

Australia's Automotive Manufacturing Industry  
Productivity Commission  
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## **Submission to the Productivity Commission Review of the Australian Automotive Manufacturing Industry prepared by the Australian Motor Industry Federation.**

### **SUMMARY**

- It is clear to AMIF that the Productivity Commission review into Automotive manufacturing is constrained by time, limitations in design and an urgency to provide qualified advice on any future government intervention or investment, that will preclude it from examining the Australian automotive industry as a whole (AMIF's preferred position).
- While recognising these constraints, AMIF contends that any examination of automotive manufacturing in isolation from the entire Australian automotive industry and the symbiotic relationship between automotive manufacturing and the downstream sectors of retail, service, repair and recycling, affiliated businesses and other industries, would be a fatal flaw in the development of a future whole of industry policy framework.
- AMIF calls for a recommendation in the current review to further investigate, as a priority, the unprecedented change impacting the other 75% of the Australian Automotive Industry, combined with issues facing the 25% of industry involved in automotive manufacturing and the identification of a whole of industry and government policy partnership to mitigate and manage the impacts of this change.
- AMIF repeats its call for a Green / White Paper for the Australian Automotive Industry with the findings of the Productivity Commission review into automotive manufacturing to be incorporated into the development of a longer term policy framework for the entire industry.
- AMIF supports continued government assistance to automotive manufacturing (including component manufacturing), and believes the current per head of population cost (approximately \$18) is acceptable given the level of assistance afforded to automotive manufacturing in other countries
- AMIF suggests that any future government investment might be better targeted to further explore niche market opportunities and maximise the considerable design and engineering and skills capability inherent in the Australian industry.
- AMIF urges the review to leave no stone unturned in identifying, quantifying and qualifying the short and long-term impacts any cessation of domestic vehicle manufacturing would have on the national economy, but specifically to the

economies of Victoria and South Australia where many of AMIF's members retail motor traders are intrinsically connected with automotive manufacturing.

- AMIF supports a 'stronger hand' in the application of Free Trade Agreements so that such agreements deliver the outcomes they were originally designed for, and Australian vehicle exports are not penalised by unfair treatment in international markets.
- AMIF is of the opinion that previous government intervention and assistance to automotive and component manufacturing has achieved broad outcomes of increased productivity and competitiveness, while also recognising the importance of the sector's contribution to national social economic sustainability and the nation's ongoing reliance on road transport.
- AMIF is of the opinion that past and current policy settings have contributed significantly to the world's most competitive and volatile automotive retail market with 66 individual brands and more than 350 models present for a total population of 23 million Australians. AMIF queries whether as a nation we have gone 'too hard', 'too fast', in embracing free trade ideologies, given that many other trading partners have not.
- AMIF is of the opinion that past and current policy settings have also contributed significantly to the sector's inherent capabilities in engineering and design; research and development; advanced technology transfer and , workplace training development and skills application being readily transferred to downstream automotive sectors and other industries. AMIF is concerned that many of these attributes and characteristics could be lost if domestic manufacturing were to cease

## **SUBMISSION OVERVIEW**

This submission is prepared and provided by the Australian Motor Industry Federation (AMIF), a federation of the various state and territory motor trades associations and automobile chambers of commerce, and the national advocate and representative body for the interests of the retail, service, repair and recycling sectors of the Australian automotive industry.

These sectors of some 100,000 businesses, employing 320,000 Australians in the largest small-business sector of the Australian economy, generate an aggregated turnover in excess of \$208 billion from more than 30 specific motor trades ranging from new vehicle (including motorcycle and commercial) sales, used vehicle sales, vehicle servicing, fuel and tyre retailing, collision repair and vehicle decommissioning and parts recycling.

Understandably, AMIF takes an interest in any and all developments across the entire automotive industry including the automotive manufacturing sector and its relationships with the retail, service repair and recycling sectors..

The Terms of Reference (ToR) for the Productivity Commission (PC) Review into automotive manufacturing rightly examines the future need for government intervention and / or assistance to this important sector of the Australian economy. AMIF recognises that the ToR may inhibit a full and proper exploration of an entire industry undergoing generational change and that there are competing priorities, including the need for clarity and direction on ongoing government investment in automotive manufacturing.

However, AMIF contends that the review also provides an opportunity for the PC and, through its work, the Federal Government, to consider the Australian Automotive industry as a whole and to explore, for the first time, the symbiotic relationships between automotive manufacturing, the downstream sectors of retail service repair and recycling, affiliated or connected businesses, and other industries.

Like automotive manufacturing, the other 75% of the Australian automotive industry is facing a perfect storm of unprecedented change resulting in wholesale sector restructuring that will profoundly reshape business models, products and service provision and consumer/stakeholder relationships.

To not at least recognise these relationships and the issues facing other automotive industry sectors and the impact any decision to cease manufacturing might mean in this broader context will be a fatal flaw in properly examining the industry and identifying a future policy framework to effectively mitigate or manage this period of generational change.

## **CONTEXT**

AMIF has witnessed great change and transition in the Australian automotive industry, particularly in the past 10 to 15 years and anticipates even greater and accelerated change in the short to medium term, affecting all sectors of the Australian automotive industry. There has already been significant change in the composition of the new vehicle market. Scarcely two decades ago, vehicles of domestic manufacture comprised near to 80 per cent of all vehicles sold. Now, that situation is reversed, with barely 16 per cent of all vehicles sold being of local production. The level of applied engineering and technology in the vehicles sold has also increased radically in that time.

There have also been massive changes and impacts in other components of the broader industry in Australia during this period. The rise and rise of supermarket chains in fuel retailing to the detriment and decimation of independent operations; the consolidation of vehicle dealerships, sometimes into large, publically-listed, entities; the vertical integration of some vehicle insurance company's operations to the point where they can offer 'policy to repair' services under a single nameplate; challenges for independent repairers in keeping pace with the blossoming proliferation of repair information for vehicles of increased technical sophistication; and, critical skills shortages across a range of sectors, a situation aggravated by large-scale exits from the industry of retail motor traders are but a small sample of the critical issues facing all sectors.

There can be no argument that this is an industry at the crossroads; an industry already under pressure from a variety of controllable and uncontrollable forces. It would be mendacious to suggest that whatever happens within the manufacturing sector bears no potential impacts of significance upon the remainder of it.

**For the Commission's interest, attached to this Submission is a copy of AMIF's *'Automotive 2018 - Industry at Crossroads'* position paper. That document will, hopefully, serve to provide the Commission with a more detailed and complete picture of the challenges faced by the 75% of the Australian automotive industry, as well as provide inference as to the linkages and ties between those sectors and those belonging to manufacturing.**

## **CURRENT SITUATION**

75% of the Australian automotive industry, represented by the retail, service, repair and recycling sectors, is expected to face significant adjustment, or complete restructure, in the short to medium-term. This will profoundly reshape business models, products and service provision and consumer/stakeholder relationships. As a result of this adjustment, some businesses will be forced to exit the industry, while others will need to adapt to seize opportunities for growth and long-term sustainability.

Change is already impacting some sectors of the Australian automotive industry, as the effects of globalisation; environmental protection policy; rapid technology advances; workforce shortages and changing skill requirements; shifting consumer behaviours; and, the maturation, or decline, of business life-cycles converge to create a period of unprecedented restructuring and economic upheaval.

A recent industry scan by Auto Skills Australia reports employment in the automotive industry fell by 16,000 full time positions in the last 12 months (more than 13,000 in the service and repair sectors), while 2700 left automotive manufacturing. The report also states that, on average, some 450 businesses are ceasing operations each year; most of these being small businesses employing between one and 19 employees. Despite these statistics, the scan also reveals significant shortages in some professions, declaring that there is a current shortage of 19,000 skilled mechanics alone nationwide.

AMIF believes that a 'status quo', or 'do nothing', approach is unsustainable and irresponsible. It is also unconscionable that industry and government would ignore the potential societal impacts arising from substantial industry restructures already underway.

In regard to automotive manufacturing and the potential for it to cease in Australia, there exists a range of views and opinions among AMIF's membership on the matters for consideration before the Commission.

### **Vehicle retailing**

The question for most dealers is the ongoing commitment to the existing franchise network. In Ford's announcement to cease local production, current management made it clear the decision would have no impact on the Ford dealership network, or its retailing operations. Indeed locally manufactured product is only a part of the entire product offering of the three brands and so there is perhaps comfort that, in a highly competitive market, the presence and location of retail outlets will remain important. Some have suggested that the cessation of local manufacturing might have less influence on sustainable dealership operations than other changes impacting the industry including dealership consolidation, the increasing role and influence of public dealership entities, and increased manufacturer direct retailing.

However, some have expressed concerns about how quickly the cessation of manufacturing might cascade to dealership operations, particularly following the impacts associated with the recent appearance, and sudden disappearance, of Opel into the Australian market.

### **Mechanical service and motor body repair**

Concern has been expressed by some AMIF members about how the absence of domestic manufacturing might translate with respect to parts and technical information supply and availability. For example when current part inventories become short and / or if component manufacturers disappear as a by-product of manufacturing cessation, what certainty will there be in accessing appropriate parts and technical information. For example: what might be the potential issues involved in obtaining replacement supplementary restraint system (SRS, better known as air bags) components, needed to effect a repair on a five year old Ford Falcon, that has had its SRS system deployed in a small collision, when the manufacturer of that specific SRS system has either ceased to exist, or has moved offshore and refocussed its operations to supplying a foreign manufacturer that has no corresponding profile in the Australian market? Or what challenges might be faced in obtaining collision repair technical information for whatever (imported / re-badged) vehicle that might replace in the market a currently domestically produced (and well supported, technically) vehicle?

In a similar vein, what challenges might be faced by independent repairers, many of whose businesses have a thorough understanding and comprehension of the design and engineering of domestic manufacturers, when those vehicles change radically through the supplanting of domestically manufactured vehicles with those of overseas origin?

### **Potential loss of inherent design engineering capability**

There is a not widely known or understood quality borne from the nation's capabilities and potential that must be recognised when any aspect of automotive manufacturing is examined. For instance, that the inertia reel seatbelt is an Australian innovation, as is power-assisted rack and pinion steering.

Or that one of the most ground-breaking transmissions in production – the DSG gearbox found in many Volkswagen /Audi / Porsche Group vehicles – has its design and engineering origins in Sydney. Australian talent and capability as chassis engineers has been proven in vehicles such as the Ford Ranger; drivetrain engineers in the transmissions fitted to high-spec BMWs and a myriad other proven examples of cutting edge applied technology in an automotive context. Nor ought it be any surprise that while taking a walk among the garage areas of any world championship motorsport event anywhere in the world – or those sports' many highly advanced engineering and production facilities – will be heard that familiar and characteristic sound of an Australian accent.

Again Ford recognised these inherent qualities and although ceasing production said it would maintain its engineering and design capability – one of several worldwide.

## **CURRENT SITUATION**

AMIF argues that any considerations around motor vehicle manufacturing in Australia simply cannot conscientiously be considered as quarantined from the entire automotive industry. A deeply symbiotic relationship exists between all facets of the industry as it manifests in the Australian economy. And while it is obvious that manufacturing seems to be the preoccupation of many, as it has been more than 40 years of policy formation, there are deeper concerns held for the sectors that comprise the majority of this broader industry.

AMIF believes it is well positioned to understand just how far the tentacles of automotive manufacture reach into not only its members businesses, but the fabric of Australian society. It also understands that decisions need to be made regarding ongoing government intervention or investment.

However AMIF argues, and as its '*Automotive 2018*' industry position paper illustrates, to tackle manufacturing in isolation and perpetuate policy setting is ill conceived, ill-advised and ultimately very costly, when the social and economic realities of industry restructuring impact.

AMIF is happy to provide any further assistance, clarity or further information as the Commission may require and look forward to being of service to the review team.

AMIF National Secretariat  
Canberra

Richard Dudley  
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## **ATTACHMENT:**

### **1. Industry at Crossroads – AMIF Industry Position Paper.**



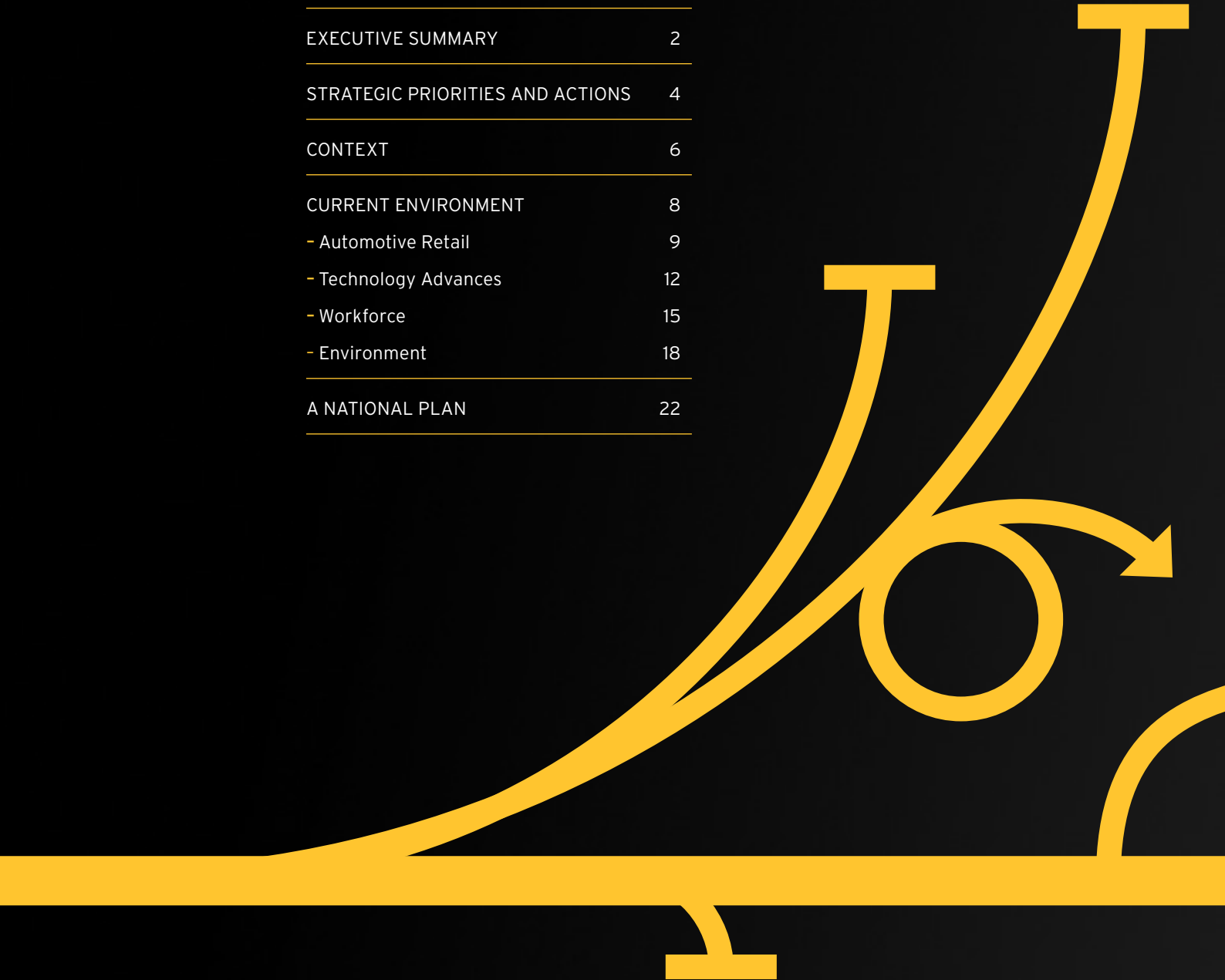
# **AN INDUSTRY AT CROSSROADS**



**AUTOMOTIVE 2018**

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# ACTION AGENDA

## INDUSTRY CHANGE

- Unprecedented change will profoundly reshape the automotive retail service, repair and recycling industry over the next decade. Some businesses will not survive, others will adapt and seize opportunities.
- Greater communication and education on these changes is required to ensure the actions that need to be taken for industry to remain effective, viable and sustainable and to mitigate potential social and economic impacts, are understood.

## INDUSTRY SOLUTIONS

- Automotive industry sectors will adopt improved self regulation, pursue greater business acumen and revitalise industry partner relationships.
- Peak Automotive Industry bodies must unite behind issues common to the whole-of-industry be it manufacturing, retail, service, repair, recycling or motoring.

## PARTNERING GOVERNMENT

- Industry and Government must partner more effectively to improve the integration and co-ordination of services and policy initiatives.
- Intervention required only to improve regulatory and economic reform and to mitigate the social impacts arising from industry restructure.





# EXECUTIVE SUMMARY

The retail, service, repair and recycling sectors of the Australian automotive industry are expected to face significant adjustment, or complete restructure, in the short to medium-term. This will profoundly reshape business models, products and service provision and consumer/stakeholder relationships. As a result of this adjustment, some businesses will be forced to exit the industry, while others will need to adapt to seize opportunities for growth and long-term sustainability.

Change is already impacting some sectors of the Australian automotive industry, as the affects of globalisation; environmental protection policy; rapid technology advances; workforce shortages and changing skill requirements; shifting consumer behaviours; and the maturation, or decline, of business life-cycles converge to create a period of unprecedented restructuring and economic upheaval.

A recent industry scan by Auto Skills Australia reports employment in the automotive industry has fallen by 16,000 full time positions in the last 12 months; mostly in the service and repair sectors. The report also states that, on average, some 450 businesses cease operations each year; most of these being small businesses employing between one and 19 employees. Despite these statistics, the scan also reveals significant shortages in some professions, declaring that there is a current shortage of 19,000 skilled mechanics.

The Australian Motor Industry Federation (AMIF) has developed *Automotive 2018*; a position paper designed to elucidate and tackle the challenges facing the industry, and serving as a platform to develop a cohesive and socially aware policy response.

In recognition of the challenges facing industry, *Automotive 2018* advocates three integrated, co-ordinated and consistent strategies to:

- raise awareness and educate for the changes impacting industry;
- develop industry driven solutions such as self-regulation and business improvement strategies; and
- strengthen government partnerships to map the entire industry (including inter-relationships, dependencies, contributions to the national economy and social wellbeing) and then to develop a future national policy framework to guide government intervention and support.

AMIF believes that a 'status quo', or 'do nothing', approach is unsustainable and irresponsible. It is also unconscionable that industry and government would ignore the potential societal impacts arising from substantial industry restructures already underway, which could ultimately impact significant numbers of the 100,000 automotive retail, service, repair and recycling businesses, which directly employ more than 320,000 of the estimated 475,000 Australians involved in automotive and related industries, which directly contributes \$208 billion in aggregated annual turn-over to the national economy.



## WHO IS AMIF?

The Australian Motor Industry Federation (AMIF) is the national peak body of the nation's automotive retail, service, repair and recycling industry.

In 2011, it replaced the Motor Trades Association of Australia (MTAA) as the public face of the industry in the delivery of advocacy and representation with key

Federal Government and Commonwealth Department stakeholders.

AMIF members are the State and Territory Motor Trades Associations and Automobile Chambers of Commerce, whose own members are the majority of businesses in these sectors.

# THREE STRATEGIC PRIORITIES & ACTIONS

## 1 ENHANCED AWARENESS, ADVOCACY & PROMOTION

### ACTIONS:

Increase awareness and understanding of change drivers and their impacts.

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Educate on the skills, tools, equipment, processes and standards required to successfully adapt.

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Promote and encourage careers in the automotive industry.

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## 2 INDUSTRY DRIVEN SOLUTIONS

### ACTIONS:

**Self-Regulation:** Adopt national industry standards to contribute to business sustainability and consumer value.

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**Industry policy responses:** Advocate co-ordinated national industry policy responses to key economic and industry reform agendas.

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**Strengthened industry-wide collaboration and unity:** Develop and adopt processes and actions to unite and strengthen industry collaboration.

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**Provide tools and processes to assist industry adapt:** Provide specific tools to support members adapting to changing business requirements.

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**Training and skills:** Provide supplementary training and skills programs to assist businesses adjusting to changing operating environments.

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## 3 STRENGTHENED GOVERNMENT PARTNERSHIPS

### ACTIONS:

**Automotive Industry Green / White Paper:** Government to immediately undertake a Green / White Paper process to:

- quantify and qualify the real contribution of the entire automotive industry to the social and economic wellbeing of Australia;
  - identify inefficiencies, remove duplication, remove 'ad-hoc', piecemeal, uncoordinated policy responses to changing industry operations;
  - reform taxation, red and green tape; and
  - identify longer-term policy framework for Government investment, regulation, taxation and co-contribution.
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### Training and Skills Development:

- Continuing Government support of uniform skills and training requirements for the entire automotive industry.
  - Identify and implement programs for re-skilling and repositioning workforce to meet demand.
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### Industry Adjustment / Restructure:

Expand / develop the current Automotive Industry Structural Adjustment Program (AISAP) to cater for expected industry adjustment / restructure.

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# CONTEXT

*Automotive 2018 is an industry position paper detailing changes in the Australian automotive retail, service, repair and recycling industry.*

It assesses the impact of those changes and the threats and opportunities to be managed to ensure long-term sustainability and the minimisation of negative social outcomes arising from industry restructure.

The Automotive Industry is characterised by diversification, segmentation, fragmentation, specialisation, and wide geographic distribution. It has sometimes proved difficult, if not impossible, to drive wholesale nation-wide change.

The combined impacts of globalisation; increasing environmental concern; shifting consumer behaviours; a unique automotive market; rapid application of significant technology advances; automotive systems integration; workforce shortages; changing occupation and skill requirements; and a distinct lack of whole-of-industry public policy (rather than just automobile manufacturing); have created a period of unprecedented change that has dramatically impacted traditional business models, product and service provision and consumer relationships.

In some sectors change is already well underway. In automotive retailing, Australia is the most competitive market in the world,

placing increased pressure on already lean margins and resulting in dealership consolidation and a move to public entities from the once traditional family-owned and operated dealerships.

For independent service providers the number and variety of available marques and models, along with the rapid application of technological advances, is forcing a rethink of traditional business models and a move toward specialisation. There are emerging issues to be addressed, including who owns the information being generated by today's contemporary motor vehicles and how that information can be reliably accessed and at what cost. For the repair sector the use of new materials, advanced methods of construction and the application of technologies that minimise the risk of collision, are fundamentally changing how the sector may operate in the future. All will require significant increases in business acumen and an examination of alternative business models and processes to survive.

On top of these challenges, global trends are further complicating the Australian automotive industry. KPMG's 2012 *Global Automotive Executive Survey* cites growing urbanisation, environmental challenges, and shifting consumer behaviors, in part driven by access to information communications technology (ICT), and the convergence of ICT



# KEY INDUSTRY CHALLENGES INCLUDE GROWING URBANISATION, ENVIRONMENTAL CONCERNS AND SHIFTING CONSUMER PREFERENCES

and mobility, as being among the challenges facing the automotive industry worldwide. Any future policy response must be viewed through the context of these change drivers and consumer and societal inputs; this is what *Automotive 2018* seeks to achieve.

Domestic public policy debate continues to focus on what, if any, government support should continue to be afforded local automobile and component manufacturing to protect the industry's established role as a technology innovator and economic growth multiplier through its linkages with other industry sectors.

## **UNFORTUNATELY THE DEBATE HAS NEVER EXAMINED THE INDUSTRY AS A WHOLE.**

The 'Button' and 'New Car' plans necessarily addressed the manufacturing sector and ongoing productivity and competitiveness with only passing reference to reliant downstream sectors; including retailing, service, repair, recycling and a myriad of other dependent support businesses. While these plans, and other policy decisions, have arguably achieved their objectives of increasing productivity and competitiveness, they have also helped shape the Australian automotive industry of today, including some unknown or unexpected consequences.

While there appears to be general agreement on the importance of the industry to the national economy and Australian society, views differ considerably on future support and / or intervention, and there is an overarching lack of understanding on the entire industry. Policy development outside these plans has largely been 'ad-hoc' and reactive to single issue economic or environmental drivers.

During all these changes, the nation's largest small business group has quietly, efficiently and professionally kept 23 million plus Australians, in a fleet of more than 17 million motor vehicles, moving; and assured that our nation's reliance on road transport remains viable.

If consumer demand for services are to be continued to be met, then it is time for the domestic automotive policy debate to be widened to include the automotive retail, service, repair and recycling sectors and for an inclusive policy framework for the entire industry to be developed.

# CURRENT ENVIRONMENT

## THE AUSTRALIAN AUTOMOTIVE INDUSTRY



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**100,000**

BUSINESSES



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**\$208 billion**

AGGREGATED TURNOVER



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**320,000**

WORKFORCE IN MOTOR RETAIL,  
SERVICE REPAIR AND RECYCLING



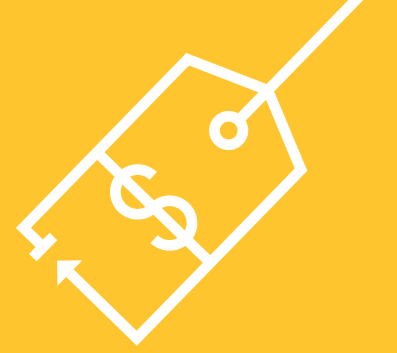
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**50,000**

IN CAR AND CAR COMPONENT  
MANUFACTURING

## CURRENT ENVIRONMENT

# AUTOMOTIVE RETAIL



*Many factors contribute to our unique automotive retail market.*

Government policy settings have enabled a largely unconstrained, highly volatile, and competitive market to emerge. Tariffs have reduced from more than 50% in the 1980's to 5% in 2010, even though high levels of protection continue to remain within many countries that also have a car manufacturing industry. Free trade agreements with some major trading partners have also contributed to the ease with which imported marques have been established in the Australian market. However, reciprocal benefits have been difficult for Australian manufacturers, with taxes and charges applied to Australian exports once landed.

Factors such as those, combined with Australia's reliance on road transport; relative lack of alternative public transport infrastructure; geographic dispersal of a small population; and, Australian consumers' ongoing demands for new vehicles have resulted in the creation of the most competitive automotive market in the world. Australia is also one of only a handful of right hand drive countries (Japan, NZ, Southern Africa, India, Indonesia and

the United Kingdom); with 34% of the approximately 80 million vehicles produced worldwide in 2012 being right hand drive.

Australian consumers are spoilt for choice. 23 million people have a choice of 67 individual marques and more than 365 model variants within those marques, which come from 29 different countries. Compare this with the over 40 marques servicing the 315 million strong United States market; which is 15 times larger than Australia. Australian car ownership is also among the highest in the world with 747 vehicles for every 1000 residents.

Australian motor vehicle sales for 2012 passed the million-unit mark for only the fifth year in history. A record 1,112,032 sales was achieved as the market continued to recover from the impacts of international and domestic natural disasters in 2011 and despite continuing unease caused by persistent global economic uncertainty. Of these vehicles purchased, each one is peculiar to Australia due to design rules and regulatory requirements. So, even though a particular overseas model may look the same, it has attributes that can only be found in Australia.



On the one hand, this buoyant market maintains growth and strengthens competitiveness, thus creating enhanced retail opportunities. On the other hand, it also places increased pressure on franchised dealers in an already highly competitive market. Tightening returns on already lean margins encourages dealers to increase emphasis on finance and insurance products and servicing revenue streams in order to gain a modest return on investment. This ongoing focus to retain customers for servicing after sale is a catalyst for change in other automotive sectors.

The landscape of automotive retailing has also changed rapidly. Dealerships are now multi-franchise operations, with multiple brands on one site, or even multiple sites. There has also been significant growth in public listed dealership entities, which now account for more than 10% of total dealerships nationwide. Traditional family-owned and operated or private dealerships will survive, but in decreasing numbers. Motor vehicle retailers are also under increasing pressure from urbanisation, information technology and changing

consumer behaviours. The ubiquity of the Internet now makes it a consumer research tool of preference, with online retailing a key component of moving stock inventories. Some manufacturers have even turned to direct online marketing for specialised low volume models.

It is anticipated that the convergence of information technology and mobility will only gather pace.

Future critical issues for automotive retailing include:

- ongoing consolidation of dealerships and increasing moves from private to public enterprises;
- ongoing forays by manufacturers and online portals into 'direct retailing' through internet and online resources;
- information ownership. Who owns and who can access the information that the car produces – the consumer, the dealer, the manufacturer, government or other parties; and
- the skills required to service and repair high technology complex products.

**AUSTRALIA HAS THE WORLD'S MOST DIVERSE AUTOMOTIVE RETAIL SECTOR: CONSUMERS CAN CHOOSE FROM 67 MARQUES WITH 365 MODEL VARIANTS**

**AUSTRALIA HAS  
THE HIGHEST CAR  
OWNERSHIP IN  
THE WORLD  
747 VEHICLES  
PER 1000 RESIDENTS**

## **PRODUCTION**





## CURRENT ENVIRONMENT **TECHNOLOGY ADVANCES**

*Today's motor vehicle takes the concept of system and sub-system interoperability to extreme levels.*

Technology applied to motor vehicles has increased significantly over the last decade including, in particular, the integration of mechanical, information and safety systems and the increasing use of alternative construction materials in response to safety, efficiency and consumer demands.

Such innovation, and its rapid application, is driving change in all sectors of the automotive industry and the mechanical and motor body repair sectors in particular.

A traditional business model of a 'one-stop-shop' to service all makes and models of vehicle is under significant pressure. It is becoming increasingly difficult to have all the necessary tools, equipment, diagnostic computer capability and workplace skills to service 67 marques.

The speed with which innovation is being applied has already created flash points and illustrated the depth and breadth of emerging issues which, without industry and government pre-emptive planning, could catch consumers off-guard and continue to force 'ad-hoc' piecemeal policy or regulatory responses as legislators attempt to catch up.

There are increasing pressures for manufacturers to recoup billions of dollars in R&D investment. In order to maintain viability, dealerships are increasingly reliant on servicing as a significant part of their overall return on investment. The irony being that it requires additional investment in facilities, specialist diagnostic tools, training and skills development.

The necessary role for independent mechanical repairers to provide competition and consumer choice is becoming increasingly difficult for them to maintain.

# THE AUSTRALIAN AUTOMOTIVE INDUSTRY IS UNDERGOING FUNDAMENTAL CHANGE

Some independent mechanical repairers have decided it is already too hard and have adapted to changing circumstances by specialising in one or a few marques and making the necessary investment in the specific training, tools, equipment and facilities to service those marques. Some have already left the industry, while others are trying to survive by maintaining current business models and practices, which are becoming unsustainable. The role of the regional or rural service provider is becoming increasingly difficult as they struggle to keep pace with rapidly changing operating environments.

In the motor body repair sector, the access to information on new and emerging technologies is also an issue, as structural repairs involving new construction materials and new technologies in bonding and fixing components are changing dramatically. With any motor body repair there is also the need for mechanical and other systems to be repaired to manufacturer's specifications. Collisions are not planned, so accessing data from the moment a new model is released takes on an even greater

importance. Manufacturers and other sectors must identify an industry-led solution to this problem as opposed to legislative or regulatory impost, which will be almost impossible to police or regulate.

Another longer-term issue to the motor body repair sector is the stated objective of manufacturers, in response to public policy and consumer demands, to employ technologies aimed at removing collision risk altogether. While highly desirable, this will have major repercussions for the motor body repair and insurance industries as well as downstream suppliers. Collision rates worldwide are in decline as current technologies take effect. In January 2013 at the Consumer Electronics Show in Las Vegas, a prominent manufacturer showcased a current model vehicle with enhanced on-board radar, video cameras and sensors that not only monitored the road, traffic and surroundings, but also the driver. The manufacturer told delegates its investment in such research was a step towards achieving the company's stated aim of producing a car with a zero risk of collision.

## THERE IS MORE COMPUTING POWER IN A SINGLE MODERN DAY MOTOR VEHICLE THAN WAS USED IN THE APOLLO SPACE MISSIONS TO SEND ASTRONAUTS TO THE MOON.

An Australian example is a 2013 model of Sports Utility Vehicle (SUV), retailing for under \$30,000 that includes:

- 26** individual computers operating across
- 7** different digital networks
- 3** on-board radar systems
- 4** medium intensity lasers
- 3** ultrasonic proximity systems
- 100's** of sophisticated sensors on multiple integrated systems and sub-systems

This vehicle parks itself, keeps itself away from other vehicles in heavy traffic, adheres to the lane it is in, speeds up and slows down in rhythm with surrounding traffic and a host of other safety features, which not only minimise the risk of collision, but the severity of the collision if it occurs. Some models now even make the necessary calls to emergency services in the event of a collision.

## CO-ORDINATED POLICY

Concurrent to these types of challenges have been ongoing, and often strained, relationships within the industry. Motor body repairers, for example, are also contending with an insurance industry vertically integrating their business from policy sale to vehicle repair. In some locations, the opening of these 'mega shops' has stripped hundreds of repairs out of the motor body industry and hastened the exit of some businesses, even though there are still large volumes of work.

The ability to address these and a host of other issues is made difficult by a lack of consistent and co-ordinated licensing and regulations across the country. Some States, NSW and WA, have licensing for repairers; the remainder do not. Some states have mandatory vehicle inspections, others do not. There is also a lack of consensus by industry on issues like licensing, leading to frustration by other stakeholders and other parts of the industry itself.

As it is unlikely to ever get uniform pragmatic government solutions to these issues, industry must impose self-regulation, adopt value added services, increase business acumen and, where necessary, potentially even advocate change to business models or services. There must also be improved services to identify and assist those who either by choice, or for other reasons, exit the industry.

## CURRENT ENVIRONMENT WORKFORCE



*The rapid application of technology and other change impacts are forcing new skills development and qualifications across more than 50 different professions in the automotive industry.*

Training packages and certification requirements of 34 specific automotive trade qualifications are also changing to reflect a rapidly changing environment.

While it is arguable that core requirements of these professions remain, there is an increasing and urgent need to attract greater numbers of people to motor trades professions and for training and qualifications development to keep pace with a rapidly changing environment. Critical will be ongoing work to change long held perceptions of what motor trades involve and require. Today's automotive trade specialists need to be part mechanical engineer, part chemical engineer, part structural engineer, part computer engineer, part mathematician, along with further specialisations in hydraulics, diagnostics, information technology, electrical systems, and other systems.

Investment in human capital remains essential in order to meet the demands of Australian consumers and the requirements in keeping a 17 million strong (and growing) national vehicle fleet moving.

### ACUTE SKILLS SHORTAGES

Australia is already facing qualified labour shortages in many sectors and this is being exacerbated by demands of other industries, such as Mining and Resources, for the same skill sets. This echoes those circumstances also being experienced in the United States and Europe. There is significant work available for retail motor traders, however there are shortages of skilled labour. According to an industry scan by Auto Skills Australia, in 2012/13 there is an Australian shortage of 19,000 skilled mechanics alone. On the other hand, there is a need to deal with the social consequences of necessary industry and sector restructuring.

AMIF understands that there are opportunities where business owners being forced to exit the industry, but who do not wish to exit the workforce, are able to tap into yet-to-be-identified resources designed to link with employment opportunities in an integrated and co-ordinated and industry-specific program. Equally, options for sourcing labour when it cannot be filled domestically, such as through skilled immigration and 457 Visas, remains a critical industry issue.

Successive governments have recognised the value of investment in modernising education and training systems in order to increase productivity and competitiveness by upgrading skills and ensuring qualifications are relevant. AMIF applauds current government apprenticeship advisory and mentoring programs, which aim to attract more people to the automotive industry and keep them in the industry during the apprenticeship and beyond.

Auto Skills Australia, the organisation responsible for the development and maintenance of nationally accredited automotive training qualifications in Australia, has made considerable progress in its short existence to identify and qualify the appropriate training packages necessary in addressing the challenges facing industry.

Traditional views of the professions in the automotive industry must also change. There is an urgent need to re-educate the public and those considering future career options of the significant changes in the nature of work and skills required in the automotive industry.

While actions are underway, there is considerable scope for improvements by industry and government through improved co-ordination, removal of duplicated effort, greater integration and focused actions within longer-term strategies to modernise and upgrade curricula and skills.

**ACCORDING TO AN INDUSTRY  
SCAN, THERE IS A SHORTAGE  
OF 19,000 SKILLED MECHANICS  
IN AUSTRALIA**











## CURRENT ENVIRONMENT ENVIRONMENT

*The motor vehicle remains the most recycled consumer product in the world.*

Metal recycling; capture and re-use/sale of some components and parts; capture and in some cases re-use of fluids and gases; all contribute to increasing sustainability and decreasing environmental impact. Many technologies are aimed at improving environmental outcomes and are a high priority of car manufacturers, fuel providers and other automotive and related sectors. Billions of dollars are being invested in alternative propulsion technologies including hybrid, electric and hydrogen fuel cells. Most manufacturers embrace the need for change and are developing products to address changing consumer demands driven by higher environmental awareness.

On the compliance front, State and Territory Motor Trades Associations and Automobile Chambers of Commerce have anticipated the need for more integrated and co-ordinated products to assist businesses meet regulatory requirements and societal demands for comprehensive management of environment impacts. GreenStamp is an accreditation program designed to assist automotive businesses not only meet obligations, but exceed them. That program will be further refined and move from a State and Territory based scheme to a national program, but, still delivered and administered by AMIF members. Again there are opportunities to better align Commonwealth and State environmental regulations and requirements.

Despite this good work and improvements, however, there remains a vacuum in overarching industry policy and appropriate industry and government response in Australia.

**CHANGING CONSUMER  
DEMANDS ARE DRIVEN BY  
HIGHER ENVIRONMENTAL  
AWARENESS AND THE  
AVAILABILITY OF NEW  
TECHNOLOGY**



## INFORMED POLICY REQUIRED

Past and current policy settings have been 'ad-hoc' and largely characterised by the development of 'policy-on-the-run' such as the 'Cleaner Car Rebate Scheme', which fortunately died before starting. That policy initiative was a clear demonstration of a lack of understanding of the broader Australian Automotive Industry. It would have favoured low cost, high volume imports, at the expense of local car manufacturing. It would have negatively impacted other automotive sectors such as retailers, recyclers and dismantlers. There was no consideration of what the policy, if implemented, would have created for downstream sectors. It failed to properly define how it would be administered, potentially adding further red and green tape and costs. These unfortunately are often the same characteristics evident in other ad-hoc policy responses to issues impacting the automotive industry. Other examples of inconsistent and uncoordinated automotive policy include clarity of pricing; fuel excise; proposals to force advertising of tailpipe emissions; and the infamous Luxury Car Tax.

Government has also placed great emphasis on product stewardship and, while the theory and principle is commendable, it has taken almost 15 years for one policy program (tyres) to reach fruition.

Industry is also guilty of taking too long to identify, co-ordinate and enunciate common ground in managing competing sector interests. Without leadership how can government policy makers be expected to do better? How do product stewardship programs for other car components integrate and co-ordinate? What is the overall plan that these initiatives form a part? An opportunity remains for an integrated, co-ordinated approach to be developed.

There are examples worldwide of End-Of-Vehicle-Life programs designed to provide solutions to the effective, efficient and environmentally sustainable recycling of motor vehicles at a pre-determined product life end. Some manufacturers have their own 'buy-back' schemes at end of life so they can recycle materials and reduce costs of new product.

AMIF is working on a comprehensive End-Of-Vehicle-Life Policy framework and will, in coming months, take the draft of it to other peak automotive organisations as a start to identifying an industry-led solution. In turn industry will then work with government to progress a policy framework for this initiative.

# PAST AND CURRENT POLICY SETTINGS ARE LARGELY 'AD-HOC' AND DEVELOPED ON THE RUN





# A NATIONAL PLAN

One of the tools available to industry and government is to jointly use existing resources and capability to identify, qualify and quantify issues and to design and implement responses in partnership.

There has been an under-utilisation by successive Federal Governments of the Green Paper / White Paper policy tool. AMIF agrees with many commentators, including the Institute of Public Administration Australia (IPAA), that greater application of the Green / White paper process is urgently required. In April 2012, IPAA issued a discussion paper titled *Public Policy Drift*, which advocated future public policy making be based on a 'business case' approach, using the Green and White Paper process where 'Green papers capture and float the issues and potential proposals for feedback and the White paper outlines the final form that policy will take before it's reviewed for legislation.'

AMIF does not believe that such whole-of-industry issues can be adequately addressed by a single department or agency. Investigations such as Productivity Commission reviews do not have the necessary charter for a whole-of-Government and industry solution.

Public policy in the context of the Australian automotive industry must be targeted, in order to:

- quantify and qualify the real contribution of the entire automotive industry to the social and economic wellbeing of Australia;
- identify inefficiencies, potential duplication, 'ad-hoc', piecemeal and uncoordinated policy responses to changing industry operations;
- identify the immediate actions required to assist industry and sector restructuring; and
- identify longer-term policy framework for Government investment, regulation, and co-contribution to provide certainty and surety.

Such a Green / White Paper process requires leadership by a central Government portfolio such as Treasury, but would ideally also include representation from the Departments of Infrastructure and Transport; Finance and Deregulation; Education, Employment and Workplace Relations; Industry, Innovation, Climate Change, Science, Research and Tertiary Education; the Office of Small Business and National Transport Commission and others.

The Green / White Paper process will lead to:

- the identification, confirmation and prioritisation of critical issues facing industry;
- the mitigation of potential negative social and economic consequences of any industry restructuring;
- improved qualification and co-ordination of government policy, regulation and support programs;
- the removal of duplicated effort;
- improved consumer protection; and
- a contribution to manufacturing and downstream sector sustainability;

The State and Territory Motor Trades Associations and Automobile Chambers of Commerce have played a steadying hand and strong influence over sector interests for, in many cases, almost 100 years. Those organisations, AMIF's members, have a practical and theoretical understanding of the past, present and future issues affecting industry, built from years of advocacy and representation underpinned by the desire to ensure industry viability, professionalism, success and sustainability.

These Motor Trades Associations and Automobile Chambers of Commerce are critical in the development, implementation, monitoring and continuous improvement of industry-driven solutions.

Along with other peak automotive industry associations, AMIF and its members have the capacity to significantly input into the formation of a better way forward that is less reliant on one-off 'rescue packages' and support mechanisms that could have been avoided had there been a co-ordinated uniform approach in the first instance.

AMIF has developed *Automotive 2018* as the automotive retail, service, repair and recycling industry response to these challenges as a first step in identifying, developing, co-ordinating and delivering pragmatic and quantifiable industry response to this generational change.



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