



10th May, 2002.

The Productivity Commissioner,
Automotive Industry Inquiry,
Productivity Commission,
PO Box 80,
BELCONNEN. ACT. 2616

Dear Sir/Madam,

The Spicer Axle group of companies supports the FAPM submission to the Productivity Commission. As an active member of FAPM we support the key positions viz.

- We support a reduction in the tariff level from 15% to 10% in 2005
- We request the extension of ACIS for a further 5 years
- We request an increase in funding to \$2.6 billion to ensure Modulation does not occur and so that companies can invest with some surety of the level of ACIS credits during the life of the new scheme.
- We would like to see the ACIS programme directed more towards the support of R&D rather than Capital Investment in a future programme.

BACKGROUND

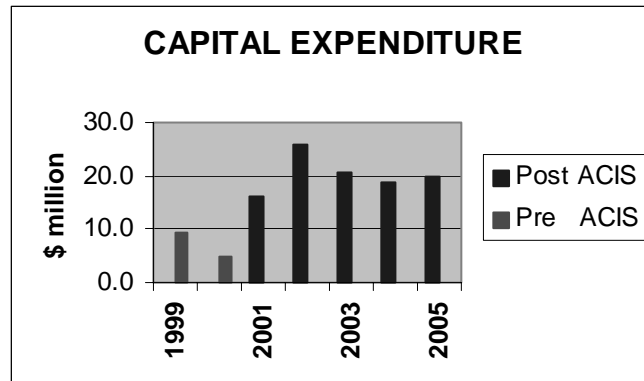
Spicer Axle Australia Pty Ltd and Spicer Axle Structural Components Pty Ltd operate three manufacturing plants in the States of Victoria and NSW employing some 800 people and supply not only the local OE market with Independent and beam axles but also machined suspension components, structural and pressed components. Major customers include Ford, Holden, Toyota and Mitsubishi. Export customers include Aston Martin, GM, Ford, Mazda, MG Rover, Morgan, TVR and TWR.

CAPITAL INVESTMENT

The businesses were acquired from Invensys in July 2000 and were previously part of the BTR group of companies. Since the introduction of ACIS Capital Expenditure has doubled (refer graph of actual expenditure (1999 to 2002) and planned expenditure (2002 to 2005). Clearly ACIS has resulted in significant increases in productive Capital Investment.

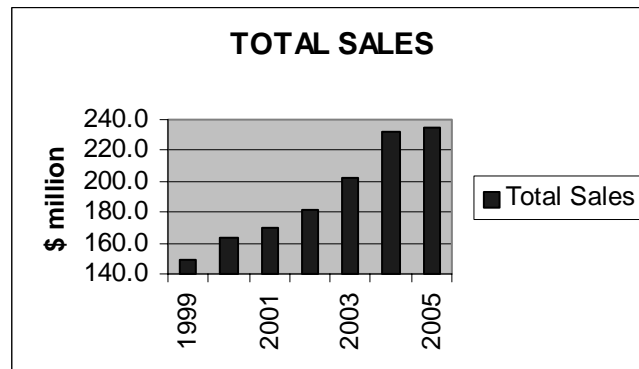
People Finding A Better Way[®]

SPICER AXLE AUSTRALIA PTY LTD
ABN 56 004 256 982
58 LISBON STREET (P.O. BOX 99) FAIRFIELD NSW 2165 AUSTRALIA
TEL: +61-2-9754 9200 FAX: +61-2-9726 9694



SALES GROWTH

As a result of the increase in Capacity and capability resulting from the Capital Investment detailed above the companies have been able to secure increased sales both to current customers and to new OE customers and to Export markets. Many of the programs have resulted in imported component replacement as well as supporting OE export programs (such as Holden and Toyota's export programs).

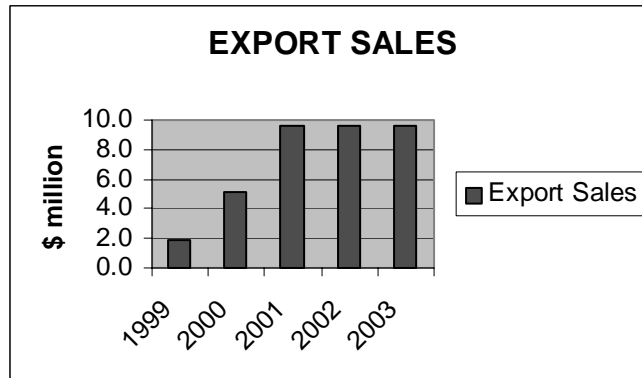


Sales growth from the pre ACIS period until the end of the ACIS program is 58% the most significant and serious growth in Sales the company has experienced in over 10 years.

EXPORT GROWTH

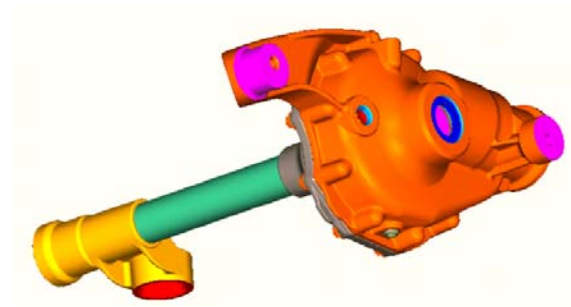
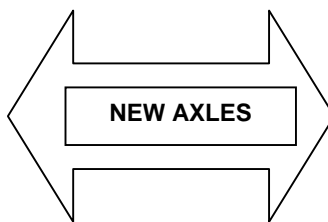
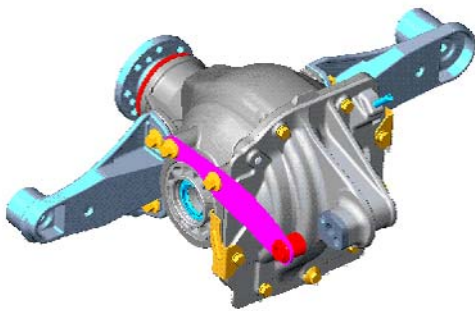
Of greatest significance is the 200% growth of exports from the pre ACIS period which can be directly related to ACIS supported investment in new Axle gear cutting technology that is leading edge technology and has enabled export sales of 100,000 component sets to Thailand. The potential growth for this market is a further 250% over the years 2005 to 2010, which will be dependent on future investment by Dana.

People Finding A Better Way[®]



R&D INVESTMENT

The effectiveness of ACIS in the development of new products can be seen in the range and complexity of the new products developed for both local and export business:

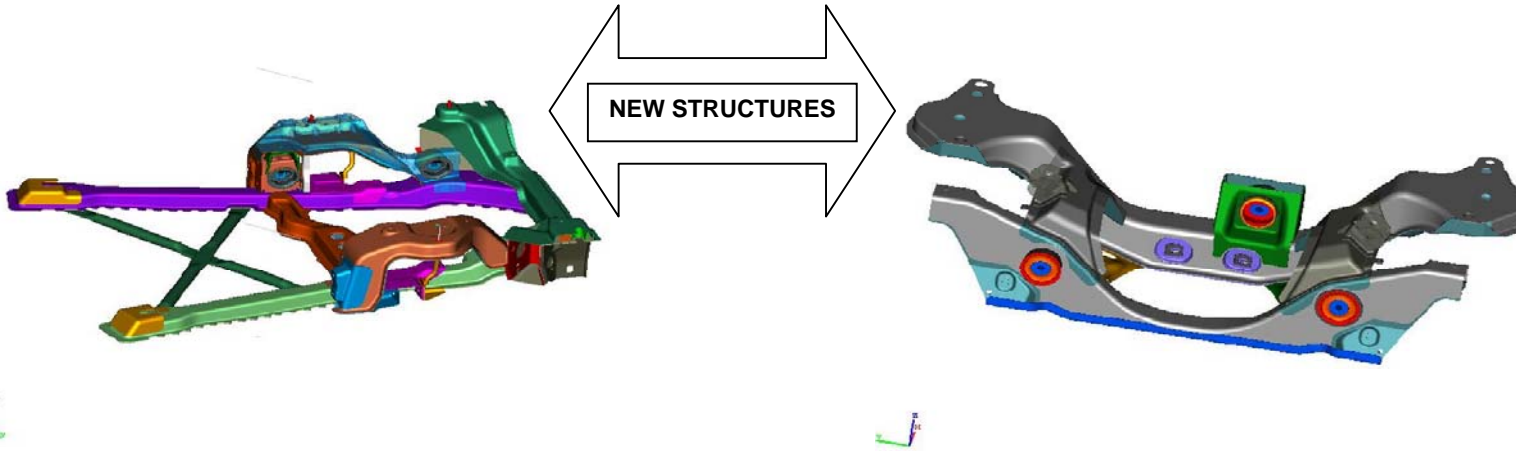


People Finding A Better Way[®]

SPICER AXLE AUSTRALIA PTY LTD
ABN 56 004 256 982
58 LISBON STREET (P.O. BOX 99) FAIRFIELD NSW 2165 AUSTRALIA
TEL: +61-2-9754 9200 FAX: +61-2-9726 9694



SPICER AXLE AUSTRALIA



Yours faithfully,

Electronically signed by:
H.W. Brewer
Director Spicer Axle Operations
Australia, South Africa, Indonesia.

HWB:kabh

cc: R.J. Day, P. Greer.

People Finding A Better Way®

SPICER AXLE AUSTRALIA PTY LTD
ABN 56 004 256 982
58 LISBON STREET (P.O. BOX 99) FAIRFIELD NSW 2165 AUSTRALIA
TEL: +61-2-9754 9200 FAX: +61-2-9726 9694