



Palm Products Submission

Productivity Commission Inquiry:

Review of the Australian Automotive Manufacturing Industry 2013

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By:

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Do we need an Automotive Industry?

If you asked this question to virtually any knowledgeable person, in any comparable country, they would say “of course”.

If you asked whether you would voluntarily close one down when you have 2 MPVs and most of the major ACPs participating, they would shake their head.

All the logic and economic models points to the importance of an automotive industry.

We are fortunate to be one of only 13 countries that can produce a car for concept to the showroom.

This means that we have the important knowledge part as well as the assembly part. This former, in particular, attracts highly skilled designers, engineers, and other professionals from Australian and around the world.

These skills are transferred to other industries and professions as the individuals change jobs throughout their working life.

Any individual who has succeeded in this industry has a toughness and skill level that stands them in good stead for the rest of their lives – just like a high standard education.

The CEO of Rio Tinto, Sam Walsh, worked in the automotive industry, and used automotive thinking to develop his “mines of the future”.

Similarly, any company who has succeeded in this industry has a toughness and skill level that gives it the basis of succeeding in other markets.

The automotive industry can be viewed as being part of this country’s basic infrastructure.

I would urge the Commission to view assistance to the automotive industry in 2 parts, the knowledge part and the assembly part, and put policies in place to create a level playing field in both and to incentivise both.

The move to globalization of models means that many assemblies will be manufactured in low labour cost countries. However, with the growing sophistication of automation, the increasing costs in Asia, changing exchange rates and the logistic advantages of assembly close to the MVPs, there is likely be a trend back to local manufacture in the future. In the future, it may be feasible, for example, to completely automate the production of an electric vehicles in low volume.

There is a global trend to on-shoring.

Long term decisions based upon current costs, current products and current global conditions are bound to be incorrect.

I would urge the Commission to be cautious and flexible when reaching conclusions.

Once this industry is lost, it is unlikely to ever return.



Time to get serious

Unfortunately, the “Lucky Country” syndrome has permeated the thinking of many on automotive policy.

There is a complacency that thinks that this tough industry can survive in Australia without an internationally competitive playing field and without support that addresses the industry’s particular needs. If it becomes unviable it is the industry’s fault. The situation this industry now finds itself in is predicable from the policy settings and the operating environment.

The automotive industry has not been well served by past governments. In general terms the basic direction has been right, but there has been a reluctance to follow through and make the tough calls.

The lack of reciprocity on FTA’s is one example.

The fact that only 2 states and the Commonwealth have signed up to local procurement is another.

If this industry is to continue, Australia needs to become serious on implementing the recommendations of FAPM and others, many of them are without cost, to create a level playing field and to create the conditions that will encourage long-term investment by companies and individuals. We need to be tough on implementation of FTA’s and anti-dumping. The best interests of the country must be paramount.

There is a lack of consensus on the industry’s importance, what needs to be done and to how it is to be done.

It is to be hoped that this Productivity Commission’s report will be a necessary circuit-breaker and build this consensus.



Palm Products and the Automotive Industry

About

Palm Products is an injection moulder who operates in 3 markets

- Consumer drink and tableware
 - The company is the largest supplier of plastic drinkware to the Australian retail industry. Key customers are David Jones, Coles, Big W and BCF
 - In collaboration with Marc Newson (one of the world's top designers), a premium range of drinkware has been developed which sets new benchmarks in design, function and quality. The objective is to develop the world's best unbreakable drinkware range. This range was launched late last year. It has been awarded an Australian Design Award. Distributors have been appointed in Sweden, Norway, Holland, France, UK, Germany, Italy, Turkey, UAE and Hong Kong.
 - Consumer products represent 35% of turnover and is growing strongly
- Automotive industry contract moulding – 40% of turnover, of which 15% is exported.
- Building industry contract and own product moulding – 25% of turnover

The business is owned by the Managing Director, Robert Wilson. He is on the FAPM Board and is the Treasurer.

The importance of Palm Products' exposure to automotive

Palm Products would not have been successful in consumer drink and tableware market without its exposure to the automotive industry. This has been beneficial in the following areas:

- Technology. Palm Products has made automotive instrument lenses for 20 years. These are one of the most difficult plastic parts in a vehicle to manufacture because of their visual requirements and the use of high temperature polycarbonate which places demands on dies and machinery. Lessons learnt from automotive has enabled the considerable technical issues with consumer drinkware to be overcome.
- Low-cost manufacture. The company is price competitive in Australia, Europe and the USA against Asian suppliers. Exposure to automotive has assisted in the development of:
 - High levels of automation
 - High levels of technology
 - High levels of IT
 - Use of automotive lean production principles
 - Use of automotive quality systems
 - A skilled, motivated work-force
 - A continuous improvement philosophy
- Staff Skill levels. MVP's and ACP's level of engineering, quality, logistics skills, and clarity of customer responsiveness is a step above non-automotive customers and the retail industry. Constant exposure to automotive management has forced the company to continually achieve the same standards.
- Exposure and lessons learnt has given Palm Products the confidence to commit the necessary financial and human resources to product development, equipment and marketing.



Vision for SME-ACP of the future

Despite the difficulties of being a manufacturer in Australia, Palm Products is committed to local manufacturer because the company's experience has shown that it is possible to be price and quality competitive.

Palm Products' strategic vision is to remain a supplier to the automotive industry because of the benefits this exposure brings.

To survive as an SME-ACP, a different and more dynamic business model is required.

Successful SME-ACP of the future will have a mix of the following:

- World competitive core technology
- World competitive cost structure which requires continual investment in equipment and systems
- A flexible, skilled work force
- Diversified markets and products based upon core technology
- Sales and marketing skills to enable opportunities to be grasped
- Strong leadership

The FAPM submission highlights a number of dynamic ACPs who fit this business model.

Would Palm Products survive without automotive?

The answer is probably yes – but it would not be as strong and would not employ as many people either directly or through its suppliers.

Many suppliers to Palm Products would be weakened and may not survive. All tooling, for example, is currently built by Australian toolmakers who rely heavily on automotive volume.

Without skilled supporting companies, doing business becomes harder, and more costly.

The ripple effect throughout manufacturing of the loss of the automotive industry would be large.

The survival of SME-ACP manufacturing is dependent on individuals like myself and Pat Aughterson from Excellent Plating (see his submission). We are prepared to fight hard to survive – to work the necessary hours, to commit the necessary funds and to take the risks.

Without automotive volume, there may come a point where it may be impossible for many businesses to survive, or simply not worth the effort.