



**Australian Automotive Aftermarket
Association Limited**

**A Commentary on the
Productivity Commission's
Position Paper
“Review of Automotive Assistance”
June 2002**

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1 Introduction

The membership of the Australian Automotive Aftermarket Association – AAAA – wants a genuinely viable automotive manufacturing sector in Australia and believes there is more the industry can do to continue on the path to sustainability. The implication that such an industry should be able to compete successfully in global markets without industry-specific government support is not one that is totally endorsed by the AAAA.

AAAA has prepared this Commentary to detail a number of matters it wishes to bring to the attention of the Productivity Commission following the release of its Position Paper, "Review of Automotive Assistance", released in June 2002.

In this Commentary, AAAA expresses its concerns regarding the limited consultation by the Commission in the review process. AAAA strongly believes that, as a result of this limited consultation, the Commission has failed to recognise the importance of the aftermarket to Australia's automotive manufacturing sector.

It could even be said that the Commission has failed to meet its terms of reference, which required it to consult with a cross section of the automotive manufacturing sector.

In this Commentary AAAA:

- reiterates the case made in its Submission that aftermarket manufacture is an integral part of Australia's automotive manufacturing industry and should participate in post-2005 assistance arrangements for the industry;
- makes some suggestions regarding post-2005 assistance arrangements;
- provides its views on the support provided to aftermarket manufacturers seeking access to new markets;
- expresses the view that further reductions in tariffs are not consistent with the maintenance of a viable automotive manufacturing sector in Australia;
- indicates cautious support for the Commission's finding regarding standards to apply to "critical replacement parts", but points out some implications of this finding; and
- comments upon the views expressed by the Commission regarding skills and training.

We trust the Commission finds this Commentary useful and look forward to the opportunity to discussing it with the Commission.

2 Limited consultation

2.1 AAAA was not consulted

On page 4 of the Position Paper, it is noted that:

"During March, April and May, the Commission met with all four vehicle assemblers, a range of component producers and vehicle importers, firms providing automotive tooling and design services, major industry associations¹, vehicle industry unions and various Commonwealth, State and Local Government organisations."

AAAA represents the manufacturers, re-manufacturers, importers, distributors, wholesalers and retailers of automotive parts, accessories, tools and equipment in Australia. This includes replacement parts and accessories for Passenger Motor Vehicles (PMVs), Light Commercial Vehicles (LCVs) Four Wheel Drive vehicles (4WDs) Sports Utility Vehicles (SUVs) and tools and equipment for the workshop and garage repair sectors.

AAAA believes that, when aftermarket manufacturing employment is combined with employment in the retail/wholesale/distributor sectors, total employment in the aftermarket is 35,000 and, as stated in our Submission to the Commission, is an important contributor to the Australian economy with annual sales in excess of \$6.3 billion.

2.2 Consultation with industry associations appears to have resulted in a narrow focus

Appendix A to the Position Paper lists the seven industry associations with which the Commission consulted.

AAAA is concerned that by limiting its consultation to these associations the Commission has:

- obtained views from associations that do not represent the entire automotive manufacturing sector;
- obtained views from associations that represent manufacturers currently receiving the whole of the benefit of current assistance arrangements and wish to limit other automotive manufacturers' accessibility to post-2005 arrangements; and
- despite the Submission made by AAAA, overlooked the contribution aftermarket manufacturers can make to a genuinely viable automotive manufacturing sector in Australia.

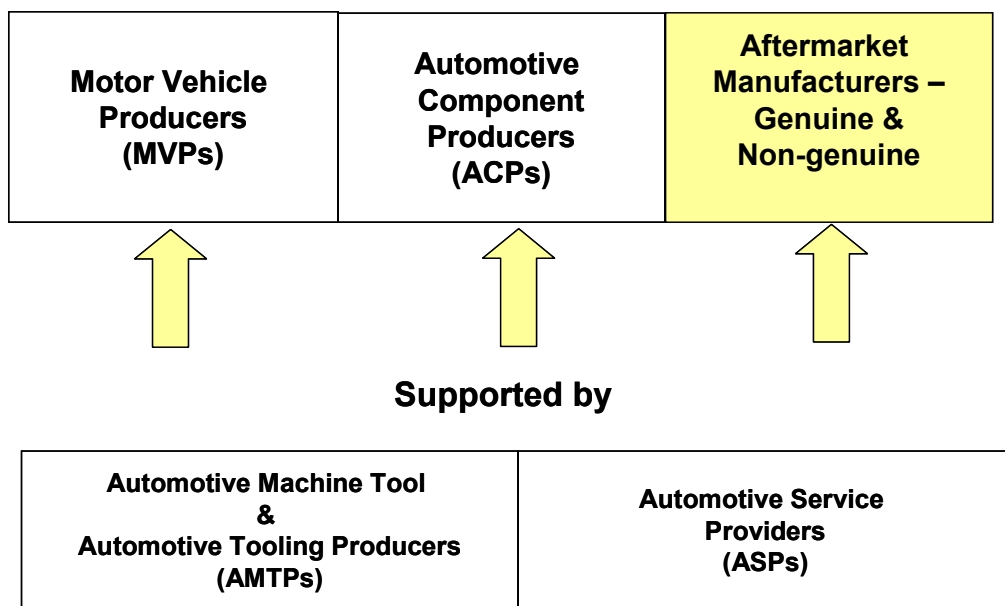
¹ Emphasis added by AAAA

These concerns are, to a certain extent, supported by the reaction to the Position Paper expressed by component manufacturers at the recent Federation of Automotive Products Manufacturers (FAPM) Convention. Generally the reaction was supportive, with little “hard” questioning of Chairman Banks and Associate Commissioner Weickhardt. This reaction might indicate that the Commission has been effective in its consultation and drawing of conclusions from that process.

It might also indicate that the Commission has not really challenged the existing assistance arrangements to determine whether additional measures might be taken to ensure the viability of the automotive manufacturing sector.

There does not seem to be a working definition of the automotive manufacturing sector in the Position Paper. AAAA suggests that the Commission develop such a definition, one that reflects the diagrammatic representation of the industry shown below - one that recognises the role of aftermarket manufacture as the Third Sector of Australia’s automotive manufacturing industry.

Figure 1: The Aftermarket as the Third Sector of Automotive Manufacturing



2.3 A broad definition of the aftermarket must also be considered

In addition to developing a definition of "the automotive manufacturing sector", we recommend that the Commission adopt a definition of aftermarket manufacture. The adoption of a definition is particularly important in implementing the Commission's finding regarding the development of standards for aftermarket components.

The definition of the aftermarket included in AAAA's Submission read as follows:

"The automotive aftermarket involves the manufacture and supply of parts for motor vehicles fitted after the vehicle is sold as new. The aftermarket includes both genuine, ie manufactured and marketed by carmakers, and non-genuine parts. Despite the brand name distinction, many non-genuine parts are also manufactured by the original equipment manufacturers and are often virtually identical to equivalent genuine parts. However, non-genuine parts enjoy wider distribution than genuine parts as the latter are usually distributed through car dealers associated with the particular market".

We recommend that this definition be used by the Commission.

Carmakers or their Original Equipment (OE) suppliers manufacture genuine parts. Non-genuine parts are manufactured by the original equipment and other manufacturers and are often virtually identical to equivalent genuine parts. However, non-genuine parts enjoy wider distribution than genuine parts as the latter are usually distributed through car dealers associated with the particular carmaker.

The term "non-genuine" should not be used in a pejorative sense. The manufacturers of non-genuine product are subject to the same quality, price, delivery and technology expectations as manufacturers of genuine product.

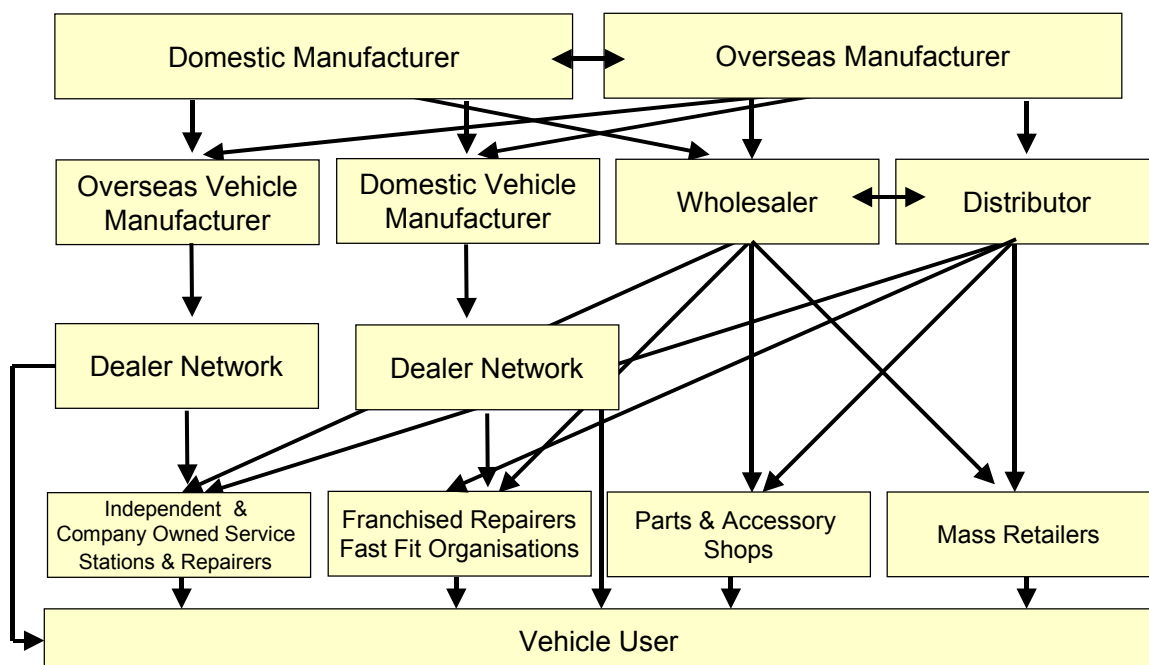
Genuine and non-genuine manufacturers are distinguished from a third category of suppliers to the aftermarket – counterfeiters. These manufacturers produce copies of genuine and non-genuine product that:

- are of lesser quality;
- do not perform to the same standard as genuine and non-genuine products; and
- often have similar names as the genuine or non-genuine original or may even be falsely labeled as if they were the genuine or non-genuine original.

2.4 The aftermarket is an integral part of automotive manufacturing in Australia.

In its Submission, AAAA demonstrated that the aftermarket is inextricably linked to the rest of the automotive industry in Australia. The linkages are shown in the following diagram.

Figure 2: Overview of the Australian Automotive Aftermarket



AAAA contends that these linkages, together with the contribution aftermarket manufacturers already make to the Australian economy justify its recognition as the Third Sector of Australia’s automotive manufacturing industry.

During his presentation to the recent FAPM Convention, Commission Chairman Banks indicated that his task was to provide the Federal Government with options to ensure the future viability of the automotive manufacturing sector. AAAA strongly believes that these options will be limited unless the existing and potential contribution of the aftermarket manufacturers is recognised.

2.5 The aftermarket manufacturers' role in the Australia's automotive manufacturing industry

Aftermarket manufacturers complement and enhance the Australian automotive manufacturing sector. These manufacturers are:

- highly innovative;
- nimble and agile in developing innovative new products; and
- nimble and agile in pursuing new markets because they are independent.

Aftermarket manufacturers support the viability of the automotive manufacturing sector by:

- enhancing the appeal of locally made vehicles in both their domestic and export
- controlling the cost of manufacturing of the four domestic motor vehicle producers (MVPs) by providing both genuine and non-genuine product at prices that are not subject to exchange rate;
- providing benefits to consumers by moderating the price of replacement and service parts and accessories through the distribution of parts and accessories through the independent automotive aftermarket;
- providing volume to automotive component producers (ACPs), thereby encouraging investment in plant and equipment;
- enhancing the profitability of ACP's through the supply of products via the independent automotive aftermarket;
- supporting MVPs special vehicles divisions with product that enhances the performance and appearance of their vehicles;
- providing non-genuine replacement parts to MVPs to satisfy the MVPs extended warranty programs; and
- testing components on behalf of MVPs after vehicles have been launched.

2.6 Aftermarket manufacturers are subject to the same adjustment burdens as ACPs

The aftermarket is subject to the same adjustment burden as other sectors of the automotive manufacturing industry. The Commission has found:

“Reductions in assistance to date have contributed to the rationalisation of the automotive industry and encouraged a stronger focus on export markets and higher productivity. Consumers and business users have benefited significantly”.

This finding in respect of the vehicle manufacturing and component production sectors applies equally to the aftermarket manufacturers. AAAA wholeheartedly supports the Commission’s assertion that *“there is no justification for imposing a greater adjustment burden on one particular sector of the industry”*.

In part 9 of the Position Paper, the Commission sets out a number of effects of reductions in assistance on vehicle and component manufacturers. The impact of assistance reductions on the aftermarket is examined in the following table.

Table 1: Impact of reduction of assistance on aftermarket manufacturers	
Effect of reduction of assistance	Impact on aftermarket manufacturers
Lower tariffs and the removal of other restrictive arrangements have made imports more accessible to consumers. Vehicle producers have been obliged to compete more vigorously against imports	Aftermarket manufacturers have been obliged to manufacture parts for imported vehicles, necessitating expenditure on R&D and plant and equipment.
Pressures have flowed through the production chain with component producers having to match world prices more closely as tariff and quota protection declined and the abandonment of the local content scheme removed the artificial inducement for domestic supply.	The price pressures have been suffered by aftermarket manufacturers.
The number of vehicle producers has fallen from five producing in eight plants, to four producers operating four plants today. Model lines have fallen from 13 to five.	The “natural” market for aftermarket product provided by locally produced vehicles has reduced in line with these reductions.
Rationalisation has also occurred throughout the supply chain with the emergence of some key component suppliers.	This has not been so evident in the aftermarket sector. New ideas for aftermarket product are constantly being developed and introduced to the market by SME manufacturers.

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Table 1: Impact of reduction of assistance on aftermarket manufacturers (continued)	
Effect of reduction of assistance	Impact on aftermarket manufacturers
<p>The share of imports has increased from around 15 per cent of total PMV sales in 1985 to around 60 per cent today. In 2001, imports captured 100 per cent of the small car segment. In the large car segment, however, the domestic vehicle producers continue to dominate, with a 97 per cent share in 2001.</p>	<p>As noted above, aftermarket manufacturers have been obliged to manufacture parts for imported vehicles, necessitating expenditure on R&D and plant and equipment</p>
<p>The industry has increasingly looked to export markets as a source of growth. Exports of vehicles and components reached \$5 billion in 2001 nearly double the level in 1998 and more than a tenfold increase since 1985.</p>	<p>Aftermarket manufacturers have also been active in seeking export markets.</p>
<p>A number of home-grown multinational component firms have emerged, with a presence offshore, and others are deriving income from licensing technologies to overseas firms.</p>	<p>Larger aftermarket manufacturers have been similarly active in developing export markets</p>
<p>Vehicle and component producers are not only revealing a capacity to adjust, but also demonstrating strong competencies in world competitive niche manufacturing.</p>	<p>Niche manufacturing is the natural market space for aftermarket manufacturers.</p>
<p>Industry rationalisation has brought with it significant reductions in employment.</p>	<p>Aftermarket manufacturers have gone against this trend without suffering declines in employee productivity. Employment in the aftermarket manufacturing sector has increased.</p>
<p>Reductions in automotive tariffs have contributed to real price declines for motor vehicles despite a weakening of the Australian dollar. This has benefited private and commercial users and improved the transport options available to the less well off in the community.</p>	<p>Aftermarket manufacturers provide product that enable the less well off in the community to have access to affordable motoring. This product enables older vehicles to be maintained in to an appropriate level of roadworthiness, thus reducing the capital cost of motoring.</p>
<p>Consumers have also benefited from greater choice. The range of available models has increased from 69 in 1985 to 250 today. In addition, competition from imports and the demands of export customers have contributed to an increase in features in local models (eg. ABS brakes).</p>	<p>Once again, as noted above, aftermarket manufacturers have been obliged to manufacture parts for imported vehicles, necessitating expenditure on R&D and plant and equipment.</p>

3 Post -2005 assistance arrangements

3.1 Aftermarket manufacturers exclusion from ACIS is inequitable

The Commission has concluded:

“an immediate withdrawal of ACIS, in combination with further tariff reductions, could be sufficient to precipitate the exit of firms from the industry that might have become internationally competitive under more accommodating transitional arrangements”.

In reaching this conclusion, the Commission acknowledges the availability of ACIS is important, indeed fundamental, to the international competitiveness of the automotive manufacturing industry in the current transitional phase. Australian automotive aftermarket manufacturers are currently penalised through their exclusion from ACIS despite their eligibility for the Export Facilitation Scheme (EFS) available under previous assistance arrangements.

AAAA strongly believes it is inequitable that aftermarket manufacturers are excluded from the current assistance arrangements.

The Commission's has responded to suggestions that *“eligibility for funding (be extended to) those small component producers ... supplying components to the replacement and aftermarkets”* by indicating *“some of the suggested changes would not be appropriate”*.

Based on this response, it would seem that the inequity is to remain.

There is no difference between the adjustment burden borne by component manufacturers and aftermarket manufacturers. AAAA urge the Commission to reconsider its conclusion that some of the suggested changes are inappropriate and include in its final recommendations to the Federal Government the option of extending the eligibility for ACIS assistance to aftermarket manufacture.

3.2 Aftermarket manufacturers need assistance

The table in 2.6 above indicates that aftermarket manufacturers need assistance during this transition phase as much as the existing participants in ACIS. Aftermarket manufacturers have:

- been exposed to import competition;
- been required to manufacture for the increasing proportion of imported vehicles in the Australian car parc, which required investment in R&D and plant and equipment;
- actively sought export markets for their product; and
- actively sought niches for their product.

3.3 Changes to ACIS

3.3.1 Aftermarket to be included in ACIS post-2005

Our primary interest is in equity in access to the post-2005 assistance arrangements. Equity will only be attained if aftermarket manufacturers can access post-2005 assistance arrangements.

AAAA has a strong view that, in the absence of reduction or removal of restrictions on access to our trading partners' automotive markets, the level of assistance should not be less than that which is presently available and should be available until 2015.

3.3.2 Aftermarket manufacturers require assistance suited to SME's

The Commission has expressed the view that changes to ACIS "*could increase the complexity of the scheme, add to its transaction costs and be difficult to administer*".

The majority of AAAA's members are SME's – small or medium sized enterprises. These enterprises need assistance that:

- is easy to administer;
- provides a level of certainty regarding the ultimate entitlement to benefits; and
- does not burden the organisation with additional costs so that the benefit of the assistance is eroded.

Above all, aftermarket manufacturers need assistance that reflects the nature of their business. These manufacturers will rarely satisfy the value/volume eligibility criteria of the existing ACIS Scheme that apply to ACPs.

The viability of the aftermarket manufacturing sector is as dependent upon investment in R&D and plant and equipment as the beneficiaries of the current Scheme.

3.3.3 The importance of support for R&D activities

3.3.3.1 *Aftermarket manufacturers are innovative*

The Commission has noted that:

- product and process innovation is becoming an increasingly important driver of competitiveness in the automotive industry; and
- the strong research base in the Australian industry, and its growing reputation for innovative solutions to meet niche market needs, is widely regarded as one of its strengths

In its Submission, AAAA provided examples of the level of innovation displayed by aftermarket manufacturers. This capability should be encouraged and supported. At the risk of repetition, aftermarket manufacturers:

- are better able to exploit niche markets because they are independent of the constraints of large corporates;
- actively seek export and “import replacement” markets;
- assist in ensuring the less well off in the Australian community have access to affordable motoring; and
- have provided employment opportunities.

The ability of aftermarket manufacturers to exploit niche markets cannot be over emphasised. The increasing proportion of imported vehicles in the Australian market has provided these manufacturers with a relatively small niche opportunity because of the low volumes of individual models sold. Aftermarket manufacturers have taken advantage of this opportunity by developing product that can be sold profitably at these low volumes. This ability enhances the automotive manufacturing sector’s ability to manufacture profitably at low volumes. As these products are being developed for imported vehicles, in the absence of specific market access support, there is an unrealized opportunity to export these products to other markets.

3.3.3.2 *Current support is inadequate*

AAAA supports the “*theme in submissions ... that the general tax concession (for R&D) is inadequate to meet the needs of producers in the automotive industry*” and “*the concern that the definition of eligible activity excludes much of the process and product development which is at the heart of innovation in the automotive sector*”.

The Commission also notes support available from other measures:

- the 125 per cent tax concession for R&D expenditure (with a newly introduced provision for a 175 per cent concession for a limited range of expenditures); and
- automotive-related research undertaken by universities, the CSIRO and some co-operative research centres (the latter being jointly funded by industry and government).

The cost of record maintenance and claiming the concession, the limitations referred to by the Commission in respect of the 175 per cent concession and the costs associated with research undertaken by universities, CSIRO and CRC’s mean that these other support measures are of little benefit to aftermarket manufacturers, many of which are SME’s.

Similar criticism can be leveled at the R&D Start grants. The costs of application and compliance limit the benefit to SME manufacturers. This situation is exacerbated by the uncertainty created by the recent decision to terminate this program.

3.3.3.3 *Specific R&D support is needed by the aftermarket*

The aftermarket needs tailor made R&D support if it is to contribute to the long-term viability of the automotive manufacturing sector. The support must:

- be easy to administer;
- provide a level of certainty regarding the ultimate entitlement to benefits; and
- not burden the organisation with additional costs so that the benefit of the assistance is eroded.

For this reason AAAA supports the Commission’s finding that:

“The performance of Australia’s general support measures for R&D should be reviewed within five years. Such a review should aim to ensure that there is appropriate general support available for R&D undertaken by Australian industries — including by the automotive industry after the specific support provided through ACIS ceases”.

3.4 Market access

3.4.1 The focus on export markets

The Commission has noted that "*reductions in assistance to date have ... encouraged a stronger focus on export markets*". Like ACPs, aftermarket manufacturers have actively sought export markets. The examples provided in AAAA's Submission indicate that there has been a degree of success.

AAAA believes that there is a need for aftermarket-specific assistance to build on this success and gain further access to export markets. Indeed, AAAA believes that the provision of government support for the development of export markets is as important as the support for research and development activities. It is for this reason AAAA supports the Federal Government's programs to increase Australia's export performance (although, as will be seen later, we have an issue with the application of the policy).

For this reason, AAAA does not accept the Commission's finding that "*the case for a successor to Automotive Market Access and Development Strategy is not strong*".

3.4.2 Government to government deals do not get you customers

The Commission has noted that:

- some progress has been made in reducing trade barriers faced by Australia's automotive exporters;
- significant and widespread trade barriers remain;
- there are also significant non-government barriers to trade;
- WTO and APEC processes are likely to improve Australian automotive exporters' access to overseas markets and should continue to be the focus for Australia's trade negotiation efforts; and
- some bilateral trade agreements may also be beneficial for the automotive.

These findings are consistent with the Federal Government's trade policy. However, to quote an aftermarket manufacturer, "government to government deals don't get you to customers".

AAAA advised in its Submission that:

"Since the cessation of EFS (the Export Facilitation Scheme available under the previous assistance arrangements for the industry) and the introduction of ACIS, aftermarket manufacturers' "export propensity" has reduced".

In support of this, it was noted that:

- AAAA has, for many years, facilitated exhibits by Australian aftermarket manufacturers at the Specialty Equipment Market Association annual exhibition in the USA, an exhibition that has generated many export orders for the manufacturers. Since the cessation of EFS, participation on the AAAA stand has fallen from 20 exhibitors to 8.
- Previously, Austrade has assisted aftermarket manufacturers by assisting with the cost of exhibition space at international trade shows. Since the cessation of that funding, AAAA has been forced to reduce the size of the Australian exhibition at Automechanika Frankfurt, an important industry trade show, by 60%.

3.4.3 Customer contact must be supported and facilitated

If aftermarket manufacturers are to realise their full export potential, their customer contact activities must be supported. At present this support is provided through Export Market Development Grants (EMDGs)

EMDGs are welcome, but come in the form of reimbursements of costs incurred rather than upfront payments. Recent pro rata reductions of EDMGs have also detracted from the level of certainty attached to this form of assistance. EDMG reimbursed only 75% of eligible 2000/2001-export expenditure. It is predicted that a lower portion of eligible expenditure will be reimbursed in future years.

More recently, the Federal Government introduced the Tradestart program. This program was designed to encourage new export activity and is, therefore, only available to first time exporters. This program will do little to migrate existing small business exporters to new export markets, one of the most effective means of facilitating new export orders.

AAAA believe that the Commission should examine the effectiveness of these programs in encouraging and supporting export activity by both ACPs and aftermarket manufacturers.

3.5 Tariffs

AAAA is of the view that further reductions in tariffs are not consistent with the Federal Government's desire to maintain a viable Australian automotive manufacturing industry.

It is recognised by most Governments that automotive manufacturing is a key economic driver and that the industry provides inputs to the development of an economy other than just through the creation of jobs within its sector. Governments therefore use a range of assistance measures, including tariffs, to support their automotive manufacturing industry.

This situation is acknowledged by the Commission in part 8.2 of its Position Paper under the heading "But access to virtually all automotive markets is still restricted".

AAAA does not believe a case has been made for the reduction of the tariff to 5% before 2010. In particular, AAAA is both sceptical and concerned:

- about timetables and the real intent for reductions of assistance measures by many of our trading partners;
- as to the time it will take to conclude the current bilateral and multilateral negotiations regarding general assistance and support measures for industry;
- that existing general assistance and support measures might be replaced by less transparent measures; and
- that efforts by the Federal Government to negotiate market access may also take more time than anticipated.

On this basis, AAAA would support a pause in further tariff reductions until after 2010 and until such time as it can be demonstrated that there are real reductions in tariff and other trade barriers by our trading partners.

Of the three "tariff paths" presented by the Commission, AAAA supports Option 3.

3.6 Suggestions for aftermarket specific assistance

3.6.1 Access to ACIS and market access support is required

AAAA suggests that the Commission recommend the post-2005 assistance arrangements include specific assistance for aftermarket manufacturers. This may take the form of assistance under the post-2005 ACIS arrangements, such as:

- credits for R&D expenditure incurred in enhancing existing products or developing new products; and
- credits for expenditure on plant and equipment to be used in the manufacture of aftermarket product;

Market access support could take the form of:

- support to identify export market opportunities and to match these with Australian automotive aftermarket manufacturers;
- specific support programs built around the automotive aftermarkets ability to target niche opportunities in various export markets; and
- assistance in readying SME automotive aftermarket manufacturers for export

3.6.2 ACIS post-2005

Aftermarket manufacturers' access to ACIS post-2005 must:

- encourage aftermarket manufacturers to invest in plant and equipment and R&D in Australia; and
- be available on the basis of a value that reflects the SME nature of the majority of manufacturers.

For these reasons AAAA submits that an aftermarket manufacturer should be able to access ACIS post-2005 if:

- it produces aftermarket product with an ex-factory value of at least \$250,000; and
- aftermarket product represents at least 50% of the manufacturer's Australian based production.

As with current ACIS arrangements, aftermarket manufacturers would receive assistance in the form of duty credits which they can either use or sell to other automotive manufacturers. The assistance should be provided from an uncapped pool, similar to that available to MVP's under current arrangements.

3.6.3 An aftermarket successor to AMADS

The automotive aftermarket saw little of the benefits that were available to automotive manufacturers under the Automotive Market Access and Development Strategy. It is critical that a similar program be available to SME automotive aftermarket manufacturers if Government policy objectives to increase the number of Australian companies involved in export and more particularly, automotive exports are to be attained.

Support programs would include the assistance of Austrade in undertaking specific market research, physical assistance in identifying potential automotive aftermarket exporters and dedicated programs to assist automotive aftermarket manufacturers in becoming export ready.

It is important that access to support programs is administratively simple to maximise participation and success, particularly for SME’s.

3.6.4 Best practice diffusion

In its Submission AAAA suggested that assistance might be provided to aftermarket manufacturers in the form of a “best practice diffusion program” that emphasises employee training, quality assurance programs and the use of IT. We take this opportunity to reiterate this suggestion and to add a further facet to the program – best practice in industrial relations.

3.7 Assistance is required now

AAAA’s Submission suggested that because *“there is a hiatus of over two years before the Post 2005 Arrangements become effective, (Aftermarket specific) arrangements should be introduced forthwith”*.

We take this opportunity to reiterate this suggestion.

AAAA strongly believes that Australia’s automotive manufacturing sector will be disadvantaged if all or part of the recommended post 2005 assistance for automotive aftermarket manufacturers is not made available now.

As suggested in our Submission, AAAA’s immediate admission to membership of the Automotive Trade Council would assist in this regard.

4 Critical replacement parts

4.1 Meeting safety and environmental standards

The Commission has found that:

"The introduction of specific standards for aftermarket components that are integral to vehicle safety or to a vehicle's environmental performance, could benefit both the community and local suppliers of these components".

AAAA cautiously supports this finding. This caution is engendered by a concern that unequivocal acceptance and support for implementation of this finding might provide the opportunity for MVP's and their original equipment suppliers to control the aftermarket.

4.2 The basis of this finding

This preliminary finding is based on two assertions:

- the standard of aftermarket components is only indirectly regulated through road-worthiness requirements for vehicles in service; and
- specific standards, as apply in some other countries, would improve safety by removing unsafe imported replacement parts and accessories from the market and in so doing, provide a significant boost to the local aftermarket industry.

4.3 Consumers may be disadvantaged

There are many hundreds of individual components that go into the manufacture of today's motor vehicle. This fact alone supports the comment made by the Commission that the introduction of standards for aftermarket components "*could easily become administratively complex and cumbersome if they encompassed too wide a range of parts*". Add to this the possibility that MVP's might use their position to encourage standard setters to define a broad range of parts as "*integral to vehicle safety or to a vehicle's environmental performance*" and there is the possibility that consumers might be disadvantaged by:

- restrictions to competition and sources of components; and
- the inappropriate application of standards.

5 Other matters

5.1 Skills & Training

The AAAA supports the position of the Productivity Commission that skills and training are important components in establishing international competitiveness.

The support of Federal and State Governments for skill development is crucial to Australia's ongoing competitiveness in automotive manufacturing.

The AAAA supports the continuing monitoring and development of Australia's training and development infrastructure.

5.2 Specific tariffs on secondhand vehicles

AAAA supports the retention of the \$12,000 tariff on second hand vehicles. We believe this measure is necessary to limit the adjustment burdens on the industry post-2005.