

Submission to the Productivity Commission on the Australian Automotive Industry and manufacturing in Australia.

Background:

The Socobell group of companies was started in 1974, and has grown to 300 employees ranging from Senior Management to Production Floor personnel. We specialise in:

- Injection Moulding
- Powder Slush Moulding
- Assembly
- Over 35 years of reliable OEM Supply of Automotive Interior and Exterior trim components and assemblies.
- Wages expense P.A \$12,000,000.00

The Socobell group operate on both Lean Management and lean Manufacturing principles, ensuring that our cost base are kept to a minimum.

Over the past 5 years, in particular, Socobell has invested heavily in new infranstructure, technology, machinery and tooling, ensuring that we remain as a market leader in the automotive and injection moulding sectors in this Country.

Our business strategy has been to diversify into other markets and to also develop proprietary product lines, so that we are not so reliant on the Auto Industry! Our split is currently 80% automotive, and 20% medical.

Current Market Condition:

When looking at Global Automotive manufacturing, Australia definitely is not on a "level playing field".

No other "Automotive Manufacturing" Country has to compete with the percentage and amount of imports, and whilst we have record number of car sales, we have a record low number of sales of locally made motor vehicles!

Compare the following sales trends for 2012. Whilst Australia had a record number of motor vehicles sold, the number of locally produced vehicles are at a record Low!

Country:	Sales Volume 2012	# Makes	# Models
Australia	1,100,000	51	344
USA	16,000,000	43	325
China	18,000,000	47	379

You can see the number of makes that we have far outweighs both China and the USA, and even the model numbers are comparable, and yet we have only a fraction of their volumes!

Due to the lack of protection for our local market, which does not occur in any other Country in the world, we have become a "dumping ground" for all global manufacturers, which is a travesty for our local industry!

Added to this is the high cost of the Australian Dollar, which is a huge impediment to exporting, but is also a huge incentive for those importers!

Our Automotive industry is knowledge and skill intensive, creating employment for a whole range of Australians, including Graduates, Apprentices, migrant labour as well as offering traineeships.

Holden when announcing their closure termed the Australian Automotive Industry "***the most fractured***" and "***fragmented***" globally.

Australia is one of only 13 Nations globally that are involved in vehicle manufacturing with the capability to take a motor vehicle from concept to the showroom floor, and is something we should not give up easily! The Australian Automotive Industry is too important an industry to lose, and we must do everything within our means to ensure that we do not lose this industry.

The way Forward!

The 5% tariffs applied to auto imports do not provide protection to the local industry. Government assistance and subsidies to this industry has been well below that of any other Auto manufacturing Nation and at least in the short – medium must be improved or at least maintained.

Whilst also offering Government assistance to the manufacturing sector, there must also be incentives for the local buyer to "***buy local***", and to offset some of the challenges detailed above! The biggest issue facing the supply chain is the amount of volume produced and therefore sold.

By offering inducements, incentives for the end buyer, this would increase volume, therefore making it more sustainable to the industry as a whole. This could come in the form of rebates, tax credit, or other means.

The Government needs to work with Industry to ensure that there are adequate "***Deflationary Pressures***", within this Country and industry, so that in the medium to long term, the manufacturing sector can become more price competitive and sustainable. Through removal of unwanted, un-needed taxes and regulations as well as better supporting of Business in and through workplace reforms is what is needed, so that the "***cost of living pressures***" and the "***cost of doing business***" are reduced in this country so that we can become cost competitive with the rest of the world!

Our two greatest costs in our business are wages and energy. Eliminating the carbon tax will alleviate some of these cost pressures relating to energy, but there also needs to be moves by the Government to assist in workplace reforms, which should ensure that manufacturing can once again be competitive in our Global society.

Collectively, the Government and manufacturing needs to drive costs down so the industry can become competitive and sustainable on a global scale!

What Industry can do:

The industry needs to reduce costs

Manufacturing needs to reduce its costs by restructuring its operations, working smarter, restructuring wages and workplace conditions.

Conclusion:

History has shown that when a country loses its manufacturing base, their economy suffers, in some cases long term ir-repairable damage! Australia is well on its way to losing this base and the potential ramifications to our economy could be potentially, disasterous.

Manufacturing in this Country, of which the Automotive sector is a huge part of, is too important an industry to lose, and we must do everything within our means to ensure that we do not lose this base. Once it is gone, it cannot be replaced.

A lot of the programs and methodologies used in the mining, defence, aerospace and construction industries find their roots in the Automotive Industry!

If this industry is allowed to die, then not only will the Socobell group of companies struggle to exist, but also 300 families within the Western suburbs of Melbourne will lose a steady income coming into their households!

The Western suburbs of Melbourne in particular will be decimated with Toyota, and its suppliers ceasing to manufacture.

We urge the Australian and Victorian Governments to co-partner with manufacturing to ensure that we have a bright, sustainable future!