

Dear Members of the Productivity Commission,

I would like to offer my observations to your Committee of Enquiry as an operative in the manufacturing industry for over 50 years.

Excellent Plating Works Pty Ltd is a major supplier of high end corrosion protection coatings to the automotive and general manufacturing industries.

Established for over 45 years and employing 45 staff, the business processes many tonnes of product on a just in time daily basis to first tier suppliers to the local automotive manufacturers.

Our 2 acre Moorabbin site has four plants, providing cutting edge chemical engineering processing technology, all controlled by our fully equipped in house laboratory.

When we first started in business, manufacturing in Australia encompassed wide range of products, from small and large domestic appliances to an expanding automotive industry.

Over the years we have witnessed a massive dismantling of general manufacturing and significant and continuing reduction of auto manufacturing.

Our business has only been able to survive by adopting global best practice operations and procedures. This of course, is only partially effective as local inputs are generally considerably higher than those of all competing nations.

Over the years I have visited many processing plants right around the world and I am certain that if all inputs were equal we would match the world on a primary economic basis. In our electrophoretic coating plants I have never viewed a competing operation globally that operates more efficiently. To give weight to this view, when we were designing our last E Coat plant, which had some basic similarities to a widely used US processing system, I told the chemical engineers in the US I wanted to increase the capacity by 50% with the same footprint. The response was "You can't change the laws of physics, it can't be done."

Armed with this challenge, we increased the output by 100% and have operated at this level ever since. This driving motivation has allowed us to survive in these difficult times.

I would like to give emphasis to the vital critical mass that the automotive industry now provides for manufacturing generally since the demise of other significant manufacturers.

Without a viable local automotive manufacturing industry, the sophisticated level of supply that we provide to others would cease to exist as the low volumes could not justify the continuance of our high volume production plants.

As an adjunct to the auto supply, we provide high end corrosion solutions for difficult environments such as mining and salt air exposure. We also provide finishing solutions for locally manufactured automotive products into the US market, among others.

Without basic O.E automotive numbers our doors would close and the very manufacture of these adjunct products would also have to go offshore. E Coat plants like ours cannot be scaled down to suit low volumes. The operational requirements simply do not allow for small scale operation.

Denied of O.E. automotive volume the same scenario also exists for many other support industries, including contract painters, toolmakers etc.

Because we provide finishing solutions to business right across Australia we have always been a very good barometer for the health of manufacturing. Current conditions are as bad as we have ever experienced right across the board.

We are convinced the loss of automotive manufacturing would spell absolute disaster for manufacturing generally in Australia. In the event, I believe the social dislocation and subsequent welfare cost would make the required auto support funding seem relatively trivial. I have witnessed first-hand the devastation to local communities caused by departing manufacturing. Flint Mi. and areas of Cleveland are scary and deeply troubling to drive through. I know we are a long way from that, but as a nation we need an agenda to ensure it can never happen.

Often ill-informed cries for diversification into other industries are not grappling with the enormity of the task. Successful development to something sustainable often takes many years and large capital. The attrition rate of even well considered, well developed and well funded start-up companies far exceeds the survivors. This factor alone is good argument to support those who do manage to survive. With global funds closely monitoring all start up enterprises, waiting to pounce on the few successes, this difficulty for Australia can only get worse without our concentrated efforts to protect our base and provide a better outcome than servitude for our grandchildren to the most progressive nations on earth.

Over many years we have been peripherally involved in design and development of many innovative products. All too often we see the commercial production taken offshore for economic reasons.

As a nation we need to recognise where globalisation is inevitably taking us. At a time when many competing nations are working hard to protect their wealth creation and import replacement businesses, it could be argued that we provide the world's most porous borders.

Despite the often hysterical public debate about government support, we are close to the least protected automotive manufacturing nation on earth. We are effectively a dumping ground for the world's most heavily supported auto manufacturers while as a nation we grapple with massively unbalanced inputs due to our isolation and the rampant price increases that our society simply tolerates from many commercial activities currently isolated from global competition.

When considering these inputs it may be worthwhile to project our nation forward a decade or so to the inevitability of unbridled globalisation.

We cannot imagine the developments of global communication over the next decade, but it would be naive in the extreme to believe that our current protected isolation for some can continue at the globally inflated values they now enjoy. Very few local commercial activities could if subjected compete with total global competition.

Many of our commercial entities enjoy super profits while utilising cheap staff in Asia to provide back room operations.

With the high levels of education these people are now undertaking, often at our best institutions, it would be naive indeed to think at some future time they would not want a slice of the action. It is certain that, within a decade at most, the first line advice provided by our professionals could be equally provided by the push of a button contacting a visual three dimensional expert on the other end in Mumbai or Shanghai as eminently qualified and equally well versed as their Australian counterpart. With a potential massive disparity in rates it would be a no brainer for the local punters to take this option.

Given that plants like Toyota Manufacturing in Melbourne are indeed state of the art and world class, it is worth remembering that, given balanced inputs, they can remain truly globally efficient within any concept of a level playing field.

With the prospect of a lot of our wealth ultimately disappearing down the vortex of highly exotic global communications systems, when the poorest of the world will have a chance to get on board, we need to apply all of our energies to maintaining income producing and import replacement endeavours that are unlikely to forcibly become totally exposed to the ultimate global village.

Given these considerations, the automotive industry could well provide the linchpin for our future survival and prosperity.

Sincerely,

Pat Aughterson

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