



Automotive Supplier Excellence Australia



Stage 1 Highlights

Foreword



Australia has more than two hundred specialist automotive component suppliers, with expertise in a wide range of technologies and materials.

For our supply base to thrive in the global marketing environment, it is imperative that we develop world-class capabilities that are in step with the needs of motor vehicle producer (MVP) customers, both locally and internationally.

Automotive Supplier Excellence Australia (ASEA) is a unique opportunity for suppliers to position themselves on the road to growth and a sustainable future.

ASEA is a collaborative initiative involving government, all four local motor vehicle producers and the Federation of Automotive Products Manufacturers (FAPM). The Co-operative Research Centre for Advanced Automotive Technology (AutoCRC) is acting as facilitator and project manager.

Thanks to the input from over 100 automotive suppliers and all four MVPs, Stage 1 of ASEA has provided a definitive competency framework for a competitive, world-class supplier. A full report on the outcomes of Stage 1 will be made available to all members of the industry.

Participation in Stage 2 will be available at no cost to around 100 suppliers. Participants will receive:

- Access to the ASEA supply chain development team - including a wide range of acknowledged industry experts
- An understanding of current performance with respect to national and international benchmarks
- A detailed improvement plan for achieving world-class competency and sustainability, and
- Potential access to programs and resources made available in Stage 3 of the ASEA program.

AutoCRC and FAPM are proud to be involved in this significant collaborative endeavour, and encourage all suppliers to actively participate and make the most of the assistance and opportunities provided by the program.

July 2007

FAPM

Peter Upton
Chief Executive

AutoCRC



Victor Pantano
Project Leader – ASEA Program

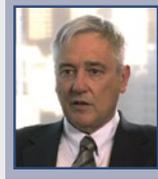
Endorsements



Sam Casabene
Vice President Purchasing
Ford Australia



"We see ASEA as a major opportunity to collectively improve our performance, and to provide the foundations for a sustainable industry in Australia."

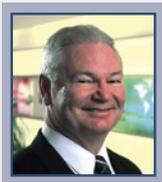


Peter Upton
Chief Executive
FAPM



"ASEA involves all levels of the automotive enterprise in Australia, and that is historic, and a very exciting development.

The response of suppliers has been truly outstanding. I would strongly encourage everyone to participate in Stage 2."



Barry Budge
Corporate Manager Supply
Toyota Australia



"This is absolutely crunch time. We are on a survival journey and ASEA is mandatory for the Industry to embrace now if we are to be Self-Sustaining and Internationally Competitive."



Rick Versteeg
Manager, OE and Aftersales Purchasing
Mitsubishi Motors Australia



"It is very important for suppliers that they access the benchmarking ASEA is providing, to see how they really rate as an international supplier."



Chris Naegeli
Manager, Global Purchasing and Supply Chain
GM Holden Ltd

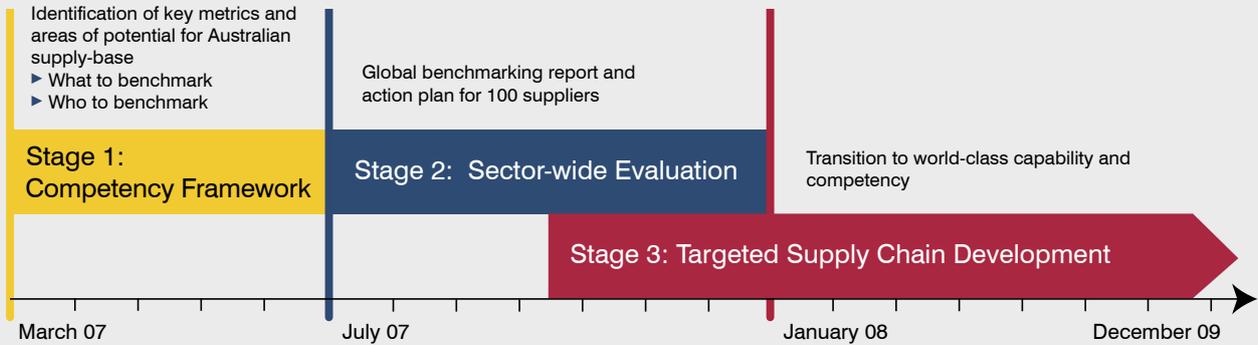


"ASEA is a great opportunity for suppliers to access the global supply chain. We are in this together, with our suppliers, and anything that increases their capabilities and competitiveness, is something that we completely support."



Automotive Supplier Excellence Australia

Figure 1: ASEA Time Line



“To the suppliers who have taken part in ASEA Stage 1 surveys, interviews and workshops. Thank You.”

Barry Comben
Chairman - ASEA Steering Group

ASEA is an unprecedented whole-of-sector program to enhance sustainability for the Australian automotive component supply base.

Never before has the whole of industry, from major vehicle producers, through to Tier 3 suppliers, government and major research institutions, worked together to strategically position the supplier base for the challenges of the 21st century global automotive market.

Local major vehicle manufacturers, federal and state governments, FAPM and AutoCRC are supporting this timely initiative to promote excellence in Australian suppliers.

“The ASEA project allows us to match competencies for suppliers and MVPs, which is extremely important in the global environment.”

Eileen Keane
Senior Purchasing Manager, Ford Australia

ASEA Stage 1

Strategic Focus

Stage 1 of the ASEA Program, completed in July 2007, was one of the largest information-gathering projects of its kind, for the Australian automotive sector.

More than 100 companies, including the four motor vehicle producers, provided valuable information, which will determine ASEA's strategic focus in Stages 2 and 3.

Comprehensive supplier and motor vehicle producer (MVP) surveys, individual interviews, and workshops, provided critical industry data to determine the key measures of supplier excellence, and identify areas of greatest potential and critical need, within the Australian supply base.

Information from Stage 1 provides a common competency assessment framework for the Australian industry, based on a range of appropriate metrics agreed to by MVPs and suppliers.

The framework will be used to plan and implement a prioritised, sector-wide series of interventions, to raise Australian component supplier capability to a globally competitive standard.

ASEA Stage 1 - An Outstanding Response

101 suppliers took part, representing a good cross-section size, segment, location and customer base.

ASEA Stage 1 - Key Findings

Figure 2: Survey respondents by size (turnover)

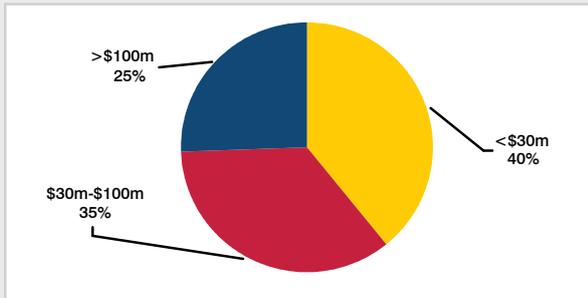


Figure 3: Survey Respondents by Vehicle System

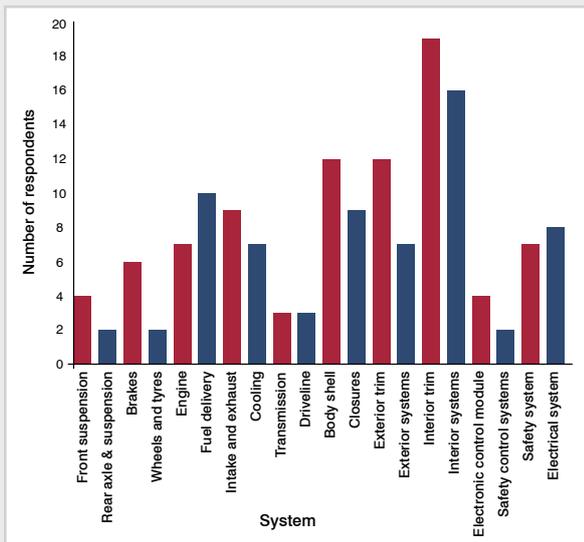
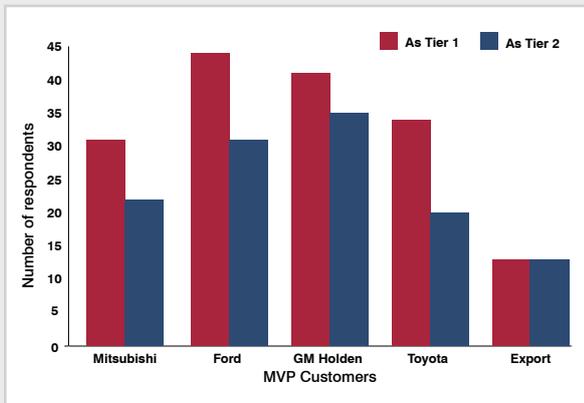


Figure 4: Distribution of Respondents by MVP customer base.



Fragmentation

Stage 1 results confirm that the Australian automotive sector is complex and very fragmented. 140 individual suppliers were identified as being 'important' in the supply chain and 50 were identified as being 'of concern' (primarily through potential financial distress).

Variation

There are hundreds of individual indicators that have been used to measure performance in the automotive industry on a global basis. Not all are currently measured by local MVPs, neither are they the focus of supplier development programs.

Stage 1 findings reveal:

- ▶ There are several valuable supplier development programs in place, but the quality and coverage is variable. Many suppliers still do not face a structured program where their progress is tracked.
- ▶ There is significant divergence of views between individual MVPs, and also between suppliers and MVPs, as to what is important in supplier performance - and where suppliers are performing well.
- ▶ MVPs expect performance against a broader set of indicators than they are currently measuring, or providing development programs for.
- ▶ Encouragingly, the majority of Australia's Tier 1 companies do supply to multiple MVPs, but they are judged differently by each MVP.

ASEA's development of a sector-wide competency framework and benchmarking program will provide consistency and uniformity in supplier development to the Australian supply base, while leveraging the best currently on offer.

ASEA offers development opportunities in the areas where the MVPs would like to see suppliers improve, but which are not currently measured or developed e.g. management and leadership, technology investment, global sourcing and marketing strategy.

What to Benchmark

ASEA Stage 1 identified 10 key strategic supplier competencies for benchmarking in Stage 2:

- ▶ Cost structures and analysis tools
- ▶ Customer focus
- ▶ Financial systems and practices
- ▶ Global sourcing and marketing strategy
- ▶ Management and leadership
- ▶ New model introduction capability
- ▶ Quality
- ▶ Safety
- ▶ Supply chain integration
- ▶ Technology investment

The real value of ASEA Stage 1 has been the focus on areas which will drive supplier sustainability - including Tier 2 and 3 suppliers.

We now have a manageable set of metrics, which can be tailored to the real needs of an individual supplier, and designed specifically for the supply chain they occupy.

ASEA Stage 2 - Benchmarking

“*There could be no more important step taken by a company towards international competitiveness.*”

Peter Upton
Chief Executive - FAPM

Supplier companies that take part in Stage 2 of the ASEA program, will have a unique opportunity for long-term improvement in serving the local and global automotive markets, based on a consistent and specifically defined set of competencies.

- ▶ ASEA Stage 2 will be as inclusive as possible, with fully subsidised benchmarking programs available for up to 100 suppliers. Those not selected are still invited to participate, on a self-funded basis.
- ▶ The ASEA benchmarking/supply chain development team will consist of fully independent, acknowledged industry experts. The team will also undertake a tailored training program, to ensure that Stage 2 delivery is to a consistent and world class standard.
- ▶ All information will be confidential to that supplier, and MVPs will only see aggregated data sets.
- ▶ All four major vehicle producers are supporting the initiative, and suppliers who become involved in Stage 2 will be exposed to greater MVP support and linkages into the global supply chain.

Application of this benchmarking program will then inform the development of targeted supplier interventions to be delivered by specialists in Stage 3.

Details on how to register your interest, are on the inside back page.

ASEA Stage 3

ASEA Stage 3 will target areas of required development to raise Australian suppliers to international competitiveness.

World-class expertise and targeted development projects will assist supplier capability and competence development, based on Australian automotive supply-base requirements identified in Stages 1 and 2.

Areas of development are likely to encompass operational, strategic and educational aspects.

Stage 3 projects will be delivered by expert trainers, assessors etc, who will be completely independent from the Stage 2 benchmarking team.

“ASEA Stage 3 will provide suppliers with clarity in where they stand relative to Australian and international competitors...

... where they need to be, and most importantly,

... the path they need to take to get there.”

Minister's Endorsement



Never before has an automotive supplier development initiative in Australia had such broad support and cooperation. I congratulate the industry on working together, and working with the government to develop this program.

Successful integration with the global automotive industry requires that Australian supply chain firms assess their international competitiveness and identify strengths as well as areas for improvement.

I commend the ASEA Supplier Excellence program to you.

The Hon Ian Macfarlane MP

A handwritten signature in black ink, appearing to read 'Ian Macfarlane'.

Minister for Industry, Tourism and Resources

The Automotive Supplier Excellence Australia (ASEA) program is designed to assist the Australian automotive supply base in achieving international competitiveness and sustainability.

Through the creation of an independent, best-in-class benchmarking process and targeted supply chain development, ASEA will enable Australian automotive suppliers to achieve world-class capability and competency levels.



ASEA Stage 2 is open to all Australian component suppliers.

Registration closing date is Friday, 17 August 2007.

You can register through the ASEA website, www.asea.net.au or contact:
Bruno Bello - Leader, ASEA Supply Chain Development Team
Phone: 0409 123 701 | Email: Bruno.Bello@ASEA.net.au

