



# EEASA

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Mr Gary Banks  
Chairman  
Productivity Commission  
PO Box 80  
BELCONNEN ACT 2616

Dear Mr Banks

Thank you for providing the Engineering Employers Association, South Australia (EEASA) the opportunity to respond to the Productivity Commission's *Review of Automotive Assistance Position Paper* released in June.

Our Association appeared at the public hearing before you and Assistant Commissioner Philip Weickhardt in Melbourne on 31 July with our national affiliate the Australian Industry Group (Ai Group). We wish to reiterate the key points discussed during the hearing.

The Position Paper has provided a constructive contribution to the debate about future assistance arrangements for the Australian automotive industry. The consultative approach taken by the Commission for this review has been particularly welcome.

We reiterate that automotive manufacturing is a vital contributor to the South Australian manufacturing sector and the State's economy. It contributes over 14% of manufacturing industry value-added, employs over 13,000 people, exports \$1.5 billion and contributes over 2% of Gross State Product. The importance of providing

policy recommendations to the Federal Government that contribute to developing the sector's viability over the next decade cannot be underestimated from an industry and regional perspective.

### **AUTOMOTIVE TARIFFS**

Our first submission recommended that further tariff reductions beyond legislated levels should be considered only after firm commitments have been made by all APEC members to reduce tariffs across all automotive products. A survey EEASA conducted of companies allied to the automotive sector found that 63% believed automotive imports would increase and 50% believed exports would decrease under a tariff of 5% or less by 2010.

We are therefore concerned the Commission has recommended reducing tariffs from 10% to 5% in 2010, particularly when the Commission's own modelling validates the Association's concern. The Position Paper notes:

*Indeed, the quantitative modelling undertaken for this inquiry suggests that (these) gains could be outweighed by small, but adverse, shifts in the aggregate price of Australia's exports relative to its imports – known as 'terms of trade' effects. (P.109)*

Evidence provided during this Inquiry by the Federal Chamber of Automotive Industries, the Federation of Automotive Products Manufacturers and the Ai Group confirms a consensus view in support of maintaining a 10% tariff after 2005 until there is clear evidence of significant progress being made to reduce tariff and non-tariff barriers in countries into which the Australian automotive industry is seeking greater access, notably APEC.

### **AUTOMOTIVE COMPETITIVENESS AND INVESTMENT SCHEME**

The Association welcomes the Commission's support for a second ACIS type scheme. As a strategic investment initiative to boost research and development,

capital expenditure on plant and equipment and production, ACIS appears to be successful in assisting the automotive industry to attract global investment.

Consistent with the objectives of the *ACIS Administration Act 1999*, the Commission views ACIS as a transitional scheme to assist the automotive industry prepare for a more liberalised trading environment in 2005. However, the Commission's view that a second ACIS scheme should be developed to achieve similar objectives, discounts the benefits gained by the broader community, from the automotive industry's ability to improve in the areas of vehicle quality, safety, environmental performance and affordability.

The Commission's options for a second ACIS scheme of between \$2 billion and \$2.8 billion to be delivered (a) over five years from 2005 to 2010, (b) at a uniform rate over ten years from 2005 to 2010, and (c) over ten years with funding in the second five-year period set at half the level of the first five-year period, should be considered in the context of what may be appropriate for the automotive industry post 2010. At this point in time, that is not an easy assessment to make, as the vehicle industry has not committed investment beyond the next range of vehicle platforms. However, in broad terms, the delivery of ACIS (or an equivalent) over five years from 2005 to 2010 would be a recommendation we would support, and a further assessment of the scheme be made at that time.

## **INDUSTRIAL RELATIONS**

The Association welcomes the Commission's observation that,

*Over the last decade or so, there have been substantial and much needed improvements in the flexibility and productiveness of automotive workplaces (P.39)*

The enterprise bargaining system has enabled workplaces to introduce more flexible work practices that have enhanced the scope for improvements in labour productivity. The ongoing imperative to further increase labour flexibility and productivity will be a key contributor to the industry's future success.

As the South Australian affiliate organisation of the Ai Group, we are supportive of proposals for a common sense solution to help improve the workplace relations environment. These proposals include:

- enabling the Australian Industrial Relations Commission to order a cooling-off period by suspending protected industrial action to allow for conciliation or mediation of a dispute; and
- where significant harm is likely to be caused to innocent third parties, enable the AIRC to terminate the right to take industrial action.

We also support the Commission's view that,

*making ACIS support conditional on the achievement of particular workplace targets would be a blunt, administratively difficult and potentially inefficient way of pursuing improved workplace outcomes in the industry. (P.48)*

Again, we thank you for providing the opportunity to respond to the *Review of Automotive Assistance Position Paper*.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S Myatt', with a large, sweeping flourish at the end.

Stephen Myatt  
**DIRECTOR**