



MHG Asia Pacific submission for consideration of a Productivity Commission Position Paper into Australia's Automotive Manufacturing Industry

MHG Asia Pacific is an Australian privately owned tier one original equipment automotive component supplier founded in 1970.

Our vision is ***"Manufacturing a better tomorrow than today"***.

MHG Asia Pacific has three manufacturing sites:

- Melton, Victoria, Australia (plastic injection moulding, paint and assembly)
- North Geelong, Victoria, Australia (glass fabrication and assembly)
- Rayong, Thailand (plastic injection moulding, paint and assembly)

Our strategy is to uphold our reputation for excellence, innovation and quality within the automotive market while expanding to new markets and introducing new products.

MHG AP employs 190 people in Australia. Currently the majority of production is dedicated to the local automotive industry. As well as being a tier one supplier of glass and plastic components MHG Asia Pacific also employs engineering staff who work collaboratively with design engineers at Ford, Toyota and GM Holden. The results of these partnerships are improved part designs which function better, are more durable and more cost effective in production.

Our core competencies are:

- **Glass:** Extremely accurate and repeatable glass bending, toughening and laminating to automotive standards. MHG Asia Pacific's glass facility in Geelong is the sole original equipment component supplier of automotive glass in Australia.
- **Plastics:** High quality (A class surface) plastic parts injection moulded, painted or chromed produced in our Melton facility. MHG Asia Pacific's expertise is in decorative and structural parts which offer significant weight reduction for cars resulting in better fuel economy and less carbon emissions through the life of the component and use of the vehicle.

In 2012 MHG Asia Pacific launched a new plant in Rayong Thailand initially supplying painted plastic parts to Ford's new vehicle line located adjacent to our plant. The first product from MHG Asia Pacific (Thailand) - door handles - are painted in body colour and delivered on a Just in Time basis to Ford's production line. We are actively focusing on growing this business and are using the high technical capabilities of our Engineering and R&D teams to achieve this. This capability is not easily available within the Thai labour market and is critical to our success within Thailand. We are investing in the future by launching this facility and will be able to return significant dividends to Australia as the business develops.



Having established a strong foothold in Thailand with our Plastics products we are now actively pursuing opportunities to export Glass products to our Thai customer base from our Geelong manufacturing facility.

As can be seen above we have been very proactive in developing our business to support the reduced volumes in the Australian market. We would like to make the following observations, suggestions and requests to supporting us to continue this development:

- Despite the announcement of Toyota closure we are determined to take every opportunity to maintain production and employment within Australia. Our Plastics facility at Melton and our Glass facility at Geelong are both in high unemployment areas (Melton 9% and Geelong 6.6%). We are major employers in both areas. Implementation of the recommendations in the Report will make it extremely difficult for us to remain competitive and thus lead to loss of business and jobs. The current ATS scheme gives us an incentive to invest in development and productivity improvements but without this we do not have a viable business. It is critical that the full funds previously allocated to ATS are retained and redistributed to support those component manufacturers who plan to restructure through to 2017.
- As indicated above we have a state of the art production facility in Geelong which is highly automated. This was acquired from CSR and relaunched as a brownfield site with new employment conditions resulting in a 30% reduction in pay rates. We have a skilled and committed work force who has worked hard to make us globally competitive. This was a major investment for MHG and goes well beyond 2017. The production facility has been designed for volumes of 500,000 vehicles per year but we have made it profitable and efficient on the current volumes. We currently supply 100 % of Toyota requirements in Australia and a small portion of Ford and Holden. The cessation of production at the 3 OEM's will impact on us heavily but we believe we can replace this with export and non automotive work. At the moment we are currently negotiating on 3 major export programs into Asia. We are committed to replace the current volumes but we need strong ongoing government support to enable this otherwise this potential export business and high technical skills will be lost to Australia. We would request consideration of reallocation of funds to export incentive schemes to facilitate this growth.
- I.R. We have always taken a responsible approach to our wage and condition negotiations. As indicated above we negotiated a much reduced Brown field agreement with our Glass employees (CFMEU) at acquisition and our most recent (December 2013) EA with our Plastic employees (AMWU covered) has agreed increases of 0%, 1.5%, 1.5% over the 3 year life. This was with zero IR issues and certainly no work impact and is reflective of the understanding and good relationships we have with our employees. We do feel that not all manufacturers are in this position and we encourage the Government to continue to drive a more responsible approach to encourage manufacturing flexibility and work place reform.
- Energy. Excessive electricity and gas costs continue to be a major cost driver particularly in our Glass facility and whilst we have made our own internal improvements coupled with a Clean Technology Investment grant to reduce our cost. However we would request that further



subsidies are diverted and made available to assist particularly with the closure of the Clean Technology Investment program.

As indicated above the owners and employees of MHG Asia Pacific have worked hard to grow our business and employment despite all the disadvantages nominated in the Productivity Commission Position Paper Initial Findings and we remain committed to find ways to continue to grow our business both locally and globally and to provide employment and retain technical capability within Australia. We request the support of the government in the form of ongoing funding and policy to allow us to restructure and face the future without the local Automotive OEM's