

South Australia

# Automotive Supplier Diversification Program

## Interim Guidelines

June 2014

**Any queries relating to the ASDP may be directed to:**  
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Important Notice: Nothing in this document creates any legal right or expectation with any applicant. This document does not constitute an offer capable of acceptance nor any representation that any applicant will be approved for and receive a grant.



Government of  
South Australia

# INTRODUCTION

The South Australian Government is committed to working with industry to address the challenges facing manufacturing, manufacturing businesses and the thousands of workers whose livelihoods and security depend on manufacturing jobs.

In particular, the decisions by General Motors, Ford and Toyota to close their Australian automotive manufacturing operations by 2017 have prompted the government to take quick and decisive action to support businesses and workers affected by these closures.

The Automotive Supplier Diversification Program (ASDP) is part of this support. It will identify and boost the manufacturing capabilities necessary for South Australia's economic growth and support business and workforce diversification into non-automotive sectors.

Eligible South Australian automotive supply chain companies can apply for ASDP funding, based on the guidelines in this document.

# OVERVIEW OF THE AUTOMOTIVE SUPPLIER DIVERSIFICATION PROGRAM

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On 21 January 2014, the South Australian Government announced the Automotive Supplier Diversification Program (ASDP), an \$11.65 million initiative to assist those automotive suppliers affected by GM Holden's announcement that it will cease its vehicle and engine manufacturing and significantly reduce its engineering operations in Australia by the end of 2017. Funding over the five financial years from 2013-14 to 2017-18 will be provided to support eligible companies operating within the automotive supply chain to successfully diversify and secure alternate revenue streams to drive sustainable growth, long term employment and potential for export revenues.

The ASDP has been specifically designed to provide a unique package of support to firms operating in the automotive supply chain to ensure they are provided with timely and relevant assistance based on their unique circumstances. Features of the ASDP, include:

- Flexibility in the assistance package based on the individual circumstances of each firm;
- Support for a wide range of activities related to diversification and securing alternate revenue streams, including but not limited to:
  - Diversification strategy development and associated business models;
  - Mentoring;
  - Business development;
  - Capability development;
  - Management and workforce up-skilling; and
  - Re-tooling

- Ongoing targeted support for firms including mentoring, rather than once-off transactional intervention.
- Quick decision making processes guided by the Automotive Transformation Coordinator (as required).

The ASDP is made up of two interrelated and complementary elements:

1. Automotive Supplier Capability and Competitiveness (ASCC), a \$7 million program that funds services and mentoring provided by contracted specialists relating to business improvement, capability development, business development and research service provider(s). These services will provide ongoing support to firms to assess core capabilities, identify constraints to growth, assess capability gaps, develop and implement diversification strategies, develop new markets and capabilities and apply capabilities in new ways; and
2. Re-tooling for Diversification, a \$4.65 million merit based program that provides direct funding support to assist companies re-tool to implement their diversification strategies.

The ASDP will be delivered by the Automotive Transformation Task Force in the newly established Department of State Development (from 1 July 2014).

The ASDP will operate as follows:

1. Firms register their interest in receiving support under the ASDP with the Department of State Development.
2. The Program Manager and/or a Department of State Development Agent conduct an initial interview and business review to understand the firm's individual circumstances.
3. The Program Manager determines the firm's eligibility for support under the ASDP and, based on the review, makes recommendations to the ASDP Panel regarding:
  - a. Firm eligibility;
  - b. An appropriate package of support under the ASDP that may include direct access to ASDP funding for specific diversification activities, including market research, business development, mentoring and re-tooling; or a further detailed review and assistance to develop a diversification strategy;
  - c. Alternate appropriate programs or assistance, such as Manufacturing Works programs or worker support and retraining; and
  - d. Linkages to other Commonwealth or State assistance options including workforce retraining.

## PROGRAM OBJECTIVE

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The object of the Automotive Supplier Diversification Program (ASDP) is to support automotive supplier firms to successfully diversify and secure alternate revenue streams, to:

- Retain and build on key manufacturing capabilities and skills currently residing in firms operating within the automotive supply chain by helping companies apply their capabilities and develop new capabilities in alternate industry sectors;
- Encourage and support innovation within manufacturing firms through identifying and supporting the development of new capabilities, new markets and new customer offerings;
- Increase the competitiveness and profitability of firms that operate within the automotive supply chain;
- Upskill management and the workforce to effectively apply new and existing capabilities to new opportunities;
- Create and retain manufacturing employment;
- Increase potential for exports, by increasing the global relevance of firms; and
- Provide a focal point to ensure that our automotive component suppliers receive the appropriate information and advice to assist their transition and/or exit from the industry.

The ASDP is a merit based program. The program will run over five financial years from 2013-14 to 2017-18.

The purpose of these guidelines is to establish and set out the framework for the ASDP, including the eligibility criteria and merit criteria, the application process and the grant management process.

## FIRM ELIGIBILITY

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To be eligible to apply for assistance under the ASDP, an applicant must:

- Be a financially viable Australian manufacturing business, currently participating in the automotive supply chain, or have significant business activity aligned with the objectives of the ASDP, with operations in South Australia;
- Have been in operation for longer than 12 months and be able to enter a legally binding funding agreement with the South Australian Government;
- Demonstrate that it has finance available or access to finance to successfully implement its diversification strategies;
- Be willing to provide 'open book' access to information and data on the company's operations, including financial information as required;
- Be prepared to commit to Senior Executive or Board level engagement; and
- Commit to contributing a minimum of 50 per cent of eligible project costs (exclusive of in-kind contributions) from non-government funding.

In addition, to be eligible for a grant under Re-tooling for Diversification, an applicant must demonstrate that it:

- Has undertaken and completed an arm's length business review that has resulted in the development of a diversification implementation plan; and
- Has access to, or the beneficial use of any intellectual property necessary to carry out and commercialise opportunities.

Automotive supply chain companies unfamiliar with business improvement, capability development, business development or research and development service providers and who are interested in receiving such services, can register with the State Government. An approach to a potential service provider can be facilitated.

## MERIT CRITERIA

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Applications for an ASDP grant will be assessed against the following criteria:

### **Automotive Supplier Capability and Competitiveness**

- The capacity and capability, including financial capacity and management capability of the firm to successfully diversify and secure alternate revenue streams to drive sustainable growth, long term employment and potential for export revenue;
- The quality of the methodology proposed to develop and implement the diversification strategy, or alternatively the quality of the existing diversification strategy;
- The capacity and capability of the nominated service provider(s) to deliver business improvement, capability development, business development and research and development support services, including experience developing and implementing effective manufacturing diversification strategies;
- Evidence that the funding sought will deliver activities that are in addition to what would have otherwise occurred;
- The project contributes to the strategic objectives of the ASDP, including successful diversification of the firm, securing alternate revenue streams, sustainable growth, long term employment and potential for export revenues; and
- The projected benefits to the South Australian economy, including the contribution of the proposed activities to the diversification of the South Australian economy; and the extent of innovation, including new technology and new business models.

### **Re-tooling for Diversification**

- The project is technologically feasible;
- The applicant possesses, or can reasonably be expected to secure, the requisite technological and managerial capabilities, and financial resources, to achieve the stated objectives of the project;
- The contribution of the project to the economic sustainability of the applicant and the broader economy;
- nature and degree of strategic technology innovation and/or excellence that is new to South Australia; and
- advancement of industrial know-how by adopting international best practices to South Australia.

The Assessment Panel may take into account other aspects of the proposal it regards as relevant when assessing applications.

## GRANTS UNDER THE PROGRAM

### Amounts

A grant or grants under the Program must be for not more than \$500,000 per company.

The ASDP will contribute up to one dollar for every dollar contributed by a grantee on eligible expenditure:

### Duration

A grant is to relate to expenditure incurred over a maximum of three years duration commencing on the start date.

The total amount of grants made under the Program over the period of operation of the program must not exceed \$11.65 million.

### Taxation

Grant amounts are to be GST exclusive

## ELIGIBLE ACTIVITIES

### Automotive Supplier Capability and Competitiveness

A project under the ASCC Program will include any or all of the following activities:

- Financial, strategic and operational review and analysis of individual automotive supply firms to identify firms' financial position and company structure; identify core capabilities that can be matched to new technologies, joint ventures and/or other partnerships and collaborations; identify target market opportunities; and understand constraints to growth;
- Identifying and analysing gaps in individual supply chain firms' capabilities and as a cohort of automotive suppliers;
- Developing and implementing business improvement or business development strategies to close specific gaps and accelerate automotive suppliers' diversification and growth. This may include, but is not limited to:
  - Business model innovation
  - Strategic planning (including diversification planning);
  - Capability matching (technology, research, other organisations);
  - Research and development activities;
  - Proof of concept, early stage commercialisation and pre-production development activities;
  - Mentoring and coaching;
  - Business development support;
  - Investment planning; and
  - Plant consolidation, performance improvement.

- Developing managerial and leadership capability of automotive supply firms;
- Workforce re-skilling and training; and
- Developing process and operational capability of automotive supply firms.

### Re-tooling for Diversification

Eligible activities under Re-tooling for Diversification include:

- Development of new production methods and process technologies, including advanced manufacturing capabilities;
- New, expanded or consolidation of facilities to produce new products;
- Investments in new manufacturing processes;
- Introduction of new manufacturing technologies to substantially increase productivity, efficiency and competitiveness, expand new product offerings and enter new markets.

All business improvement, capability development, business development and research activities will be conducted with a view to assist firms to diversify and secure alternate revenue streams to drive sustainable growth, long term employment and potential for export revenues.

## ELIGIBLE EXPENDITURE

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Expenditure directly related to an eligible activity may be eligible for grant funding and include:

### Automotive Supplier Capability and Competitiveness

- Payments to advisers, consultants, training organisations, research providers and other service providers for business improvement, capability development, business development, mentoring and research and development work undertaken with automotive supply chain companies to achieve the objectives of the ASDP;
- Payment of salaries relating to dedicated Business Development activities
- Other costs associated with preparing relevant materials, training and other guidance in support of the objectives of the ADP; and
- Administration and overheads directly arising from the execution of the approved Implementation Plan.

### Re-tooling for Diversification

- Labour;
- Contractors and/or professional services
- Manufacturing machinery and equipment
- Tooling;
- Costs of training directly relating to new capital items.

An ADP grant will only cover expenditure incurred on or after the start date and on or before the completion date.

Retrospective Funding is not offered under the ASDP. Project expenditure incurred prior to the offer of a grant will not be supported by the ASDP.

## INELIGIBLE EXPENDITURE

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The following activities and items are not eligible expenditures:

- Routine or seasonal marketing costs; and
- Routine accounting costs, including the costs of audit certificates; and
- Routine rental costs and expenses; and
- Routine utility costs; and
- Routine training costs; and
- Travel expenses not directly related to the ASDP activities.

## APPLYING FOR ASSISTANCE

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Applications will be continuously assessed throughout the year with outcomes notified within four weeks of lodgement.

Applicants must register their interest in receiving support through the ASDP application on the DMITRE form. Any queries relating to the ASDP may be directed to:

### Mr Daniel Nycz

Manager – Automotive Business  
Diversification  
Automotive Transformation Task Force  
Phone: (08) 8303 2947

or

email: [daniel.nycz@sa.gov.au](mailto:daniel.nycz@sa.gov.au)

On receipt of an expression of interest, the Program Manager and/or Agent will arrange an initial business review with the applicant to assess the applicant's eligibility and determine the appropriate program pathway.

The following information is indicative of what might be sought in a typical application and review process:

- The applicant's name, corporate information (eg address, ABN, ownership), financial status and percentage of revenue derived from automotive; and
- Business and financial plans, including cash flows and sources and amounts of investment to be provided by the applicant; and
- Information about the service provider (if known), including experience, role, contribution and capabilities in developing and implementing effective manufacturing diversification strategies; and/or
- Evidence of existing strategies and plans relating to diversification/business improvement; and
- Benefits of the diversification activities in achieving the objectives of the ASDP; and
- The economic benefits, including the broadened customer and product based both domestically and internationally; and
- The amount of ASDP assistance sought.

## APPLICATION ASSESSMENT

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Eligible applications for ASDP grant funding will be assessed on a competitive basis relative to the merit of other applications received against the program merit criteria. Applications deemed ineligible will not be assessed.

The eligibility of an application must be determined by the Program Manager.

An applicant is to be advised in writing whether their application is eligible and to be assessed by the ASDP Assessment Panel, or ineligible and not to be assessed.

The ASDP Assessment Panel is chaired by the Chairman of the Automotive Transformation Taskforce (Mr Greg Combet AM) and consists of representatives from the Department of State Development and other industry representative(s) as approved by the Minister for Automotive Transformation.

The Assessment Panel is to:

- Assess all recommendation reports prepared by the Program Manager following from the business review and/or diversification implementation plans
- Make recommendations to the Minister regarding the value of a grant, which may be less than the amount originally sought by the applicant.

The Minister, on delegated authority from the Minister for Automotive Transformation shall approve grants up to \$500,000 to eligible companies for nominated projects.

During the assessment process, the Program Manager and the ASDP Assessment Panel may:

- Contact an applicant in relation to their application and seek additional information to assist the assessment process; and
- Seek additional expertise in evaluating the merits of an application.

Companies that are not deemed eligible or that do not meet the criteria may be referred to alternative South Australian or Commonwealth Government programs and initiatives, including *Manufacturing Works* programs.

## THE DECISION PROCESS

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The Department of State Development is to make grant offers to applicants on behalf of the Minister taking into account:

- The ASDP Assessment Panel's merit assessment; and
- Commitments of program funds in the current and future financial years; and
- Program funds currently available; and
- Whether the application can be accommodated within the Program funding for the financial years to which it relates.

The Program Manager must advise eligible applicants in writing of the outcome of the assessment of their application.

A decision of the Minister or Minister's Representative to award or not to award a grant is final.

## ASDP GRANT MONEY AND PROGRAM DELIVERY

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To receive grant funds, a successful applicant must enter into a written funding agreement with the South Australian Government.

The offer of a grant lapses if a funding agreement has not been entered into within 30 days of the applicant being offered a grant by the Department of State Development.

The South Australian Government will enter into a funding agreement with the ASDP grantee and monitor its performance.

Six monthly reports will be required that will:

- Summarise progress against agreed outcomes;
- Report against the following KPIs for individual automotive supply firms:
  - Net Profit
  - Turnover (automotive, non-automotive)
  - Number of employees
  - Export value (automotive, non-automotive)
- describe next steps;
- provide auditable evidence of project expenditure

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