

9th May 2002

Automotive Industry Inquiry
Productivity Commission
PO Box 80
Belconnen ACT 2616

Dear Sirs,

We respond to your call for submissions in respect of the Governments current review of the Industry.

This response, whilst generated by Castalloy Limited is on behalf of the automotive operations of ION Limited (ACN 009 106 272).

ION Ltd is a Public Company listed on the ASX and a major player in the Automotive industry with group sales in excess of \$600m and a workforce of over 1800.

The ION Automotive Group is comprised of three separate Companies.

CASTALLOY LIMITED:-

Castalloy operates from a site in North Plympton, South Australia.

Castalloy operates two divisions.

Our Wheels Division is the sole world source of motorcycle wheels and hubs for the Harley-Davidson Motorcycle Company in the U.S.A. 100% of our product is exported and the business is recognised for its design capacity and full customer service.

Our Engine Parts Division produces cylinder heads, inlet manifolds, oil pans, and thermostat housings is a sole source supplier for Holden. We will be a major supplier of aluminium components for the new Holden HF-V6 engine planned for introduction in 2004, as we have been awarded long term supply contracts for these components. 60% of the product sold to Holden is exported; Castalloy has a large R&D team that generates the intellectual property needed to remain competitive in these global markets.

GLOBAL TRANSMISSIONS – ALBURY:-

Formerly the BTR Automotive Automatic Transmission plant at Albury acquired by ION Ltd in April 2002.

BTRA is a stand-alone, independently managed business operated by its own highly capable management team and a skilled, well-trained stable workforce. Total employees are about 850. Production is currently focussed on the highly developed proprietary 4-speed range. The in-house Research & Development Centre has made significant progress in the development of a next generation state-of-the-art 5-speed transmission. Development of a 6-speed transmission is under active consideration.

The Albury plant is operating at near capacity to meet current demand from Ford Australia and Ssangyong of Korea. Ford uses the 4-speed transmission for all volume manufactured vehicles in Australia, while Ssangyong uses the transmission in its SUV range where it holds a strong market share in the Korean domestic market.

Agreements are in place with Ford until September 2006. The Ssangyong contracts are due for renewal in December 2002 and discussions to secure this business for a further five-year period are at an advanced stage. New markets are being sought in Australia and overseas.

ARGENT METAL TECHNOLOGIES – AUCKLAND NEW ZEALAND:-

Argent Metals Technologies was established in August 1, 2001, when ION Ltd purchased as a going concern the Alloy Wheel manufacturing operation of the Ford Motor Company of New Zealand.

Initially supplying to the Australian Original Equipment Alloy wheel market, the business has expanded to incorporate volume production for the growing North American market to the extent that today 98% of production capacity is committed to supplying Ford Motor Company assembly operations in the United States. The company now has in place capacity to produce in excess of 2 million alloy road wheels per annum.

A cast aluminium engine cross-member which was designed and developed in the plant has been in production since 1997 for the Australian Ford Falcon range.

The plant is located in Manukau City, south of Auckland, New Zealand, and employs 480 people.

Wheels and cross-members are produced using the low pressure permanent mold casting process. Wheel and die designs are developed by AMT engineers using state of the art CAD platforms that enable the company to work directly with the US based design and engineering studios. AMT engineering and R&D have a direct interface with Castalloy.

We seek to register our support for the submission by the FAPM however, we would also comment.

- (1) **Tariff Levels** – Whatever our Australian customers need to remain local manufacturers has our support because they fund the infrastructure we need to be a viable large scale exporter of automotive components.
- (2) **ACIS** – Is extremely important to our Australian businesses and should be maintained through calendar year 2010.
- (3) Modulation should be abolished.
- (4) Ideally, a mechanism should be developed that allows the ACIS scheme to always have a 5 year horizon. This will ensure that large investments in long-term state of the art technology can be planned with a degree of financial certainty.

The industry has long lead times and if ACIS is the desired assistance delivery mechanism a 5-year horizon is essential.

e.g. A Company planning a major 'Greenfield site' investment today has no certainty of assistance from ACIS as the scheme expires at the end of 2005.

We trust that this submission will prove to be of assistance to the Commission.

Kind regards,

C. J. PETERS
Managing Director – Castalloy Ltd
Director – ION Ltd.