

BASF AKZO NOBEL Automotive OEM Coatings Pty Limited

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Date: 10th May, 2002

To: Automotive Industry Inquiry **Fax No:** 02 6240 3311

Company: Productivity Commission ACT **Pages:** _____

Re: Post 2005 – Automotive Sector **CC:** M.Vrettakis ; SM

Dear Sir / Madam,

Please find attached our submission relating to the above Program. This submission is made jointly with Akzo Nobel Australia P/L.

This submission supports the submission separately made by BASF Australia Ltd.

Yours faithfully

A. Bolzan
General Manager
BASF Akzo Automotive OEM Coatings Pty Limited

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Ref: Submission for Post 2005 Assistance Arrangements for the Automotive Manufacturing Sector

Background:

BASF Akzo Nobel Automotive and Akzo Nobel Australia P/L are coating suppliers in Australia with a manufacturing & R&D facility at Sunshine, Victoria.

The Akzo Nobel site manufactures specialised Industrial Coatings (including Automotive Coatings) for the Australian OE manufacturing industry. The site manufactures over 20 million litres per ann. of coatings and intermediate polymer materials of which 22% of output is manufactured & supplied to the Automotive OE manufacturers and Automotive component parts suppliers.

The Akzo Nobel site at Sunshine employs 220 personnel of which 17% are employed in R&D and Technical support.

BASF Akzo Nobel Automotive company was formed as a JV in May, 2000 between BASF Coatings Germany and Akzo Nobel Australia P/L. The JV company supplies a total range of Automotive OEM Coatings including primers, topcoat colours, clearcoats and component coatings to the Australian Automotive Industry. Over 95% of the Automotive Coatings supplied by BASF Akzo Nobel Automotive are manufactured at the Akzo Sunshine facility.

Current Activities:

BASF Akzo Nobel Automotive is a direct supplier of OE Automotive Coatings to:-

- Toyota Australia
- MMAL
- Holden
- Various Automotive Parts Manufacturers in Australia.

BASF Akzo Nobel Automotive has actively supported the Automotive Industry in recent years with the local development and introduction of new technologies :-

- (a) Lead Free Waterborne Electrocoat Primer
- (b) Waterborne Topcoat Colours
- (c) New High Impact Topcoat Colours

BASF AKZO NOBEL Automotive OEM Coatings Pty Limited is a joint venture of AKZO NOBEL and the BASF Group



BASF

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These products have been introduced into the local market to meet Global Quality & Environmental Standards.

The introduction of these product types into the Australia market would not be viable without the local Development and Manufacturing base.

The introduction of new technologies into the Australian market without local support would require the local Automotive Industry and Community to accept overseas technologies from different countries which has not been proven to meet local requirements & standards.

The direct Development and Technical cost support of BASF Akzo Nobel Automotive represents 6% of annual sales turnover.

Future Concerns

1. The Australian Economy and Australian car industry is small by world standards, but requires a viable and capable local supplier base. The supplier base capability must have expertise and knowledge in the areas of:-
 - Development
 - Manufacturing
 - Quality & Service

These capabilities will be further eroded with reduction in tariffs.

2. BASF Akzo Nobel Automotive and Akzo Nobel have reduced cost structures in organization & processes to support the continuing reduction in tariffs since the mid 1980s.

Unlike other countries, these cost reductions have been achieved with minimal gains in volume through put for the local manufacturer such as BASF Akzo Nobel Automotive.

Further reductions in tariffs which will again place further pressures on cost structures will most likely lead to a non viable position for suppliers such as BASF Akzo Nobel Automotive.

At the very least the current level of local support and expertise will not be sustainable.

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3. Based on the future projections of local vehicle manufacture we believe the tariffs for automotive vehicles should be maintained at 10% post 2005.

4. The current ACIS scheme must be developed for the post 2005 period which includes raw material manufacturers & suppliers such as BASF Akzo Nobel Automotive.

5. Long-term investments in developments local production depends on a secure future for the Automotive OE & parts manufacturers. Without this market stability it then becomes difficult to justify further investment in our local operation.

BASF Akzo Automotive
10/05/02