they are worth. If they do extra training , they should be rewarded.
17	reintroduction of old tafe courses to add value and specific training to industry once more