



Toyota Motor Corporation Australia

**Supplementary Submission to The
Productivity Commission Automotive
Inquiry**

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Executive Summary

The Productivity Commission’s Position Paper makes a constructive contribution to the debate regarding future policy settings towards the Australian automotive industry.

Toyota Australia agrees with significant elements of the analysis contained in the Position Paper. However, despite its generally constructive nature there are some important areas where Toyota Australia has concerns with the approach or conclusions drawn by the Commission and wishes to present an alternative viewpoint. This supplementary submission addresses these areas of concern.

Toyota Australia is concerned that in general the Commission’s focus appears to be on reducing support rather than growing the industry’s competitiveness.

In particular, Toyota Australia is concerned by:

- the Commission’s definition of a “viable, internationally competitive and globally integrated automotive industry”.
- the Commission’s rejection of the proposition that international policy settings are relevant to the international competitiveness of the Australian industry and should be taken into account in setting Australian policy;
- the Commission’s views regarding “dynamic” benefits from future assistance reductions; and
- some aspects of the Commission’s analysis of the relative significance of the spillover economic benefits associated with the activities of the Australian automotive industry.

Commitment to manufacturing in Australia

As was set out in Chapter Six of our original submission, Toyota Australia is committed to manufacturing vehicles in Australia and has high aspirations for continued growth. These increases in the volume of production (set out in Table ES1) will require substantial investments by Toyota and the Australian supplier base.

Table ES1

TOYOTA AUSTRALIA PRODUCTION AND SALES ASPIRATIONS

	2003	2005 -2007	2010
Domestic Production	115,000	150,000	200,000+
Export Sales	70,000	75,000	100,000
Domestic Sales	45,000	75,000	100,000

Source: Toyota Motor Corporation Australia, Submission to Productivity Commission , pg 44

Growth is essential

Growth in output is crucial if Toyota Australia is to cement its long term position within the Toyota Global production network. Significantly scaling up the Australian operations to 150,000 units per annum in the medium term and 200,000 units per annum in the longer term will bring economies of scale and allow for additional productivity gains to be made. However, perhaps most importantly, it will also increase Toyota Australia's strategic significance within the Toyota global network.

An internationally competitive policy environment is needed

Toyota Australia recognises that achieving this essential growth will primarily depend upon our own continued endeavours to reduce costs, increase productivity, maintain high quality levels and delivery reliability. Toyota Australia is committed to building on our strong improvements in these areas in recent years.

However, a competitive policy environment is also essential if Toyota Australia is to continue to attract the investment necessary to support growth. The policy environment should facilitate:

- greater access to international export markets; and
- an internationally competitive climate for investment, allowing Toyota Australia to compete on its merits with other Toyota subsidiaries for parent company investment.

Recommendations

Toyota Australia's recommendations regarding future tariff settings and industry support arrangements would, if adopted, provide a policy environment that supports the pursuit of the Company's ambitious growth vision and the positioning of Australia as a viable, internationally competitive location for automotive production.

Strong industry growth will enable the industry to achieve further productivity gains and to attain major strategic significance within global production networks. Industry growth will also allow the automotive industry to continue to act as a driver of new knowledge intensive technologies and practices within Australian industry.

Toyota Australia believes that the Government's objectives for the automotive industry would best be met by adoption of the recommendations as set out on page six of its original submission to the inquiry.

In recommendation 1 on page 6 we recommended "pending significant reductions in international tariffs on automotive products, Australia maintain the tariff regime due to come into effect in 2005". We defined this on page 49 as including the continuation of tariffs on four wheel drive vehicles at 5%. We would like to reemphasize this recommendation. The current criteria outlined in Customs Tariff schedule 3 Chapter 87, note 4 provides very specific criteria on which off road vehicles are eligible to be treated as commercial vehicles for tariff purposes. This provides clarity and certainty, and we see no reason to make a change.

Additional comments regarding Toyota Australia's recommendations regarding post 2005 tariff and industry assistance policy are set out below.

Tariff settings

Toyota Australia confirms our previous recommendation regarding future tariff policy settings.

The tariff should be held at 10% post 2005. Only if significant large scale reduction in international trade barriers occur would it be reasonable for the tariff to fall below 10%.

Toyota Australia believes that such a policy will keep Australia on the competitive footing needed to succeed in attracting the investment required for future industry growth. It will also retain bargaining coin (even if small) for use in multilateral negotiation by maintaining the Australian tariff at 10%.

We believe that it is too early to commit to a 5% tariff in either 2010 or 2015, as the international environment at that time is largely unknown. Also, a commitment to a further reduction in tariff regardless of the international environment would send a very negative message to overseas investors.

As shown by the modelling work presented in the Commission's Position Paper, there is likely to be little or any overall cost to the wider Australian economy from adopting this approach.

The Commission should, in its options for consideration by Government, acknowledge the maintenance of the tariff at 10% post 2005 as being the business as usual "base case" for future policy settings. In its report to government, the Productivity Commission should fully evaluate the option of a 10% tariff continuing for some period beyond 2010.

ACIS post 2005

PMV producers will experience a major decline in ACIS assistance at the beginning of 2005, when the tariff linked Production Credits drop with the fall in tariff. There is no case for a further reduction at the end of 2005.

Toyota Australia's position regarding ACIS post 2005 is that:

1. ACIS should continue in broadly its 2005 form until at least 2010. However, the Commission's suggestion (p.126-127) regarding the creation of separate pools of funding for vehicle and component manufacturers is endorsed is a potentially sensible adjustment to the scheme.
2. The uncapped Duty Free Allowance related component of ACIS should continue uncapped given that this allowance reflects that some essential automotive inputs are not produced in Australia, and that the automotive industry is excluded from accessing the generally available and uncapped tariff concession scheme.
3. ACIS continuation in similar to present form to at least 2010 would allow the industry to continue to compete with other locations for investment. However, Toyota Australia accepts the desire to phase out industry specific assistance over the long term. Provided that internationally competitive generally available policy support measures are in place in Australia post 2010, the cessation of the non DFA element of ACIS after 2010 or 2015 would be appropriate.
4. Continuing ACIS at the 2005 level will have a most beneficial impact during a period in which both Toyota and the industry aspires to significant further growth and the attainment of a strategically significant position within global production networks.

Toyota Australia would like to participate fully in any discussions with the government and other interested parties on the scope and timing of an ACIS continuation.

Section One

Context for Supplementary Submission

1.1 Introduction

The Toyota Motor Corporation of Australia (Toyota Australia) is pleased to present this supplementary submission to the Productivity Commission inquiry into the automotive industry.

The supplementary submission has been prepared in response to the Productivity Commission's Position Paper released on the 27th June 2002.

At the outset, Toyota Australia acknowledges that the Position Paper makes a constructive contribution to the debate regarding future policy settings towards the Australian automotive industry.

Toyota Australia agrees with significant elements contained in the Position Paper, including (but not limited to):

- the importance of adopting a ten year time horizon for post 2005 policy settings (p.xxix¹);
- acknowledgment that “the role of assistance reductions in stimulating productivity improvement can be overstated” (p.xxv) and that “in the highly competitive environment in which the industry now operates, firms are under constant pressure to improve their productivity and quality performance” (p.xxv);
- recognition that modelling of the impacts of reducing tariffs below 10% and/or removing ACIS shows there would be negligible or no benefits to the wider Australian economy but that such changes could significantly curtail the growth of the automotive industry (p.110);
- recognition of the need to review the performance of Australia's general support measures for R&D to ensure that they adequately support industry R&D activities (p.62);
- acknowledgment that policies in place overseas restrict access for Australian exports and influence investment location decisions of global vehicle manufacturing companies (p.28);
- recognition of the importance of ready access to overseas market for the future success of the Australian automotive industry (p.75);
- acknowledgment that there have been “substantial and much needed improvements in the flexibility and productiveness of automotive workplaces” over recent years (p.39);
- recognition that making ACIS support conditional on particular workplace targets would be a “blunt, administratively difficult and potentially inefficient way of pursuing improved workplace outcomes in the industry” (p.48)
- the suggestion that other current arrangements should continue unchanged (p.xxxiv);

¹ Throughout this supplementary submission page numbers in brackets refer to relevant pages in the Productivity Commission's Position Paper released on 27th June 2002.

Despite the generally constructive nature of the Position Paper there are some areas where Toyota Australia has concerns with the approach or conclusions of the Commission and wishes to present an alternative viewpoint. In general Toyota Australia is concerned that the Commission's focus appears to be on reducing support rather than growing the industry's competitiveness. This supplementary submission considers four particular areas of concern, namely that:

- the definition adopted by the Commission of a "viable, internationally competitive and globally integrated automotive industry".
- the Commission's rejection of the proposition that international policy settings are relevant to the international competitiveness of the industry and should be taken into account in setting Australian policy;
- the Commission's views regarding "dynamic" benefits from future assistance reductions; and
- some aspects of the Commission's analysis of the relative significance of the spill over economic benefits associated with the activities of the Australian automotive industry.

1.2 Supplementary submission structure

Toyota Australia's submission is structured in the following manner:

- Toyota Australia's perspective for the future of the company in Australia (Section 2).
- Toyota Australia's areas of concern with the Productivity Commission's Position Paper (Section Three).
- Toyota Australia's recommendations in light of the Productivity Commissions Position Paper (Section Four).

Toyota Australia is strongly committed to the growth of the automotive industry in Australia and believes that with globally competitive policy settings, both the company and the industry have the potential for sustained growth throughout this decade, which will make a significant contribution to the Australian economy and to the strength and competitiveness of the industry.

Section Two

The Toyota Australia Perspective

Toyota Australia is committed to manufacturing vehicles in Australia and has high aspirations for continued growth. These call for a substantial increase in the volume of production in coming years. This expansion of production volumes will require substantial investments by Toyota and the Australian supplier base.

Growth is crucial if Toyota Australia is to gain a secure long term position within the Toyota global production network. Significantly scaling up the Australian operations will both increase access to economies of scale and increase its strategic significance within Toyota global operations. Scaling up volumes will assist us to unlock further gains in competitiveness that may be more difficult to achieve at lower volumes.

Realising these aspirations requires the company to actively pursue higher levels of performance to establish itself as a centre of manufacturing, exporting and engineering within the Toyota global network. Toyota Australia must demonstrate to the parent company that considerable new investment in the Australian operations is warranted.

Toyota Australia must compete with Toyota subsidiaries in North America, Thailand, Indonesia, Malaysia, Taiwan and elsewhere for new investment. For instance, Toyota is currently considering Australia and Thailand as locations for a Toyota Technical Centre – Asia Pacific. Securing this Technical Centre would allow a dramatic scale up of design and engineering capabilities in Australia.

For Toyota Australia to continue to attract investment and win greater domestic and export sales will require the company to continue its vigorous endeavours to reduce costs, increase productivity, maintain high quality levels and delivery reliability. Toyota Australia is committed to building on our strong improvements in these areas in recent years.

However, a competitive policy environment is also essential if Toyota Australia is to continue to attract the investment necessary to support growth. The policy environment should facilitate:

- greater access to international export markets; and
- an internationally competitive climate for investment, allowing Toyota Australia to compete on its merits with other Toyota subsidiaries for parent company investment.

Toyota Australia believes that our own continued efforts for improvement, when combined with a competitive policy environment, will make our growth vision achievable.

Section Three

Areas of concern with the Position Paper

Toyota Australia would like to raise four basic concerns with the Commission's Position Paper. These relate to:

- the appropriate definition of a “viable, internationally competitive and globally integrated automotive industry”. (Section 3.1)
- the Commission's rejection of the proposition that international policy settings are relevant to the international competitiveness of the industry and should be taken into account in setting Australian policy; (Section 3.2)
- the Commission's views regarding “dynamic” benefits from future assistance reductions; (Section 3.3) and
- some aspects of the Commission's analysis of the relative significance of the spillover economic benefits associated with the activities of the Australian automotive industry. (Section 3.4)

Each of these areas is addressed below.

3.1 Definition of a viable industry

In the terms of reference for the current inquiry, the Government articulated its desire for a viable, internationally competitive and globally integrated automotive manufacturing sector in Australia. Toyota Australia shares this objective.

However, the Commission has chosen to define a “viable, internationally competitive” industry as one that has “the capacity to compete successfully in global markets without industry-specific assistance” (p.xv). If this is the appropriate basis to assess viability and international competitiveness, any country in the world would have difficulty claiming to have a viable, internationally competitive auto industry. They all provide varying degrees of industry-specific assistance to their automotive industries and are likely to continue doing so for some time to come. In addition many general industry supports in the area of R&D and investment support tend to be targeted towards the automotive industry.

The Commission itself acknowledges that policies in place overseas act to restrict access for Australian exports and influence investment location decisions of global vehicle manufacturing companies (p.28). It notes (p.75-79) some, but by no means all, of the industry specific supports in place around the world to support the automotive industry. It also notes that the “use of incentives to attract automotive investment appears to be increasing” (p.86).

Indicators of the special approach taken to the automotive industry by many governments are:

- the significantly higher tariffs that apply to automotive products than to manufactured products more generally; and
- the higher incidence of non-tariff barriers associated with automotive products.

These results are well documented in a recent study by The United Nations Conference on Trade and Development (UNCTAD). This study found in 2001 that the weighted applied tariff rates faced by major exporters of manufactured goods were globally 70% higher for motor vehicles than the average for manufactured products and in South Asia were 3.2 times higher for automotive products than the manufactured goods average². The UNCTAD report also found that the frequency of non-tariff barriers faced by major exporters of manufactured products to developed countries were 3.8 times higher for motor vehicles than the average for manufactured products and in South Asia were 7.2 times higher for motor vehicles than the manufactured goods average³.

Such findings suggest a world where the automotive industry overseas continues to receive industry specific support from host governments over and above the level provided to manufacturing generally.

As was pointed out in Chapter Seven of our original submission, Australia's tariffs in 2005 will be similar in scale to those in other developed countries such as the EU member countries, which have 10% tariffs, and the US, where tariffs on cars are 2.5% but tariffs on light trucks are 25%. Australian automotive tariffs are already significantly lower than those in place in key South East Asian automotive producing countries that are competitors with Toyota Australia for new automotive investment. Australian tariffs will remain much lower even if tariff changes envisaged in some of these countries over the next few years are implemented as scheduled (see Table 3.1).

Table 3.1

TARIFF RATES IN SELECTED KEY SOUTH EAST ASIAN MARKETS

Indonesia	70-80% on passenger cars, 15% on components. (amended 1/8/02)
Malaysia	140 – 300% on passenger cars dependent on engine size and 60 – 200% on 4WD and commercial vehicles.
Thailand	60 – 80% on vehicles dependent on engine size. 10 – 46% on components.
China	Currently vehicle tariffs are 50 - 60%. This rate is to fall to 25% by 2006.

Source: Toyota Motor Corporation Australia, Submission to Productivity Commission, pg 48

In such a global operating environment, Toyota Australia believes that a more appropriate definition of a “viable, internationally competitive” automotive industry” is one that:

can successfully compete globally within an operating environment where government policy is equally supportive to that available in other major automotive producing countries.

This definition implies that the Australian automotive industry can be seen to be viable and internationally competitive if it can succeed with an internationally level policy playing field. Toyota Australia believes that the Australian industry is capable of meeting this more realistic test.

The Commission clearly believes that trade barriers will decrease over time (p.80-81). Reducing assistance to levels significantly below those offered in major automotive producing locations would put at risk an important globally competitive Australian industry that can succeed in a free trade environment.

² UNCTAD (2001), Post-Uruguay Round Market Access Barriers for Industrial Products, Table 13
³ Ibid, Table 22

The requirement that Australia's policy environment be internationally competitive does not imply indefinite maintenance of industry-specific support policies. For instance, sector-specific support can be eliminated when other automotive producing countries desist from extending sector-specific measures to their automotive industries. Also, if there is an international trend away from sector-specific support for the automotive industry, generally available support measures could over time be sufficient to ensure a competitive overall environment for the automotive industry in Australia.

In a world of free trade the Commission's definition of a viable, internationally competitive automotive industry and the definition proposed in this supplementary submission would be identical in their effect.

3.2 The importance of the international policy context

In Chapter 10 of the Position Paper the Commission concludes that "Australia must determine its assistance policies on the basis of what is in its own best interests, rather than being hostage to the policies of other nations" (p.117). Toyota Australia endorses this position. However, this in no way implies that it is necessarily in Australia's best interests to unilaterally move to reduce its tariff below 10% and phase out industry-specific support *without any regard to what other countries are doing*.

The Commission's own in house MONASH modelling indicates that reductions in automotive assistance would result in "negligible impacts on household income" and "similarly inconsequential impacts for the wider economy". The Commission then relies upon the unsubstantiated assertion that tariff and assistance reductions would bring "dynamic" benefits to the economy to support its recommendation that assistance should unilaterally be further phased down.

Given the absence of any compelling evidence of the "dynamic benefits" (see discussion in section 3.3) that will flow from further unilateral assistance reductions, using the Commission's own test of setting policy in Australia's national interest, there is no compelling evidence that supports further *unilateral* tariff and assistance reductions (from levels that will already be relatively low by international standards) after 2005.

Toyota Australia, therefore advocates adoption of the "Precautionary Principle" with regards to setting policy for a globally oriented, trade exposed industry typified by highly mobile investment capital. If there is no compelling evidence that unilateral further reductions in assistance post 2005 will benefit the wider Australian economy, and it is likely that these changes will significantly reduce the growth prospects of Australia's only significant, export oriented, advanced manufacturing industry (as the Commission acknowledges is a highly possible outcome on p.110), such a policy of unilateral assistance reduction should not be adopted.

This does not imply that assistance should continue indefinitely. It suggests that if there are no strong benefits from pursuing unilateral assistance reductions, but there are significant down-side risks associated with such a course of action, it would be prudent to reduce tariffs and assistance post 2005 only within the context of multilateral policy changes. Given the importance of internationally competitive policy settings to attracting investment, to do otherwise would be to needlessly put at risk an important industry that can succeed with a level international policy playing field.

If the confidence the Commission has in the prospects for the diminution of sector-specific assistance for the automotive industry internationally is borne out by developments in the upcoming WTO negotiation forum, a natural limit will be set to the duration of the provision of sector specific assistance to the automotive industry in Australia.

3.3 The Commission's views regarding "dynamic" benefits from future assistance reductions

In the Position Paper the Commission asserts that "dynamic benefits" would flow from unilateral further reductions to industry support (p.111). The chief "dynamic" benefit cited is that "assistance reductions would keep pressure on the industry and its workforce to address current impediments to greater productivity" (p.117). However, the Commission elsewhere acknowledges that "the role of assistance reductions in stimulating productivity improvement can be overstated" (p.xxv) and that "in the highly competitive environment in which the industry now operates, firms are under constant pressure to improve their productivity and quality performance" (p.xxv). It also notes that making ACIS support conditional on particular workplace targets would be a "blunt, administratively difficult and potentially inefficient way of pursuing improved workplace outcomes in the industry" (p.48).

Toyota Australia's own experience in competing for sales in highly competitive domestic and export markets and competing for investment against other Toyota subsidiaries, shows it is the need to be globally competitive, not further assistance reductions per se, that is the real source of dynamic benefits from improved productivity.

Price, quality, reliability and supply flexibility pressures provide more than sufficient pressure on Toyota Australia to continuously improve its workplace practices. Toyota Australia recognises that the "substantial and much needed improvements in the flexibility and productiveness of automotive workplaces" (p.39) achieved over recent years must continue if growth in both domestic and export sales are to be achieved.

Given that Toyota Australia must operate within the context of a general Australia workforce culture and industrial relations system that the Commission recognises as not being globally competitive (p.41), driving assistance well below that available in competing investment locations would not provide further motivation for the productivity performance improvements that domestic and international market disciplines already drive, but would rather act to threaten the growth property of the industry.

3.4 The spillover benefits associated with the automotive industry

In its discussion of the spillover benefits associated with the activities of the Australian automotive industry, the Commission acknowledges that significant spillover benefits do indeed exist (p.112). However, the Commission questions whether the spillover benefits associated with automotive industry activity are significantly greater than those generated by other high skill/technology based industries.

As was pointed out in Chapter One of our original submission, the automotive industry has particularly strong links into the wider economy and is a driver of technical and operational improvements for many other sectors of the economy. It is now very much a driver of the knowledge economy. Figure 3.1 summarises the many traditional and new areas in which the automotive industry contributes to Australia.

Figure 3.1

CONTRIBUTIONS TO THE ECONOMY: TRADITIONAL AND NEW AREAS

Source: Toyota Motor Corporation Australia, Submission to Productivity Commission , pg 9

Toyota Australia accepts that the spillover benefits associated with the automotive industry, while considerable, may not be significantly greater than those that would come from (for instance) the presence of a globally competitive aerospace, IT, pharmaceuticals or other advanced manufacturing industry in Australia. However, the reality is that currently the automotive industry is the only globally-oriented, advanced manufacturing industry operating with any significant scale in Australia. Therefore it is the primary provider of these benefits in Australia.

The automotive industry is the only major advanced manufacturing sector in Australia that has succeeded in winning significant amounts of globally mobile investment capital and export sales. In Australia it is therefore the primary provider of the acknowledged significant spillover benefits that are associated with high skill and technology intensive advanced manufacturing industries.

It is perhaps no coincidence that this is so. A critical mass of activity has been built up in the automotive industry over many years through the operation of policy measures designed to achieve this end.

It would require sizable government intervention to attract such other high spillover generating advanced manufacturing industries to establish significant operations in Australia. In the absence of sizable other high spillover generating industries in Australia, Toyota Australia suggests that the automotive industry does in fact generate unusually high spillover benefits for the Australian economy when compared with the rest of the existing Australian industry base. This warrants continued special policy attention to maintain and build the industry.

Section Four

Toyota Australia's recommendations

The fundamental considerations that have shaped Toyota Australia's view regarding appropriate future policy settings in Australia are that:

- strong domestic and export sales growth is vital to the future of the Australian automotive industry and to cement Toyota Australia's future strategic position within the global Toyota network. Achieving this growth will bring large benefits to Australia;
- the international policy context matters when setting domestic policy as we need to have internationally competitive policy settings in order to compete for mobile investment capital;
- the principle that the best interest of Australia overall should determine policy settings does *not* automatically imply that continual *unilateral* reductions in industry support is in the best interests of Australia;
- the Commission acknowledges that there is little if anything to be gained by committing to phase out assistance independent of international developments in the absence of unsubstantiated "dynamic benefits", but that doing so would severely curtail the automotive industry's growth prospects; and
- the automotive industry is the only major advanced manufacturing sector in Australia that has succeeded in winning significant amounts of globally mobile investment capital and export sales and is the major provider to Australia of the high spillover benefits that advanced manufacturing brings.

In light of these considerations, Toyota Australia believes that the Government's objectives for the automotive industry would best be met by adoption of the recommendations as set out on page six of its original submission to the inquiry.

In recommendation 1 on page 6 we recommended "pending significant reductions in international tariffs on automotive products, Australia maintain the tariff regime due to come into effect in 2005". We defined this on page 49 as including the continuation of tariffs on four wheel drive vehicles at 5%. We would like to reemphasize this recommendation. The current criteria outlined in Customs Tariff schedule 3 Chapter 87, note 4 provides very specific criteria on which off road vehicles are eligible to be treated as commercial vehicles for tariff purposes. This provides clarity and certainty, and we see no reason to make a change.

Additional comments regarding Toyota Australia's recommendations regarding post 2005 tariff and industry assistance policy are set out below.

4.1 Tariff settings

Toyota Australia confirms our previous recommendation regarding future tariff policy settings.

The tariff should be held at 10% post 2005. Only if significant large scale reduction in international trade barriers occur would it be reasonable for the tariff to fall below 10%.

Toyota Australia believes that such a policy will keep Australia on the competitive footing needed to succeed in attracting the investment required for future industry growth. It will also retain bargaining coin (even if small) for use in multilateral negotiation by maintaining the Australian tariff at 10%.

We believe that it is too early to commit to a 5% tariff in either 2010 or 2015, as the international environment at that time is largely unknown. Also, a commitment to a further reduction in tariff regardless of the international environment would send a very negative message to overseas investors.

As shown by the modelling work presented in the Commission's Position Paper, there is likely to be little or any overall cost to the wider Australian economy from adopting this approach. The Commission should, in its options for consideration by Government, acknowledge the maintenance of the tariff at 10% post 2005 as being the business as usual "base case" for future policy settings. In its report to government, the Productivity Commission should fully evaluate the option of a 10% tariff continuing for some period beyond 2010.

4.2 ACIS post 2005

PMV producers will experience a major decline in ACIS assistance at the beginning of 2005, when the tariff linked Production Credits drop with the fall in tariff. There is no case for a further reduction at the end of 2005. Toyota Australia's position regarding ACIS post 2005 is that:

1. ACIS should continue in broadly its 2005 form until at least 2010. However, the Commission's suggestion (p.126-127) regarding the creation of separate pools of funding for vehicle and component manufacturers is endorsed is a potentially sensible adjustment to the scheme.
2. The uncapped Duty Free Allowance related component of ACIS should continue uncapped given that this allowance reflects that some essential automotive inputs are not produced in Australia, and that the automotive industry is excluded from accessing the generally available and uncapped tariff concession scheme.
3. ACIS continuing in a form similar to its present form until at least 2010 would allow the industry to continue to compete with other locations for investment. Toyota Australia accepts the desire to phase out industry specific assistance over the long term. However, provided that internationally competitive generally available policy support measures are in place in Australia post 2010, the cessation of the non DFA element of ACIS after 2010 or 2015 would be appropriate.
4. Continuing ACIS at the 2005 level will have a most beneficial impact during a period in which both Toyota and the industry aspires to significant further growth and the attainment of a strategically significant position within global production networks.

Toyota Australia would like to participate fully in any discussions with the government and other interested parties on the scope and timing of an ACIS continuation.