

Ford Motor Company of Australia Limited

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Secretary
House Standing Committee on Employment
Workplace Relations & Workforce Participation
Parliament House
CANBERRA ACT 2600

Submission No. <u>4</u>

Dear Sir/Madam

Subject: AUTOMOTIVE COMPONENT EMPLOYMENT INQUIRY

We write in response to an invitation for comment on issues relating to employment in the automotive component manufacturing sector. We believe the Committee's inquiry is timely given the intensity of the competitive challenges currently confronting the global automotive industry, and look forward to assisting with the inquiry.

Ford Australia is also party to an industry submission by the Federal Chamber of Automotive Industries. This company submission will therefore largely focus on Ford Australia's interface with the domestic automotive component manufacturing sector. It will also broadly canvass some of the general competitive issues confronting the industry. Ford Australia believes more specific information concerning component sector employee skill and training needs is best provided by component manufacturers themselves.

Ford Australia is a leading automotive company with extensive design, engineering and manufacturing facilities. Its core products are the Ford Falcon and the Ford Territory. These vehicle lines are complemented by a broad portfolio of imported products from Europe, Africa, Asia and North America including the Ford Fiesta, Ford Focus and Ford Courier. Ford Australia directly employs more than 6000 people at its casting, powertrain, stamping and product engineering facilities at Geelong and assembly, vehicle design, customer service and head office facilities at Broadmeadows, Victoria. In 2005, Ford Australia sold 129,140 locally manufactured and imported vehicles. Ford Australia is ultimately owned by the Ford Motor Company in Dearborn, Michigan.

Ford Australia is a strong supporter of the Australian component manufacturing industry. Its Ford Falcon and Ford Territory vehicles have local content levels among the highest of Australian made vehicles. The Ford Territory investment represented one of the biggest gains for the Australian component manufacturing industry in many years with the annual domestic production of 25,000 high local content vehicles. This is consistent with an established global pattern where Ford Motor Company's manufacturing operations seek throughout the world to develop and reflect strong local supplier industry linkages.

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No Boundaries

Ford Australia has pioneered major technological developments with Australian component suppliers including the development of locally-developed and calibrated safety features such as air-bags and dynamic stability control mechanisms. It has also helped facilitate a number of export initiatives by Australian component manufacturers. A number of leading Australian suppliers have also been recognised in the Ford Motor Company's Global Supplier Excellence Awards.

In recent years, the automotive manufacturing industry in Australia has undergone a considerable transformation with significant reductions in historical assistance levels such as tariffs. This has contributed to the emergence of one of the most competitive automotive markets in the world where more than 50 different brands (Ford, Volvo, Jaguar, Mazda etc) and 350 different models (Falcon, Territory, Focus etc) from 25 source countries are available in Australia. The abovementioned competitive intensity, much of it derived from the strong value of the \$A and emerging vehicle and component production nations such as Thailand, Korea, Malaysia, South Africa and China, is a strong illustration of the trade exposure of the Australian motor vehicle manufacturing industry.

The success of a vehicle manufacturer like Ford Australia in such a contemporary and challenging global environment is very dependent on its domestic vehicles offering world-class technologies, performance, quality and value. This, in turn, places demands on the component industry. In determining the sourcing arrangements for vehicle components, Ford Australia focuses on the technological capability, product quality, business and delivery stability and also cost performance of a supplier. In many cases, Ford Australia will work closely with individual component manufacturers to utilise their technology resources and capability in the design and development of a component. Furthermore, Ford Australia has its own Supplier Technical Assistance (STA) organisation. This is a dedicated group of engineers and lean manufacturing specialists whose task is to work closely with domestic component manufacturers to enhance organisational capability and performance. In addition to this group, Ford Australia has actively assisted the skills development of component sector employees by co-ordinating comprehensive series of TCM (Total Cost Management) and VA/VE (Value Analysis/Value Engineering) workshops. It has also co-ordinated the development of quality-tool workshops covering such disciplines as FMEA (failure mode effects analysis) and 8D.

Looking forward, Ford Australia believes the competitive environment will continue to grow in its intensity. This will place considerable pressure on all sectors of the Australian automotive industry including component manufacture. This means component manufacturers will need to ensure they have the necessary employee skill-sets to continue a strong focus on innovation, quality, uninterrupted delivery and cost. In developing and maintaining these skill-sets across the various tier levels of the supplier industry, Ford Australia believes the industry will need to be increasingly viewed as an attractive career option. While engineering based, the automotive industry has in fact developed into being an integral part of a Australia's knowledge economy. In addition to engineering, the industry has a strong demand for people from all disciplines including finance, marketing, logistics, purchasing and human resources. This will place greater demands on the structure and capabilities of employee training providers.

We trust the broad issues raised are of assistance to the Committee. We would be happy to discuss the issues in greater detail. The writer can be contacted on (03) 9359 7142.

Yours faithfully



Russell Scoular
Government Affairs Manager