



HOLDEN

Submission by

GM Holden Ltd

to the

Economics Legislation Committee Inquiry

**Automotive Transformation Scheme
Amendment Bill 2014**

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Overview

GM Holden (Holden) welcomes the opportunity to comment on the Automotive Transformation Scheme Amendment Bill 2014 (the Bill) to amend the Automotive Transformation Scheme Act 2009.

General Motors (GM) has made a decision to close its Holden manufacturing operations in Australia at the end of 2017. After 2017, Holden will become a National Sales Company of fully imported product. Ford and Toyota will also end manufacturing in 2016 and 2017.

- Critical to continuing manufacturing until the end of 2017 will be maintaining Holden's locally based suppliers, especially for components that are unique to the Holden Commodore, which is indigenous to Australia.
- **If local suppliers financially fail prematurely, this will jeopardise Holden's ability to manufacture to the end of 2017 and in turn, reduce the time necessary for an orderly transition of the automotive industry, local surrounding communities and the wider economy.**
- Most importantly, this includes transition of 45,000 direct employees in the industry and transition of automotive supplier businesses, through diversification.
- **The Productivity Commission has stated that 40,000 jobs are at risk in the automotive manufacturing supply chain, predominantly in Victoria and South Australia. The Australian Industry Group, considers this estimate to be low.**
- It is vital that the best opportunity is provided to enable an orderly transition of the industry, in what is a relatively short period of time to 2017, considering the thousands of jobs and hundreds of businesses affected.
- The difference on this occasion to previous automotive original equipment manufacturer (OEM) closures, such as Mitsubishi and Nissan, is that unlike previously, when redundant OEM employees sought new jobs at other OEM's or in supplier businesses which were working for the remaining OEM's, this time the industry is undergoing full closure, without new job alternatives at other OEM's or in the supply base.
- Holden is very concerned about the effect that the Australian Government's proposed \$500 million cut to the Automotive Transformation Scheme (ATS) will have in the years 2015, 2016 and 2017, under the current profile of the cut as outlined in the 2013 Mid-Year Economic and Fiscal Outlook (MYEFO) statement and the Bill.
- **ATS assistance which is currently forecast to be received by OEM's and suppliers during 2015 to 2017, is substantially being cut in the Bill. The assistance which the Government proposes to remove has already been built into long established business plans.**
- **Holden is very worried about the consequence of the financial gaps which will result from cuts and what this risk will mean for the viability of its suppliers.**



- **Holden urges that the profile of the ATS cut is re-considered by the Government, so that ATS assistance to OEM and supplier businesses is not cut in years 2015, 2016 and 2017.**

In 2013, Holden generated the following economic activity:

- \$92 million capital investment
- \$145 million Engineering and Design investment
- **\$434 million wages** (includes PAYG and superannuation contributions)
- **\$1.04 billion spent on Australian suppliers**
- 850 employees worked on research and development worth \$143 million

In 2013, Holden:

- **received \$83 million** in ATS payments
 - **returned \$96 million** to the Commonwealth Government in PAYG income tax payments on Holden wages.
-
- Holden estimates that in the years 2015, 2016 and 2017, higher PAYG payments will go to the Government than Holden will receive in ATS assistance. For each dollar of ATS assistance received by Holden in 2013, Holden generated 21 times the amount through its economic activity in Australia.
 - **If the supply base remains intact without the risk of a \$500 million ATS cut, and Holden can continue to manufacture for the next three years, Holden should generate at least a further \$4.5 billion worth of economic activity in Australia.**
 - Holden continues to maintain strong sales of Commodore and Cruze, with Commodore consistently the 4th most popular vehicle in the Australian market and Cruze at 11th position.
 - **Holden is working closely with its suppliers on production stability plans through to the end of 2017 to help mitigate other production risks apart from the proposed ATS cuts.**
 - As the industry transitions over the next three years, Holden is supporting its employees with comprehensive assistance and redundancy measures as they prepare to find new jobs.
 - **Holden and Toyota are each contributing \$15 million, to make up the total \$30 million skills and training component of the \$155 million Growth Fund which was announced by the Australian, Victorian and South Australian Governments.**
 - Holden's employees are highly skilled and qualified and will be valuable assets to future employers. The maximum possible time is needed to provide a stable and orderly transition of the thousands of skilled people out of automotive and into new jobs in other industries.
 - **A premature industry shutdown brought on by the early collapse of critical suppliers will have a catastrophic impact on individual people and the economy – and it will likely end up costing governments significantly more to manage the consequences of a disorderly industry shutdown.**



About Holden

Holden is one of Australia's oldest and most trusted brands and manufacturers:

- One of the world's oldest transport brands
- Established as a saddlery in Adelaide in 1856
- Commenced large scale production of car bodies for GM in 1917
- Holden's 'lion rolling a stone' emblem was designed in 1928, representing the fable of man's invention of the wheel
- Owned by GM since 1931
- First company to mass produce a car in Australia, in 1948
- Of the more than 60 vehicle brands currently in the Australian market, Holden is the only uniquely Australian car brand

Holden's combined operations in Victoria include a Head Office, a Design and Engineering Centre, Holden Engine Operations, Holden Service Parts Operations and a Proving Ground. Holden's vehicle manufacturing operations are in Elizabeth, South Australia. Sales zone offices are in New South Wales, Queensland and Western Australia.

3,500 employees (not including dealers and service centres)

- 1,900 in Victoria
- 1,600 in South Australia

230 dealers and service centres nationwide

- majority are family owned businesses
- built up over many decades since the first Holden car in 1948
- 13,500 employees

Holden manufactured **75,000** vehicles (rounded numbers) in 2013:

- Commodore: 53,000
(includes Caprice, Wagon and Ute)
- Cruze: 22,000
- Exports: 17,000
 - Middle East: 4,000
 - USA: 8,000

Holden is one of only seven GM operations that can take a car from a clean sheet of paper to showroom, with expertise in rear-wheel-drive vehicles, powertrain and alternative fuels.

Holden has a highly skilled workforce, with expertise in Engineering, Design, Robotics, Ergonomics, Logistics, Purchasing, Tool Making, Assembly Work and Process Control.

Holden's Australian Manufactured Product

Holden currently produces large and small vehicles, the Commodore (short wheel base - SWB), Caprice (long wheel base - LWB) and Cruze, utilising two different GM architectures – Zeta (Commodore, Caprice) and Delta (Cruze) – running on the same assembly line. Zeta

includes SWB and LWB, rear-wheel drive sedan, wagon and utility variants, in right and left hand drive. Delta includes both sedan and hatch in right hand, front-wheel drive.

Caprice is exported to the Middle East and USA as a luxury sedan or a fit-for-purpose police vehicle. Commodore is exported to the USA as the top-of-range Chevrolet SS. Commodore and Cruze are exported to New Zealand.

Holden Dealerships

Holden dealerships are respected and trusted businesses in their local communities, providing high levels of customer care and service, stable employment and skilled jobs and training. Considerable respect is also earned from the support Holden dealers provide to their local communities, such as sponsoring community clubs, sporting clubs and providing donations and in-kind support to not-for-profit organisations.

Holden in the Community

Holden has many community partnerships and is a long term supporter of Landcare Australia and the Leukemia Foundation. Through the Holden Foundation, Holden has been ready to assist during times of natural disaster. For example, Holden provided vehicles during the 2009 Victorian Black Saturday Bushfire emergency and gave a substantial donation to assist the clean up after the 2012 Queensland floods.

Holden is extremely proud of the support and employment it has provided to the wide Australian community over many decades. Having a healthy brand and dealer network enables more resources and support to be put back into the community.

Long time contributor to Australian economy

Since Holden was acquired by GM in 1931, GM provided the capital and expertise that enabled Holden to help play a pivotal role in building Australia's economy. Over the following decades, manufacturing was critical to Australia's emergence from the Great Depression and Holden was at the forefront of this remarkable economic transformation, employing thousands of Australians and being at the cutting edge of innovation, helping to create a strong manufacturing sector alongside agriculture and mining.

These early investments by GM in Holden's manufacturing capability meant Holden was an important asset when all its factories were turned over to wartime production during World War II, following which Holden's and Australia's transformation continued. In 1948, Prime Minister Ben Chifley launched Australia's first mass-produced car, the 48/215.

Holden's workforce came to reflect the changing composition of Australia's population, as waves of migrants from the United Kingdom, Italy, Greece, Vietnam and so many other countries joined the company. Holden is very proud that for many thousands of migrants and their families, Holden provided their skills and start to a new life in Australia.

Operations

Head Office, Design and Engineering Centres

Location: Fishermans Bend, Melbourne, Victoria
Established: 1936
Functions: Design, Engineering, Sales and Marketing and support functions



GM Holden's Design and Engineering Centres are centres of expertise in design and engineering for GM globally. GM Holden designers and engineers have contributed their expertise to major product programs such as the Holden Commodore, Chevrolet Camaro, Colorado truck and Cruze Hatch.

Of GM's nine global Design studios, Holden is one of only two with the capability of taking a car from a blank canvas to a fully functional concept vehicle. The Holden Design studio has been Australia's largest employer of Industrial Designers for decades.

Holden has developed rear and front wheel drive platforms for export markets including the Middle East, USA, South Africa and Brazil. Holden is a powertrain engineering centre with expertise in R&D and customer programs in V6 and V8 petrol, E85, CNG and LPG applications.

Holden Vehicle Operations (HVO)

Location: Elizabeth, South Australia
Established: 1958
Functions: Press plant and metal assembly operation, body hardware facility, paint shop, plastics operation, electrical shop, body assembly and vehicle assembly operations
Site: 123 hectares (306 acres)



HVO's car manufacturing plant builds Commodore, Caprice and Cruze for the Australian market and export. The vehicle line-up produces 45 models, across six body styles and nine variants, on two platforms. It is one of the few automotive facilities able to produce so many models and variants.

Holden's key South Australian suppliers (Futuris, Hirotec, YAPP, and ZF) are based in Edinburgh Business Park. The two sites are joined by a dedicated, private road.

Holden Engine Operations (HEO)

Location: Port Melbourne, Victoria
Established: 1940, HFV6 2003
Functions: GM High Feature V6 engineering and engine assembly operations

HEO is a state-of-the-art High Feature V6 engine plant which opened in 2003 at a cost of \$400 million. This facility gives Holden flexibility in the range of engines it can produce for local and international customers including 2.8, 3.0, 3.2 and 3.6 litre variants. As well as supplying engines for the Commodore range, Holden has exported V6 engines to China, Korea, Thailand, Germany, Sweden, Mexico, Italy and South Africa for Buick, Cadillac, Chevrolet, Vauxhall, Opel, Saab and Alfa Romeo vehicles.

Proving Ground (PG)

Location: Lang Lang, Victoria
Established: 1956
Functions: Engineering and vehicle testing
Site: 890 hectares (2,200 acres) with over 40 kilometres of test roads and includes specialised onsite laboratories



Through its affiliation with GM and its own research and development (R&D), Holden has a proud record of providing Australian motorists with affordable access to the latest safety and technological advancement in vehicles. Holden has had a world-class Proving Ground at Lang Lang, Victoria, since 1956, where vehicles are comprehensively engineered, tested and tuned for all Australian road conditions.

Holden's are renowned for durability and leading the way in safety on Australian roads, through early introduction of safety features such as seatbelts, ABS, airbags, electronic stability control, park assist, head up display, lane departure warnings and collision alerts.

A range of safety, engineering and environmental testing is conducted, such as full vehicle durability testing; vehicle development for ride/handling/performance/fuel economy/noise reduction; engine/transmission calibration; and subsystem and component testing. Test work develops and validates Holden and GM products for local and global markets.

National Distribution Centre (NDC)

Location: Dandenong, Victoria
Established: 1959
Functions: Distribution and marketing of Holden service parts and accessories for the Holden Dealer Network and international customers



Holden Economic Activity

Holden contributes widely across the Australian economy, providing business opportunities directly and indirectly to other Australian businesses, particularly through extensive R&D and in the automotive supply chain and logistics services.

In 2013, Holden:

- manufactured 75,000 vehicles
- exported 17,000 vehicles valued at \$465 million
- exported 47,000 High Feature V6 engines, valued at \$178 million

No production days were lost due to industrial action during 2013 and 2014.

In 2013, Holden generated the following economic activity:

- \$92 million capital investment
- \$145 million Engineering and Design investment
- **\$434 million wages** (includes PAYG and superannuation contributions)
- **\$1.04 billion spent on Australian suppliers**
- 850 employees worked on research and development worth \$143 million

From 2001 to 2013, Holden generated \$34.5 billion of economic activity in Australia and paid \$22.1 billion to Australian businesses for supplies and services.

In 2013, Holden:

- **received \$83 million** in ATS payments
- **returned \$96 million** to the Commonwealth Government in PAYG income tax payments on Holden wages.

For each dollar of ATS assistance received by Holden in 2013, Holden generated 21 times the amount through its economic activity in Australia.

The following table provides an overview of Holden-driven economic activity during the first three years of ATS, from 2011 to 2013.



<u>GMH ECONOMIC ACTIVITY</u>	2011	2012	2013
	ATS Year 1	ATS Year 2	ATS Year 3
GMH Production Volume	90,424	82,172	74,651
GMH Export Volume	11,746	13,293	17,040
Export % Total Production	13%	16%	23%
	(\$m)	(\$m)	(\$m)
Total Capital Investment	44	106	92
Engineering & Design	231	208	145
Australian Supplier Material Spend	1,107	1,004	1,040
Labour Costs (includes PAYG + Super)	334	410	434
Sub-total	1,716	1,728	1,711
ATS Federal Govt Payments	94	76	83
GMH PAYG (Income Tax Revenue to Govt)	90	100	96
MULTIPLIER (Economic Activity:ATS Assistance)	18	23	21

Some commentary to the Bill has referred to Holden's 2013 financial after tax loss of \$553 million as an indicator of a severely bad current state of automotive manufacturing. It is inaccurate to make that link, as Holden's 2013 financial results included exit related and separation costs of approximately \$620 million (including \$500 million asset impairment), directly relating to the announced closure of its manufacturing operations. These substantial exit related charges were not operating costs.

From 2001 to 2013, Holden alone spent an average of **\$1.7 billion per year** on Australian suppliers, including more than 120 tier one component suppliers, which in turn purchased from hundreds more local supplier businesses.

In 2012, Holden, Toyota and Ford collectively spent over \$2.25 billion with Victorian suppliers and approximately \$630 million on suppliers in South Australia.

As ATS is split 55/45 between registered OEM's and registered eligible suppliers, suppliers stand to lose up to \$225 million of assistance, during the years 2015 to 2017. Like OEM's, supplier businesses also have original ATS funding forecasts built into their business cases.

Viability of local suppliers is critical to Holden manufacturing to the end of 2017 and enabling the maximum amount of time for the industry to transition. This is why it is critical that ATS is not cut during the years 2015 to 2017.

Holden Transition

Holden sells approximately 100,000 new vehicles per year in Australia, which makes it second in the market, with half of its volume – Commodore, Caprice and Cruze – manufactured in Australia.

As a consequence of a ‘perfect storm’ of economic and industry factors, in December 2013 GM announced the closure of Holden’s Australian manufacturing operations by the end of 2017, after which Holden will become a National Sales Company of fully imported product sourced from other GM global plants.

In the time since ATS was enacted in 2009, the Australian new vehicle market has become one of the most competitive and fragmented in the world, with more than 60 brands now competing for 1.1 million sales. This has resulted from tariffs being halved to a negligible level of 5 per cent; an increasing number of free trade agreements which have favoured agriculture for Australia and manufacturing for FTA partners; and a persistently strong Australian dollar which hampers exporting.

GM made a decision to end manufacturing in Australia by the end of 2017 as it would be unsustainable due to these factors plus others, such as the high cost of local production.

Global Assistance

GM made investment in the VE/VF Commodore utilising the assistance available and forecast under the Automotive Competitiveness and Investment Scheme (ACIS), which later transformed into the ATS. This assistance supported the business case for local production, compared to manufacturing in other countries. Governments of both advanced and developing economies around the world offer car makers assistance and incentives, to lure the wide benefits car making operations deliver.

Nineteen of the G20 countries have automotive manufacturing at their core. It is the most technologically advanced and complex of manufacturing.

With ATS assistance, in the remaining three years of production and as the industry transitions, automotive manufacturing by Holden can continue to provide:

- significant economic activity through its extensive supply base and logistics chain
- a strong job multiplier
- innovation, learning and skill development
- highly sophisticated production, logistics and efficiency processes
- advanced technology, robotics and skilled jobs; and
- skills, process and manufacturing capability that can be transferred across the wider economy.

Maintaining the current level of ATS will help underpin a transition through to late 2017, for businesses, the economy and most importantly, for people currently employed in engineering and manufacturing.

A premature industry shutdown brought on by the early collapse of critical suppliers will have a catastrophic impact on individual people and the economy.

The cost to Government having to manage such a disorderly industry shutdown with consequential massive unemployment in a single hit, let alone the ramifications to the wider economy, would exceed the planned savings from the proposed ATS funding cut.

Australian Automotive Manufacturing

The automotive manufacturing industry provides direct employment for approximately 45,000 people and is estimated to employ another three to six people in supporting industries for every one direct automotive job.

Spill over benefits of automotive, particularly skills, processes and services, cross to other industries such as defence, aerospace, mining and construction.

Holden's indirect suppliers, such as logistics companies, benefit greatly from Holden's manufacturing presence, both financially and also in terms of their increased capabilities.

Automotive manufacturers and their supply chain are the largest research and development (R&D) contributor in the Australian manufacturing sector, with Holden alone investing \$143 million in 2013 on R&D.

Automotive manufacturing is a key driver for deploying new technologies and raising innovation, which are both essential for success in a globalised economy.

Manufacturing capability development and external linkages interact positively; skills and capabilities develop faster and better if they can draw upon the knowledge, technologies and quality standards provided by export markets and if they are exposed to global competition.

Spill overs:

- R&D – Innovation
- Learning
- Skills
- Strong jobs multiplier of 3 to 6
- Efficiency/productivity processes

Capabilities:

- Advanced technology and robotics
- Heavy manufacturing – considered an element of national security
- Sophisticated production and logistics processes

Automotive offers large scale manufacturing and trades based training. These skills are utilised in many other sectors such as resources, defence and aerospace. Importantly, automotive is an urban based industry, enabling skills to be learned and developed in cities in close collaboration with universities and technical institutes, with those skills at a later stage re-deployed to regional and remote areas.



Supply Base

Holden had more than 120 direct suppliers in Australia for 2012, making a range of car componentry such as seats, body panels, axles and car badges. Holden's aggregate spend on these direct supplier businesses was \$583.9 million:

- SA \$408.8 million
- VIC \$170.3 million
- NSW \$4.8 million

Holden had 1,046 indirect suppliers in Australia for 2012, covering services such as servicing equipment and providing office supplies.

The aggregate spend on these businesses was \$331.6 million:

- VIC \$164.5 million
- NSW \$114 million
- SA \$40.6 million
- QLD \$6.5 million

Half a million parts are delivered to Holden's Elizabeth plant every day. Holden's South Australian vehicle assembly operations use inbound and outbound logistics companies. Costs incurred in 2012 for importing, transporting and warehousing components for the manufacture of vehicles included:

- Local import charges in Adelaide (includes port handling and fees) and Melbourne: \$5.5 million (Adelaide \$2 million)
- Customs Duties paid: \$73.9 million
- Logistics spend: \$65.8 million

Steel procurement in 2012:

- BlueScope steel: \$18 million
- \$1.7 million spent on transportation and warehousing of steel

Distribution of Holden's supplier spend is shown on maps in Appendix B.

The three OEMs (Holden, Toyota and Ford) combined, spent \$3.12 billion in 2012 on their direct, Australian suppliers:

- VIC \$2.3 billion
- SA \$629.8 million
- NSW \$158.8 million
- QLD \$33.9 million

Distribution of Holden, Toyota and Ford's combined supplier spend is shown on maps in Appendix C.

Logistics

Logistics is key to Holden's just-in-time manufacturing. Of all industries, automotive has developed what is widely regarded as the most sophisticated and complex of global supply chains. The efficiency required by automotive's just-in-time processes has enabled its logistics and transport suppliers to develop equivalent efficiencies, from which other customers also derive benefits.

Automotive is a staple, consistent core business of many transport and logistics companies, which enables them to be more competitive for other customers.

Half a million parts come into the Elizabeth plant each day, requiring processes to be consistent and reliable.

In 2012, Holden spent \$65.8 million on day-to-day logistics. This spend includes:

- Wharfage and transfer of imported components
- Daily multiple milk runs of local components from across Melbourne
- Trucking to Adelaide via our Altona Consolidation Centre
- Railing steel from New South Wales
- Warehousing and sequencing for just-in-time production process
- Distribution of domestic market and export vehicles

Inbound

Transport of local and imported components and all associated costs with warehousing. Logistics partners include:

- CEVA - Interstate transport
- Allied Express - Local (milk-run) transport
- Toll - Warehousing and sequencing for just-in-time production process
- K&S - Includes steel coil warehousing and transport

Outbound

Post-production handling of cars, whether it be for interstate movement of vehicles or exporting. Logistics partners include:

- PrixCar - Domestic car transport, inland transport for export cars
- AAT - Port handling service for export cars



Supply Base Investment

Holden, Toyota and Ford's 2012 spend on Australian suppliers was over \$3 billion. This does not include the amount of capital investment which was spent on re-tooling of the supply base.

Holden funds 100 per cent of its suppliers' tooling to ensure quality and correct procedures.

In the development process for the new VF Commodore, Holden spent \$120 million on re-tooling its suppliers.

Holden spent \$2.84 billion in capital expenditure in Australia from 2001 to 2013, which averages \$218 million a year.

Supply Base Risk

Critical to achieving the remaining three years of Holden's Australian production and enabling the maximum amount of time for transition of the local industry in an orderly way, is maintaining the viability of Holden's locally based suppliers.

This is especially so for components that are unique to the Commodore which is indigenous to Australia and not manufactured elsewhere. Approximately half of Commodore's components are made in Australia.

If local component suppliers financially fail prematurely, this will jeopardise Holden's ability to manufacture to the end of 2017 and in turn, reduce the time for transition – which is already relatively short – of the automotive industry, local surrounding communities and the wider economy.

Since the beginning of 2014, Holden and GM International operations have made representations to the Australian Government stating the intention to manufacture to the end of 2017 but highlighting that one of the key risks identified as a threat to achieving that, is risk to the supply base.

Letters were written to the Treasurer, Finance Minister and Industry Minister in March 2014, raising concern of supply base risk and Holden production risk as a consequence of the \$500 million cut to ATS.

Holden has also publicly stated, in response to direct questions from the media, that keeping the local supply base intact is critical to manufacturing to the end of 2017. Based on feedback from key suppliers, Holden believes that the proposed \$500 million cut to the ATS from 2015 to 2017 will create significant risk to the supply base.

The ATS assistance, which is being decreased by \$500 million in the Bill, had been forecast to be received by OEM's and suppliers during 2015, 2016 and 2017. It is built into their long established, current business plans and Holden is worried about the consequence of the financial gaps which will result from the \$500 million cut and what this risk will mean for the viability of suppliers.



Holden sources components from more than 120 direct tier one suppliers in Australia, located predominantly in Victoria and South Australia. Behind these businesses are hundreds more tier two and tier three supplier businesses. The Department of Industry indicated during Supplementary Budget Estimates hearings, that there are currently 128 businesses registered for ATS assistance. These would predominantly be tier one and tier two supplier businesses.

The Productivity Commission has estimated there are 40,000 jobs at risk. The Australian Industry Group (AIG) considers this to be a conservative estimate.

On 26 August 2014, AIG Chief Executive Innes Willox said "The Productivity Commission's final report into Australia's Automotive Manufacturing Industry released today seriously underplays the impact of the end to car making in Australia and should be treated with caution. The report fails to acknowledge that the situation facing the auto sector is not just another minor 'adjustment' in the economy; it represents the virtual closure of an entire industry. This will happen within a relatively short span of time and it will affect a large number of businesses, employees and communities."

Maintaining the current level of ATS is needed to help underpin a transition through to late 2017, for supplier businesses to have maximum time to seek new business, diversify or win new global contracts.

A premature industry shutdown brought on by the early collapse of critical suppliers will have a catastrophic impact on people employed in the industry, their local communities and on the wider economy – and will likely end up costing governments significantly more to manage the consequences of a disorderly industry shutdown.

As the industry transitions over the next three years, Holden is comprehensively supporting its employees with assistance and redundancy measures as they prepare to find new jobs. Transition centres offering employment, skills and training advice have been set up at Holden sites in Victoria and South Australia.

Holden and Toyota are each contributing \$15 million, to make up the total \$30 million skills and training component of the \$155 million Growth Fund which was announced by the Australian, Victorian and South Australian Governments.

Holden's employees are highly skilled and qualified and will be valuable assets to future employers. The maximum possible time is needed to provide a stable and orderly transition of the thousands of people out of automotive OEM's and suppliers into new jobs in other industries.



ATS Re-Profile to Minimise Supply Base Risk

ATS was established as a legislated assistance pool at levels of \$300 million per year from 2015 to 2017, which could be accessed by the automotive industry as a whole, to encourage competitive investment and innovation by the industry. Significant investment was made by Holden based on this amount of assistance.

Current ATS Capped Funding

Stage 1		Stage 2	
ATS Year	ATS Year Cap (\$)	ATS Year	ATS Year Cap (\$)
1 (2011)	\$300M	6 (2016)	\$300M
2 (2012)	\$300M	7 (2017)	\$300M
3 (2013)	\$300M	8 (2018)	\$216.7M
4 (2014)	\$300M	9 (2019)	\$133.3M
5 (2015)	\$300M	10 (2020)	\$50M

The Bill seeks to reduce ATS by \$500 million in the years 2015 to 2017 and is a significant change of goalposts;

- 2015 – \$300M → \$100M (\$200 million reduction)
- 2016 – \$300M → \$150M (\$150 million reduction)
- 2017 – \$300M → \$150M (\$150 million reduction)

Substantial new, long term investment was made by Holden based upon the Australian Government's commitment to the ATS in 2009. This investment was for the current VE/VF Commodore program, which has three more years of production. The Government asked for a letter of commitment from GM for its future program to be delivered under the new ATS, which was duly provided.

ATS was originally profiled as a transformation scheme, with payments phasing down from an annual \$300 million cap after 2017, to nil in 2020. Current investments were made by Holden and its suppliers on the basis of a \$300 million assistance pool in each year of the VE/VF Commodore program. The pool size was determined by the Government and industry as the level of assistance that would be required during this period.

Holden urges that the ATS cut be re-profiled so that the original level of assistance of \$300 million per year which was committed by the Australian Government and upon which GM made new investment decisions, remains in the years 2015 to 2017.

The reduction of ATS should occur in the outer years of 2018 to 2020, after manufacturing has ended and the VE/VF Commodore program for which the investment was made, is complete.

This will decrease risk to Holden and its suppliers continuing to run what is still a substantial manufacturing operation, during the remaining three years of production and industry transition. In that time, Holden's manufacturing operations will yield significant economic activity.

Appendix A: Case Studies

Suppliers

Case Study: Mett Pty Ltd

With substantial investment from Holden, Mett Pty Ltd (Mett) advanced tooling has been a key advantage in the globalisation of its business.

Mett, based in Noble Park Victoria, has a state-of-the-art high pressure aluminium die-casting facility that manufactures intricate diecast components. Using its advanced tooling, Mett has worked in conjunction with Hilton Tooling to provide precision tooling and supplies to prestigious markets around the globe. Mett can support customer projects from tool design, 3D modelling and prototyping.

Mett has won a 'GM Supplier of the Year' award 8 times. The event, based in Detroit, USA, recognises the organisation's best automotive suppliers worldwide. There are more than 10,000 suppliers throughout GM's global operations so it is a significant achievement to be selected as one of 82 suppliers who meet the judging standard. To be eligible, suppliers need an international presence, providing goods and services to more than one GM business.

Mett supplies engine covers to HEO and to another GM plant in Oshawa, Canada, which is twice the size of HEO. Mett also provides other components to GM Powertrain in North America. Mett has grown its business based on a primary investment by Holden.

Case Study: Diver Consolidated Industries

The investment by Holden into Diver Consolidated Industries' (DCI) operations, based in Reservoir and Thomastown, Victoria, has allowed DCI to diversify its offerings and markets, and advance its products.

DCI has diversified as its capabilities increased over time. In 2012, Holden and DCI worked in collaboration to redesign and develop an Instrument Panel Cross Car Beam (IP Beam) for the new VF Commodore.

The objective was to develop an IP Beam out of aluminium, replacing the traditional steel beam, in order to reduce weight in the car and minimise fuel consumption. This was only the second aluminium IP Beam sourced by GM anywhere in the world. The joint development has seen the new IP Beam's all aluminium construction achieve weight savings in the order of 40% over the current VE steel part.

This program was funded by Holden, along with the DCI's new tooling needed to build the finished product.



Case Study: L&L Products

L&L Products Australia (L&L) uses a process called 'vertical lapping', developed and manufactured using tooling which Holden owns.

Based in Dandenong South, Victoria, L&L specialised in acoustic solutions for interiors and trim shop applications. Its products are based on non-woven vertically lapped mats made with polyester fibres. Typical applications can be door trim insulations, wheelhouse liners and dash inner insulations.

This technological innovation has led to a dramatic increase in recycling in L&L's production, and subsequently a reduction in waste.

Logistics

Inbound

These services cover the transport of local and imported components and all associated costs with warehousing.

Case Study: Allied Express

Revenue from Holden in 2012: **\$4.8m**

Allied Express provides Holden with its local 'milk-run' services. These are a purpose designed round trip, involving both a drop-off and pick-up sequence. From origin to destination, these routes may include more than one stop and also includes return deliveries.

Case Study: Toll

Revenue from Holden in 2012: **\$12.7m**

Toll provides warehousing and sequencing for just-in-time production process for Holden.

Outbound

These services cover the post-production handling of cars, whether it be for interstate movement of vehicles or exporting.

Holden is the major customer for PrixCar and Australian Amalgamated Terminals (AAT). The loss of Holden business would significantly impact the revenues of PrixCar and AAT.

Case Study: PrixCar

Revenue from Holden in 2012: **\$35.5m** (18% of total revenue)

PrixCar provide services for Holden post-production. They provide domestic car transport, inland transport for export cars and warehousing.



PrixCar provides services to Australia's automotive manufacturers, importers, distributors and various government and private organisations which include vehicle transport, storage and processing.

PrixCar has stated that its services to the Australian automotive manufacturing industry has allowed it to increase and improve the number of services it offers customers. Its current routes in major Australian cities are more direct as a result and have given PrixCar the ability to take on more clients over time.

Case Study: AAT

Revenue from GM Holden export activity in 2012: **\$0.8m**

AAT provides post-production port handling services for Holden's export cars. (AAT also derives revenue from Holden's imported components activity.)

AAT is operated as a multi user facility provider to the stevedoring industry in Australia, working cooperatively with other logistics companies, such as Qube (also used by Holden).

Case Study: CEVA Logistics

Revenue from GM Holden in 2012: **\$10.34m**

CEVA provides logistics services to Holden and other automotive businesses, along with the technology, consumer and retail, industrial, energy, aerospace and healthcare industries.

In Australia and New Zealand CEVA's integrated service offering spans the entire supply chain.

CEVA has developed a number of best practice logistics solutions to suit the automotive industry, including: JIT fulfilment to line side, aftermarket parts warehousing and timed delivery transport, end-to-end supply chain management, packaging and MHU services. CEVA is a leader in the logistics industry in the development of lean logistics processes, including the use of kaizens.

Holden Consolidation Centre

Location: Altona, Victoria

Before Victorian-sourced components are used on the production line in Adelaide, they are processed and consolidated onto B-Double trucks in Altona, in Melbourne's West.



Steel Procurement

Australian Steel

Holden purchased its Australian steel from BlueScope, totalling \$18m, in 2012. This was approximately 14,000 tonnes. Holden forecasts to purchase the same amount, or more, by end of 2013.

Holden sources a significant proportion of its steel requirements from BlueScope, however, due to manufacturing limitations (size and strength of steel), Holden imports its remaining steel requirements from Asia.

BlueScope uses direct rail from Port Kembla, New South Wales to Adelaide. Once in Adelaide, the steel is warehoused until ready to use.

Holden's suppliers, such as Precision, AIA and Carr, purchase 90% of their steel from BlueScope. These three suppliers spent \$15m on steel in 2012.

Imported Steel

Imported steel, much of which is high strength steel which cannot be sourced locally, is sourced from Korea, Japan and China.

After clearing Australian Customs, the cost of moving this steel (trucking) in 2012 was approximately \$900k. Warehousing fees were approximately \$800k.

K&S, an Australian business, transports and warehouses Holden's steel.

Imported steel often needs to be taken to local slitters – companies that specialise in cutting steel – due to the sheer size of the steel coils.

Holden Supplier - Hirotec

Holden also handles steel for one of its biggest suppliers, Hirotec. Holden purchases the steel coil, has it cut, then delivers it to Hirotec, adjacent to the Elizabeth plant, for stamping.

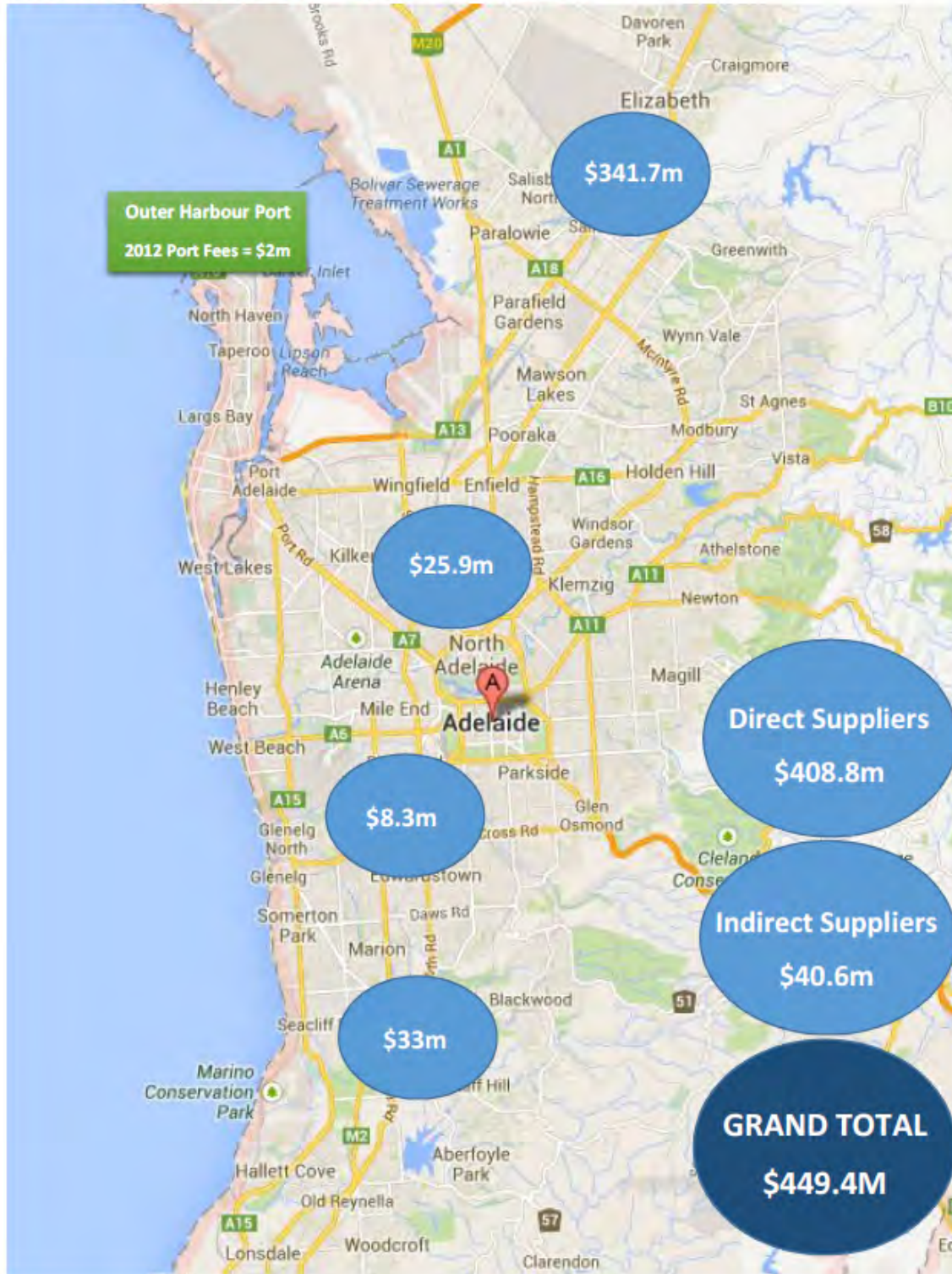
Costs associated with moving steel from Holden's Vehicle Operations to Hirotec is included in Holden's logistics budget, therefore Holden incurs the costs and reduces costs it incurs in purchasing finished parts from Hirotec.

Wharf to Manufacturing Line – Imported Components

Containers arrive at Wharf	Wharf Handling	Cartage	Holding Yards	Warehousing	Trucking	Manufacturing Line
<p>Containers arrive at either Melbourne or Adelaide wharf</p> <p>Customs Duties are charged on arrival to Australia</p> <p>From Melbourne, containers shipped or railed to Adelaide</p> <p><i>In 2012, Holden paid a total of \$73.9m in Customs duties</i></p>	<p>Wharf handling fees are charged at each port which the containers enter</p> <p>These fees can be anywhere from \$420-\$530 per container, depending on size</p> <p>2012 port fees: - Adelaide \$2m - Melbourne \$3.5m</p>	<p>Local trucking companies transport containers to either Holden's Elizabeth plant or temporary Holding Yards</p> <p><i>In 2012, Holden spent \$15.1m on local trucking</i></p>	<p>Facilities that temporarily hold containers</p> <p>Held until Holden are ready to collect them or transport to warehouses</p>	<p>Temporary, secure storing of containers until needed by Holden</p> <p>These include facilities such as those at Edinburgh Park</p>	<p>Transports components from temporary storage to Holden Vehicle Operations (HVO)</p> <p>Picked up from warehouse and taken to Elizabeth Plant in Adelaide</p>	<p>Majority of components involved in the manufacturing process at Holden's Vehicle Operations using a just-in-time production strategy</p> <p>Just-in-time production involves precise, to-the-minute planning and execution</p>

Appendix B: Holden Supplier Spend Distribution Maps

Appendix B: Holden 2012 Supplier Spend – South Australia

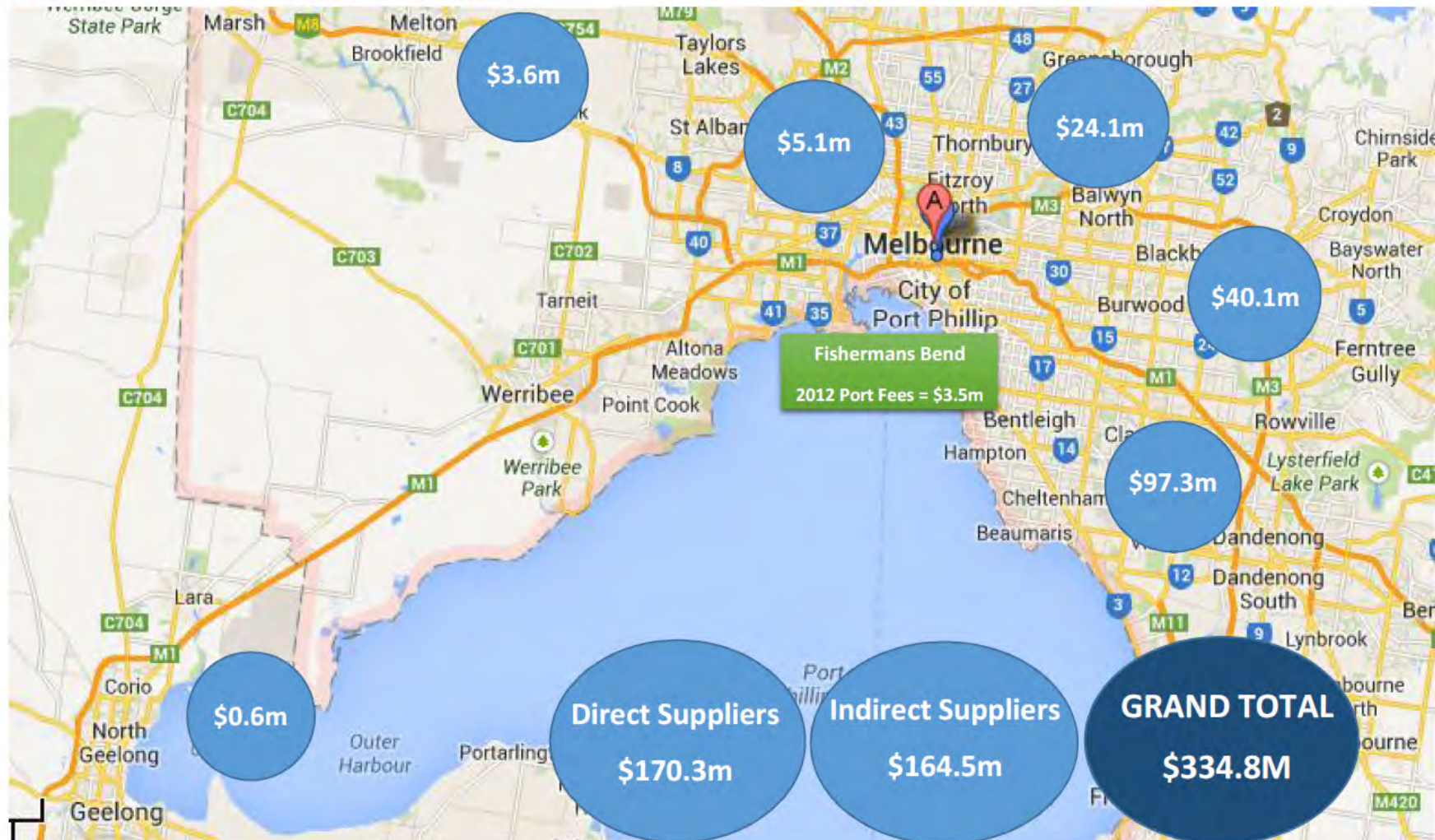


Appendix B: Holden 2012 Supplier Spend – New South Wales





Appendix B: Holden 2012 Supplier Spend – Victoria

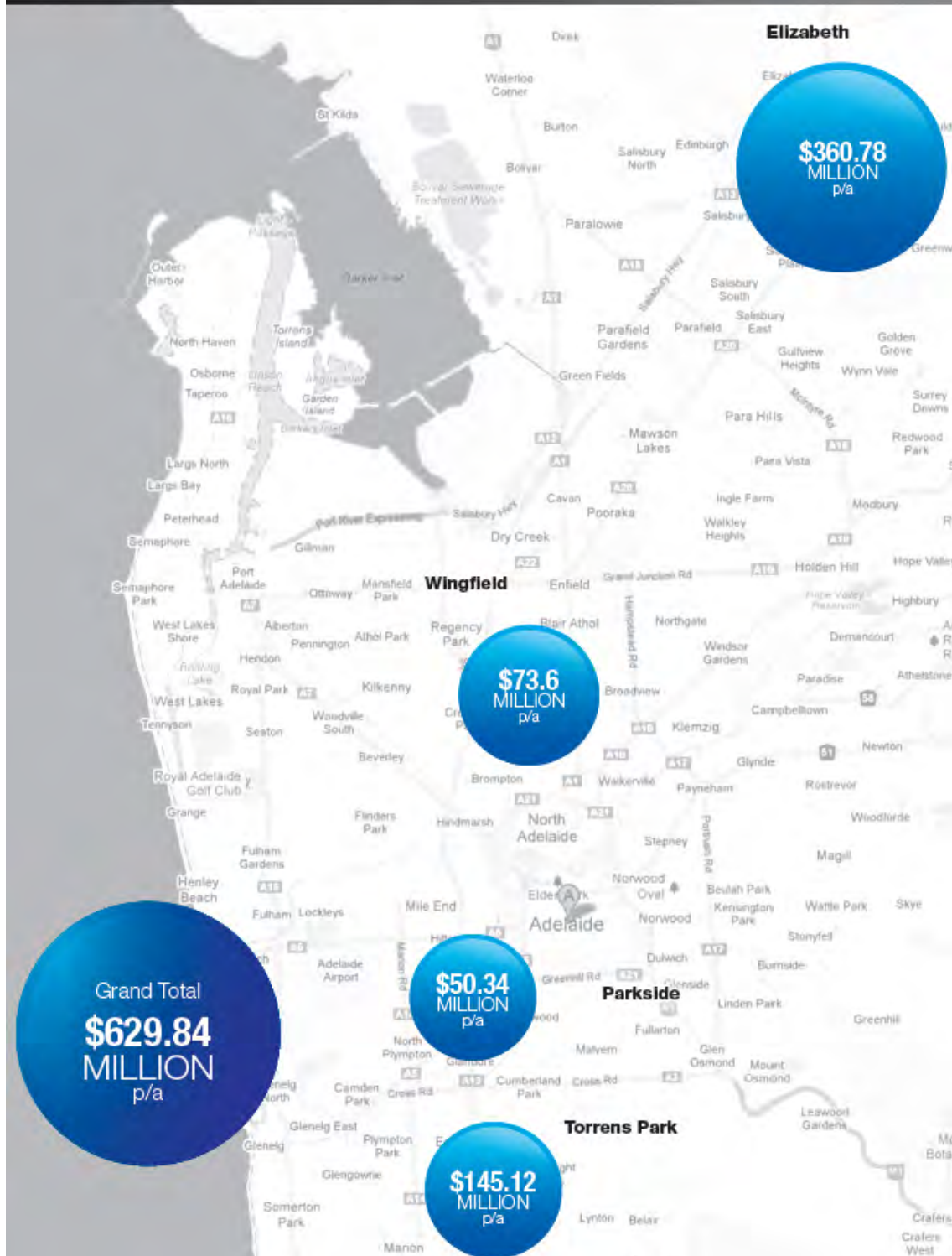




HOLDEN

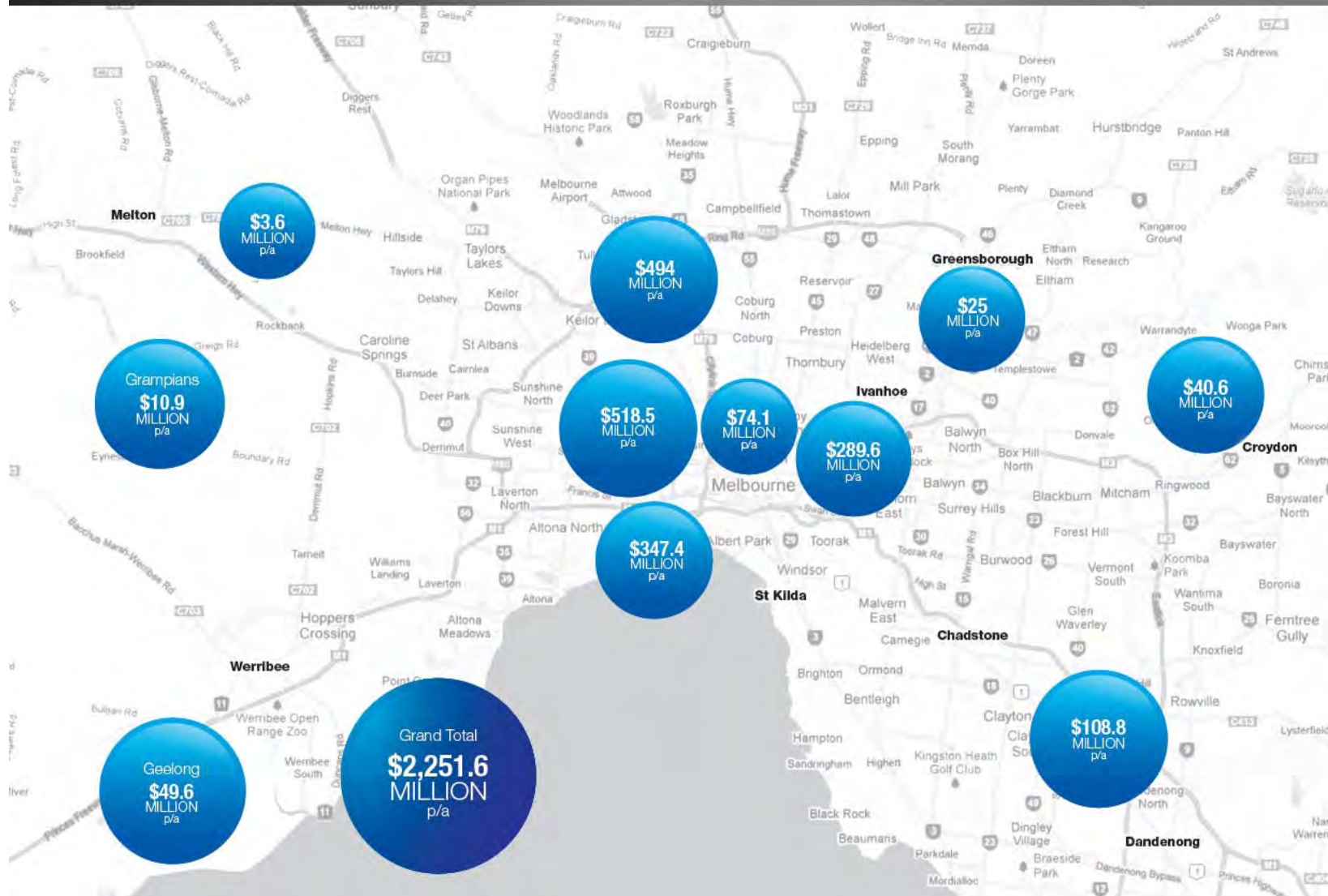
Appendix C: Holden – Toyota – Ford Supplier Spend Distribution Maps 2012

Map of Adelaide suppliers

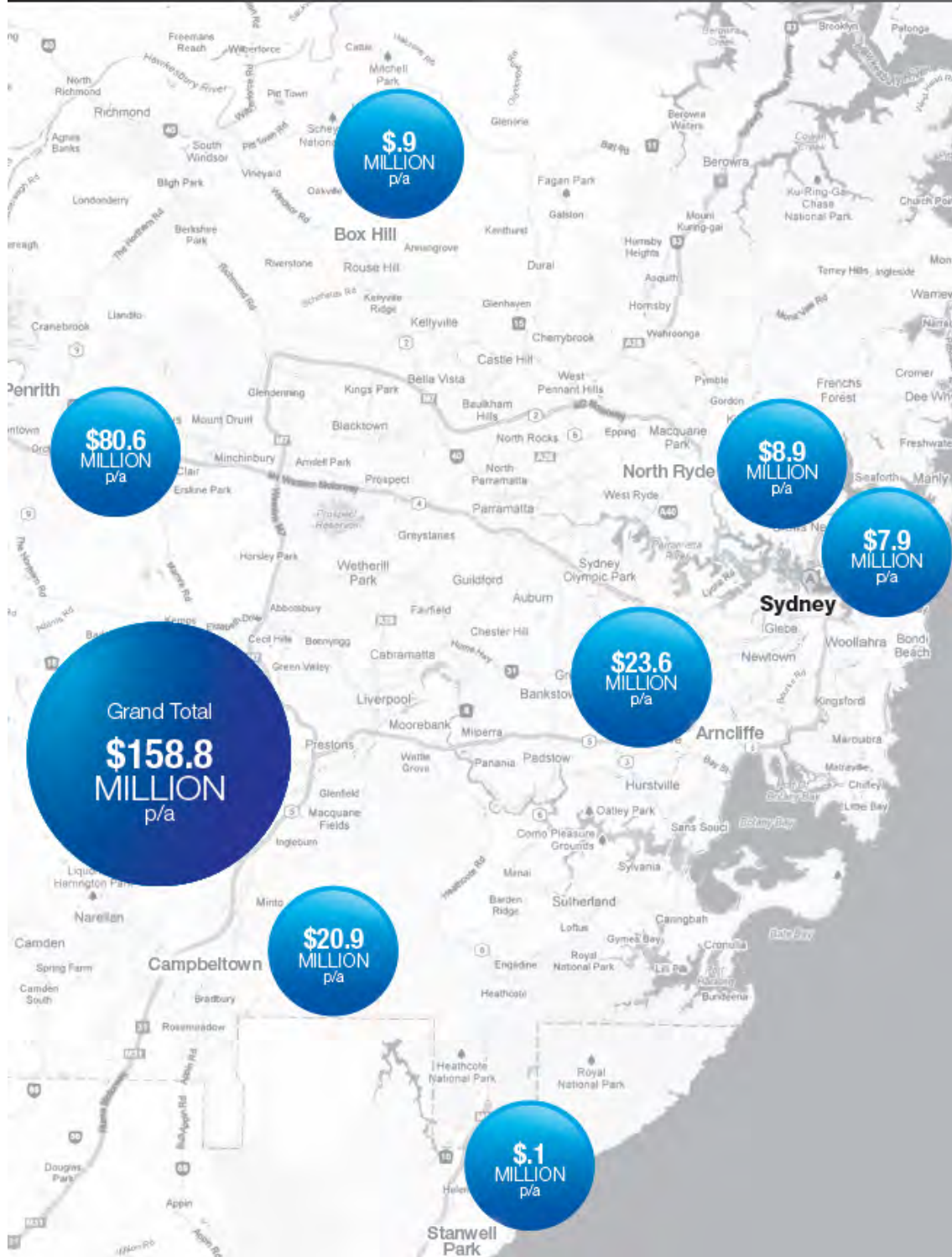




Map of Victorian suppliers



Map of Sydney suppliers





Map of Brisbane suppliers

