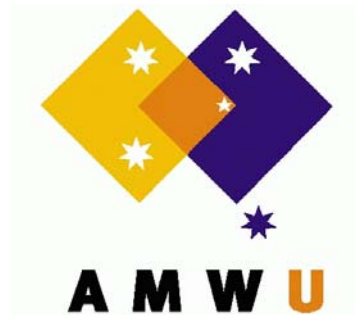


AUSTRALIAN MANUFACTURING WORKERS' UNION



**AMWU Submission to the House of Representatives
Employment, Workplace Relations and Workforce
Participation Committee Inquiry into Employment in
Automotive Component Manufacturing**

February 2006

Executive Summary

1. The Australian Manufacturing Workers' Union (AMWU) welcomes the opportunity to make submissions to the House Of Representatives Employment, Workplace Relations and Workforce Participation Committee inquiry into employment in automotive component manufacturing.
2. The AMWU is the largest representative of workers employed in the automotive industry and is deeply committed to the future of the industry. The automotive industry is vital to the long term sustainability of the Australian economy. Its significance will be heightened when the resources boom ends and we are forced to look for more sustainable drivers of export growth, especially ones focussed on elaborately transformed manufactured goods. The automotive industry is one of the few industries capable of promoting high value adding and elaborately transformed manufacturing which are the basis of a modern, prosperous economy.
3. The automotive industry makes a disproportionate contribution to innovation and trade. Despite contributing only 0.7% of total GDP, the automotive industry accounts for 10% of total business expenditure on research and development and is the 7th largest exporting industry. It also employs 81,800 Australians; these are jobs that are above average in skills and wages, often in economically depressed areas.
4. Unfortunately, these jobs and our ability to increase our knowledge intensive exports are under threat by the hollowing out of the automotive component industry.
5. Unfair international competition is reducing the viability of the automotive sector, especially the component industry. In 1989-90 total value added in the automotive industry was equal to 85 percent of imports, but by 2002-03 this had fallen to just 25 percent. Local share of the domestic light vehicle market has fallen dramatically in the last 20 years. In 1987 domestic production made up 73% of local sales. In 2004 it was 34% and is expected to be around 30% in 2005¹.
6. Only a handful of local component producers have been successful in exporting significant levels of output, the vast majority are dependant upon the success of locally manufactured vehicles, and this success is limited. This problem is compounded by declining local content in domestically produced vehicles. The new Holden Commodore is reported as having local content of only 55 per cent.
7. The declining share of domestically produced vehicles, declining local content and the cost downs of the assemblers is leading to a potential crisis point for the automotive components industry. The sourcing policies of the vehicle assemblers pose the greatest threat to the automotive components industry.

¹ Federation of Automotive Products Manufacturers (FAPM), Annual Report 2004-05, p.8

8. Industrial relations is not a cause of this crisis. It does not regularly appear at the top of lists of challenges for component producers and the statistics prove that industrial disputes are at an all time low. No credible stakeholder in the industry can or attempts to claim that industrial relations is a first order issue. Unfortunately, the Federal Government is ignoring the real crisis affecting the industry, intent on pursuing ideological attacks on workers.
9. Also of concern is the response of most component producers to the crisis. Unfortunately the response from most component manufacturers has been to adopt the low road and try to reduce costs as much as possible. 40% of component manufacturers surveyed by KPMG expect to have outsourced some or all of their production processes to lower-cost countries by 2006. 80% of respondents to the KPMG survey plan to switch to lower cost suppliers of raw materials by 2006.
10. Even the Federation of Automotive Product manufacturers admit that "...many fear that supply decisions are now being taken that are pushing the local industry towards a "tipping point".
11. The result of this has been a series of factory closures and/or mass redundancies. The impact of these job losses on the local communities and the workers themselves are severe. A survey of redundant workers, conducted exclusively by the AMWU, found the following results:
 - The unemployment rate amongst these people up to 6 months after they were made redundant is 48.2%.
 - Only 41.4% of the workers who had managed to find jobs were able to secure employment in the manufacturing sector.
 - 31% of the workers who found jobs had to accept casual jobs.
 - Of those lucky enough to find employment, 89.7% suffered a reduction in wages with the average reduction being 28.3%.
 - Exactly half of those who were made redundant believe that their long term financial security has suffered significantly from this redundancy.
12. In other words, high skill-high wage manufacturing jobs once lost are extremely hard to replace. This is the ultimate price Australia will pay if we allow the automotive component industry to disappear.
13. To avoid this fate, the AMWU has put forward 10 recommendations that set out concrete policy actions that can support the viability of the automotive sector. These recommendations address areas such as skills, the Automotive Competitiveness and Investment Scheme, management practices, alternate fuels and environmentally friendly vehicles, a national manufacturing forum, worker representation, trade and finance. It is our submission that implementing these recommendations will go some way to supporting this vital industry.

Introduction

14. The Australian Manufacturing Workers' Union (AMWU) welcomes the opportunity to make submissions to the House Of Representatives Employment, Workplace Relations and Workforce Participation Committee inquiry into automotive component manufacturing.
15. The full name of the AMWU is the Automotive, Food, Metals, Engineering, Printing and Kindred Industries Union. The AMWU represents approximately 140,000 workers in a broad range of sectors and occupations within Australia's manufacturing industry.
16. The AMWU is the largest representative of workers employed in the automotive industry and is deeply committed to the future of the industry.
17. This submission first sets out the importance of the automotive industry in terms of employment, output, innovation and trade. The submission then goes on to examine the current crisis in the automotive component industry. Issues around industrial relations are then examined and the submission concludes by setting out ten recommendations that support skills, innovation and investment.

Importance of the Automotive Industry

Employment

18. There are 81,800 people employed directly in the motor vehicle and part manufacturing industry. The most accurate method of predicting employment in the components industry, rather than the automotive industry as a whole, is using the 2001 census data. According to the census, 42.8% of automotive employment is the components industry (ANZSIC codes 2813 and 2819). Therefore, the best estimate of component employment is in the vicinity of 35,000.
19. The 81,800 Australians employed in automotive assembly and parts production facilities are not the only ones who owe their livelihoods to the automotive industry. The automotive industry has strong linkages through other sectors of Australia's economy, which means that hundreds of thousands of other jobs also depend on the automotive industry's continued viability. Automotive workers in the assembly and parts sector earn over \$3.2 billion per year in wages and salaries, and they spend most of that on goods and services produced right here in Australia.
20. Thus the automotive industry's impact on overall employment levels in Australia extends far beyond the plant gate of automotive factories. Economic studies estimate that for every job created at a major automotive producer (in assembly or parts production), a total of about 7.5 jobs are created somewhere in the national economy: the original automotive job, plus 6.5 more jobs in supply industries and consumer industries. This is a significant multiplier effect.

21. There have been a series of significant job losses in the industry in the last 2 years, including:

- Mitsubishi 1510
- Holden 1400
- Ion 800
- Autoliv 560
- Dana 470
- Silcraft 460
- Air International 450
- Spicer Axle 200
- Denso 170
- Trico 160
- Calsonic 160
- Icon Automotive 120
- Pilkington 120

22. These jobs are vital to the employees, their families and the wider community. Study after study has found that high skill, high wage manufacturing jobs once lost are very hard to replace.

23. The AMWU has conducted a survey of workers made redundant at Ion in Albury around September-October 2005 and Tristar in Sydney in August 2005. The findings of this survey were quite stark and should concern anyone interested in the long term future of manufacturing and communities' dependant upon manufacturing employment.

24. The central findings were:

- The percentage of redundant workers who have found employment is 37.2% with the average length of unemployment for the lucky ones who found jobs being 5 weeks.
- The unemployment rate amongst these people up to 6 months after they were made redundant is 48.2%.
- 5.1% of those surveyed were forced to retire prematurely because of the redundancy.
- Only 41.4% of the workers who had managed to find jobs were able to secure employment in the manufacturing sector.
- Only 48.4% of those workers employed found full time employment.
- 31% of the workers had to accept casual jobs.
- The average hours for the redundant workers who found full time jobs was 44.4 hours per week representing 10% more hours than they worked in their previous job.
- Of those lucky enough to find employment, 89.7% suffered a reduction in wages with the average reduction being 28.3%.
- Exactly half of those who were made redundant believe that their long term financial security has suffered significantly from this redundancy.

Case Study: Redundant Workers in the Automotive Component Industry, Ion and Tristar

Number Employed	37.2%
Number Unemployed	29.5%
Number Retired (including prematurely)	10.3%
Number Prematurely Retired	5.1%
Not Looking for Work	23.1%
Unemployment Rate	48.2%
Average length of Unemployment	5 weeks
Number Employed in Manufacturing	41.4%
Number Full Time	48.3%
Number Part Time	10.3%
Number Casual	31.0%
Number Self Employed	10.3%
Of Full Time Workers, Average Hours	44.4
Number of hours more than previous job	10.0%
Of those now employed how many suffered a reduction in wages	89.7%
Average Fall in Wages	28.3%
Number Who Think Their Long Term Security Has Suffered Significantly From The Redundancy	50.0%

Survey conducted by AMWU Help Desk between 2/2/06 and 8/2/06

25. Outcome data from the Mitsubishi Labour Adjustment Package supports the AMWU survey. Of the 1,117 workers who exited Mitsubishi last year:

- 20 per cent retired.
- Of the 936 who received support services, 261 have been unable to find a job representing an unemployment rate of 27.9 per cent compared to the general South Australian unemployment rate of 5.1 per cent.

26. The most comprehensive analysis of the impact on workers and communities due to manufacturing shut downs was conducted in 2001 in the Hunter region. The Hunter Taskforce Social Audit was commissioned to analyse the impact of BHP's withdrawal from the Hunter. The findings of this study are very relevant to examining the impact of job losses in the automotive industry. In both cases the employment profile is that of heavily concentrated employment in often economically depressed areas where these jobs are the best available for skilled and semi-skilled workers, and are the only ones who offer significant career paths.

27. The study found that the experience of redundant workers was one where:

- There were few opportunities to find work of equal pay and value.
- They lost a sense of social well being.
- They suffered in part time employment.

- There were very few pathways to re-skill for alternate employment.
And
 - That the redundancy had a negative impact on their health.²
28. Case studies found that the consequences of the closure include relationship break down, domestic violence, alcoholism, depression and suicide.³
29. These findings are supported by a recent study of the experiences of workers at MG Rover. The study found that six months after the closure of MG Rover, 60% of the once 6,000 strong workforce are still out of work. Only 28% of the 6,000 workers have found employment, with another 11% on training courses.
30. Of the "lucky" 1,700 who have found work, only 15% are working in manufacturing and the average wage cut was 15%. Examples of the drastic cuts include
- A 20 year tradesmen who is now operating a ferris wheel at a carnival. He went from a salary of the equivalent of \$55,000 to \$17,000 which is based on working 72 hours a week.
 - A calibrations specialist went from \$50,000 a year to work as a school caretaker on \$27,500 a year.
31. Well-paid, highly skilled jobs in manufacturing, once lost, cannot be replaced. This has massive implications for local communities and the national economy.
32. It is indisputable that the automotive industry is a significant employer in marginalised areas. To put it into context we should examine the five regions with the highest dependence upon the automotive industry. These regions are set out below in a table with their unemployment rate. These figures are derived from the 2004-05 State of the Regions report prepared by the National Institute for Economic and Industry Research and the Australian Local Government Association. The employment rate takes as a base the number of people that the government provides social security to, who could reasonably be considered unemployed⁴.

² Hunter Taskforce, "Social Audit: The Impact of a Downturn in Manufacturing on People in the Hunter", November 2001, p.11

³ Ibid., p.29

⁴ National Economics/Australian Local Government Association, "State of the Regions Report, 2004-05", p.29. NIEIR Unemployment = (Newstart + Mature Age Allowance + Excess growth in Disability Support Pension + Estimate of unemployed youth) / (Adjusted Labour Force = Official Labour Force + Excess growth in Disability Support Pension)

Table 1 - Regional Significance of the Automotive Industry

Region	% of workforce unemployed, 2004
Adelaide Plains (Elizabeth)	15.3%
Melbourne North (Broadmeadows)	11.3%
NSW Murray (Albury)	10.8%
VIC Barwon (Geelong)	10.6%
VIC Ovens-Hume (Wadonga)	10.1%

Source: National Economics/Australian Local Government Association, "State of the Regions Report, 2004-05"

33. As the table above shows, the areas with the highest dependence upon automotive employment have unemployment rates far above the national average. If automotive employment continues to decline this would have a drastic negative multiplier effect on these already severely disadvantaged local communities.

Output

34. As the table below demonstrates, the automotive industry experienced a significant decline in output in the period 1999-99 to 2002-03. Industry value added in 2002-03 was \$5.067 billion which is still below the nominal 1997-98 figure of \$5.077 billion. If we applied current prices to the 1997-98 figure the gap would be much larger.

Table 2 - Industry Value Added, Motor Vehicle and Part Manufacturing (\$million)

Year	Sales and Service Income	Wages and Salaries	Industry Value Added
1996-97	15,310.6	2,003.5	4212.1 (a)
1997-98	15,505.6	2,154.8	5,077.5
1998-99	16,723.8	2,024.5	4,881.4
1999-00	17,434.6	2,148.7	3,877.7
2001-01	23,764.3	2,909.1	4,657.2
2001-02	23,804.1	2,828.7	4,764.8
2002-03	23,901.9	3,252.5	5,067.3

(a) Industry Gross Product

Source: ABS 8221.0 Manufacturing Industry

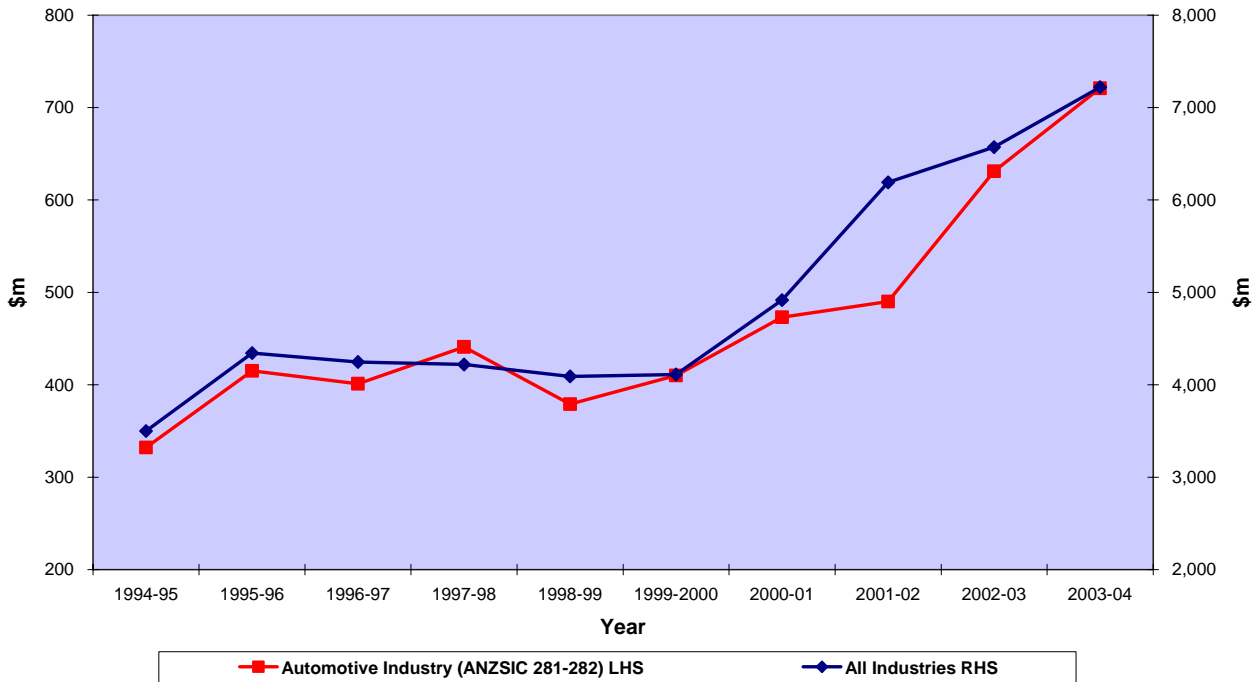
Innovation

35. The automotive industry is the second largest investor in innovation in the nation (3 digit ANZSIC level). Expenditure on automotive research and development represents 22% of total manufacturing R&D and 10% of total business expenditure on R&D.
36. Due to its linkages up and down the supply chain, the automotive industry is the driver of innovation in the manufacturing sector as a whole; and by virtue of manufacturing's dominance of innovation throughout the economy, one could

argue that the automotive industry is the key driver of innovation in the economy. The graph below demonstrates the close link between automotive innovation and the general economy.

37. The years of the late 1990s and early 2000s represent a lost opportunity in innovation for the automotive industry and the economy as a whole. It took over half a decade to see business expenditure of research and development return to 1996 levels as a share of GDP.

Business Expenditure on Research and Development



Source: ABS 8104 Research & Experimental Development
 Businesses

Trade

38. The automotive industry is the key driver of exports of elaborately transformed manufactures, making up 19% of total ETM exports. In 2004-05, the automotive industry exported goods to the value of \$4.36 billion, ranking the automotive industry as the 7th largest exporting industry. In other words, the automotive industry is a significant employer that makes a disproportionate contribution to innovation and trade.

39. However, this contribution is declining. Automotive exports fell by 3.9% and now only constitute 3.4% of total merchandise exports.

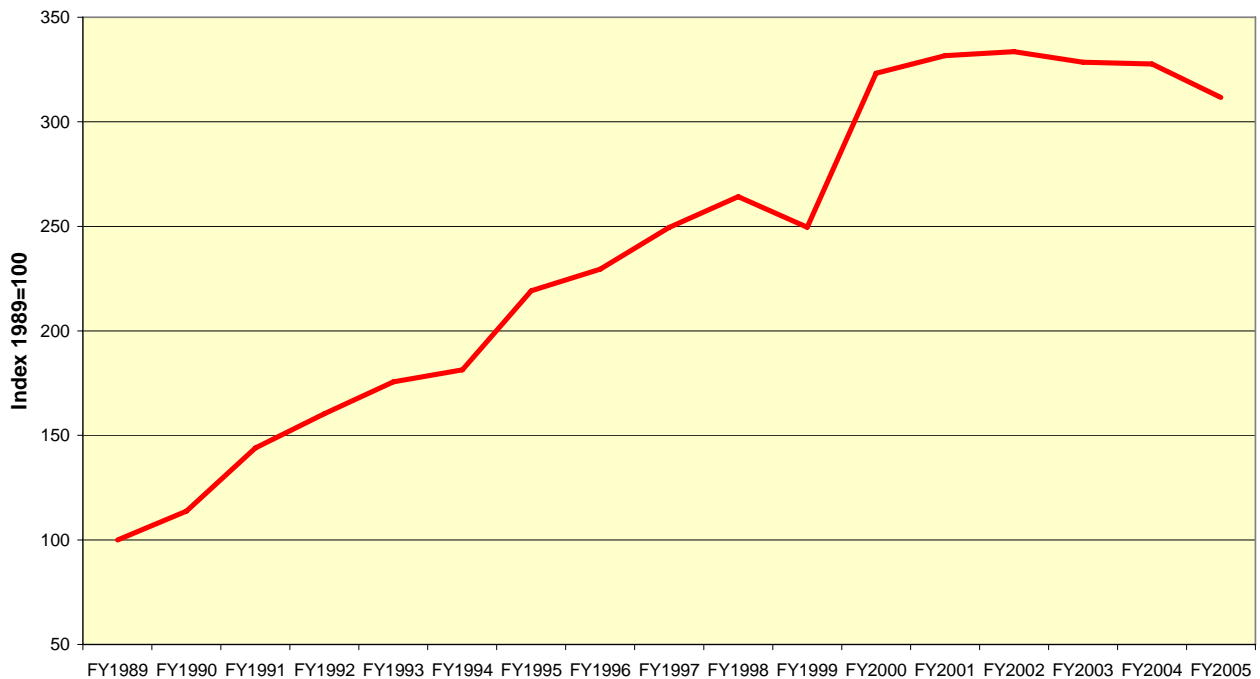
Table 3 – Automotive Exports

Exports (\$'000)	2002-03	2003-04	2004-05	% Growth 2002-03 to 2003-04	% Growth 2003-04 to 2004-05
Passenger Motor Vehicles	2,797	2,927	2,790	4.6	-4.7
Motor Vehicle Parts	1,052	892	726	-15.3	-18.6
Internal Combustion Piston Engines	405	534	595	31.6	11.4
Motor Vehicles for Transporting Goods	98	186	249	33.9	33.9
Total Automotive Exports	4,352	4,539	4,360	4.3%	-3.9%
Total Merchandise Exports	115,479	109,049	126,703		
Automotive Percentage of Total Merchandise Exports	3.8%	4.2%	3.4%		

Source: DFAT Composition of Trade

40. As the graph below demonstrates component exports have stagnated and eventually declined in the years since 1999-2000. Initial growth in exports was off a very low base and we are now going backwards.

Automotive Component Exports



Source: DFAT, STARS database

41. While automotive exports are a key driver of our flagging ETM exports, automotive imports are the central feature of our ever expanding and potentially crippling explosion in ETM imports.

42. In 2004-05 Australia ran a trade deficit in ETMs of \$85.4bn. This is the equivalent to nearly 10 percent of GDP. Australia's deficit in automobiles and parts is the equivalent of 2 percent of GDP
43. Australia imports four and a half times the automotive products we export. Passenger motor vehicles constitute the number one import item. Whereas automotive exports declined by 3.9% over the last year, imports increased by 8.1% and represent 13% of all merchandise imports.

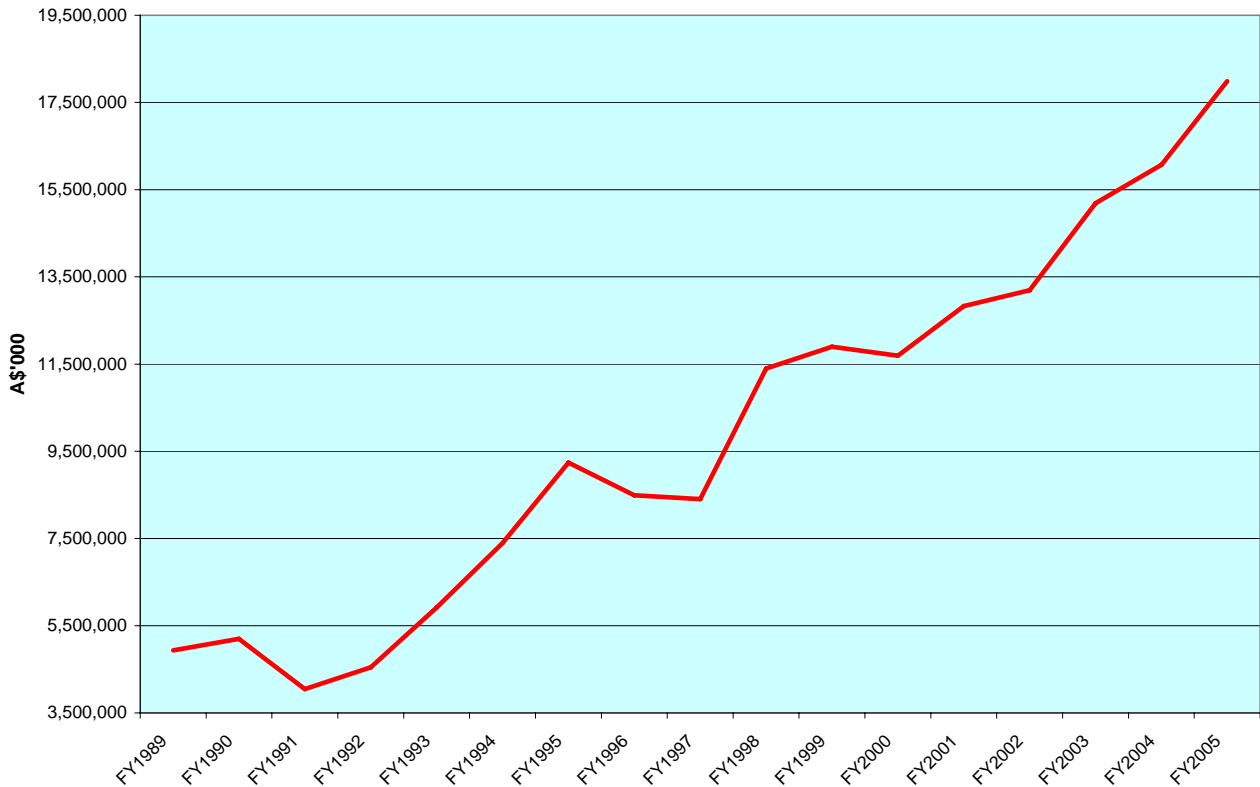
Table 4 – Automotive Imports

Imports (\$'000)	2001-02	2002-03	2003-04	2004-05	% growth 2003-04 to 2004-05
Passenger Motor Vehicles	8,955	10,283	11,216	11,597	3.4
Motor Vehicles for Transporting Goods	2,545	2,888	3,111	4,036	29.7
Motor Vehicle Parts	2,217	2,311	2,109	2,287	8.5
Internal Combustion Piston Engines	1,507	1,697	1,575	1,554	-1.3
Total Automotive Imports	15,224	17,179	18,011	19,474	8.1%
Total Merchandise Imports	119,649	133,129	130,997	149,519	
Automotive Percentage of Total Merchandise Imports	12.7%	14.4%	13.7%	13.0%	

Source: DFAT Composition of Trade

44. The nominal value of automotive imports, including components, increased from \$6.14 billion in 1989-90 to \$19.90 billion in 2002-03. This is an increase of 224 percent. Over the same period value added amongst manufacturers in the automotive industry fell from \$5.25 billion to \$5 billion, a fall of 5 percent. Over the 14 years to 2002-03 the nominal value of imports increased two and quarter times, but the value of local production fell in net terms. Another way of expressing this is that in 1989-90 total value added was equal to 85 percent of imports, but by 2002-03 this had fallen to just 25 percent.
45. Australia must clearly face up to the challenge of the massive increase in automotive imports, without a commensurate increase in exports.

Automotive Trade Deficit

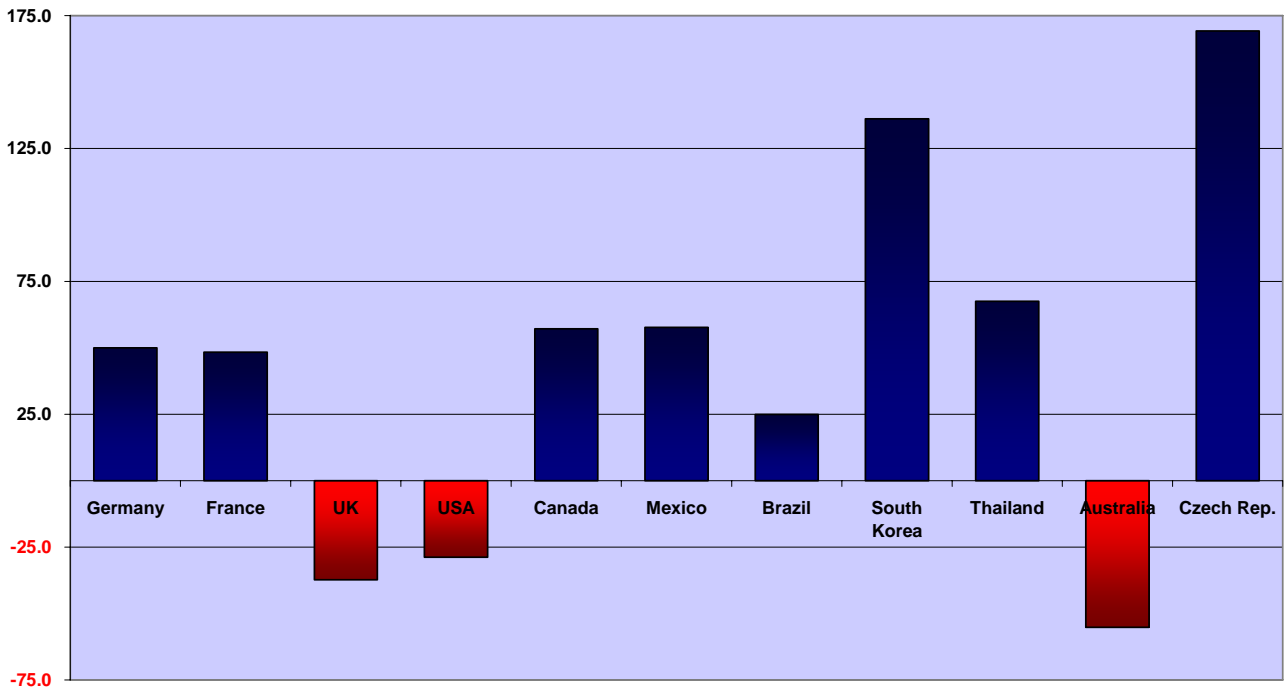


Source: DFAT, STARS database

46. One way to measure vehicle trade is to look at the difference between production and sales of a region or country. The difference in the number of vehicles produced and sold in an area -- referred to as "net exports" -- equals the difference between the number of units exported from and imported into the area. A country or region producing more than it consumes, necessarily exports more vehicles than it imports (and so it has positive net exports). On the other hand, a region or country producing less than it consumes buys more imports compared to what it exports (and so it has negative net exports).

47. The graph below compares net exports of automotive products in selected economies as a percentage of sales. A positive number indicates a net exporter and a negative number a net importer. As regards magnitude, a figure in the table approaches zero for an area when production almost equals local sales (which necessarily means its vehicle exports and imports are about balanced). The figure is farther from zero -- whether positive or negative for the area -- as production and local sales become more unequal (meaning its unit exports and imports become less balanced). It demonstrates that Australia is spectacularly unsuccessful, especially compared to other nations, at combating our massive trade deficit in automotive goods.

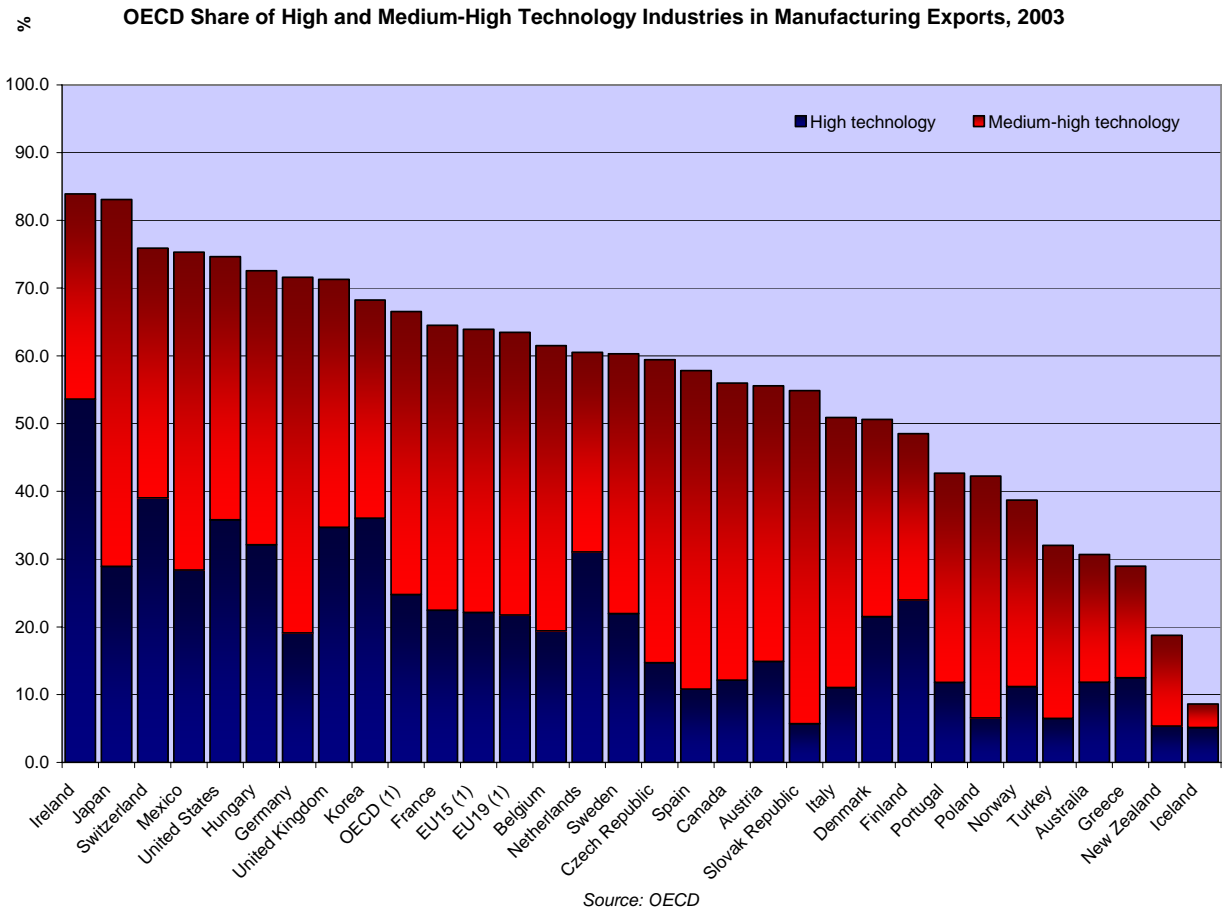
Net Exports as a Percentage of Sales



Source: IMF Auto Report 2004

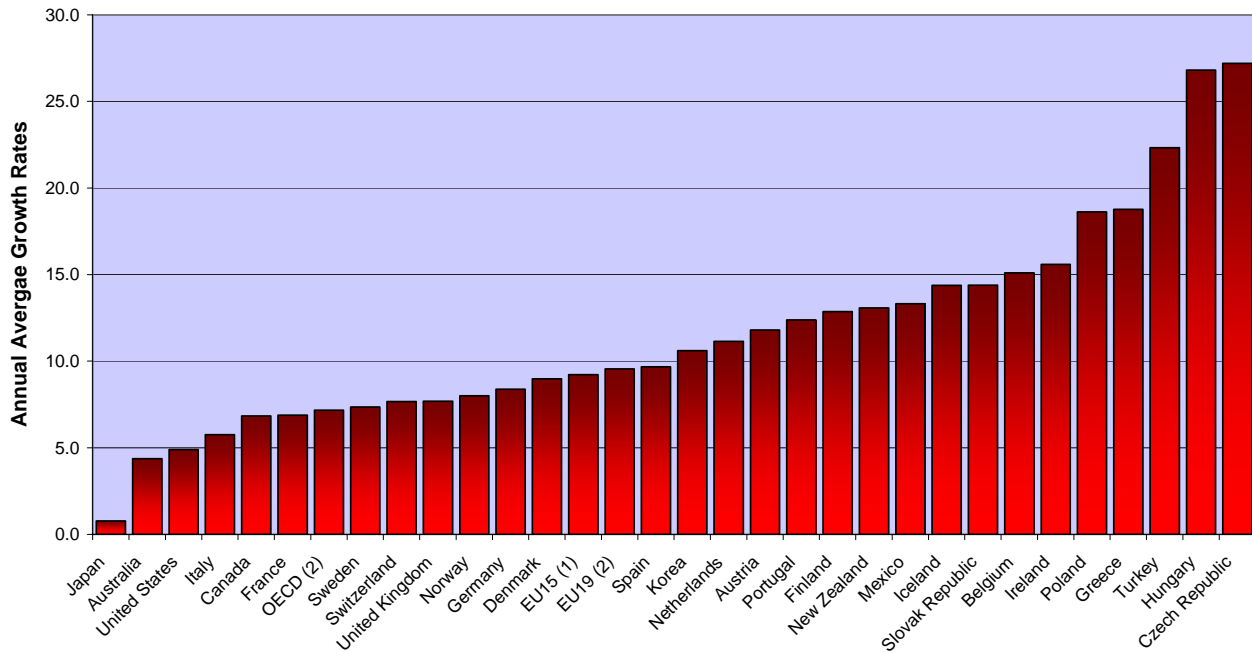
48. A prosperous and expanding automotive export industry is vital if Australia is to avoid remaining the world's farm and quarry. We are steadily falling behind the rest of the world in terms of export of high and medium-high technology manufactured goods. These are the industries with the greatest trade potential, the highest wages and the most value added. If Australia does not reverse this trend we will be stuck on the 'low road' as the world's farm and quarry; to be used by other nations to climb the ladder of economic development.

49. The graph below sets out the performance of OECD economies in this context. In the last year Turkey overtook us and we now rank fourth last among advanced nations.



50. Nowhere is the failure to expand the automotive industry and lift exports more apparent than in the following graph charting the growth over a decade of high technology manufacturing exports. One of the key drivers of the growth of high technology exports worldwide has been growth and investment in the automotive industry. Something Australia has failed to do over the last 10 years with any consistent success.

Growth of High Technology Manufacturing Exports, 1994-2003



Source: OECD, STAN Indicators database, March 2005

Free Trade Agreements

51. The increasing prevalence of free trade agreements will further compound Australia's failure to lift automotive exports.
52. The USFTA will have a negative impact upon the components sector. A 2005 report by the office of the US Trade Representative has forecast increases of between \$100 million and \$500 million in exports to Australia of US automotives. While some of this growth may be trade diverted from other economies, most will be at the expense of the Australian automotive sector, and especially the components industry.
53. This intensification of competition from the US is worsened by the overvaluation of our currency compared to the US dollar. Since 2002 the Australian dollar has appreciated against the US dollar by 47.16%⁵. This is putting huge pressure on automotive exports and making imports much more competitive, most notably US imports and Chinese (with the Yuan pegged to the US\$).

China FTA

54. A FTA with China poses a grave challenge to the survival of the Australian Automotive sector, principally the components industry. In 2003 we exported \$54 million worth of components to China and imported \$236 million. Chinese imports are expected to grow strongly in the next decade.

⁵ <http://www.rba.gov.au/Statistics/HistoricalExchangeRates/1983to2006.xls>

55. The Federation of Automotive Products Manufacturers (FAPM) has warned the Department of Foreign Affairs and Trade that an Australia - China Free Trade Agreement will cause production to move offshore. Specifically the FAPM said that a free trade agreement with China:

- Won't increase exports of car components.
- Will increase imports of Chinese components and vehicles.
- Will encourage manufacturers to move to China
- Will tip the trade balance further in China's favour. The agreement will not be trade diversionary – it will be at the expense of Australian product.

56. Chinese production is not limited to simple mass manufacturing of standardised components. Their manufacturing is becoming increasingly sophisticated. There are examples of component producers in Australia developing a new product here and then establishing production facilities in China to manufacture the new product. This is confirmed by a recent KPMG study of the Victorian components sector that found a lot of companies saw themselves shifting production to China leaving only design and engineering in Australia.

57. Given the massive investment in science and technology by China, there can be no guarantee that we will retain the design and engineering in Australia. There are significant advantages that accrue when production and design are co-located and this eventually means we will lose the design stage as well as the production stage.

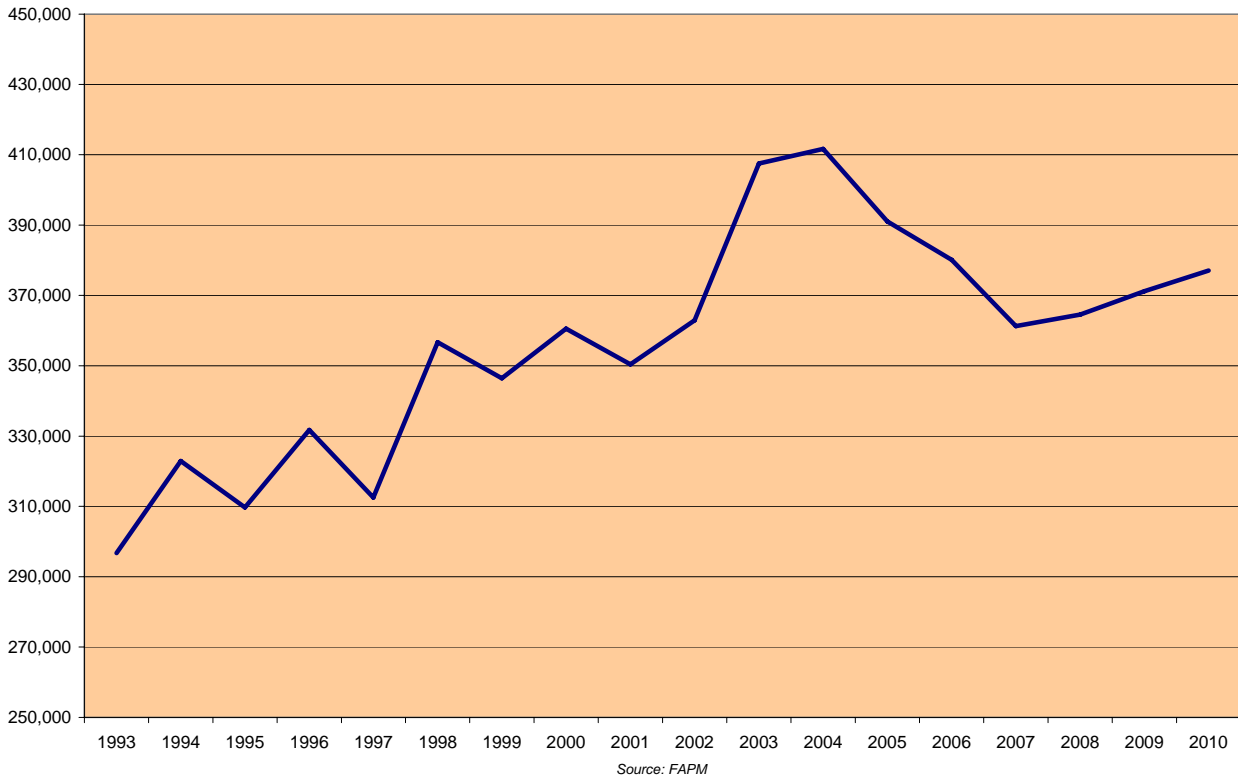
Market Share

58. Local share of the domestic light vehicle market has fallen dramatically in the last 20 years. In 1987 domestic production made up 73% of local sales. In 2004 it was 34% and is expected to be around 30% in 2005⁶.

59. Forecasts predict that local production will trend down over the next five years till Australia is producing 35,543 less vehicles than peak production in 2004. This will have a significant effect on the viability of local automotive component production and employment.

⁶ Federation of Automotive Products Manufacturers (FAPM), Annual Report 2004-05, p.8

Actual and Forecast Australian Motor Vehicle Production (Units)



60. In recent years we have seen declining sales in large passenger motor vehicles, the segment containing almost all domestic production. In 2005, for example, sales of small passenger motor vehicles rose by 18 per cent, while large passenger motor vehicle sales fell by 15 per cent.⁷

Current Crisis in the Automotive Component Industry

"Where employers have adopted a bargaining strategy, in many instances it is driven by an exclusive desire to cut costs rather than pursue innovation. Now that is completely understandable in today's competitive environment. But is a blinkered approach to achieving competitiveness through workplace change and is creating a backlash amongst workers manifested in intense feelings of job insecurity, disillusionment, lack of trust, "reform fatigue" and a shift to greater militancy".

[Roger Boland, Ai Group, speech to members, "A critical assessment of progress in enterprise bargaining", 23 September 1999

⁷ Government of South Australia, "Submission to the House of Representatives Standing Committee Inquiry into Employment in Automotive Component Manufacturing", January 2006, p.4

61. This comment by the former Director of Industrial Relations of the Australian Industry Group, and now Justice of the NSW Industrial Relations Commission, draws attention to the key problem facing automotive component producers. A failure to invest in innovation and adopt world's best practices.

62. Instead of taking the 'high road' towards high skill, high innovation production processes, most producers have underinvested in research and development, capital equipment and their workforce more generally. This 'low road' is predicated on driving wages down and gradually drawing down existing capital. Australian component producers cannot compete in the long term on this basis, yet that is exactly what they are trying to do.

63. This myopia is one of the best examples of the short-termism that characterises Australian business. This short termism is concerning many people including the Business Council of Australia. Short-termism occurs where there is:

“ an excessive preoccupation with projects, activities and investment designed to deliver improved near-term returns and outcomes at the expense of those that could deliver higher returns and outcomes over the long run.”⁸

64. This short-termism is nowhere more rampant than in the automotive industry. This myopia is not caused solely by internal forces. Unfortunately, the industry is under severe pressure from a range of factors including international competition, increased raw material costs, an uncompetitive exchange rate, insufficient policy support from the Federal Government and above all the sourcing policies of the vehicle manufacturers.

65. A recent AIG/FAPM/KPMG report into the automotive components industry discovered some very worrying trends⁹. When asked to list the major factors affecting profitability, and then rank them by very important/moderately important/not important, the top 4 were:

- Customer sourcing policies.
- Low cost competition.
- Raw material costs.
- AUD exchange rate.

⁸ The causes of this managerial short-termism are documented in a recent Business Council of Australia report. This short termism takes the form of a number of pressures:

- global of integration of capital markets and acceleration in the net flows into and out of countries in search of investment;
- an increase in the volume of funds under management as a result, for example, of compulsory superannuation. Competition amongst superannuation funds and the pressure of quarterly reporting 'is seen as a problem because it encourages group herd- that is, decision-making on the basis of short-term movements in the market and among competitors' (BCA 2004: 42)
- the short tenure of funds managers, just under three years in Australia (BCA 2004: 42) and of CEOs of major corporations at 4.4 years which is half the global average (BCA 2004: 44).

Business Council of Australia, (2004) Seeing between the Lines, Looking beyond the Horizons,

[http://www.bca.com.au/upload/Beyond the Horizon - Short-Termism in Australia.pdf](http://www.bca.com.au/upload/Beyond_the_Horizon_-_Short-Termism_in_Australia.pdf)

⁹ Ai Group & FAPM Study of the Victorian Automotive Components Industry, March 2005

66. The vehicle manufacturers' (hereafter referred to as OEMs) purchasing strategies have had a severe impact on component producers; especially tier two or lower producers. The continuous costs downs are of most concern. Another problematic practice is that OEMs now compare the ex-works (the manufactured price excluding delivery) prices of Australian component producers to the ex-works prices of offshore component manufacturers. The local producers have been told that they must match the ex-works prices of other destinations. The quality and features of the product may be superior in Australia, but the offshore, low cost price benchmarking still occurs and the OEMs are less inclined to pay premiums for local service.
67. Almost 9 in 10 Victorian automotive component manufacturers have been forced to accept lower selling prices. The survey found that the average decline in 2003/04 was 5.5% with an expected further decline in the next two years of 8.4%. For multinationals the price reductions averaged 5.4%, public companies 7.5% and private Australian companies 9.5%.
68. Despite these costs downs, more than 60% of Victorian component manufacturers still lost contracts in 2003/04, AIG estimates this to be in the order of \$250 million - \$300 million.
69. The result of this is that component producers are investing less. The survey revealed spending on new capital equipment by multinational component producers (who constitute a significant share of local production) is budgeted to increase by only 1.7% over the next 2 years:
70. Most companies are primarily looking at domestic growth, as the export markets are considered to be too difficult to compete in. The central strategy of the companies appears to be removing costs from the local process. This is a very shortsighted strategy, that involves the following:
 - i. Improved products. Almost all companies argued that the R&D process was a key strategy for them to maintain their competitiveness. Yet they indicated that R&D investment would continue at roughly the same level.
 - ii. Intellectual property. Licensing production in overseas countries.
 - iii. New customers. Most component manufacturers are not looking at exporting.
 - iv. Diversifying the product range.
 - v. Outsourcing production. 40% of component manufacturers surveyed by KPMG expect to have outsourced some or all of their production processes to lower-cost countries by 2006. This is broken down into 63.6% of Australian public companies, 42.3% of multinational organisations and 30.3% of private companies expecting to do this. The report sees the potential for a reduction in tier two manufacturing as tier one manufacturers increases their outsourcing to overseas. This will also affect the employment levels of the actual tier on companies.
 - vi. Import components. 80% of respondents to the KPMG survey plan to switch to lower cost suppliers of raw materials by 2006.

vii. Free trade agreements. Not surprisingly given the dominance of US multinationals Ford and General Motors, most producers were neutral about the impact of the AUSFTA, but most considered the Thai FTA as a significant threat. Generally they considered FTAs a threat when they are with countries with overcapacity on certain product types, e.g. glass, plastics, textiles, or types of commodity products, or where the country has lower wage structures. Accordingly, most companies perceive FTAs with China, Indonesia and most other South-East Asian nations as threats.

71. The producers surveyed had the following issues regarding suppliers:

- Tier one producers believe that the lower tier suppliers do not have the same efficient approach or understanding of the OEM standards.
- Several tier one producers felt that their suppliers are not sufficiently innovate and do not initiate ideas on how to remove costs.
- The lower tier suppliers believe that the tier one companies are continually requesting rapid and constant cost eliminations.
- Some of the tier one suppliers criticise lower suppliers for not specialising in purely automotive business.
- Supply alliances have been tried and failed.
- The OEMs can be quite disruptive by making changes.
- Some OEMs have no commitment to their volumes, with mid contract price benchmarks being employed.
- Exchange rate fluctuations are worn by the component manufacturers.
- OEMs negotiate fixed prices for three years, the difficulty for the component manufacturers is that the raw materials are globally priced and change constantly, however the OEMs are not willing to accept this cost variance.
- Import competition is increasing with each round of OEM model changes.
- Communication between supplier and customer design groups is an issue.

72. The message imparted from all of this is that unless drastic action is taken significant sections of the industry will be offshored to China.

73. Compounding these issues is the fact that the cash flow within the automotive supply chain is tightening, at the same time there is increasing pressures on suppliers due to their ever-expanding pre-production obligations. There is a trend away from progress payments, where a customer would provide part payment to their supplier at various stages of the manufacturing process. This is creating pressures throughout the supply chain.

74. In the automotive industry globally, the 90/10 rule regarding tooling is increasingly the norm, involving an upfront payment of 10% of the contract value being made by the customer, with the balance of 90% not being paid until the tool is delivered and installed. This replaces the situation where part payments were made throughout the tool manufacture process, including an upfront amount.

75. There is evidence that there was a cross-subsidy occurring between contracts that were subject to progress payment arrangements, and those that were more closely aligned with pay on completion. This is seen to be unsustainable if and when a large proportion of a company's customer base moves to the latter format. This will be further compounded by the concurrence of product development cycles, as is being seen in the Australian automotive industry, which tends to create a convergence around requests for tooling. In other words, as time goes by tooling manufacturers will have to bear the costs and risks associated with new tooling projects alone, with their customer refusing to pay until completion.
76. Toolmakers are claiming that these pressures can not be passed down the supply chain, leading to first tier manufacturers and tooling companies bearing a disproportionately high degree of the cash flow burden at this stage.
77. These supply chain pressures are reducing the long term viability of the components sector. Most component producers are reacting to these pressures by reducing investment, capital expenditure and innovation, instead choosing to compete on costs.

Table 5 - Local content (LC) percentages of domestically produced PMV models

Ford Falcon	85% ¹⁰
Holden Commodore	55% ¹¹
Toyota Camry	79% ¹²
Mitsubishi 380	-

78. The table above highlights the central issue facing component producers – declining local content. The Commodore is due to appear on the market later this year with local content at an all time low. A new Camry model is also due soon and if this has a significantly reduced local content it would not bode well for the components industry.
79. With the exception of Toyota no vehicle assembler is making a serious attempt to integrate local suppliers into their global supply chains. In addition to making no attempt to integrate local component producers into global supply chains, Ford do not have any serious plans to export locally produced vehicles. This is making it much harder for component suppliers to adopt an export orientation and is reinforcing the inclination of component producers to concentrate on the domestic market.
80. The Federation of Automotive Product Manufacturers commissioned international automotive consultancy autoPOLIS to conduct a study into the Australian automotive industry. The main priorities identified by this study were:

¹⁰ Scoular, R., Government Affairs Manager, Ford Motor Company, Hansard: Joint Standing Committee On Treaties, Australia-United States Free Trade Agreement, Wednesday, 21 April 2004, p.14

¹¹ Trounsen, A., "Not from these parts: Oz makers need a local spin", The Australian, p.33

¹² <http://invest.vic.gov.au/News/Case+Studies/Toyota+Australia.htm>

- “The need to change management attitudes within both MVPs (Motor Vehicle Producers) and ACPs (Automotive Component Producers)
- The need to develop a more effective understanding of the wider industry
- The ability to understand and address customer, and customer’s customer, expectations.

Above all, suppliers must take the lead in improving their knowledge of their customers’ concerns and how to respond appropriately to them, based on a thorough understanding of the needs and economics in specific sectors and sub-sectors. By connecting with their customers, suppliers can actively manage their relationships. At present, too few are making this connection.”¹³

81. In his address to the 2005 FAPM convention, FAPM President Grant Anderson said:

“...that the dilemma we face is that Australia will struggle to maintain a viable automotive manufacturing operation without a strong and reasonably complete Australian supply chain:

- *There is no compelling reason to manufacture components here, or source them from here, unless vehicles are also being made here.*
- *Many fear that supply decisions are now being taken that are pushing the local industry towards a “tipping point”.*
- *Clearly the loss of one contract or customer is potentially fatal to some Australian suppliers, and possibly the loss of some suppliers may turn out to be fatal to some sectors of the supply chain.*
- *The perceived danger is that this could include sectors which will turn out to have been necessary to sustaining a thriving local manufacturing capability.”*¹⁴

82. There is grave danger that with local content declining, most component producers will not survive. This has the potential to create a vicious circle of cumulative causation where as OEMs attempt to reduce costs, they favour components from cheaper economies leading to a decline in local content and destroying the components industry that is too domestically focused. The non-viability of local component suppliers then increases the motivation for the foreign owned OEMs to increasingly import product and ultimately cease local production.

83. It is the AMWU’s submission that if the component industry is hollowed out, local vehicle production can not survive in the long term. This would have disastrous impacts on employment and innovation in the country. Without the automotive industry filling the role of leading edge supplier and customer, the levels of innovation are sure to decline in the general economy. Inevitably reducing the international competitiveness of Australian products.

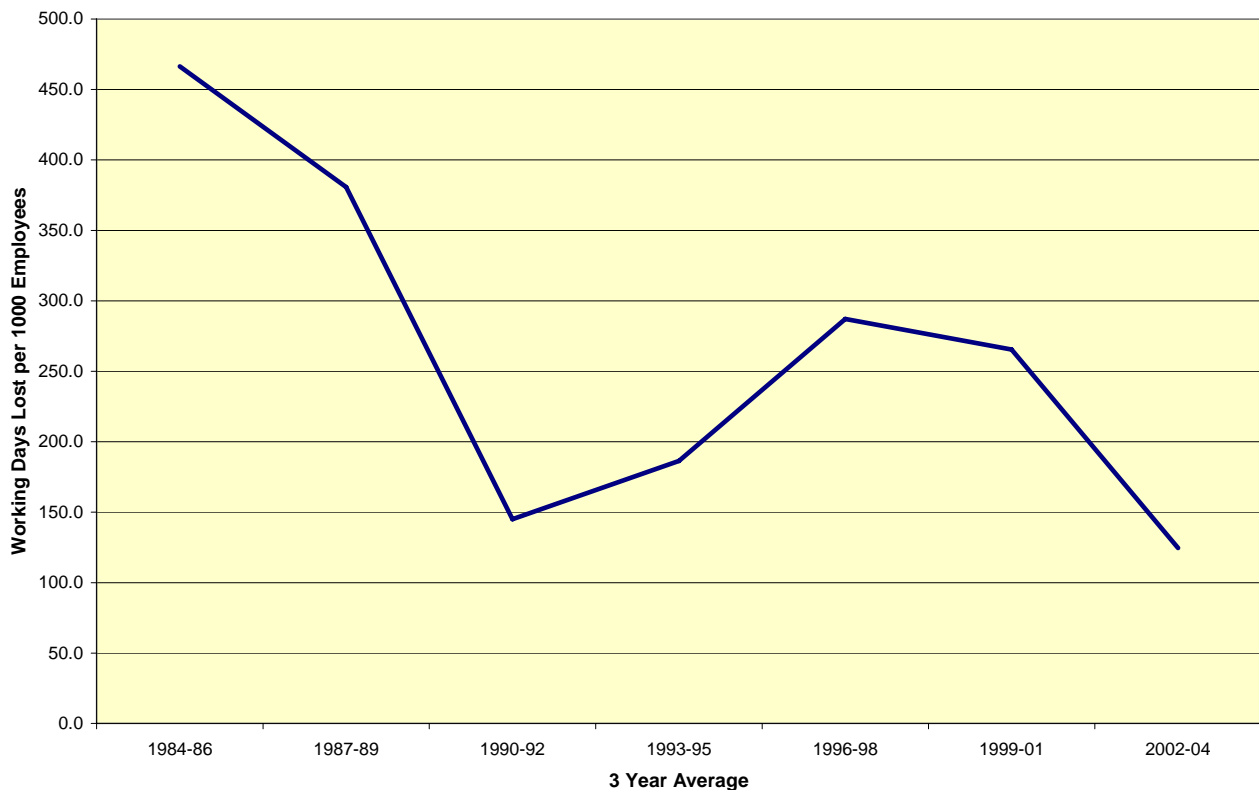
¹³ FAPM, Op.cit, p.15

¹⁴ Ibid., p.19

Industrial Relations

84. Beyond the supply practices of the OEMs, who is to blame for the demise of component producers? Some pundits, including the Federal Government, would have us believe that it is militant workers to blame. Nothing can be further from the truth. As the graph below demonstrates, industrial disputation is at an all time low in this sector. The competitiveness of the industry is not being undermined by industrial disputation, it is the rise of China and cost downs by the vehicle manufacturers that pose far greater challenges to maintaining employment in the automotive component industry.

Working Days Lost(WDL) Per 1000 Employees, Automotive Industry



85. As discussed above FAPM commissioned autoPOLIS to conduct a study into the automotive industry. Priority issues were identified by FAPM, of which industrial relations was not one of them.

86. The only group who seems to rank industrial relations as a first order issue in the automotive industry is the Federal Government. The Commonwealth is bent on imposing its ideological obsession at the cost of neglecting the real issues confronting the automotive industry.

87. To quote FAPM:

“The Federal Minister for Employment and Workplace Relations, The Honourable Kevin Andrews MP, delivered a warning on the need for

industrial relations reform in the automotive sector in his speech at the Annual Dinner of the Federal Chamber of Automotive Industries (FCAI) in Canberra on 8 March 2005.

The speech was covered in the Australian Financial Review (AFR) as 'warning car makers to take a harder line in their industrial relations or put billions of dollars in funding at risk.'

Minister Andrews, together with Industry Minister, Ian Macfarlane, is to provide Federal Cabinet with a report on the progress of workplace reforms in the automotive industry in the second half of this year.

The Minister's Department has undertaken a round of visits to car companies and to certain FAPM members, to establish whether progress is being made against the Government's goal of increasing flexibility and productivity in the auto workplace, through improvements to the IR environment.

As the Minister has said, the Government's ongoing support of the automotive sector through the continuation of ACIS was based on the Government's expectations in this regard being met. It is understood that Federal Cabinet will be reviewing the matter shortly, in the context of the Government's IR reform agenda."¹⁵

88. This sort of pressure on automotive companies is intellectually barren and completely counter productive. Industrial relations is not an issue of any significance in the industry, the current crisis is caused by other factors and cannot and should not be solved by attacking workers and engineering a race to the bottom to compete with China on wages.
89. This ideological approach will fail. For example, the new "WorkChoices" legislation is inconsistent with the objective of supporting skills development in that it removes skill based career paths from the "allowable matters" in Awards.
90. Further, by reducing the role of the AIRC in the making of awards and in agreement making the new IR legislation threatens to undermine a system that has reduced industrial disputes in the industry and has facilitated the introduction of flexible work systems in many work places.
91. The vast majority of available evidence proves that any move to further privilege individual contracts over collective bargaining will reduce productivity and increase distrust between management and the workforce. This will have a deleterious impact upon the automotive industry.

¹⁵ FAPM, Op.cit, p.20

THE HIGH STRESS - LOW TRUST WORKPLACE CULTURE

In 1997 the AMWU conducted a survey of its leading shop stewards/delegates covering 50 workplaces that accounted for around 90% of automotive industry employment. Some 320 survey returns were utilised and their validity and internal consistency validated independently by ACCIRT. Key findings highlighting the existence of a high stress-low trust workplace culture in many parts of the industry included:

- In response to questions about what their workplace would be like in the year 2000 less than 12% of respondents thought that workers will feel more secure about their job. In addition nearly 73% of respondents maintained that the amount of stress workers experience in their job will be greater.
- Almost 60% of respondents believed that fewer people will be employed in their factories while 71% saw a further threat to job security from more contracting out.
- Less than 20% of respondents believed there would be fewer casual workers employed or more young trainees and apprentices employed.
- Less than 20% of respondents thought the relationship between workers and management was good or very good.
- Less than 10% of respondents thought that they or their consultative committees had a lot of influence over the allocation and scheduling of work, how the work is done, the pace at which it is done and how their workplace is, managed.
- Less than 10% of respondents thought workers had a lot of input into determining how new technology was implemented, changes to plant layout changes to team work or new work processes.

This lack of empowerment of workers when combined with high levels of stress, low levels of job security and negative perceptions of management gives rise to what the AMWU terms the high stress - low trust workplace culture.

While employers, unions and workers have been attempting to address these issues our discussions with delegates in 2005 suggests that many problems remain and the threat of industrial relations legislation is likely to intensify this negative culture, and increase disputation and resistance to change.

Measures to Support Skills, Innovation and Investment

92. The AMWU has long agitated for a range of policy initiatives to improve the Australian automotive component industry.
93. The AMWU supports the strategies proposed by the South Australian Government to ensure the long term sustainability of the automotive industry. These are:
- Developing next generation motor vehicles for world markets by expanding Australian automotive involvement in global research, design and development and leveraging Australia's capacity for highly efficient low scale production;
 - Building supplier capability through innovation focussed on value-adding technologies, product and process improvement, developing and commercialising intellectual property;
 - Increasing supplier production volumes through export development.
 - Intensified research and development efforts in relation to alternative fuel sources and technologies, such as hydrogen, ethanol, solar and compressed natural gas;
 - Intelligent transport systems that focus on passenger safety and comfort.¹⁶

Skills

94. According to the National Centre for Vocational Education and Research 265,000 people commenced apprenticeships and traineeships nationally in the year to June 2005. Of these, 41,000 were in manufacturing, but only 1,000 in automotive manufacturing. At 2.4 per cent, this level is considerably lower than the automotive industry's share of manufacturing employment (7.6%).
95. It is the AMWU submission that most of the people who industry will depend upon for skills are already in the workforce. Increasing the skills of existing workers in the automotive industry is essential given the existing skill shortages and the ageing of the manufacturing workforce. The latest ABS data shows that in the ANZSIC industry subdivision 28 - Machinery and Equipment Manufacturing (of which 281 - Motor Vehicle and Part Manufacturing is a group) the percentage of the workforce consisting of 15-24 year olds fell from 18.4% in 1994 to 14.8% in November 2005. Conversely, the share of the workforce aged over 55 increased 7.5% to 9.4%.
96. Urgent action is clearly needed to upgrade skills provision in the automotive industry.

¹⁶ Government of South Australia, Op.cit, p.17

Recommendation 1

The Commonwealth Government must respond to the up-skilling imperative in the automotive industry. To help this response, the Commonwealth should examine the viability of developing a national program modelled on the SA Manufacturing Up-Skilling Program.

Innovation

97. On innovation, the AMWU proposes reforms to the Automotive Competitiveness and Investment Scheme (ACIS). ACIS is the most significant form of government assistance to the automotive sector. ACIS 1 ran from 2001 to 2005, with ACIS 2 running from 2006 to 2010 and ACIS 3 running from 2011 to 2015.
98. Automotive producers had access to \$2 billion capped incentives in ACIS 1, another \$2 billion in ACIS 2 and \$1 billion in ACIS 3. This is in addition to the ACIS uncapped production credits for OEMs. The capped incentives are divided along a 55:45 ratio between Motor Vehicle Producers and component producers.
99. Component producers are able to claim import duty credit equal to 25% of the value of new investment in plant and equipment and 45% of the value of investment in R&D. There is modulation of ACIS credits in order to ensure that the cap is not exceeded. The current modulation rate is 0.50, for example if a components producer invested \$100 000 in new plant they would receive import duties on \$50 000 (i.e. credit of \$12 500 rather than \$25 000).

Recommendation 2

The AMWU recommends that ACIS should be modified to enable component producers to receive the R&D tax concession for eligible activity that does not receive R&D support under ACIS (due to ACIS modulation which only pays on part of the eligible expenditure in order to cap the scheme).

Commitment to Local Suppliers

100. The principle of reciprocity must be introduced into the ACIS scheme. Vehicle assemblers receive billions of dollars under this scheme. There should be a requirement that they integrate their local suppliers into their global supply chains.

Recommendation 3

The AMWU recommends that ACIS should be modified (consistent with any WTO obligations) to require vehicle assemblers to integrate Australian suppliers into their global supply chains.

Component Management

101. While recognising the severe pressures placed on component producers by the OEMs, the AWMU argues that significant changes must be made to the

management practices of component producers themselves if the Australian automotive component industry is to remain competitive.

Recommendation 4

The Commonwealth Government should implement a program to improve management skills and systems in the components industry. An example of which is the South Australian Supplier Improvement.

Alternate Vehicles

102. It is the AMWU's view that additional resources need to be devoted to encouraging the vehicle assemblers to invest in vehicle platforms with greater potential for growth, for example hybrid and other alternate fuel based vehicles.

Recommendation 5

Consideration should be given to modifying the ACIS Stage 2 Motor Vehicle Producer Research & Development Scheme (MVP R&D Scheme). This \$150 million MVP R&D Scheme is designed to stimulate research and development by Australian motor vehicle producers. The scheme should be modified to give greater incentive to more environmentally sustainable products.

103. Programs must be put in place to encourage a similar strategy among component producers:

Recommendation 6

The Commonwealth Government to develop a targeted assistance program to support the automotive component manufacturing industry to intensify research and development efforts in relation to alternative fuel sources and technologies and intelligent transport systems.

Industry Co-Ordination and Worker Participation

104. Thought should be given to generating a new automotive strategy to improve co-ordination, planning, investment and innovation in the industry.

Recommendation 7

The Federal Government must commit to the joining the states, unions and employers in participating in the national manufacturing forum and the national manufacturing study.

105. The Auto Industry Strategic Group formed by the Federal Minister for Industry must include union representation. One of the key reasons for the success of the Button plan was the commitment and active participation of the workforce and their unions in the plan.

Recommendation 8

The Auto Industry Strategic Group include representatives of the union movement, including one representative from the Australian Manufacturing Workers' Union and one representative of the Australian Council of Trade Unions.

Trade

106. Australia's tariff regime and improved competitiveness will need to help sustain as a minimum, a domestic market base of around 250,000 vehicles a year or more for local producers; and the current regime of investment incentives will need to be continued in a manner conducive to supporting the investment required to facilitate export led growth.

Recommendation 9

The Commonwealth Government must not enter into any more free trade agreements. In addition, Australia should oppose any moves to reduce WTO bound tariffs below the tariff rates currently applying to the automotive industry.

Finance

107. The Commonwealth should consider adopting some of the recommendations arising from the "Finance for Growth" report prepared by Deloitte, Touche, Tohmatsu, for the Victorian Government. This report made some well-considered proposals regarding the restructuring of the ACIS scheme so as to maximise the benefit to component producers without increasing the cost of the program. These proposals included:
108. **Altered payment profile of revenue flows from government programs.** Many government programs are structured to have guaranteed payment of benefits to a company over a period of time, for example the ACIS program enables eligible companies to receive an import duty credit against relevant expenditure. This credit is paid to the company over a three year period. If the federal government was to accelerate the payment profile and thereby pay the funds over a shorter timeframe, this would alleviate some of the financing constraints.
109. Advantages of this option are:
- Guaranteed cash flow from the program
 - No financial risk is assume by government
 - Timing advantage as funds received earlier
 - No change to the underlying government program
110. Disadvantages

- Adverse cash flow impact on the Federal Treasury to accelerate cash payments.

111. **Securitise future government program revenue flows.** These medium term revenue streams from government programs also provide a simple financing opportunity where a financial institution could securitise these payments. As an example, ACIS recipients could receive a portion of its future ACIS payments today rather than waiting three years for the complete benefit to be paid.

112. Advantages of this option are:

- Guaranteed cash flow from ACIS expenditure
- No financial risk is assumed by government
- Simple process of discounting a guaranteed future cash flow

113. Disadvantages

- The discount applied by financiers may be punitive.

114. **Guarantees against contracts or purchase orders for research and development costs, which can then be used to secure finance.** There is a growing trend towards ultimate customers paying their suppliers for R&D costs via a per unit basis rather than through upfront payments (e.g. the R&D is included in the piece price of each product supplied to the ultimate customer). This has placed additional financial strain on the suppliers, as they need to finance the R&D costs until they are recouped over the term of the contract. Under this option, the ultimate customer guarantees the suppliers that the R&D costs will be recouped.

115. Advantages of this option are:

- No financial risk is assumed by the financier as a back-to-back guarantee is provided by the ultimate customer.
- A simple process of discounting a future cash flow is involved.

116. Disadvantages

- Financiers may require guarantees from ultimate customers on payments or will reflect credit risk in discount.

117. The following table highlights a securitisation scenario around R&D costs that are being paid by an ultimate customer to a component supplier as part of the piece price.

Table 6 - Options for receipt of revenue for design and development work

	June 06	June 07	June 08	June 09
Option A				
Relevant expenditure	\$30 000			
Production units		40 000	30 000	35 000
R&D costs recouped @ \$0.2		\$8 000	\$6 000	\$7 000
Guaranteed outstanding payment				\$9 000
Option B				
Relevant expenditure	\$30 000			
Securitise R&D costs	\$27 500			

Recommendation 10

118. The Commonwealth consider adopting the options drawn from the *Finance for Growth* report set out above. The financing options proposed above do not change the level of risk and therefore should be pursued.

Conclusion

119. The automotive industry is vital to the long term sustainability of the Australian economy. Its significance will be heightened when the resources boom ends and we are forced to look for more sustainable drivers of export growth, especially ones focussed on elaborately transformed manufactured goods.
120. The automotive industry makes a disproportionate contribution to innovation and trade. It also employs 81,800 Australians; these are jobs that are above average in skills and wages, often in depressed areas.
121. Unfortunately, these jobs and our ability to increase our knowledge intensive exports are under threat by the hollowing out of the automotive component industry.
122. International competition is reducing the viability of the automotive sector, especially the component industry. In 1989-90 total value added in the automotive industry was equal to 85 percent of imports, but by 2002-03 this had fallen to just 25 percent. Local share of the domestic light vehicle market has fallen dramatically in the last 20 years. In 1987 domestic production made up 73% of local sales. In 2004 it was 34% and is expected to be around 30% in 2005¹⁷.
123. Only a handful of local component producers have been successful in exporting significant levels of output, the vast majority are dependant upon the success of locally manufactured vehicles, and this success is limited. This problem is compounded by declining local content in domestically produced vehicles. The new Holden Commodore is reported as having local content of only 55 per cent.

¹⁷ Federation of Automotive Products Manufacturers (FAPM), Annual Report 2004-05, p.8

124. The declining share of domestically produced vehicles, declining local content and the cost downs of the assemblers is leading to a potential crisis point for the automotive components industry.
125. Even the Federation of Automotive Product manufacturers admit that "...many fear that supply decisions are now being taken that are pushing the local industry towards a "tipping point".
126. Industrial relations is not a cause of this crisis. It does not regularly appear at the top of lists of challenges for component producers and the statistics prove that industrial disputes are at an all time low. No credible stakeholder in the industry can or attempts to claim that industrial relations is a first order issue. Unfortunately, the Federal Government is ignoring the real crisis affecting the industry, intent on pursuing ideological attacks on workers.
127. Also of concern is the response of most component producers to the crisis. Unfortunately the response from most component manufacturers has been to adopt the low road and try to reduce costs as much as possible. 40% of component manufacturers surveyed by KPMG expect to have outsourced some or all of their production processes to lower-cost countries by 2006. 80% of respondents to the KPMG survey plan to switch to lower cost suppliers of raw materials by 2006.
128. Even the Federation of Automotive Product manufacturers admit that "...many fear that supply decisions are now being taken that are pushing the local industry towards a "tipping point".
129. The result of this has been a series of factory closures or mass redundancies. The impact of these job losses on the local communities and the workers themselves are severe. A survey of redundant workers, conducted exclusively for the AMWU, found the following results:
 - The unemployment rate amongst these people up to 6 months after they were made redundant is 48.2%.
 - Only 41.4% of the workers who had managed to find jobs were able to secure employment in the manufacturing sector.
 - 31% of the workers who found jobs had to accept casual jobs.
 - Of those lucky enough to find employment, 89.7% suffered a reduction in wages with the average reduction being 28.3%.
 - Exactly half of those who were made redundant believe that their long term financial security has suffered significantly from this redundancy.
130. In other words, high skill-high wage manufacturing jobs once lost are extremely hard to replace. This is the ultimate price Australia will pay if we allow the automotive component industry to disappear.
131. To avoid this fate, the AMWU has put forward 10 recommendations that set out concrete policy actions that can support the viability of the automotive sector. These recommendations address areas such as skills, the Automotive Competitiveness and Investment Scheme, management practices, alternate fuels

and environmentally friendly vehicles, a national manufacturing forum, worker representation, trade and finance. It is our submission that implementing these recommendations will go some way to supporting this vital industry.

132. The AMWU would like to thank the House Of Representatives Employment, Workplace Relations and Workforce Participation Committee for the opportunity to make this submission. The AMWU would value any further opportunities for consultation with respect to this inquiry.