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Automotive Industry Inquiry
Productivity Commission
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POST 2005 ASSISTANCE ARRANGEMENTS FOR THE AUTOMOTIVE MANUFACTURING SECTOR

Introduction

Venture's Australian companies, comprising Venture Industries Australia, Venture Metro Tool and Die and Venture Advanced Design and Engineering, wish to express full support for the submission made by the Federation of Automotive Products Manufacturers (FAPM) to the Productivity Commission's Automotive Industry Inquiry. In particular, we provide strong support for the current ACIS scheme, its continuation to 2005 and an extension to the scheme for the period 2005 to 2010. We also wish to highlight specific points regarding the need for ongoing support as well as the need for ongoing regulatory reform and support for the industry to comply with the reform.

Background

Venture Industries Australia, Venture Metro Tool and Die as well as Venture Advanced Design and Engineering collectively form one of Australia's largest integrated suppliers of automotive plastic components and modules including engineering and tooling services. Venture's Australian operations form part of the global Venture Group, servicing all major OEMs with sales of \$US2.4B from operations in 14 countries. Venture has run its operations in Australia since 1995, and plans to grow the operations significantly in both Victoria and South Australia. Salient features of the Australian business include the following:

- Turnover of \$205m; employing 700 people; investment of \$120m
- Diverse range of products: interior systems including full instrument panels, door trims and consoles; and exterior products including painted fascias and body side mouldings, all provided on a sequenced basis with approximately 20 minutes buffer stock at the OEM
- Specialised engineering facilities supporting math-based design and verification processes, all major CAD packages and fully linked globally through a virtual private network
- Developed export markets in USA, China, South Africa, Japan and Europe for tooling and engineering services.
- Broad access to global technologies and resources for all interior and exterior systems

Venture's growth objectives in Australia focus around the full service supply of interior and exterior systems. Through integrating all aspects of design, tooling, product validation and manufacturing, Venture aims to provide excellent value to the Australian car makers, in terms of investment, piece price, access to leading technology and reduced time-to-market. Venture also aims to grow through increased provision of engineering and tooling services to the Asia Pacific region.

Importance of ACIS Scheme

Venture reiterates its strong support for the current ACIS scheme, its continuation to 2005 and an extension to the scheme for the period 2005 to 2010. Investment requirements for the business in Australia are significant in both capital equipment and research and development.

Key drivers include:

- The need to achieve world-class productivity levels to support OEMs competitiveness against imports in a reduced tariff environment
- The need to capitalise for new processes to allow OEMs to market leading technologies and vehicle attributes (often before current investments are fully amortised)
- The need to meet increasing expectations to provide fully integrated engineering and manufacturing capabilities – that is, to manage sub-systems of the vehicles.

The ACIS scheme is a fundamental element of our current five-year business plan. In the current OEM model cycle, the ACIS scheme has been a major contributor to our ability to meet demanding technology and productivity improvements in order to meet aggressive customer price points (set with the knowledge of component suppliers' access to ACIS benefits). As investment decisions have been made in 2000, on the basis of an expectation of ACIS support in the period up to 2005, any changes to the scope or basis of the scheme would have a severe impact on our business.

In order to make sound investment decisions on the basis of support schemes such as ACIS, it is important that the regulations are fully clarified and costed at the commencement of the scheme. This is most relevant for the current ACIS scheme, given that the changes to the regulations made in May 2001 pertaining to subcontracted R&D have disadvantaged companies like Venture (as an integrated supplier undertaking significant design activity). In this case, the timing of clarification of the regulations was nearly 18 months after the timing of key investment decisions for the period. We strongly encourage timely and more thorough up-front review of the regulations and also better forward planning of the affordability of the regulations (against the program cap) to avoid the same situation with any replacement scheme.

ACIS is also highly important to our future investment confidence. Future investment demands for the business are very high throughout the period 2003 to 2010 in order to continue to meet technology and productivity requirements necessary to improve our competitive position. Internal cost pressures such as industry related wages pressures and increasing utility costs compound the fundamental demands on the business arising through increasing customer expectations. Support from the ACIS scheme, and its continuation in a similar form to 2010, is essential to be able to meet the required rate of investment and hence business reform to sustain the long-term business.

Finally, in considering a potential replacement scheme for ACIS, it is important that the Government establish a method that will ensure as much of these funds as possible are used to benefit the development of the industry within Australia. In particular, it is important that funding allocated for engineering, tooling as well as research and development activities stays

within the Australian industry. This would be akin to a local content rule applied to investment in new vehicle programs. This type of encouragement would greatly benefit the supplier industry.

Other Policy/ Legislative Considerations

Taxation. The FAPM submission is quite comprehensive on this topic and we support the views expressed. We would comment specifically on the need to reform several specific taxes. Payroll taxes, import duties on items not available within Australia (or where no substitute exists), and stamp duty on many financial structuring decisions, all work against our focus on growth and global competitiveness.

Industrial Relations. Changes in the structure of the industry, in particular the move towards many components suppliers sequence delivering parts on a just-in-time basis, expose a larger proportion of the industry to immediate impact to industrial disputes. This has been evidenced by the Manuseafe disputes over the last few months. We would seek support from the Federal Government to:

- Provide a mechanism through the Australian Industrial Relations Commission to prevent protected industrial action in the industry
- Provide fast and effective deterrents to illegal industrial action and immediate effective intervention where necessary

Workcover Costs. The rapid escalation of Workcover costs despite decreasing claims cost, attributed to the no fault legislation, common law claim blowouts and no recognition of personal contribution to disability is a major burden on manufacturing employers and the approach needs to be overhauled.

Other Legislation Changes. Increasing legislative requirements across areas such as EEO, OH&S and Privacy, as well as the increasing trend to litigation is forcing business to appoint costly legal and expert personnel to achieve compliance. We would seek pragmatic implementation assistance by way of generic policies and implementation materials.

Conclusion

Venture would like to thank the Commission for the interest shown in visiting our organisation on 29 April 02 and for the opportunity to provide follow-up input to the Inquiry. We would welcome the opportunity to participate in any forum during the inquiry.

Yours sincerely,

Brett Hanson
Managing Director
Venture Australia Group