

President's Speech - FAPM Networking Lunch – The Pier, Geelong

12.30pm - Wednesday 12 March 2014 - Australian Automotive Week

Good afternoon everyone

What a great sight this is! This is probably one of, if not the, biggest gathering of component suppliers, vehicle manufacturers, international guests and key industry stakeholders ever.

And so confident are we that there is a future for the component manufacturing sector, that it will not crash and burn, we have even held this event way out on the end of a pier!

Welcome to all our distinguished guests.....

Senator the Honourable Kim Carr

Mr John Conomos AO, Australian Automotive Envoy,

Bob Graziano, President of the Federal Chamber of Automotive Industries and Ford Australia,

Nigel Everingham, representing the federal Minister for Industry, the Hon Ian Macfarlane MP,

Madani from the Malaysian Automotive Institute representing the Malaysian Industry,

Pak Noegardjito of GAIKINDO representing the Indonesian industry, international colleagues FAPM members, ladies and gentlemen.

Welcome to Geelong, welcome to Victoria and welcome to Australia.

Well today we find ourselves in unprecedented times.

The future is clear in many ways and clearly uncertain in others. The respective decisions by our domestic vehicle manufacturers to cease manufacturing in 2016 and 2017 have created new imperatives for suppliers. Whilst many will find these new challenges difficult to achieve, others have steeled their resolve to find a path through the next few years and indeed to a new road in the years ahead.

And that's what today's Supplier Trade Show is all about and why it is such an important event.

Today we have on display 36 of the best automotive suppliers Australia has to offer showing off components, their capabilities, their latest technologies and their intellectual property.

We have a room filled with international friends and colleagues from Vehicle Builders and.....

Tier 1 suppliers from China, Malaysia, the US, Indonesia, Japan, the Czech Republic, the UK and Thailand. This is a tremendous opportunity for these 36 Australian companies to showcase themselves, literally, in front of the world. To have a go at winning new business in other markets.

A recent FAPM mission to Malaysia and Indonesia confirmed the existence of opportunities for Australian suppliers in those countries. With capabilities and technologies that are highly sought after by the Malaysian and Indonesian industries, and our suppliers, desiring volume and new business, can see lights ahead in such markets that could help us maintain a strong, robust and vibrant industry.

I would hope that today's Networking Lunch and Supplier Trade Show will cement old relationships and create new business opportunities.

FAPM is delighted that that our good friend and supporter, Bob Graziano, has facilitated the three vehicle manufacturers to jointly present this Supplier Trade Show. I think this highlights a three-pronged focus to see out their manufacturing timeframes as cooperatively as can be expected. But we are on a deadline.

The FAPM Board recently met and following the Productivity Commission submissions, has decided to focus its activities and energies into working with government and key stakeholders on the development of several key programs.

These include a considered approach to supplier consolidation. To this end, we've called for the instigation of an AISAP Mark II to help companies in the supply chain merge, consolidate or work co-operatively with others to create stronger, more viable businesses. Losing our domestic sales base means all considerations are on the table. We'll need government assistance and guidance in the coming years – the years of transition.

Next, diversification – finding new business. An incredibly important topic to be sure.

We all need to position ourselves for the years ahead when we won't have a domestic car building customer base. Again, why we're here today; why it is so important to engage with our international colleagues; people responsible for procurement decisions for worldwide programs.

Please take this opportunity to speak to people that you otherwise wouldn't have met.

We must all be thinking of our future business strategies – whether that means entering global supply chains, new industries or developing new components or products.

We like to think we're smart, well-resourced, innovative, nimble, world-class, responsive, that we can deliver high quality products on-time at a competitive price.

Well, now's the time to be arguing your case. Don't be bashful! In this game, wall-flowers will die.

Which brings us to our ability to enter global supply chains. Our entre to these supply chains can and should come, at least initially, through our contacts with the domestic vehicle manufacturers, Ford, GM- Holden and Toyota. They are great portals into the supply chains of their parents around the globe and we thank them for the work done to make today happen.

10 suppliers recently returned from the FAPM trade mission to Malaysia and Indonesia, where they met with Proton, Volkswagon, GM Indonesia, Sapura Industrials, Autoliv Hirotako, Miyazu, Hicom DieCasting, APM, DWA, Astra Otoparts, IndoParts, amongst others. A number of these companies are represented here today. Thank you for coming.

What is clear is that our near neighbours have the size and scale to warrant much closer relationships with Australian suppliers.

Again, we pride ourselves on being a mature, world class supply chain. It's time now to exploit this capability.

There are opportunities now for Australian suppliers to work with companies in China and Thailand as well as Malaysian and Indonesia. This can be in many forms – a formal joint venture, technology agreements, licensing agreements, IP exchanges, personnel exchanges and component supply.

To help energise this, the Automotive New Markets Program needs a recharge. This program was conceived before the announcements by our local car companies that they would cease manufacturing in Australia. Now more than ever, we need to have access to the most effective outward looking programs on offer from government.

The Automotive Transformation Scheme is the scheme providing the most assistance to this industry. We need this scheme to continue effectively until beyond the cessation of local vehicle build.

Our industry's dynamic has changed forever. We need a program that reflects these changes and the new imperatives on the supply chain.

Diversification related activities, for example, should be part of an entitlement scheme rather than a grants scheme. We want to ensure that the funding profile of all schemes better reflects what will be needed to sharpen the focus of industry activity over the next two to five years.

Additionally, R&D benefits should be increased to reflect the need to develop new products and processes for new markets with new demands.

The ATS "sales cap" is in need of alteration in light of the departure of our domestic customers. We have put this and other points to government. The industry needs answers to a number of questions and stands ready to work with all levels of government to assist in constructing new enablers for our sector.

FAPM has recommended to the Productivity Commission that the Federal Government establish a new \$15m supplier assessment program over the next three years, with the objective of providing practical company-specific information and advice to automotive suppliers on managing their businesses during the structural adjustment period.

We need to approach the coming years with full transparency in relation to the strength of the supply chain companies. Our local vehicle builders must continue to build cars in Australia up to their respective end dates.

Our focus is to continue to provide them with world class quality parts and services.

And we need the public to keep buying Australian made cars to give us as much time as possible; A long, long runway either to allow us to take off and fly to new ventures or to make an orderly, soft and controlled landing.

We welcome our international visitors and look forward to speaking to you about our products and capabilities with the aim of building new mutually beneficial business relationships.

Have a great networking lunch and I look forward to speaking to you at the Supplier Trade Show.

Thank you.