

The Secretary  
Automotive Industry Inquiry  
PO Box 80,  
Belconnen ACT 2616

**Via Email to: [auto@pc.gov.au](mailto:auto@pc.gov.au)**

Dear Sir,

**Re Inquiry into Post 2005 Assistance Arrangements  
for the Automotive Manufacturing Sector**

We wish to make a submission in relation to a number of automotive matters and would ask that the Commission accepts this document as the company's initial presentation to the subject inquiry.

**Introduction to Premoso Pty Ltd**

Premoso Pty Ltd ("Premoso") is an Australian subsidiary of the UK based, TWR Group Limited ("TWR") and employs approximately 190 personnel throughout Australia. TWR is a globally renowned automotive entity supplying advanced styling and engineering inputs to automotive manufacturers such as Jaguar, Renault, General Motors, Ford, Aston Martin, Nissan, Volvo, Mazda and Saab. It is also heavily associated with international motor sport and currently fields the Formula 1 "Arrows" team. Its design and engineering centres in Leaffield and Worthing in the UK were replicated in Australia during 1999 with the commissioning of a facility located in Clayton, Victoria. This business operates through a separate subsidiary entity to Premoso and features the exchange of both technology and human resources.

The business model for Premoso is predicated upon the existence of a certain niche demand within the automotive market, for exotic, high performance passenger motor vehicles, which in the main, are generally satisfied by imports.

The model is structured to enable the company to exploit that demand by combining the company's recognized strengths in design, styling innovation and engineering with an independently produced platform to produce a vehicle, which fulfils both market requirements as well as commercial investment expectations. More specifically, it facilitates the implementation of a strategy designed to capture a significant share of a lucrative (viz. luxury) segment of the automotive market, in which there is a high percentage of imported products.

Premoso trades under the names of Holden Special Vehicles ("HSV") and Holden By Design ("HBD") under a licensing arrangement with Holden Ltd. HSV produces and markets high-performance variants of Holden's range of passenger motor vehicles whilst HBD design and fit factory approved options to Holden vehicles at the Elizabeth plant in Adelaide. The HSV brand of vehicle is supplied to the market in a number of short and long wheelbase configurations better known by their respective model designations such as "Clubsport", "XU6", "GTS", "Senator Signature" and

“Grange” (refer to Figures 1 to 7 below). A high degree of technological collaboration exists between Premoso and Holden and is demonstrated in the areas of engine and transmission development, braking systems, suspension systems, air intake systems and body styling.

Premoso’s principal activities heavily rely upon the design and engineering skills as well as the technological innovation of its TWR background. It effectively engineers and builds an HSV model from a core Holden platform by firstly dismantling the latter at its assembly facility at Clayton. It subsequently “reconstructs” the HSV model by replacing standard components with those of its own design and manufacture. Those components include:

- ❑ Front and rear bumpers
- ❑ Lower body side panels
- ❑ Wheels and tyres
- ❑ Braking systems
- ❑ Engine and transmission tuning
- ❑ Suspension system including shock absorbers and sway bars
- ❑ Exhaust systems
- ❑ Air intake systems
- ❑ Electrical features and security systems
- ❑ Seating
- ❑ Interior door trims
- ❑ Selected instruments
- ❑ Rear spoilers
- ❑ Special grilles
- ❑ Fog lamps
- ❑ Navigation systems

In order to view a detailed step-by-step guide to our production process, click on the hyperlink below and select the Production Pictorial option. A hardcopy of this site is included in attachment 1 of this submission.

<http://www.hsv.com.au/cars/vx2/coupe/production/>

The HSV product is fully engineered by Clayton staff, and tested to extremes to ensure the integrity of our high performance vehicles.

Specific model configurations also contain engines and transmissions designed and engineered in collaboration with Premoso.

The extent of Premoso’s value adding to its range of HSV passenger motor vehicles is depicted in the following images of our product range. Completed HSV models are illustrated in Figures 1 to 7 below and depict the extent of Premoso’s styling and design innovation. Each of these vehicles is marketed as distinct models within our product range. Extensive qualitative customer research undertaken over the past decade proves that our customers select our brand ahead of local and imported competitors **and from the vehicles within the Holden product range.**



**Figure 1 – Maloo R8**



**Figure 2 – Clubsport**



**Figure 3 – Clubsport R8**



**Figure 4 – Senator**



**Figure 5 – GTS**



**Figure 6 – GTS & GTO Coupe**

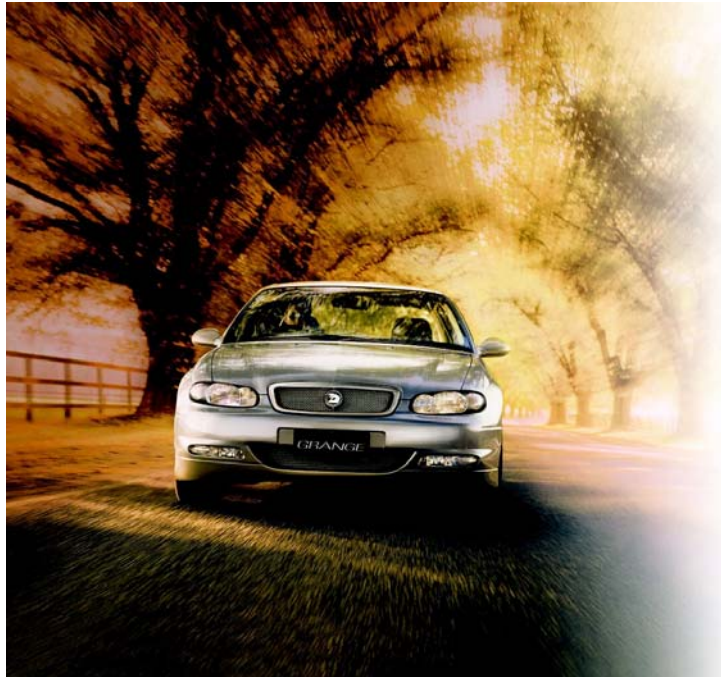


Figure 7 – Grange

### **Relevance to the Australian automotive industry**

The current business model has significant implications for the Australian automotive industry and in particular, for Australian automotive manufacture.

- **It affords opportunities for motor vehicle producers to expand production and sales into those areas of the market previously dominated by imports.** HSV is clearly targeted at the imported, high performance and luxury brands and to date, is recognised as a highly competitive “package” in terms of both value and performance. Market research has confirmed that the sales levels achieved by HSV within the “luxury” segment of the market, constitute incremental unit sales for Holden, which otherwise would have not occurred without Premoso’s value adding.
- A cornerstone of the business model and a vital element in HSV’s ongoing success is the strategic and long-term relationship between Premoso and Holden Ltd, (which supplies the basic vehicle platform). **There is a high level of technological interchange and collaboration between both entities with numerous spin-off benefits leading to a rapid introduction of significantly more innovative developments in standard Holden vehicles.** Premoso on the other hand, also benefits from the continued business support provided by Holden Ltd and its General Motors parent.
- The Premoso value adding process relies upon significant component inputs, which in turn, **generate further production and sales opportunities for Australian component manufacturers.**

- The success of the HSV concept has enabled local motor vehicle producers to fully appreciate and to more **clearly focus on the benefits of value adding through styling and engineering innovation.**
- The **global linkages** which Premoso and its UK parent TWR bring to the local industry, together with its Holden/GM connection, have combined to **create significant automotive export opportunities for both goods as well as services.** HSV products are already being exported and there is an expectation of further significant exports to several new markets within the near future.
- Premoso has pioneered this automotive business model to cater for the enthusiast performance market niche. So successful has been the execution of the business model that the **other major manufacturers in Australia have followed.** In addition, the Premoso model is also recognised at GM's world headquarters in Detroit as **worlds best practice and is being studied for replication at other major GM world operations.** Premoso executives have made regular visits overseas to present this successful business model to GM.

### Current assistance arrangements

The company acknowledges the current “package” of assistance measures for the automotive industry and generally supports the tariff component but, **believes its commercial interests are being compromised by the administrative policies of the prevailing ACIS regime.**

Premoso had previously made applications via the administering authority, AusIndustry, for registration under the scheme, but was eventually denied access on the basis that it allegedly (and arguably) did not fulfil the prescribed eligibility criteria. (The rejection was issued after earlier AusIndustry assurances that the company was indeed eligible). Throughout 2001, the company held extensive communications with AusIndustry in an effort to address this issue but, was ultimately left to conclude that registration would not be approved while the company continued to transact its business under its existing administrative arrangements.

Subsequent inquiries revealed that Premoso's major Australian competitor was and continues to be, the recipient of significant financial assistance under ACIS for activities and products, which are directly competitive. This has caused considerable embarrassment for Premoso and highlights the discriminatory and erratic manner in which the scheme is administered.

Premoso believes the direct cause of this unfortunate situation can be attributed to a combination of poorly drafted legislation and more directly, to ill-conceived administrative policies and practices.

The company further observes that while it is not directly affected, the process of modulation and the time frame within which the discount factors were introduced in an endeavour to promptly reduce the benefits, discriminates heavily against motor vehicle producers. Current administrative policy demonstrates an inherent bias against the larger investments undertaken by the vehicle producers by ignoring the higher

risks and longer lead times associated with such investments. By introducing common, discounted modulation factors for all categories of participants, the administering Department is suggesting that relatively smaller and short term investments involving minimal exposure should attract the same rate of benefit as those with significantly higher risks.

### **Post-2005 assistance arrangements**

The future of Australian automotive production is clearly contingent upon the industry's capacity to both retain and to build upon its resource skills, and to maintain adequate levels of investment in technology.

The industry appears to be better connected to the global market now than at any time in the past and it has demonstrated a capacity to produce quality, internationally competitive products for export to the most sophisticated of world markets. This export orientation did not occur by accident and can be fairly attributed to a combination of:

- Improved global connectivity (via overseas parents)
- Improved manufacturing and engineering efficiencies with quality outcomes
- Past export facilitation programs

The current momentum and focus of the industry needs to be maintained. Premoso believes that the "appropriate" route to a sustainable competitive advantage for the Australian automotive industry is through constant innovation and continuous improvements to product quality.

The industry is also gaining a solid reputation for automotive engineering excellence and should experience considerable growth in exports of engineering services in the coming years.

In summary, the Australian automotive sector is becoming truly global but needs to consolidate its recent gains in order to secure a platform for future growth. Premoso believes that the key to export success lies in the ability of industry to rapidly and efficiently develop its products to suit the conditions of those markets to which it wishes to export. This requires considerable investment in R&D and in engineering resources.

The post 2005 assistance regime should directly address this issue as a priority outcome. Premoso believes that an appropriate mechanism to deliver the required assistance should revolve around a substantially modified ACIS structure but, one which:

- was substantially free of the current administrative uncertainties;
- recognised the value of innovative outputs such as those produced by Premoso;
- placed a higher emphasis on investment in engineering resources, R&D and advanced technology.

In order to underpin the value of benefits generated by such a scheme, we would envisage (and recommend) the indefinite retention of tariffs at the projected rate of 10%.

We thank you for the opportunity to present our views and invite you to contact the undersigned should you require further elaboration on any of the matters canvassed in this submission.

Yours sincerely

**Ben Curulli**  
**General Manager – Group Finance**

Direct Telephone (03) 9265 9527  
Fax (03) 9265 9555  
E-mail [ben.curulli@hsv.com.au](mailto:ben.curulli@hsv.com.au)



# **ATTACHMENT 1**

## **STEP BY STEP GUIDE TO THE HSV PRODUCTION PROCESS.**

**<http://www.hsv.com.au/cars/vx2/coupe/production/>**