



**SUBMISSION**

# **Creating a Modern Industry Policy for South Australia**

**15 March 2019**

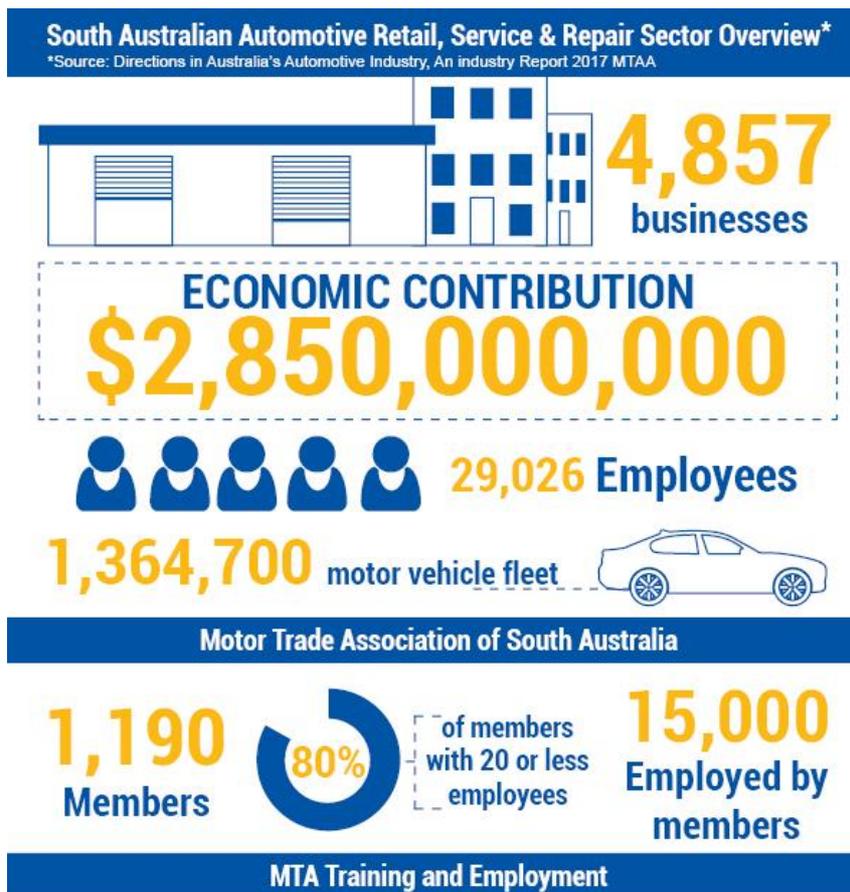
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## 2. About Us

The Motor Trade Association of South Australia is the only employer organisation representing the interests of automotive retail, service and repair businesses in the state.

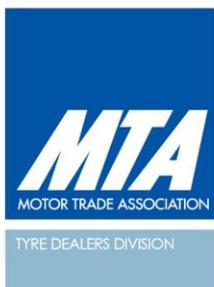
The MTA Training and Employment Centre comprises of both our Registered Training and Group Training Organisations. It is the automotive industry's training provider of choice and is the largest employer of automotive apprentices in South Australia.



We currently have  
over **800** apprentices  
in training

We also directly employ  
**500** apprentices  
through **240** host businesses

# DIVISIONS



### 3. Executive Summary

The MTA supports the State Government's decision to modernise South Australian industry policy in South Australia.

However, while the proposed approaches to seek increased levels of foreign direct investment into South Australia are valuable, we caution that this should not be the sole measure of success of industry policy. Rather, we believe that fostering linkages between global early adopters and current local businesses offers the best opportunity to modernise the whole of the South Australian economy and support its sustained growth.

This multi-layered approach relies on a three step process that seeks to support businesses through the lowering of business costs, promotes existing skill clusters and connecting them with global innovators to lift the productive capacity of all businesses, not just those perceived as 'winners'.

The MTA also wishes to state categorically that the automotive industry continues to not only be a major driver of economic activity and employment both in South Australia and nationally, but is also at the forefront of innovative products and processes which are enhancing the consumer experience every day.

The risk of not supporting both increased global business interest in South Australia as well as current local companies is that the any new industries that are developed will either leave South Australia in the medium to long term because there are more competitive business environments elsewhere, or local industry will not have the skills necessary to act as an active contributor to the success of new industries.

We also consider that an industry policy focussed on global businesses anchored in South Australia and start up business risks cannibalising economic resources such as people and capital, rather than providing for an expansion of those finite resources.

## 4. Key Recommendations

The MTA makes the following recommendations to develop a modern industry policy for South Australia:

### **Recommendation 1:**

Industry Policy be constructed to ensure that the sustainment of local businesses, particularly those who can leverage innovation, are valued as highly as new market entrants by the State.

### **Recommendation 2:**

Promoting opportunities for local collaboration with foreign direct investment in South Australia supported by greater levels interaction with industry bodies that can leverage existing networks;

### **Recommendation 3:**

Support, promote and close to enhance the prosperity by:

- Building upon existing businesses and innovation through lower business costs and recognising the value of local economic contributors;
- Promoting opportunities for local collaboration with foreign direct investment in South Australia; and
- Developing a 'closer' mindset that seeks to take advantage of change and innovation by cementing local solutions developed and trialled within South Australia.

## 5. A strong local foundation

***Recommendation 1:***

***Industry Policy be constructed to ensure that the sustainment of local businesses, particularly those who can leverage innovation, are valued as highly as new market entrants by the State.***

The MTA considers that a strong local foundation in terms of industry policy is crucial to the continued growth and prosperity of South Australia.

In developing a modern industry policy, the MTA has been a long standing advocate for a renewed focus on the sustainability of businesses already in operation.

The automotive industry is uniquely qualified to speak to the importance of building and sustaining local businesses, following the high profile closure of mass vehicle manufacturing in Australia.

Public commentary around this issue described the automotive/car industry as gone or dead. This view, which is still prevalent in some quarters, is not supported by the facts. The *Automotive Directions* industry environmental Scan 2017<sup>1</sup> highlights that more than 68,000 automotive business continue to operate in Australia, with more than 4,800 in South Australia alone. These businesses employ in excess of 364,000 people, including nearly 30,000 South Australians.

However, the perception that manufacturing represented the entire automotive industry distorted government approaches to industry policy. These approaches placed a premium on assisting business all along the supply chain to exit the industry, rather than finding opportunities for them to take advantage of innovation and technology to transform their businesses.

Since the closure of mass vehicle manufacturing, the MTA is aware of businesses independently undertaking transformative steps to enhance their local competitiveness and increase their export capability. These has been achieved through the adoption of adaptive and bespoke manufacturing techniques being integrated into their existing business models.

However, the linkages required to achieve this transformation has not been facilitated by modern industry policy settings.

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<sup>1</sup> *Directions in Australia's Automotive Industry*, Victorian Automotive Chamber of Commerce, 2017

The MTA has submitted proposals on behalf of industry to facilitate innovation hubs for the automotive sector that aim to drive new opportunities and employment without success. Partly these have been in response to rapid changes within the industry, and partly these proposals have been made in order to leverage the existing local knowledge and skills base.

## 6. A global outlook

### ***Recommendation 2:***

***Utilise the benefits of global business attraction to expand the skills and capabilities of all South Australian business, rather than replacing one industry with another.***

Government has highlighted the concept of creating a globally focussed economy, which is believed to be of greater value than the sustainment of locally facing businesses.<sup>2</sup>

The MTA urges caution in regards to placing too much weight on a single approach to expanding the economy.

We accept that a 'stepped approach', whereby large gains in economic capacity and growth are made in single steps, driven by attracting international companies and start-ups businesses to South Australia, has a place. However, by focussing on this solely, and ignoring the gains to be had from an incremental approach, is to ignore the risk of cannibalisation of finite resources, including workforce participants.

We contend that the cost of doing business, and the lack of supporting workforce and physical resources, plays a far more significant role in attracting new businesses to South Australia than the reputation or branding of South Australia, than is commonly thought to be the case.

We further contend that using a new 'winning' company or industry, as an exclusive industry policy, is fraught with risk. For example, consider the implications of government gearing industry policy towards the supporting of the mining sector's workforce needs, to the exclusion of existing industries. Not only would businesses such as heavy vehicle repairers suffer from the loss of mechanics in that industry as they move to mining, but mining itself would suffer from the subsequent unavailability of workers through the training

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<sup>2</sup> *Creating a Modern Industry Policy for South Australia*, Department of Industry and Skills, 2019, p 6.

pipeline as a result of unrealistic wage expectations, as well as the lack of support industries to build, maintain and repair their equipment.

The MTA considers that an industry policy which uses a stepped approach centred around global and start-up companies to pull current businesses to a new level of innovative and technological sophistication incrementally provides the greatest opportunity to increase the skills base and capacity of the South Australian economy.

## 7. Prosperous businesses

### *Recommendation 3:*

#### *Support, promote and close to enhance the prosperity by:*

- *Building upon existing businesses and innovation through lower business costs and recognising the value of local economic contributors;*
- *Promoting opportunities for local collaboration with foreign direct investment in South Australia supported by greater levels interaction with industry bodies that can leverage existing networks;*
- *Developing a 'closer; mindset that seeks to take advantage of change and innovation rather than preventing it.*

As described above, the MTA is a strong advocate for not only new economic opportunities but also the sustainment of valuable local companies.

Rapid economic expansion could be compromised if new and existing businesses do not feel supported by industry policy.

This view is evidenced both by the latest Bank SA Business Confidence Survey which finds<sup>3</sup>:

*"... local business owners and managers reported greater optimism about their own business situation, and a perception that small business activity is picking up in South Australia.*

*Businesses are, however, indicating they'll take a 'wait and see' approach in some areas, with reduced intention to create additional employment in the immediate future, and less confidence about whether the climate for doing business would continue to improve over the coming 12 months."*

It is further evidence by the Australia and New Zealand Driverless Vehicle Initiative moving its operations from Adelaide to Sydney.<sup>4</sup> Public reporting of this move highlights the '*...deceleration in this field in SA...*'<sup>5</sup>

The MTA considers the early and late adoption of technology and innovative practices is best enacted through a three step process which entails:

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<sup>3</sup> *Business sentiment holds near eight-year high but purse strings tighten as consumer confidence falls*, Media Release, Bank SA, 14 March 2019.

<sup>4</sup> *Wheels falling off as driverless car hub shifts to east-coast "mecca"*, InDaily, 12 March 2019.

<sup>5</sup> *Wheels falling off as driverless car hub shifts to east-coast "mecca"*, InDaily, 12 March 2019.



### *Support*

Develop industry policy that builds upon existing businesses and innovation through lower business costs and recognising the value of local economic contributors. This is best achieved through the use of industry associations and peak bodies who have the networks and supporting infrastructure to support businesses.

### *Promote*

Industry policy should work to promote the strength of existing businesses as a basis for global exports as well as the opportunities for local collaboration with foreign direct investment in South Australia. This is best achieved through the use of industry associations and peak bodies who have the networks and supporting infrastructure to promote these opportunities to businesses.

### *Close*

The efficacy of the first two steps will be significantly enhanced if government agencies develop a 'closer' mindset that seeks to take advantage of change and innovation by cementing local solutions developed and trialled within South Australia.

The cumulative effect of these steps should support a growing and more resilient South Australian economy and further job creation.

## **8. Next Steps**

The MTA is available to provide further information in relation to this submission and to clarify any aspect of it.

This includes meeting with agency representatives and facilitating further consultations with industry on proposed changes.

## **9. Submission Contact**

For further information relating to this submission please contact:

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