



Submission to

the Productivity Commission inquiry into

Post 2005 Assistance Arrangements For The

Auto Manufacturing Sector

May 2002

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Introduction

Austrade is the Federal Government's principal trade and international business facilitation agency and operates as a statutory authority within the Foreign Affairs and Trade portfolio. Working in collaboration with other government agencies and private sector allies Austrade helps Australian companies reduce the time, cost and risk involved in entering and expanding overseas markets.

To implement the Government's trade policy as outlined in "Australians Exporting to the World" Austrade is committed to:

- Working to achieve the Commonwealth goal of doubling the number of exporters by 2006 by assisting Australian businesses (particularly small to medium sized enterprises) identify and exploit export and investment opportunities in overseas markets;
- Expanding community awareness of the benefits of trade and investment to the Australian economy and standard of living; and
- Increasing the internationalisation of key knowledge-based sectors including Information and Communications Technologies, Biotechnology and Services.

The future of the auto manufacturing industry in Australia and changes due to globalisation and technology provide ongoing potential for exports from the sector. Austrade therefore considers the sector has a contribution to make to the Government's trade policy priorities.

Background

For many years, Austrade has provided export development and facilitation assistance to a wide variety of industry groups including the automotive industry. Austrade established specialist industry groups in the 1980's and has maintained a unit devoted to assisting the automotive manufacturing industry's efforts to explore and develop opportunities in overseas markets. This Australian based unit works with Austrade offices in key automotive industry locations around the world to help maximise assistance to the Australian automotive industry.

As part of its program of consultation with industry Austrade has a number of industry-focussed Export Advisory Panels, including a panel comprising a range of people from the automotive sector, including observers from DITR and DFAT. Austrade meets annually with the panel to gain its input into Austrade's strategies and plans for international promotion for the automotive sector.

In 1998, as part of the Government's measures for assisting the automotive industry cope with the reduction of import tariffs, Austrade concluded a Purchaser Provider Agreement with the then Department of Industry and Resources (now DITR) for the management of the export

promotion component of the four year Automotive Market Access and Development Strategy (AMADS). This strategy concludes in June 2002.

Under the agreement Austrade has been responsible for delivery of additional export market development and promotion services to the Australian automotive industry. Specific existing services were supplemented by the establishment of four automotive industry specialists within the Austrade network.

The industry specialists currently cover Europe, North Asia, the Americas and South East and South Asia and are currently located in the key automotive centres of Frankfurt, Tokyo Detroit and Bangkok.

The specialists have focussed on:

- developing extensive industry networks within each region;
- providing market information (including requests for quotations) to Australian firms;
- visits to companies within their regions to promote the Australian industry; and
- developing, coordinating and implementing integrated regional strategies, underpinned by creative market development and promotion initiatives.

Roles and outcomes

In the course of their work, the Automotive Industry Specialists have developed a valuable network of contacts in the automotive industries in their respective regions. This means that they have been able to arrange effective and relevant introductions for Australian exporters as well as obtaining valuable local market intelligence that may not have been available to a less automotive-focussed person.

Each of the automotive industry specialists has been able to establish an Austrade automotive team within their region. In most regions this has resulted in a stronger focus on the automotive industry in Austrade offices where this would not otherwise have been the case.

Initiatives supported under the agreement with ITR have included:

- inwards missions to acquaint overseas buyers with Australian industry capability and to introduce them to potential Australian suppliers;
- a tooling industry export brokerage trial and promotion;
- automotive aftermarket visits to and from the Middle East;
- an automotive aftermarket study of the Americas; and
- the development of an Australian automotive industry internet website.

Under the strategy to date the Automotive Industry Specialists have:

- been responsible for 16 inwards visits by 55 key auto industry executives from 13 countries;

- arranged 5 outward missions and displays in 4 countries involving 50 Australian auto industry companies;
- conducted some 10 seminars and briefings in Australia for over 250 companies; and
- conducted two road shows (2001) in several states where the Auto Specialists addressed seminars and workshops for 150 companies.

The Automotive Industry Specialists also coordinated the overseas showcasing of the aXcessaustralia LEV in 2000, which resulted in \$650 million of future export business being achieved by participating companies.

Based on performance and achievements to date and supported by feedback from the Australian industry, Austrade believes that the Automotive Industry Specialist component of the Government's AMADS program has been successful and has delivered substantial benefits to the Australian automotive industry and contributed significantly to the \$4.9 bn in exports that the industry has achieved over the past calendar year (2000-01).

Responding to industry change

The world automotive industry is currently undergoing substantial change and hence new strategies for identifying and pursuing opportunities for Australian companies are required. Notable issues include:

- Most major vehicle manufacturers now engage in global sourcing for new programs. Purchasing decisions are often made across different regions of the world and this has required the development of coordinated contacts across those regions.
- Vehicle manufacturers are increasingly moving financial risk, product development roles and module integration roles downstream to suppliers. In turn, these suppliers are placing greater risk burdens on their (Tier 2) suppliers.
- As world automotive suppliers are required to operate on an increasingly greater scale (while at the same time providing shorter product supply lines) Australian suppliers need to develop strategic linkages with key suppliers located in the world's major automotive manufacturing centres.
- Motor vehicles are increasingly becoming platforms for high-tech communications, entertainment and various other electronic applications. Many suppliers and potential suppliers are new to the automotive industry and require assistance with access to vehicle manufacturers and Tier 1 suppliers as well as needing education on how the industry operates.

Conclusion

Geographic distance from most major markets places the Australian automotive industry at a substantial disadvantage compared with major competitors, most of whom have their key export markets located across land or short sea borders.

While the bulk of Australia's automotive exports is accounted for by a relatively small number of large companies, a large number of small and medium companies are continually seeking to develop and expand export business.

Although Austrade actively supports and promotes the further expansion of the overseas business of large companies, the bulk of its resources are devoted to assisting small and medium companies.

The four year program has delivered substantial returns particularly in terms of developing strategies to assist Australian operate in a changing international business environment.

With the cessation of the Program on 30 June 2002, Austrade will continue to support the automotive industry through its global network including automotive sector focussed staff in key markets. Austrade will continue to develop extensive industry networks and provide guidance to Australian firms.