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Joint Standing Committee on Trade and Investment Growth
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December 9th, 2019

To whom it may concern, I am pleased to make the following supplementary submission to the Joint Standing Committee on Trade and Investment Growth on behalf of Australian Performance Vehicles Pty Ltd. This should be read in conjunction with our submission of December 6th and the Public Hearing of November 29th.

1) Vision for a vibrant High Value-Added Manufacturing Export sector.

Australia's future industrialization capability will be built upon a vibrant high value-added manufacturing export sector. This sector will exploit Australia's strengths in innovation, research and development, engineering, technology and human capital. Creating exciting career paths for our young engineers and workplaces built upon cultures of Safety, Innovation, Technology and Export. It will be underpinned by the pre-requisites of world-class Quality, Delivery and exceptional Product and Service offerings that have unique value propositions and are internationally price competitive.

To achieve this Australia must exploit the deep expertise and unique IP of the SMEs and build export ready manufacturing sector organisations that are sustainable and can compete internationally.

2) Make up of the Australia's Export sector.

Based on APV's analysis of the Australia Industrial Landscape, as supported by FY18 ABS statistics:

- 41% of merchandise exporters are medium and large Companies and together this accounts for 99% of Australian Exports.
- Mining as we know is Australia's largest Exporter at 57%, but Manufacturing Remains 2nd at 24%
- Companies, including APV that have greater than 51 Export Transactions per annum represent 10% of the exporters and 91% of the Export Value. The top 26% have average export volumes in excess of \$1.5m per annum.

- Importantly the highest Value Add industries are Medium and Large as measured by value of Output versus Input Costs (Raw Materials and Direct Manufacturing Expenses).

As an organization APV is very representative of an export led SME within this Australia Industrial Landscape:

- APV was recently ranked by a Grant Thornton bench marking report in the top 10% of Medium Size Manufacturers in terms of growth, investment and financial performance.
- We are a prominent OEM supplier of seatbelts into several export markets with global brand recognition.
- Exports account between 40 to 50% of our production.
- APV's business model reflects high value manufacturing with workforce demographics: 57 employees of which 65% are technicians, qualified trade, engineers and above. 35% are skilled process workers.

To fulfill this vision of a high value-added manufacturing export sector, clearly the challenge for Australia is to Foster growth of Medium and Large Co's. These companies represent over 50% of the employment base, have the critical mass and are sustainable enterprises.

In concert with this we need to exploit the talents of the Small Enterprises where a significant level of leading-edge R&D, advanced technology development and innovation is occurring. This requires a framework for capturing and protecting Australia's world class IP and commercializing this.

3) Collaboration.

The challenges faced by SMEs to achieve this vision are truly daunting.

During the Public Hearing there was some discussion about collaboration and the role of Government and industry collaboration. Within APV's September submission we highlighted the successful Defence industry policy in supporting Australian Defence Industrialisation and Export.

Australia must set an ambitious goal of transforming the traditional boundaries of Government, Industry and Supply Chains. We are a country that lacks the critical mass in many of the high value-added export sectors to have competitive industry leaders and industry participants and our supply chains are weak.

Therefore, we have to transform our thinking, and find ways that Australian industry can collaborate to establish a true competitive advantage to grow our manufacturing sector and export markets. This is an intimidating construct for government, perhaps also some in industry. It sets the challenge of transforming a traditional customer supplier relationship and regulatory policies around competition. Recent Defence Industry policy is the current exemplar of such policies. It establishes a framework, where Government may assist Industry with Export Market intelligence, supported by trade missions and Global Supply Chain programs, targeted Industry Capability and Export Grants along with business improvement programs across the Supply chain and programs to support IP Protection, etc. This also sets the challenge for industry to work in concert to pursue export opportunities. APV Engineering and Testing Services, represents the success of such collaboration where together with Federal and State Government Agencies, ANCAP, and industry we have successfully retained high value testing capabilities in Australia. A theoretical example that is representative of the challenges for SMEs, may be a small Australian company that has a unique product offering or service, but no track record or capability to take this into an export market. Under a collaborative model, the SME would be supported within the Government's industry framework, connected with Australian companies for Engineering support to ensure it is export ready and connected within an established Supply Chain to the end customer. The entire supply chain would be protected within a Cyber Security and Industry 4.0 framework. Representing, a collaboration of Government and industry to allow the SME to scale and bring the product to market - whereas under traditional business models this could never be achieved.

Whilst there are risks in collaborative arrangements between government and industry, and between industry partners, APV believes that this is an important element for future industry policy and advancing the vision of a High Value-Added Manufacturing Export sector.

We believe there is significant merit in expanding the Defence industry development programs and the collaborative networks of AusIndustry, CDIC, Export Office, Global Supply Chain program, Industry Associations and Industry in developing and applying this model more broadly across the Australian manufacturing export sector.

Within the broad terms of reference of Trade and Investment, the framework would be targeted at Export Ready companies, SME's with unique IP, Product and Service offerings, and Manufacturing Export Companies with a track record that can be supported to achieve Export Growth and Diversification.

A Collaborative model will uniquely allow industry to work together and adopt critical lessons learnt to achieve this industrialization policy.

APV recommends that a policy framework is developed in consultation with industry as a template for Government and Industry. This policy framework would pull the essential elements of existing government programs together as well as recommend new policy measures into a structured industrialization program to achieve this vision.

Some key pillars to this are:

- The business improvement plans developed with SME's, with supporting co-investment, mentoring and regular monitoring to support their implementation.
- Industry participant and supplier improvement programs, with cross industry participation to share lessons learnt, present best practice case studies, capability development and facilitate cross industry collaboration.
- Foster cross industry collaboration in go-to-market strategies.
- Capital investment grants to support export growth and commercialization of unique Australian SME IP, Product and Service offerings.
- Trade mission support and support for SMEs to conduct and participate in export market development.
- Support for SMEs to capture, protect and exploit high value product and process IP.
- Industry Collaboration and Business Networks, supported by Industry Associations, Trade Missions, presence in the targeted Export Market, etc.
- Industry 4.0, including Digitisation and Cyber.
- Supply Chain capability development, including adoption of high value standards such as AS9100 and Industry 4.0
- A fundamental element of success will be support for and mentoring to achieve high levels of Business Maturity and Operational Excellence that is underpinned by Transformational Change, Culture, and Up-Skilling.
- Government grants to be focused within this framework, including capital equipment investment for commercialisation and export growth.

Policy Statement

- Australia needs an architected industrialisation strategy, recognizing the strengths of diversified industry participants (e.g. A strong Defence industrial base requires industry participants that are diversified across complimentary industries)
- Recognise that a high value-added manufacturing-based export industry is key to Australia's future prosperity
- Focus policy and resources on Export Ready industry participants
- Foster growth of export companies into sustained medium and large enterprises

- Support SMEs in capturing, developing and commercializing unique IP, Product and Service offerings that have strong value propositions that are internationally competitive with strong Export potential.
- Foster growth via Collaborative Industry Networks and Global Supply Chains

Build on Success, focus the investment and support.

If you have any questions pertaining to this submission, please feel free to contact me.

Yours Sincerely



Harry Hickling
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Australian Performance Vehicles Pty Ltd