

BASF Australia Ltd. P.O. Box 229, Adelaide, SA 5063

Adelaide Office

9th May 2001

The Automotive Enquiry
Productivity Commission
PO Box 80
Belconnon
ACT 2616

BASF Australia Ltd Submission on Post 2005 Assistance Programs for the Automotive Manufacturing Sector

Dear Sir / Madam

BASF Australia Ltd (BAL) support submissions to the Productivity Commission separately made by the Plastics & Chemicals Industry Association (PACIA) and the Federation of Automotive Parts Manufacturers (FAPM).

BASF global sales in automotive markets are approximately A\$7 billion and 13% of total sales. In Australia, a similar share of our total sales is directed to automotive applications. BAL local markets are diverse and include:

1. Plastic injection moulding
2. Plastic sheet extrusion
3. Polyurethane soft and hard foams for seating and interiors
4. Other foams for energy absorption and impact protection
5. OEM and aftermarket metal and plastics coatings (through BASF Akzo Nobel joint venture)
6. Coolants & brake fluids
7. Leather chemicals.
8. Nylon fibres for carpets

Directly or indirectly, BAL is a major plastic raw material supplier to major Australian Tier 1 suppliers including

1. Air International
2. Austrim Nylex
3. Autoliv
4. Robert Bosch
5. Delphi
6. Schefenacker

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BAL also supplies raw materials to Engineering Polymers Pty Ltd, a licensed compounder of BASF plastics.

Our Joint Ventures, BASF Akzo Nobel Automotive Coatings and BASF-Wattyl, are, respectively, major suppliers of OEM and Aftermarket coatings.

Our local car industry is small by world standards, but requires a viable supplier base through the full supply chain. The supply chain clearly includes raw materials.

In overseas and to a lesser extent domestic markets, BASF are innovative. However, BAL finds it difficult to attract sufficient investments to our Australia operations to undertake R&D in support of the demands placed on us by the local OEM's and component suppliers.

The principle issues of concern to BAL are as follows:

1. Tariffs on products in the automotive sector should be maintained at 10% post 2005 and only lowered in accordance with multilateral or regional agreement that has all members undertaking tariff reductions.
1. A new ACIS scheme must be developed for the period 2006-2010, which builds upon the current scheme. The inclusion of raw material manufacturers and suppliers - including plastics - is a necessary extension of the current arrangement, i.e. ACIS should be applied to the total supply chain. This addition will encourage innovation in raw material developments.

Without this ACIS extension our plastics industry will continue to:

- Suffer a lack of capital and investment in Research & Development (R&D) relative to overseas competitors
 - Operate small-scale production sites
 - Under perform, resulting in a continuation of a huge trade deficit (A\$8 billion in 2001) in the plastics & chemicals industry
1. Long-term investments in local production depend on a secure future for our customer base. Without market stability and investment by our customers, we will find it hard to justify further investment in our local plastics & chemical production.
 1. Uptake of safer and more environmentally friendly products is restricted under current arrangements for the plastics & chemical industry. The automotive sector demands new and improved parts & assemblies, such as nylon air intake manifolds and cylinder head covers. These lighter and cheaper components offer OEM and their customers greater fuel efficiency and hence lower environmental impact.



1. Currently, a 5% import tariff applies to imported plastic raw materials, including polymers that are not made locally. BAL considers this cost impost unreasonable for products not made locally, since it is critical for the plastics industry to supply product at internationally competitive prices.

Yours faithfully

Stephen Morris
Automotive Industry Manager
BASF Australia Ltd

