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Joint Standing Committee on Trade and Investment Growth
PO Box 6021
Parliament House
CANBERRA
Canberra ACT 2600

September 23rd, 2019

To whom it may concern, I am pleased to make the following submission to the Joint Standing Committee on Trade and Investment Growth on behalf of Australian Performance Vehicles Pty Ltd.

1) Overview of APV

Australian Performance Vehicles Pty Ltd (APV) is Australia's leading industrial testing services organisation and global OEM supplier of safety products (seat belts and specialist restraints). As an Australian SME we generate approximately 50% of our revenue from export sales, employing 55 personnel.

APV is made up of the following wholly owned subsidiaries:

APV Engineering and Testing Services (ETS) is a fully certified NATA accredited test laboratory that provides Advanced Testing Services to Industry. ETS performs a range of testing services, including crash testing for ANCAP, as well as certification and testing service for a range of Industrial, Mining, Bus and Coach Seat, Defence, and Automotive products. ETS has progressively expanded its export revenue by providing advanced testing Services to overseas organisations.

APV Safety Products (SP) is a global supplier of Seat Belts and specialist restraints for the Bus & Coach, Military, Truck, Industrial, Fork-Lift, and the Automotive Aftermarkets. SP is actively exporting Product into the North American, New Zealand and European markets.

We have established points of difference and unique selling propositions within these markets resulting in APV becoming one of Australia's most successful SME Defence Exporters. Our restraints were utilised across the Australian Bushmaster and US Navistar MRAP land military vehicles during the Afghanistan conflict and building on this success we are now providing restraints to the next generation Nth American Amphibious and Land Vehicle Programs.

APV Safety Product's commitment to innovation, quality and customer service has seen it grow into the largest aftermarket seatbelt supplier in Australia.

2) Export Growth and Investment

The strength of Australian industry is significantly tied to the ability of industry to generate profitable and sustainable export markets. It is a simple fact, that the Australian market does not have sufficient critical mass and scale to sustain OEM manufacturing operations, such as APV. APV's future is therefore fundamentally dependent on our vision to be a globally recognised OEM internationally providing products and services associated with Survivability, Safety, Industrial Testing and Restraints. As a company, we are proud of our export track record and the international positioning we have achieved.

In our view, globally competitive exporters will by their nature, tackle the substantial challenges in achieving world class product development and manufacturing capabilities. In APV's case we also have an international supply chain and with the production of over ¼ million restraints p.a. our volumes are very attractive for our suppliers and drive significant economic benefits into the Australian supply chain.

During FY18 and FY19, we have successively transition through the Automotive Industry restructuring and achieved 40% revenue growth by adopting an aggressive Export Program. APV is also ranked in the top 10% of Mid-Size Australian Manufacturers in terms of overall Growth, Capital Investment and Financial Performance against a recent Grant Thornton Manufacturing Benchmarking Report. The benchmarking report assesses a broad range of industries and FY18 performance benchmarks to assist Industry Leaders in developing their business strategies, assessing risk and emerging opportunities.

3) Favorable Regulatory Support

The following Federal Government programs have been instrumental in supporting our growth.

Centre for Defence Industry Capability (CDIC).

CDIC, and its' predecessors, have been instrumental in supporting APV with our export programs, including implementation of our Technology Control Program, for dealing with Nth American military technical data, navigating through US regulatory issues, such as the Buy American Act and Berry Amendment, Business Improvement Plans, Cyber Security uplift, Trade Missions and the Global Supply Chain initiatives.

Australian Defence Export Controls Office (ADECO).

Similarly, ADECO has worked with us to obtain export permits for our products into the Nth American, Canadian, New Zealand, EU, middle east and Great Britain. Their support has been instrumental in providing access to these markets. As a point of background for the committee, our products are supplied to a range of Defence customers overseas, from primes to seat-manufacturers. A seatbelt or restraint will be certified for a seat, and the

seat can be supplied by our customer onto numerous military platforms. The current system of requiring End Use Certificates, to identify specific platforms, is therefore inappropriate. i.e. We supply products for a seat design that our customers market internationally not for a specific vehicle. ADECO, has successfully worked with us to implement workable Export Control programs for our business. It is important that this flexibility is maintained.

APV strongly supports the value provided by CDIC, ADECO and associated Defence industry support programs. They are an exemplar of best practice of the support available from Government for the development of a vibrant industry base.

3) Opportunities for consideration.

As an SME, it is difficult to obtain the resources or subject matter expertise to navigate through the export regulatory and investment landscape. There are numerous impediments and significant regulatory frameworks to understand.

- 1) A fundamental Policy Objective of Government must be to establish the policy settings to allow SMEs to be successful exporters and importantly to allow the Small to become Medium Size Enterprises. Australia has indeed a terrible track record in developing Medium Size Enterprises, yet this is a fundamental journey from taking R&D, startups and small companies along the journey to medium size companies and the sustainable industrial base that is important for Australia's future.
- 2) EMDG. Our experience with EMDG has been extremely disappointing. As an SME that purchased assets from an International Company departing Australia, their prior export claims and grants, left us ineligible for support. Yet we are the Australian Entity, with a fundamental commitment to Australian Industry and driving export growth.

The existing system is inequitable with its current determination of Eligibility and we strongly believe this needs to be readdressed. Despite, APV being an SME that is an 100% Australian owned Company we are ineligible under the current system to claim EMDG grants. Yet, we would surely be seen as exactly the targeted type of organisation that would benefit from the program for further development of Australia's export industry within Australian SMEs.

We have had to establish a new Business, New Naming, New Branding and develop new customers from scratch. We have certainly had to establish ourselves within these markets off our own initiatives and performance. Extensive investment has and continues to go into these markets to develop our export business, in the knowledge that you need a local presence within the targeted markets with continual follow-up and face-to-face visits. It is our firm belief that to be successful in these markets you must have a relationship with your key targeted overseas

customers. Making this investment, is a very significant strategic and financial commitment that SME's such as ourselves can be greatly assisted with by the EMDG program. In our experience, it is certainly reasonable to expect that it will take three to five years to see a real return on investment from the commencement of these activities. This is difficult for an SME to fund and the support of EMDG would be extremely beneficial to support the development of export markets for companies in similar situations to ourselves.

APV recommends that the Eligibility Guidelines, recognise that companies such as APV should be eligible for EMDG, and not be excluded based on the technicality of prior ownership, at least in such circumstances as ourselves that the prior business operation as a whole has been largely closed and provided minimal direct benefit to the new entity and the new entity can establish, such as is in our case, that the new business is for all essential purposes a new enterprise with new branding.

- 3) Export Finance Australia (EFA). This comment maybe a little dated. However, APV has spent considerable time applying for EFIC finance during the past five years. In the end, we chose not to take up their letter of offer, as their Directors and Company Guarantees, Cost of Capital, and Overall Financing requirements were more prohibitive than dealing with the Bank. The original intention of EFIC was to provide support to SME's with export finance that was under-written by the commonwealth and readily available for SME export programs. The cost of finance need to be attractive and facilities are required to support companies during periods of significant expansion and growth to overcome their existing constraints of working capital and availability of finance for supporting capital investment.

Whilst I understand the Commonwealth's desire not to compete against the banks EFAs' true performance should be evaluated and facilities established, including allowance for capital investment that supports SME's with major growth and export programs.

- 4) International Price Competitiveness and State Payroll Tax.

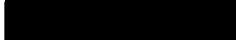
Within the context of Trade and Investment Growth, it is important to ensure that Federal and State Government programs recognise that it is a pre-requisite for companies to be Export Ready with delivery, quality and pricing that meet international benchmarks.

This means that Governments have a fundamental responsibility to minimise cost to industry and to set policy frameworks and support programs that drive performance and efficiency outcomes, and not simplistic measures around increased

employment. Employment levels and exciting career opportunities are an outcome of achieving international competitiveness and growth in the context of the entire Enterprise Business Model. Only in this context will we achieve superior outcomes in terms of human performance, employment levels and careers.

State Governments likewise must foster superior industry and export outcomes by supporting efficiency and minimising costs to industry, including non-value adding taxes such as Payroll Tax. Payroll Tax is simply a tax against employment, that taxes company not on the quantum of their revenue but the cost of their payroll. It makes no sense at all to increase the rate of tax based on increasing skills, capability, career opportunities, employment Levels and number of personnel employed within a company. SME's that are driving innovation and growth, will inevitably employ a range of highly qualified and skilled personnel to drive their success. The optimal employment and cost of these resources can clearly outpace revenue for our high value innovative industries, and as such we need policy frameworks and tax systems that recognise this and not tax inputs such as employment costs. This is clearly diametrically opposed to fostering growth and investment.

Yours Sincerely



Harry Hickling

Managing Director

Australian Performance Vehicles Pty Ltd

September 23rd, 2019.