



Australian Government

# HOW THE GM HOLDEN INVESTMENT WILL BENEFIT AUSTRALIA: FACT SHEET

## Introduction

The Australian, South Australian and Victorian Governments are contributing \$275 million as a strategic co-investment with GM Holden. This will be part of an investment worth in excess of \$1 billion by GM Holden in automotive manufacturing in Australia.

This money is not a hand-out. It is an investment in skilled design, engineering and manufacturing jobs and Australia's automotive manufacturing capability. It will deliver economic, innovation, social and environmental benefits to Australia.

GM Holden has indicated that without this investment its Australian vehicle manufacturing operations would be closed. This would see 12,000 jobs lost, at GM Holden and in the wider automotive component and supplier sectors.

Requests for Australian Government co-investment by motor vehicle producers are evaluated against a rigorous set of merit assessment criteria. This ensures co-investments enhance Australia's full range of automotive capabilities (from design to manufacture), build new business opportunities for the motor vehicle producers and their suppliers and generate economic benefits for firms, the industry and the nation.

## The benefits — in a nutshell

The Australian economy is undergoing a transformation and our high-skill and high-value industries will be at the centre of that transformation. The automotive industry is a cornerstone of advanced manufacturing in Australia, directly employing 55,500 workers and supporting a further 200,000 jobs.

The GM Holden co-investment will deliver economic, environmental and innovation benefits. This is a strategic co-investment that will:

- Allow GM Holden to build two world-class, next generation new cars in Australia;
- Ensure GM Holden continues domestic car-making until at least 2022;
- Retain thousands of manufacturing jobs, especially in areas like Adelaide's northern suburbs and regional areas where auto component makers are based;
- Keep vital knowledge-intensive innovation, design and engineering capability in Australia;
- Allow GM Holden to alter its purchasing strategy to provide more long-term certainty to local auto component manufacturers;
- Help local auto component manufacturers improve their competitiveness, obtain greater access to global supply chains, and diversify their business into new non-auto markets in Australia;
- Bring new fuel-saving technologies to Australia, and;
- Build more environmentally-friendly vehicles.

A recent study commissioned by the South Australian Government from the University of Adelaide's Dr Barry Burgan found closure of GM Holden would reduce economic activity in South Australia by up to \$1.5 billion a year. Closure of GM Holden would also have a negative impact on the Victorian economy because many Victorian automotive component producers supply parts to GM Holden and the company undertakes its design and engineering functions in Melbourne. Further, closure of GM Holden would lead to job losses for around 12,000 people. This strategic co-investment avoids the dislocation that would come from plant closures and job losses on this scale.

# The benefits — in detail

As noted above, the Australian Government evaluates requests for co-investments by motor vehicle producers (MVPs) against a set of merit assessment criteria. The following table sets out these criteria and how they are addressed by the GM Holden co-investment.

Merit assessment criteria	Holden proposal
<b>1. The project will not occur in Australia without government funding assistance including the financial contribution made by state governments:</b>	Yes. GM Holden has stated this publicly.
1.1 The government funding assistance will supplement co-investment by the company; and	The combined Government funding of \$275 million will leverage in excess of \$1 billion in total investment.
1.2 The government funding assistance will not crowd out private investment.	The Government funding is complementing the private investment by GM Holden. There is no crowding out — to the contrary, without the Government investment, the private investment would not be made.
<b>2. The proposal will contribute to the viability and sustainability of the company and an internationally-competitive Australian automotive industry, including:</b>	
2.1 Improving financial viability and sustainability of the company;	Without this co-investment GM Holden would stop manufacturing vehicles in Australia by 2016.
2.2 Contributing to the medium-term sustainability of the automotive industry; and	The co-investment ensures GM Holden will continue producing vehicles in Australia until at least 2022. As GM Holden constitutes in excess of 40 per cent of local automotive output, its continuing presence is a key driver of the medium-term sustainability of the entire automotive industry.
2.3 Improving international competitiveness of the automotive industry.	The use of global platform vehicles and lower per unit design and engineering costs will enable GM Holden to explore future export opportunities. It will also provide greater opportunities for Australian automotive component producers to win work in global supply chains.

**3. The proposal will retain and strengthen Australian capabilities in automotive design, engineering and manufacture, including:**

Yes. GM Holden will retain manufacturing and design and engineering capabilities in Australia. The investment will retain high-tech skills and knowledge-intensive capabilities. This will strengthen Australia's ability to innovate in auto design, engineering and manufacturing.

3.1 Enhancement of design and engineering services for use in global platforms;

The investment will maintain GM Holden's vital capacity to design and engineer vehicles. This capability will be used to "localise" the next generation platforms for the Australian market. It also means GM Holden will be able to continue to undertake major design and engineering development programs for other GM organisations globally. The manufacture of vehicles is critical to sustaining this capability and building a positive business case for retaining design and engineering functions in Australia.

3.2 Enhancement of design and engineering services and increased production of components and parts by the supply chain, especially those components and parts used in global platforms manufactured in Australia; and

Holden will manufacture two next generation vehicles in Australia, requiring production of components by its domestic supply chain. The competitiveness of the supply chain will be enhanced by helping component makers gain access to global platforms and supply chains.

3.3 Increased integration of Australian firms in the global supply chains of the MVPs.

Holden will establish a working group to examine opportunities for integration of its Australian suppliers into the GM global network.

**4. The proposal is likely to generate economic benefits through:**

4.1 Employment;

Thousands of jobs will be retained.

4.2 Investment in plant and equipment and research and development;

Holden's investment will include new tooling and equipment and support for design and engineering.

4.3 Exports;

There will be potential for GM Holden to export the new vehicles, although the exchange rate is a key factor in export competitiveness.

4.4 Flow-on benefits to other automotive industry firms including increases in domestic production;

The investment by GM Holden will leverage investment within the supply chain and help the supply chain retain design and engineering and research and development capabilities.

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| 4.5 | Flow-on benefits to other industries;  | Industries that provide inputs to the automotive industry will benefit. These industries include: steel, non-ferrous metals, polymer products, other fabricated metal products, specialised and other equipment manufacturing, structural metal products, glass, chemicals and plastics.                    |
| 4.6 | Benefits to regions in Australia, particularly those with high unemployment; and | The northern Adelaide statistical local area of Playford, where GM Holden's vehicle assembly operations are located, has an unemployment rate of 14.2 per cent ( <i>DEEWR Small Area Labour Markets, December 2011</i> ). Employment in automotive component manufacturing is also regionally concentrated. |
| 4.7 | No adverse impact on competition within the industry.                            | The proposal will not have any adverse impact on competition within the automotive industry. The car market in Australia is highly competitive, with local producers facing strong competition from imported vehicles.  |

**5. The proposal will support innovation in the company and the industry, including:**

Yes. The proposal ensures GM Holden's design and engineering capability is retained, supporting innovation.

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| 5.1 | The uptake of new innovations and technologies by the firm, industry, nation or the world;                            | Amongst other innovations, GM Holden will introduce new fuel-saving technologies and more efficient engine, transmission and drive systems on the new vehicles to be manufactured in Australia.  |
| 5.2 | The introduction of new technologies in areas identified in the <i>Automotive Australia 2020 Technology Roadmap</i> ; | Holden will introduce new fuel-saving technologies on the next generation vehicles to be manufactured in Australia.  |
| 5.3 | The flow-on or spill-over benefits from the innovation or technology to the domestic supply chain; and                | Studies of the Australian automotive industry carried out for the Bracks review found a large amount of technology spill-over benefits through the transfer of competencies and capability development from motor vehicle producers to suppliers. Further, the Bracks review found considerable technology spill-overs from the automotive industry to other sectors of the economy. |
| 5.4 | The environmental benefits of the innovation or new technology.   | The new vehicles to be manufactured in Australia will have lower greenhouse gas emissions per kilometre driven.  |