



24 July 2002

Mr Gary Banks
Presiding Commissioner
Automotive Industry Inquiry
Productivity Commission
PO Box 80
BELCONNEN ACT 2616

Dear Mr Banks

We write on behalf of the Cities of Onkaparinga, Marion and Mitcham in response to the release of the Productivity Commission's Position Paper on Government Assistance to the Automotive Industry in Australia.

In our submission to the Inquiry we outlined the importance of the industry to Southern Adelaide and South Australia. In particular we highlighted:

- the knowledge and skill intensive nature of the industry, emphasising it is a provider of many thousands of secure and rewarding jobs; and
- the significant contribution of the industry to the region, as demonstrated in our economic modelling.

We are pleased that the Inquiry has considered the potential regional impacts that might flow from reductions in protection and other forms of assistance to the industry. The role of the automotive sector as a generator of regional employment was confirmed by the Commission's projections. It is clear that any substantial reduction in the scale of the industry would be very damaging to our region and to the overall prosperity of South Australia.

In our submission we recommended that the Inquiry support the maintenance of tariff protection for the industry at 10 per cent beyond 2005. The preferred outcome described in the Commission's Position Paper is for tariffs to remain at 10 per cent until 2010 at which time they should be reduced to 5 per cent. This has merits if competitor nations were to commit to a uniform approach to automotive assistance levels and tariff rates. There are no indications that this will change significantly over the medium term. As such a more prudent approach would seem warranted.

We suggest the Commission recommend to the Federal Government that further reductions in assistance only be contemplated in a context where it is clear that competitor nations are committed to comparable reductions in assistance to their automotive sectors. Any deliberations of this nature should be informed by scheduled reviews, conducted by the Productivity Commission, of international assistance regimes for the industry. Such reviews should be undertaken before any additional reductions in tariff rates take place.

Reductions in assistance to the industry through the ACIS scheme will remain complicated by the assistance regimes available in other countries. There should not be unilateral reductions in ACIS without reference to this reality.

At a more general level we are concerned about the differential impact of changes in assistance levels for component manufacturers and assemblers. Clearly, there are different pressures being faced by each with component manufacturers perhaps facing an increased threat from import penetration. In this respect we recommend that the Inquiry report on what the likely differential impacts of changing assistance levels might be, including regional variations, in its final report.

Ray Gilbert, OAM JP
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