

16 May, 2002

Automotive Industry Inquiry
Productivity Commission
PO Box 80
Belconnen ACT 216

Dear Sir or Madam:

DENSO International Australia in recognising the importance of automotive industry policy wishes to make a submission to the productivity commission. DENSO is a worldwide leader in innovative Research & Development and is committed to further development in the Australian Automotive Industry now and into the future.

DENSO International is an automotive component producer with 2 manufacturing facilities, a head office and R&D facility based in Victoria. DENSO has a turnover of \$350 million per annum and a workforce of approximately 650 associates. DENSO International supply automotive components to the four motor vehicle producers in Australia as well as export to a number of countries. In Australia, DENSO manufactures an extensive range of Air Conditioning, Cooling, Electronic and Washer system components. DENSO is committed to further development of local and export markets for the components they produce.

DENSO wish to formally register support for the submission made by the Federation of Automotive Products Manufacturers (FAPM). DENSO fully supports the recommendations put forward by the FAPM.

DENSO also fully supports the concept and the assistance provided by the ACIS scheme. The ACIS scheme has become a key element in furthering the automotive industries move to become internationally competitive. Change and expansion in the automotive industry can only continue through the ongoing commitment to Research and Development, DENSO believes that the ACIS scheme provides the tools for this to occur.

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DENSO wishes to make the following points on post 2005 assistance arrangements.

- Retain and carry on current ACIS scheme.
- Freeze import tariff rate at 15%
- Create flexible and responsive labour supply conditions.
- Develop a mechanism to ensure the impact of reductions due to the rate of modulation does not effect the certainty of future entitlements.

Since the introduction of the ACIS scheme DENSO have invested heavily in R&D and new plant and equipment. These investments include new state of the art assembly equipment. This equipment enables DENSO to manufacture components locally thus eliminating the need to import these components from overseas sources. This substantial investment by DENSO would not have been possible but for the assistance the ACIS scheme provides. This investment has led to an increase in local employment and failure to provide ongoing continuity of ACIS beyond 2005 may create a down turn in employment numbers.

Local Vehicle Producers now have the ability to locally source world class products and services. This has also opened the door for further export opportunities DENSO has recently been awarded substantial export contracts to South Africa and Japan. These would not have been possible with out support from the ACIS scheme. Future export opportunities are under negotiation however the cessation of ACIS beyond 2005 would put these in jeopardy.

It is clear from the evidence provided in the FAPM submission that we do not operate in a level playing field in Australia when competing globally if we do not have ACIS. Therefore it is necessary that the momentum generated through the current ACIS scheme be continued beyond 2005 with import tariffs frozen at 10%.

DENSO appreciated the opportunity to formally present this submission to the productivity commission and look forward to receiving a positive outcome for the future.

Sincerely,

Glen Goto
Managing Director

Cc: Rod Wilson, DENSO, General Manager Sales & Marketing
Colin De Roos, DENSO, Assistant Manager, Sales Planning