



Robert Bosch (Australia) Pty Ltd

Submission to the Senate Economics References
Committee Inquiry into the future of Australia's
automotive industry

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With an Australian presence dating back to 1907, Bosch Australia's (RBAU's) Automotive Divisions realised sales in 2014 of \$211 million and generated exports of \$92 million.

RBAU is one of the few automotive component companies in Australia that is diverse (active in automotive components, consumer goods, industrial, building and energy technologies), has significant international sales (engineering and components), and has successfully applied its automotive component engineering and manufacturing capability to other sectors and applications.

Automotive Component Engineering

RBAU employs 128 engineers in automotive electronics engineering, and a further 62 in vehicle safety systems engineering. RBAU's engineers are working on projects for domestic (20%) and overseas (80%) vehicle manufacturing customers, creating hardware & software with IP that is licensed worldwide.

Automotive Component Manufacturing

RBAU is the sole Automotive Diode production facility for the Bosch group, supplying 92million diodes to Bosch's 10 Alternator Manufacturing plants in 8 countries in 2014. RBAU's Diode production employs 112 people, and generates (export) sales of \$43 million pa. Within the next 3 years, Diode sales to the Bosch group will increase to 150mio pieces pa.

RBAU is also a niche producer of electronic control units for a variety of applications and customers outside the traditional automotive sector. For example, electronic control units for the international Motorsports market has been established.

Manufacturing Solutions

Established in 2014 in response to the reduction in our own manufacturing intensity in Australia, RBAU's Manufacturing Solutions group now offers its capability to design, build, test and commission complex factory automation solutions to external customers in various industry sectors, most notably Medical, Agriculture, and Heavy Transport. Early successes are very encouraging.

Outlook

Despite the decisions by the local vehicle manufacturers to discontinue production in Australia we believe we can continue our current automotive component engineering and manufacturing activities, with even the possibility to grow and further diversify.

Successes in the last year include:

- Broadening the customer base for Diodes to include 3rd party customers and non automotive applications,

- A growing project list for the engineering of non automotive electronic control units for domestic and international markets,
- A growing order book for manufacturing solutions

All of which gives us the confidence that the capabilities built up over many years in the Automotive business can be applied in other sectors..

Environment

Globally, Bosch Australia's engineers are recognised as highly productive, innovative, flexible, and at current exchange rates cost competitive in comparison to other developed nation peers. Increasingly however, the cost comparison is not against developed nations, it is against developing nations, and against these nations we have a significant disadvantage, even after industry support is applied.

Defending local automotive engineering activity at the current level is already challenging. In the absence of a domestic car industry demanding an obligatory level of local engineering, and considering the economic benefits available if the activity were undertaken in a "low cost location", the challenge has become even greater.

These challenges have been well recognised by us for many years, and we have worked hard to diversify and de-risk our activities as noted above.

Despite the challenges, we aim to continue our Automotive Engineering, but this requires that we continually take on work which demands higher skill levels to avoid that we are competing with the, so far, less skilled "low cost locations".

We are diversifying into new fields, applying automotive engineering and manufacturing skill sets and methods in new areas, but this transition takes time and cannot be done without the support and agreement of our parent company, and supportive industry policy.

Our future success will be heavily influenced by competitive pressures both within and external to the firm, most of which are beyond our control. The extent to which the current supportive industry policies are maintained, or enhanced, can therefore be a decisive factor.

Automotive Industry Support Delivers

ATS/ACIS

The Automotive Transformation Scheme (ATS), and ACIS before it, have been essential for RBAU to build capability and secure footloose Automotive component design and manufacturing projects over many years. Continued support from the ATS scheme as currently legislated is assumed in our forward plans.

ANMP

The Automotive New Markets Program (ANMP) enabled RBAU to take a global lead within Bosch for the development of an important new safety technology, "backover avoidance". This technology is now being readied for sale to the world's car manufacturers. Because of this success, RBAU is also leading the development of a system which addresses a significant gap in global road safety, namely the stability of towed trailers such as caravans, horse floats, and boats.

The future of the Industry

The notion, suggested by some, that Australia could competitively still produce mass market, mid priced vehicles, in low volume after Ford, Holden and Toyota have stopped, is not credible. Lacking scale, such manufacturers will have limited access to technology and competitive costs. This does not mean there is no place for vehicle manufacturing in Australia, but there will be only a few very specific niches where this makes sense. These niches will not employ significant numbers of people, but are likely to require “top end” design and engineering capability.

The component sector has faced continually declining domestic volumes over years. Those component sector companies that have not yet diversified, or become successful internationally are unlikely to do so.

The outlook for the subsidiaries of multinationals that are automotive component suppliers only, is also bleak. In the absence of a domestic automotive industry there will be no compelling case to maintain value adding activity in Australia. The subsidiaries of multinationals that are more diverse do have a chance, but most are unlikely to have the freedom to act, and if they are not already active in non Automotive fields it is probably also too late.

Recommendations:

1. Legislated schemes which have supported the business cases for participating companies to make investments and undertake activity should be honoured.
2. Given the reduction in demand, and impending exit, by the vehicle manufacturers, component sector benefits should be decoupled from a local manufacturing related sales cap. Engineering and the resultant IP is valuable and marketable in its own right, independent of manufacturing.
3. The ATS eligibility criteria should be amended to encourage further investment in research & development to continue to secure complex design and engineering work for international customers.
4. Support for R&D innovations for the automotive aftermarket should be provided.
5. The ATS scheme should be amended, or unspent funds re-directed, to provide support for diversification and application of automotive capabilities in other sectors.
6. In the absence of a “volume” producing automotive sector, further emphasis and support needs to be given to start-ups and niches where high end capability is required and exists, for example Motorsport, Supercars, Specialist and Military Vehicles.
7. The R&D Tax concession should be revisited to make it comparatively more attractive for multinationals to continue to undertake Automotive & other R&D in Australia.