

The Chairman  
AUTO INQUIRY  
Productivity Commission  
PO Box 80  
Belconnen ACT 2616  
AUSTRALIA

Dear Sir,

Please find attached our submission to the Inquiry into Post-2005 Automotive Industry Arrangements.

First and foremost, TI Automotive fully support the submission provided by the Federation of Automotive Products Manufacturers (FAPM). TI Automotive's submission is to put additional weight to the position of continuance of ACIS and hence, focuses on two of the terms of reference;

- Evaluate the outcomes of the Automotive Competitiveness and Investment Scheme and the reforms of automotive tariffs, and
- Identify strengths, weaknesses and opportunities for the sector including major impediments to its long-term viability.

Should you have any questions arising out of our submission, please do not hesitate to contact me.

Yours truly,

Peter Gardner  
GENERAL MANAGER

Submission to the Productivity Commission Review of Post 2005 Assistance  
Arrangements for the Australian Automotive Industry

10 May 2002

General Manager

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**SUMMARY:**

TI Automotive strongly supports the FAPM Auto Inquiry submission and reinforces recommendations about maintaining and increasing the critical mass of the vehicle production base. As a wholly owned subsidiary of a global automotive components manufacturing company we see an increasing trend for rationalisation of facilities and capabilities based on plant utilisation and especially profitability in markets where volume of business struggles with critical mass.

**BACKGROUND:**

TI Automotive Australia commenced “life” as Bundy Tubing Company (Australia) Pty Ltd in 1953 as a 40/60 joint venture between Bundy Corporation of the USA and Tubemakers of Australia Ltd (a subsidiary of BHP).

The purpose of the JV was to put specialised tubemaking manufacturing capability into Australia to support the emerging Australian automotive industry with high-pressure brake tubing.

Between 1953 and 1992 Bundy Australia grew the business by adding capability for fuel tube manufacturing and also a Terne corrosion protective coating line. In 1992 Bundy Australia made a major investment in a new corrosion protection coating line (PVF) to support new levels of specification for the industry. In addition, during this period, Bundy Australia developed manufacturing businesses in New Zealand, South Korea and China and provided significant technical assistance to develop a Bundy business in South Africa. This generated a high level of export business out of Bundy Australia to support these developments.

Due to differing reasons, but predominately due to high tariff and import barriers in these countries, tubemaking facilities were installed in those countries and the Australian export opportunities declined significantly.

In 1988 TI Group PLC, a UK listed company, acquired Bundy Corporation and hence the 40% equity in Bundy Australia. By 1995/6 TI Group acquired the balance of equity in Bundy Australia to be part of their global aspirations. In 2000 TI Group and Smiths Industries merged their businesses in the UK and the automotive part of TI Group was subsequently demerged as an independent, global, automotive components manufacturing business in July 2001. TI Automotive Ltd was formed.

**CURRENT POSITION:**

TI Automotive have now completed a global review of their tubemaking & coating facilities, capacity and capabilities and have decided to rationalise those facilities which are not optimally utilised. This has resulted in the announcement that the TI Automotive Australia tubemaking & coating facilities being closed down. This process is now underway and will be completed by December 2002 with the resultant loss of 70 positions. The tube for Australian production will now be imported from TI Automotive's facilities in Europe. This is a clear result of global decision making impacting a small, local operation that is under-utilised due a small, local market.

The point of this issue is that TI Automotive encourages the Productivity Commission to be very aware of the delicate critical mass of the local automotive industry. For tubemaking & coating at TI Automotive Australia, the closure is the correct decision locally and globally. However, any further changes to the industry support policy measures which results in declining production volumes, will most probably have an outcome of reducing TI Automotive's and other component company's capability and investment in Australia.

**RECOMMENDATION:**

1. TI Automotive Australia recommends that the Productivity Commission embrace the recommendations of FAPM.
2. TI Automotive Australia strongly recommend that the Productivity Commission take full account of any outcomes from the Auto Inquiry with respect to the impact on the size of the vehicle production base. It is imperative that the production base in Australia not be eroded by policy change and preferable policy decisions be structured to encourage the production base to be increased.