

## Australian Productivity Commission : Review of the Australian Automotive Manufacturing Industry.

Dear Commissioners,

PolyPacific Pty Ltd is a Joint Venture business between Mirlex Australia Pty Ltd and LyondellBasell Australia (Holdings) Pty Ltd engaged since 1978 in the manufacture of modified polypropylene compounds that are supplied as raw material inputs to the injection moulding, extrusion, film and blow moulding industries for further processing into a wide range of articles primarily for the manufacture of parts used in the assembly of Australian produced passenger motor vehicles.

The Head Office is located in Dandenong South, Victoria. The site houses the manufacturing facility, functionally equipped testing, R&D and product development centre, warehousing and distribution, sales and marketing and finance and administration .

Since inception in 1978 the customer base has changed enormously. The business was set up to service the growing demand and evolving requirements for plastic raw materials required by the Australian automotive industry and for white goods (washing machines, clothes dryers, refrigerators etc), small domestic appliances ( vacuum cleaners, electric toasters, personal heaters, electric jugs etc) and power tools (lawn mowers, garden edgers, drills etc) to name a few. The vast majority of these manufacturing industries have disappeared from the Australian economy. There are other industries in Australia that generate demand for our products but the last one remaining industry of any significant size is automotive manufacture. Consequently PolyPacific's business is heavily reliant on the Australian automotive industry. It represents the dominant market sector for PolyPacific.

PolyPacific, initially through necessity then by choice has progressed its own technology in terms of product development, intellectual property and manufacturing capability. The company has continually invested heavily in capital equipment to enable the business to maintain a lean, best practice manufacturing facility. The Australian automotive industry has been the major driver in pursuing this objective. Over time we have experienced a shift in direction by the automotive industry from one of having a strong and independent local engineering capability that meant (in our case) material specifications that were developed around particular Australian conditions (eg dry, hot and aggressive UV) to in more recent years the adoption and implementation by the automotive companies of global specifications. Consequently PolyPacific has had to adapt technically to enable our ability to comply with global specifications or be otherwise excluded from supplying products to the Australian automotive manufacturers. We have done that successfully. In terms of global specification supply capability we are competitive both technically and commercially.

The demands placed upon suppliers to the Australian Automotive Industry such as us to be technically the equal of suppliers from Europe, US, Japan and Korea and to be cost competitive with those suppliers has had very positive benefits. Our work force is highly trained and skilled. Our technical and manufacturing capabilities have been enhanced and are of world class. Our processes and procedures are highly developed and are best practice.

In the event that the Australian automotive industry disappears PolyPacific will become a very different business from that which it is today. Future investment, current and future employment opportunities and employee skill development would be seriously compromised.

The Australian economy for many years has been experiencing a shrinking manufacturing base. It has experienced the loss of entire industries that had once generated demand for Australian produced inputs of value which created the need for a very broad based range of specific skills and capabilities that have not be replaced. This has diminished Australia's overall capability to be innovative and make things of consequence and possibly things of substance and of strategic importance into the future Opportunities for business such as ours to replace lost domestic business resulting from the future closure of the Australian automotive industry is extremely limited. This would certainly be the experience repeated in dozens upon dozens of other manufacturing businesses located particularly in the southern states of Victoria and South Australia.

Similarly, export opportunities to replace lost domestic business are not realistic for PolyPacific . The high value of the Australian dollar, the relative geographic isolation from markets and trade barriers (both tariff and non tariff) in auto producing countries weighs very heavily against Australian companies like PolyPacific. Couple those factors with Australia not being an auto producing country in future and therefore not being a part of the global supplier network the chances for current Australian manufacturers of automotive industry inputs successfully exporting going forward are at best remote.

The Australian automotive manufacturing industry is clearly under imminent threat of closure. The issues that it faces are varied and without doubt they are very complicated. We like all other participants in the supply chain want to see it not only survive, but prosper. It is an industry that in our view is too important and significant to the national interest to lose. We believe that the industry requires and deserves to have ongoing and meaningful assistance. It requires all parties with a vested interest in the survival of the industry—governments, the remaining auto manufacturers, their employees, suppliers and consumers to collectively develop solutions that can bring about a long term sustainable future for the industry.

During World War 2 Australia built from scratch fighter aircraft and armoured land vehicles etc. The value of the Australian dollar at that time was understandably irrelevant. Once the skill and manufacturing base has been dismantled and some economists and others (who can't see things like people who make things see things) have had their way even making a billy cart if our backs were again against the wall could prove beyond us as a challenge . Last time round Australia was a contributor and a player and we were respected for that—to some people this was and still remains important.

PolyPacific Pty Ltd

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