

DENSO

Productivity Commission Submission - 2013

DENSO Automotive Systems Australia Pty Ltd – Nov 2013

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DENSO Automotive Systems Australia Pty Ltd (“DNAU”), has been operating in Australia since 1972 and from its current Croydon Vic. site since 1989. It is the sole operating entity for the DENSO Group in Australia with estimated sales of A\$267m, employing nearly four hundred (400) people in Australia.

DNAU is a wholly owned subsidiary of DENSO Corporation Japan; a Multi-National (MNC) global automotive component manufacturer established in 1949 which operates in 32 countries and employs approx. 120,000 people worldwide.

DNAU’s sales to Australian Motor Vehicle Producers (MVP’s) account for approximately 80% of all sales, with the remainder predominantly in the Automotive Aftermarket and some non-Auto products.

With ever decreasing volumes of Australian-manufactured vehicles and the MVP’s move to global platforms, DNAU was acutely aware of the need to develop a business plan to be less reliant on traditional business channels, to ensure its long term survival.

As DENSO Corp has manufacturing locations in all major global Auto markets, DNAU’s ability to generate Auto component exports is limited to intercompany sales. Given DNAU has also maximised business opportunities with the Australian MVP’s, DNAU’s future relies on expanding its Auto Aftermarket & diversified products business, along with developing new products in new industries focusing on both local & export market opportunities

2. Benefit to DENSO derived from traditional Australian Automotive business activity

Localised Manufacturing & Jobs - Investment in Quality, R&D, Manufacturing Engineering & Equipment have facilitated increased localisation of product within DNAU. Recent examples of significant import replacement include the Holden VF Commodore Engine Cooling Module (CRFM) and A/C System (HVAC) systems. These projects would have been extremely difficult to achieve without funding support from the ATS scheme



Intercompany Exports – of Thermal Heat Exchanger product to DENSO overseas group companies due to DNAU's ability to specialise in lower volume niche programs

Sales Expansion (New Products in Existing Channels) - Development of Air Intake Snorkel business utilising engineering & manufacturing know-how gained from traditional MVP Air Intake System business



Sales Expansion (Diversification) – Has also been made possible by the skill-set, know-how & capital invested in Automotive Manufacturing. Recent examples include Caravan Air Conditioning & Hatch for local and global markets. Export potential exists as this is a first for DENSO Corp. DNAU will also use DENSO Corp's global network to promote and distribute this product range.



Global R&D Contracts – supporting DENSO global business activity from Australia e.g. designing Thermal products for DENSO Malaysia Proton business. This work was made possible with DNAU's \$5mil investment in a state-of-the-art test facility. This allows our local R&D design experts to develop capability in offshore programs.

3. Benefit to the Australian Economy derived from DENSO's traditional Australian Automotive business activity

Finance & Employment -

- DENSO Australia (DNAU) generates sales of \$270m pa, employs 400 permanent people and holds over \$180m in total assets
- DNAU has also paid income tax exceeding \$50m over the last 5 years alone
- As a well established local developer and manufacturer of products in Australia, DENSO indirectly is supporting local suppliers of goods and services, adding tens of millions of dollars to the Australian economy annually.

Training & Development Industry Up-Skilling -

- DNAU is a pre-eminent exponent of TPS (Toyota Production System), training employees who in turn often transfer their skills into the broader manufacturing industry.
- Local supplier development is also a key DENSO contribution e.g. DNAU developed Blown Plastics as an Auto T1 who in turn took those skills to non-Auto industries such as Medical
- Education of all associated to an advanced level
- Denso is an accredited education provider “ Certificate In Automotive Manufacturing”
- Skills gained are transportable to other industries
- Training has been provided to external companies in Advanced Manufacturing Techniques

DENSO Australia has a long history of innovation and R&D activity in the Australian Automotive Industry. Whilst every effort is being made to review its business model to compete and survive in the long term, we believe it is vital to retain the (Auto) industry to maintain core Engineering and Manufacturing capabilities that form the basis for maximising opportunities in diversified products in alternative industries.

DENSO Australia also believes it is vital the Industry receives ongoing support from both State & Fed Government stakeholders to facilitate new business opportunities. Therefore, it is essential that a new automotive policy framework supports and encourages the supply chain to diversify into other industries.

DENSO's contribution to Australian economic activity will be permanently lost should motor vehicle manufacturing cease as DENSO will NOT be able to justify continuing manufacturing activity in Australia.

There will be no significant structural transition to non-automotive industries as these products will not be sufficient to replace our current Automotive levels. As such, remaining non-Auto production will transfer to overseas DENSO facilities following the loss of car manufacturing.

If that occurs, the remaining DENSO Australian operations will be limited to an import and distribution facility expected to employ less than 10% of today's numbers
