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Gary Banks,
Chairman Productivity Commission
(ACIS SCHEME and REFORM)
33 Allara Street,
CANBERRA
ACT, AUSTRALIA

Dear Sir,

AUTOMOTIVE COMPETITIVENESS AND INVESTMENT SCHEME – POLICY REVIEW

I am a visiting chairman of a British automotive company (and former professor of manufacturing strategy at the INSEAD Business School) seeking to manufacture and assemble (manufacture a considerable number of parts and buy from FAPM members tyres, batteries, air-conditioning, wiring harnesses, cables, seats, wheels, brakes, instruments, radiators, exhaust systems, switches, electrical items, etc. etc.) a new kind of motor vehicle (weighing less than 3.5 Tons) which can carry passengers (6) of the “UTE-kind”, made famous in Australia, but with some important farm tractor-like features.

With the assistance of NSW and Victoria offices in London, our company has already invested a significant amount of funds in Australia assessing the domestic market and the export market for this “new kind of UTE”. Export markets are expected to be New Zealand and Asia-Pacific with particularly strong potential in Malaysia and Indonesia for Palm Oil Transportation. In Australia, significant market segments are in Country/Rural Fire Authorities, shire councils and various kinds of contractors to the landscape, crop-growing and livestock farming industries.

We are encouraged by the market response and subject to you needing evidence, we would be prepared to provide you, in confidence, with the names and addresses of Australian-citizens who have identified this new product – “as something which could and should be made in Australia”.

Our company, with the help of Diane Morphew of the NSW (London, UK office) has located a manufacturing company in Taree, NSW, which already contains a significant amount of the machinery for fabrication, painting, assembly, machining and fitting (have retained 90 out of 200 plus of its former workers) and they have the existing engineering skills and ISO accreditation for quality manufacture in-house and former workers ready to return to make a similar type of engineered product. Both the Australian company the U.K. company have already established a trusting relationship with some component drawings transferred, evaluated and costed by Taree-based engineers. The two firms communicate effectively by electronic means.

The Taree company is a member of a well-established Australian public company which concentrates on other and different transportation-type markets and, put simply, has a much bigger capacity (145 Acres) and employment capability than their current business conditions, in their sector, are expected to use.

The Taree company invited their consultants to determine, if they were to go into this new UTE-vehicle type manufacturing and commence the R&D work, develop engineering teams and test out their own ability on a new product with new jigs, fixtures, tools etc for a modern but special, more versatile and work-task centred UTE and build the first 25 Australian vehicles (with the absolute minimum of imported parts), whether they would qualify under the ACIS scheme?

As part of the anticipated affirmation that such a project would be encouraged by Australians, the Federation of Automotive products, Australian and NSW governments and Aus-industry the British company conducted a quick and rule of thumb analysis on:-

- (a) What volume of imports into Australia would be reduced?
- (b) About how many export sales could be achieved?

The British company conservatively calculated that Australian import bills could be reduced by at least 100 million dollars per annum and the exports could reach 50 million dollars per annum with better figures as more import substitution is achieved.

Whilst the large passenger-car producers are clearly important and have 2000 million dollars of exports, between them, they tend to be a special and large volume and small variety industry with workers centred on large plants.

Australia is a vast continent of many towns and villages with population dispersed. Small and medium-sized industry serves the nation from these towns and the automotive sector is present in all of them. Surely, it is important to help develop smaller scale, ISO accredited manufacturing industry in towns like Taree?

The fact is, however, that the ACIS scheme is available only to the 5 big car producers.

The project, proposed for Taree, falls outside the terms of reference for the ACIS scheme as the consultants to the Taree-business found and the writer found, when visiting CANBERRA.

The objectives of ACIS are clearly important and the scheme is well-defined and very clear in what it sensibly encourages – skills, R&D manufacturing in Australia.

It is the contention of this note that the lobby for passenger cars (FAPM and FCAI) has been successful in causing the ACIS to exist. It is the contention too, here, that the value of the scheme is perhaps even more significant to some smaller firms with new kinds of motor vehicles, which are, or could be made more relevant to Australia's long term manufacturing and engineering needs.

The R&D side of the automotive industry is clearly widespread throughout Australia as evidenced by the NSW showcase (6x6 UTE vehicles in Coraki, for example, AAA Technology in Crows Nest, fire tenders for Rural fire services).

Our company is very interested in having an Australian-based organization to reach the domestic market and export from Australia.

The costs and risks of starting-up anywhere are considerable but the presence of excellent Australian-engineers and workers, in Taree for example, and qualification for ACIS would, in our case, go a long way to enabling us to set-up manufacturing in Australia.

Kindly excuse this longish note, we are very serious indeed and do not think that the ACIS initiative was meant to discourage projects like ours and as a new scheme could, we hope, be adjusted to encourage firms like ours and our Australian collaborators.

Thanking you in anticipation for your consideration of this matter – in your forthcoming policy review.

Yours faithfully,

G.A.B. Edwards,
Chairman.

Attach: A Tractor Industry for Australia?

A TRACTOR INDUSTRY FOR AUSTRALIA?

In recent years many Australian tractor users and dealers have observed that imported tractors rarely match the real needs of Australian farmers and the actual conditions prevailing on Australian farms. In an earlier period Australia had its own Australian-designed farm tractors (Chamberlain). Whereas the design and manufacture of most tractors used in Australia was from U.K. (Ford, David Brown, Leyland, Massey Ferguson) or USA (Deere, CAT and Case) today, the tractor design centres are largely in Germany, Italy and USA. Some Australian purchasers of EC tractors have been known to observe, “what do these Europeans and Americans know of actual, on-farm operating conditions in Australia”?

A groundswell of local farm opinion now seems to exist in Australia and a consensus appears to be developing!! Doing something about it, however, has not been considered very practical until recently. A change of mood seems to be developing and it probably follows from the leadership, strategy and planning of FAPM, (Federation of Automotive Products Manufacturers) and the success at building an Australian motor car industry, alongside a steel industry and a foundry industry.

Whilst FAPM (The Federation) considers that its success in its earlier years hinged around its input into Government of Australia policies, it has been very active in export promotion, quality control and technical matters of late, thus ensuring that Australia’s automotive sector is up to the highest standards in the world.

Whilst FAPM has largely been automotive component and car industry focused, trucks, tractors and industrial equipment (back hoes, telehandlers, skid steer loaders and others) could form a greater part of its planning, market research and export promotion in future years. With emission control, safety and noise control driving much of the world’s truck, tractor and car industry developments, FAPM will be in the strongest position to give a professional and experienced Australian perspective to a much widened Australian automotive sector, in which exporting is likely to be a key objective. The definition of the sector is likely to be considered as, “on and off-road equipment with wheels and propelled by an engine and include passenger vehicles”, thus extending the scope of FAPM’s penetration of Australian industry.

Summed up, the new mood can be described as follows:- “If Australians can design and develop Holden Cars and other cars for our own particular conditions then we can certainly design and develop farm tractors and wheeled farm equipment such as telescopic handlers, which relate properly to Australian farmer’s needs.”

Some Additional Examples of Australian Developmental Thinking

Agricultural tractor importers and dealers are both a knowledgeable and experienced professional group. They talk together and discuss the needs of their tractor-using customers very regularly and in some depth. In general, they are sympathetic to farmers’ requirements and do their best to explain them to overseas-based tractor manufacturers.

Of late, however, massive change has taken place with Belarus and Zetor moving out of Australia and many other marques combining to reduce the available models. “None of these changes have considered Australian needs anymore than expected future changes will consider Australian current and future needs”. This is the view of a well-established tractor dealer in Mudgee, NSW who clearly felt he was speaking for many Aussies.

The merger of Fiat-Ford tractors into Fiat (New Holland) is expected by many dealers in Australia to be the model for more changes following the recent Case-New Holland merger. Dealers and farmers thus feel helpless to input their experience and persuade overseas designers that this experience counts for something.

On the after sales and service front, farm machinery dealers and their specialist spares providers have been adopting a “make it in Australia policy”, as spares costs have soared, when purchased from abroad. These practical matters along with the slide in the Australian dollar are causing radical changes.

Whatever personal attributes Australians are thought to possess, “being backward in coming forward” is not one of them and it is becoming clear that some farmers, dealers and distributors are forming working groups

to safeguard the wide variety of excellent Australian farming produce. It is becoming apparent too that some of these working groups are already discussing “the kind of tractors Australia needs in future” and also relating this experience to those Asia-Pacific and New Zealand farmers, “ who would like to buy from Australia, if only Australia made tractors”.

Although Chamberlain was a famous Australian tractor, there are some other lesser-known examples of Australian tractor work and tractor thinking that is now being considered as relevant by important regional leaders throughout Australia. For example one of the oldest importers and “Australianisers” of ag-tractors is Inlon who bring in to Australia relatively inexpensive tractors from Romania and tailor-make them, as the Farmliner Series, to suit Australian needs. The late Joe Jardim, Inlon’s founder was an ex-Massey Ferguson dealer in South America and Australia who set up this operation in Ourimbah in 1984. His pioneering work in the Australian tractor industry focused not only on tractors used by farmers but also those used in environmental care, lawn care and groundsmanship, roadside verge-mowing and hay and silage-making where the conventional and modern Euro-tractors are frequently too heavy and cumbersome for their main work. (They are also far too slow for the long distances travelled by some of them, the main reason why the well-known Australian-made tractors (Chamberlain) travelled much faster than their European counterparts). Joe Jardim died of cancer in May 2000 and has been succeeded in the Inlon-Farmliner business by his son Jim Jardim, who had already proved himself in management with Broken Hill Pty, amongst others. Jim is already moving the Inlon business forward and whilst visiting Europe has not been slow to inform tractor and implement manufacturers that Australia is, in some ways, different and some of these differences (such as low tractor weight and higher tractor speeds) are much more important when viewed by designers from an Australian perspective.

Whilst Joe Jardim was vice-president of the Tractor and Machinery Association of Australia*, Jeff McKay came upon tractors as a well-respected municipal engineer in Ballarat/Maryborough, Victoria. This ex-Lancaster Bomber navigator from World War II has his own weekend farm, and being something of a thinking man’s engineer has followed inventions and new concepts of vehicles and tractors for some years.

In 1980 he was reading an article on developments in manufacturing systems and came across the cell system concept of production. Reading more deeply and working to bring industry and inward investment in to Ballarat, he came across an interesting new tractor concept that he thought made sense for Australia, as a product, but made even more sense as an industry, for reducing and eventually eliminating most tractor imports.

Jeff McKay is a strong-minded engineer who was prepared to back his hunch that this new kind and concept of tractor (a transport-tractor) made more sense in the vast continent of Australia than it did for the small island of UK, where the invention originated. This was especially perceived as important in Australia because the new tractor-like vehicle has many features of a kind normally associated with an Australian-UTE vehicle.

Jeff’s first task was to buy one of these new-fangled higher speed and more comfortable tractor vehicles for his farm and to use the tractor so as to learn its strengths and weaknesses and eventually to explain to the inventors that Australianisation would be good for the concept and enable some Australian tailor-making to take place. Jeff considered that it would also give some confidence to Australian farmers to provide inputs to a new embryo design that could become a valuable addition to Australia’s leadership in the region. “Make it in Australia, develop it with the help of some of our world’s most innovative and productive farmers, market it and sell it in Australia’s excellent proving ground and ultimately export them to New Zealand, Malaysia and the more primitive (in engineering knowledge terms) countries of the north” was the far-sighted and imaginative view from Ballarat!

Despite the logic and strength of the arguments presented by Jeff McKay and despite the experience and knowledge of the Jardim’s at Inlon, Jeff’s conviction did not become a practicality in the first few years of Jeff’s purchase of this embryo-prototype and new concept of tractor.

* Note: This is not a manufacturers association but an association of sellers of farm tractors manufactured outside Australia, which is presumably why it is not affiliated to FAPM.

Recent Developments

The growing awareness of the importance of Australia as a leading light in Asia-Pacific was becoming much more obvious at the end of the 90's, when suddenly Australia ably demonstrated its status as world class in the management sphere to a worldwide audience. The Sydney Games made the world appreciate the competence and professionalism of Australia.

In a short space of time, after the Sydney games, the owners of the UK tractor company began to think that perhaps Jeff McKay, their sole Australian customer was probably more significant than all the 250 or so other users in 15 other countries. Not only this, but the UK-based outfit responded to Jeff McKay's clear views and aims by asking Diana Morphew of the NSW Trade and Investment Office, London, to give some guidance as to their validity. As a real Aussie, "how would you go about developing a home-grown Australian tractor industry"?, was the leading question? Whilst Jeff McKay had been unable to persuade the U.K. firm to consider Australia as a more suitable place for tractor development than Europe, Diana Morphew had no difficulty in getting the principal decision-maker of the UK tractor outfit on an aeroplane to Sydney, Newcastle, Taree, and Mudgee to meet farmers, dealers, distributors, agricultural experts and a wide variety of potential suppliers of components organised by NSW Business Enterprise groups and interested parties.

The results of these various initiatives began to take some shape by April 2002, when it became clear that an Australian tractor industry project was both possible and practical. It was realised that such an industrial project, if properly designed and developed, would gain vast support from the farming industry and would fall within the province of the automotive industry development initiatives. Significant Australian-government support for the R&D necessary to develop the product and range to be acceptable to home and export markets is currently available arising from new policies relating to innovation and the motor vehicle industry.

A thorough feasibility study has begun based upon manufacturing and assembly in Australia, marketing and sales in to Australia and Asia Pacific and automotive component sourcing from the region. Currently, the project is moving into a more formative stage and interested persons are invited to contact any of the following with an indication of their suggestions, and possible involvement:-

1. Diana Morphew – Email – dmorphew@nswg.co.uk
2. Jeff McKay – Email – Mackay@netgazer.net.au
3. Margaret Thomas – Business Enterprise Centre Inc., Mudgee. - Email - mrbec@lic.org.au
4. HST Developments Ltd. - pmandawo@breathemail.net

G.A.B. Edwards wishes to acknowledge the contributions of a wide variety of Australians on farms, in factories, and in shire councils, during his 3 visits to and 26 weeks of work, in NSW, Victoria and South Queensland.

26 April 2002.