

**“Impacts of reduced assistance to the automotive industry
post 2005: *northern region of Melbourne*”**

**Submission to
Productivity Commission Inquiry into Australian automotive
industry – post 2005**

*This submission has been prepared by NIETL/NORTH Link.
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Introduction

NIETL/NORTH Link is a business networking and economic development organisation representing the northern metropolitan region of Melbourne. The region has a strong manufacturing base, with over 4,000 (28.0%) of manufacturing establishments in Victoria and 8.8% of Australia's manufacturing output, making it one of the most significant manufacturing areas in the country. It is home for around 800,000 people and over 60,000 businesses.

NIETL/NORTH Link is focused on stimulating economic development in the northern region and represents the Cities of Darebin, Hume, Moreland, Whittlesea, Banyule, Yarra & Nillumbik.

The northern region of Melbourne is home to over 100 component, tooling and service providers to the automotive industry. These companies are distinguished by high technology, export capabilities, skilled workforces, manufacturing excellence and innovation.

Annual sales exceed \$1.58 billion, employment of 7,600 people and exports of around \$360 million. **These figures exclude vehicle manufacturers.**

Automotive component manufacturers have expressed their concerns to NIETL/NORTH Link re the effect of reduced assistance to the automotive component industry – post 2005. NIETL/NORTH Link over a 12 year period has been actively supporting the individual regional initiatives and activities of manufacturers in the northern region of Melbourne, providing support through partnerships with industry; education; local, state and regional government to make the region a leader in manufacturing excellence. Through a wide range of enterprise programs, the region is now one of the most significant manufacturing areas in the country. The region is renowned for its automotive manufacturing base with many high ranking and internationally competitive and recognised manufacturers located there.

A list of major first tier automotive suppliers located in the north of Melbourne is provided as **Attachment One Major Automotive Component Suppliers in the North of Melbourne**. Many of these organisations will be making an individual submission to the productivity commission inquiry; the NIETL/NORTH Link submission supports those and provides an overall regional perspective. There is little argument that tariff reductions since the mid 80's have had a major effect on employment levels and small components manufacturing have diversified away from the automotive sector due to reduced opportunities and the elimination of the small cars manufactured in Australia.

Over time, automotive suppliers have improved their business practices - quality, technology and productivity levels are now at internationally competitive standard. Automotive suppliers have now also acquired a number of internationally recognized quality accreditations including ISO 9001, QS 9000, ISO 14001 and others, in order to establish their credentials internationally. All at considerable cost to initially implement and to then maintain continued accreditation in the future.

These accreditation requirements have placed and continue to place considerable cost pressures on the automotive industry and NIETL/NORTH Link has facilitated and provided direct assistance to enable the small to medium sized automotive suppliers to meet these demands including:

- **Workshops and publication of "QS9000 A Practical Guide: Experiences of Australian Companies"** (see attached brochure)

- **Workshops and publication of “Greenlink: the EMS/ISO 14001 Handbook”, in collaboration with EPA Victoria and Sustainable Energy Authority Victoria (see attached brochure)**
- **A Greenhouse Challenge Program to identify cost savings through energy usage reductions in collaboration with the Australian Greenhouse Office and through the provision of Energy Audits**

Further reductions in assistance could see these competitive improvements and global status lost to the regional economy and the opportunities for further economic improvements and employment growth in the industry foregone.

NIETL/NORTH Link Recommendations

1. hold the tariff rate at 10%, post 2005
2. continue the Automotive Competitiveness and Investment Scheme (ACIS), post 2005 and use it to provide
 - targetted assistance and incentives to reduce costs and increase access to global markets, to provide a continuing acceptable return on investment
 - an active R&D facilitation program to stimulate continued innovation
 - incentives and assistance to encourage continued additional investment in automotive manufacturing technology
3. incentives to encourage additional investment in leadership and skill development programs for the automotive industry workforce
4. continued efforts by government to secure better trade access for Australian automotive component exporters into international markets to ensure that the critical size for the industry is maintained and justifies owner investment

How do we justify these recommendations?

- The automotive industry is a key driver of manufacturing in the north of Melbourne, comprising over 100 component manufacturers, tooling, design and engineering services, leaders in manufacturing innovation and technology
- Automotive component manufacturers have gone through major changes and restructuring over the past 15 years due to continued reductions of tariffs from 57.5% in 1987 to 15% in 2000. Local firms have transformed their business operations from a domestically focused company to a significant global player
- The regions annual exports have progressively increased to in excess of \$360 million, a strong recognition of international competitiveness in world markets. This has been achieved through productivity initiatives and investment to increase quality, skills development and leadership.
- The region is renowned for its many high ranking manufacturers but is also the home of small, family owned businesses that have greater difficulties in undertaking major diversification and global expansions
- Why pioneer free trade and reduce Australian assets, job opportunities and talent unnecessarily? Competition from countries with higher levels of protection and lower wages e.g. Indonesia, India, Malaysia, China, Thailand and other developing countries will be made worse if Australia moves to the forefront of free trade. We will be needlessly handing over markets to imported components. To continue with these unilateral trade concessions without reciprocity will unnecessarily reduce the economic viability of the northern region of Melbourne, as well as weaken the automotive industry base of Australia as a whole
- A pause in reducing the rate of protection, to bring us into line with the rest of the world will reduce further unnecessary job losses in the automotive sector, one of the most vulnerable in the current employment climate

Why Tariff's and assistance should not be reduced

- Automotive related manufactured components, tooling and other services are a major contributor to the economy of the region including:
 - home to over 100 organisations linked to the automotive industry
 - domestic sales of \$1.58 billion pa
 - annual exports sales over \$360 million pa
 - employment of over 7,600
 - **See Attachment Two Automotive Component Industry: Facts & Figures**
- Further reductions in tariffs and assistance will jeopardise the progress made by automotive suppliers towards international competitiveness and reduce their ability to deliver further productivity improvements enhancements
- Reduced assistance will increase the quantity of imported automotive components from international companies with high volume markets and excess manufacturing capacities

Conclusion

NIETL/NORTH Link conducted a survey of thirty automotive component manufacturers in the northern region of Melbourne.

1. *The results of the study identified that all of these companies where totally committed to the automotive industry. The study identified how critically important it is that they maintain their present market share, in order to continue to be able to employ their current workforce and not jeopardise the progress already made towards internationally competitiveness*
2. *Targeted assistance to further reduce costs and maintain international competitiveness is now the critical requirement of the day. This should include assistance and incentives for:*
 - *implementation and improvement of internationally accredited quality systems*
 - *benchmarking against international standards to identify areas for improvement*
 - *diversification into non-automotive supplies in order to achieve cost savings through higher volumes*
 - *skills and leadership development of the workforce for business excellence*
 - *innovation to increase market share internationally*
 - *research and development for continuous improvement*
 - *increasing access to international markets*
3. *Holding tariffs at 10%, post 2005 will ensure that:*
 - *the gains made during the difficult period of adjustment of the last thirty years is not lost;*
 - *the potential for further productivity and employment improvement from the automotive components sector is realised*
 - *a critical sector for employment and excellence for the northern region of Melbourne is not damaged*
 - *investment in the Australian automotive industry is maintained at a level of critical mass necessary to ensure its continued existence and future prosperity*

We must recognise that considerable improvements have been achieved by the industry and that the automotive sector as a whole has the ability to continue to be a show case industry in best practice manufacturing, innovation and technology for other Australian industries.

ATTACHMENT ONE

MAJOR AUTOMOTIVE COMPONENT SUPPLIERS IN THE NORTH OF MELBOURNE

- 3M
- AA Gaskets
- Air International
- Amcor Cartons
- ABC Conveyer Systems
- ATCO Controls
- Austral Gaskets
- Australian Controls
- Autoliv Australia
- AWS Australia
- Bostik Findley
- Cananzi Tooling
- Cling Adhesives
- CMI
- CPC Automotive Group
- Delphi
- Denso/Flexdrive
- Diecraft
- Diver Consolidated
- Dolphin Products
- Finlay Engineering
- Heslop Diecastors
- Holroyd Engineering
- Howe & Co
- Johnson Controls
- Laslett Rubber
- Marget Engineering
- Marsden & McGain
- Melba Industries
- Olympic Aluminium Diecasting
- Ormiston Rubber
- Purgon Engineering
- RMD Press
- Siemens/VDO
- Sneddon & Kingston Plastics
- South Pacific Tyres
- Sutton Tools
- Vantico
- Venture Industries
- Visy Board
- Westbreen Equipment Services

ATTACHMENT TWO

AUTOMOTIVE COMPONENT INDUSTRY: FACTS AND FIGURES

Australia Wide

Total Annual Sales \$14.8 billion, made up of

- Car companies \$7.6 billion
- Component Suppliers \$7.2 billion originating from
 - Victoria \$4.8 billion
 - NSW \$1.1 billion
 - SA \$1.3 billion

Employment

- Car Companies 21,000 people
- Component Manufacturers & Service Providers 29,000 people
 - Victoria 20,000 employees
 - NSW 4,000 employees
 - SA 5,000 employees

Northern Region of Melbourne (excluding vehicle manufacturers)

- Annual sales of \$1.58 billion
- Over 33% of Victoria's automotive component sales
- Annual export sales of \$360 million
- Employment of 7,600 people
- Over 38% of Victoria's automotive component employees
- Over 100 component, tooling and service providers comprising:
 - 40 first tier companies with > 75% in automotive related sales
 - 35 second tier companies with 50% to 75% in automotive related sales
 - 25 tooling, service and education companies with < 50% in automotive related sales