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Commercial Law e-alert

Automotive Transformation Scheme

Further to our previous notifications on the progress of the Federal Government's automotive policy "A New Car Plan for a Greener Future", the *ACIS Administration Amendment Bill 2009* ("ACIS Amendment Bill") was passed on 14 September 2009 and the *Automotive Transformation Scheme Bill 2009* ("ATS Bill") was passed on 16 September 2009.

These Bills establish the framework for the Automotive Transformation Scheme ("ATS") which will replace the Automotive Competitiveness and Investment Scheme ("ACIS") as the major support program for the Australian automotive industry.

The ATS will be rolled out in two stages. Stage one runs from 1 January 2011 and ends on 31 December 2015 and replaces ACIS stage three. Stage two runs from 1 January 2016 and ends on 31 December 2020.

It will operate by way of grant rather than by way of a duty credit. This will have an important cash flow impact for those involved in the industry and place a premium in ensuring that applications for funding are made in advance and totally comply with the Government's requirements.

Two types of assistance are provided for under the ATS:

1. Capped assistance, which subject to certain qualifications, may not exceed a total of \$300M in one year and is available to:
 - registered motor vehicle producers for the production of motor vehicles, and investment in research and development and plant and equipment
 - registered automotive supply chain participants for investment in research and development and plant and equipment
2. Uncapped assistance which enables claims of up to a maximum of 15% for investment in plant and equipment and is available to:
 - participants registered as motor vehicle producers for the production of approved motor vehicles, engines and engine components as to 55%
 - registered automotive supply chain participants as to 45%

The previous ACIS loading has been abolished and those parties in the supply chain can claim 50% of investment in approved research and development (up from 45%), however, there is no funding for recruitment and management expenditure.

Total funding for uncapped assistance is approximately \$850M for the period from 2011 to 2020.

Looking Ahead

All parties seeking to make a claim under the ATS will need to demonstrate progress towards environmental outcomes and a commitment to developing capabilities and skills in the workforce.

The transition from the ACIS scheme to the new ATS will need to be properly timed and costed given that there will no longer be duty credits available through ACIS and that funding will only be provided by grants. This will have a potential cash flow impact on those importing goods to assist with their automotive industry activities.

The ATS Bill is structured so that the administrative details of the ATS are to be dealt with in the regulations. This means that many questions about the operation of the ATS will remain unanswered until the regulations are released.

Hunt & Hunt will provide more details as they become available.

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