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Director's Message



As we draw nearer to the December 31st completion date for Round 1 of the Automotive Supply Chain Development Program (ASCDP), the ASEA team is busy finalising many of the details to close out the remainder of the 140+ projects that will have successfully been completed since the March 2010 commencement date.

During these past 20 months, ASEA will not only have completed more than 140 individual projects with the 65 participating companies/sites, but along the way have held numerous other events. Of course the projects could not have been identified without completion of the company-wide Assessment, and the resulting Benchmark Report and Improvement Plan Book. This has meant 65 assessments having to be completed, prior to the individual projects commencing at each of the companies/sites.

During this period there have been significant challenges and changes taking place within the Australian automotive industry, which in turn has created a significant number of logistical challenges for all those involved. I would like to sincerely thank all those companies and individuals involved in helping make this program so successful.

Some of the other events have included 6 highly successful Forums where more than 15 companies have highlighted the outcomes of projects undertaken with ASEA, and shared these results with their peers, their customers and government. An important part of the Forums has been the active participation of all Vehicle Manufacturers, and this has obviously been appreciated by attendees based upon the consistently high ranking received in the feedback forms.

The comprehensive assessment process that is used by ASEA to identify where improvement opportunities exist for the participating organisations, is also used to document where there are best practices in place. ASEA greatly appreciates it when those companies agree to share their best practices with their peers, and have been honoured to host Best Practice Visits (BPVs) at Australian Arrow, Bosch - Clayton, Continental and Unidrive in

Victoria, and at Hirotec and Toyota Gosei in South Australia.

With funding now approved and announced for Round 2 of the ASCDP (which actually commenced on July 1st 2011), the ASEA team has been doubly busy with not only completing the Round 1 activities and milestones, but with simultaneously ramping-up for Round 2. This has already involved a very well attended Forum held recently in Melbourne, another Forum planned for early December in Adelaide, and two upcoming Best Practice Visits.

Since the last Newsletter in early August, ASEA has also held another 2 Coach Accreditation days, and now has an additional 9 certified coaches to help with the implementation of projects. We are currently expanding the diversity of the products/courses we can deliver, and by utilising these additional coaches, are working with our providers to develop some new and exciting diagnostics/courses. There will be more news about this in the next Newsletter.

As part of Round 2 of the ASCDP, ASEA has recently undertaken some very interesting work to try and better understand some of the intricacies of the Australian automotive supply chain. This involved asking the automotive Tier One suppliers located in Australia to identify their key/main Tier Two and Three suppliers that are located in Australia. A summary of results is included in a separate article within this Newsletter, which I hope you will find as interesting as I did.

Australian Automotive Supply Chain Study

In order to better understand the complexity of the Australian automotive supply chain and try to identify potential "key" Tier 2 and 3 suppliers, Tier 1 suppliers were asked to confidentially provide ASEA with the names and size of purchase of their Top 10 Australian based suppliers, which could be for product, services or tooling.

The thought process was to consolidate the purchase amounts by Tier 2/3 company and to generate a pareto listing from maximum to minimum dollar amount of product/service supplied to the Tier 1 companies with those at the top being "key". However as the information began flowing in, a second picture began to appear. It became more and more obvious that a small number of Tier 2/3

suppliers were supplying multiple Tier 1 companies, and were equally (if not more) “key” than those supplying large dollar amounts.

Mapping the connections between companies within the supply chain also identified a considerable overlap between Tier 1 and Tier 2 providers, with many Tier 1 companies also being important Tier 2 suppliers. Due to the confidential nature of the data provided I cannot share the details, but the consolidated results were too good not to share.

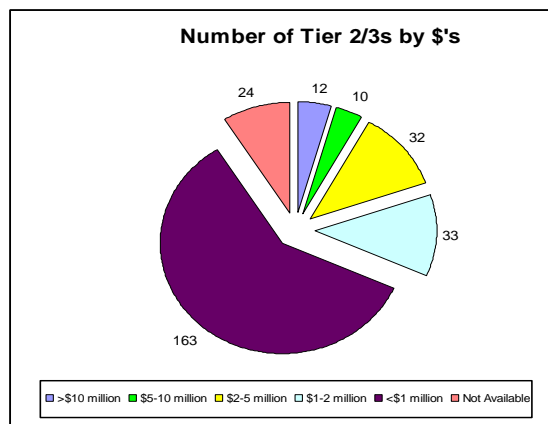


Table 1

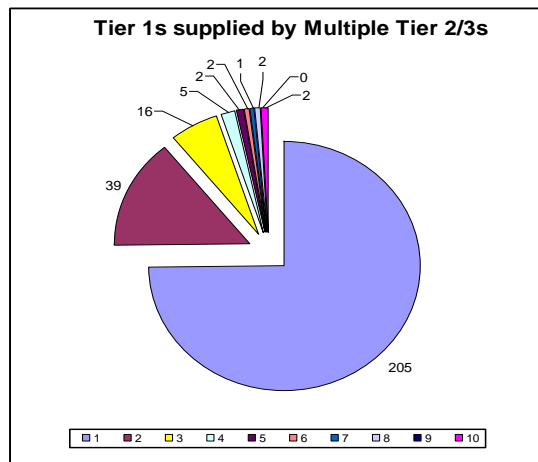


Table 2

In looking at the consolidated results of the information received in this study by dollar amount (Table 1), we find that of the 274 different Tier 2/3 suppliers listed, only 12 supply more than \$10 million to the Tier Ones.

A huge 163 (59%) supply less than \$1 million, and unfortunately due to a few Tier Ones that didn't provide dollar amounts, we have 24 we are not sure

of. However, by far the majority of the Tier 2/3 suppliers (72%) supply less than \$2 million to the Tier 1 companies.

If we examine the data and look at the number of Tier 1 companies supplied by each Tier 2/3 company (Table 2), the results become even more segmented. A whopping 75% of the Tier 2/3 companies listed supply only one Tier 1 company, while 89% supply two or less Tier 1 companies. Conversely, there are a handful of companies that supply 7 or more Tier 1s, which by default makes them “key” to the industry.

Industry Forum #7: “Government Assistance Programs available to the Automotive Industry”

In talking to Automotive Suppliers, one of the most asked questions is, “How do we know what funding is available and how do we obtain it?”

With the Government sending out messages about Australian Manufacturing and, “the Way We Do Business”, “Transforming the Old” and “Building the New”, ASEA’s Forum aimed at updating forum attendees on available information regarding Federal and State Government Assistance.

Held in the Garden Room, overlooking the Yarra, in the Crown Towers at Southbank, Melbourne, the Forum was attended by over 75 Victorian Industry participants, filling the room.



A very special thank you to Mr Jeff Beeston from DIISR who provided information on all the available Federal Government Funding and Mr Gary Bourne from Department of Business & Innovation (DBI), Victorian Government who provided information on a vast range of assistance and grant programs available through the Victorian Government.



Ms Rachel Obradovic, the R&D Tax & Government Incentives Manager from Deloitte spoke about Australia's Carbon Pricing Mechanism and how it will impact on Australian business and implications for the Automotive Sector. There are significant opportunities here for manufacturing organizations.



Mr Brian O'Meara from Grant Thornton presented "Transition from ACIS to ATS" which was both timely and informative. Mr Peter Martin, Finance Director of Hella Australia Pty Ltd, spoke about "Successfully Applying for Government Funding", which was very well received as a "real-life" success story.

Again, ASEA would like to sincerely thank all our speakers for providing their valuable time in presenting such relevant and meaningful information.

Because of the excellent feedback and huge interest from the attendees, ASEA is planning to hold a similar forum in South Australia for ASEA participating suppliers and interested parties. It will be held on either December 5th or 6th, so stay tuned. More information will follow shortly on the ASEA Website at www.asea.net.au.



Many people stayed after the event to network.

Small Technology Industry Uptake Program (STIUP)

In addition to the many State and Federal Government programs that were covered so capably by our speakers at the recent ASEA Forum and accessible to those in the automotive sector, please also see the following website which provides details on the Small Technology Industry Uptake Program from the Victorian Government Department of Business & Innovation (BDI). http://www.business.vic.gov.au/BUSVIC/GAP/PC_64441.html

For those interested, there will be a breakfast meeting at the Bundoora DBI Offices on November 15th 2011 on this program. For further details please contact either Simon Mahady simon.mahady@dbi.vic.gov.au or Ian Bridger ian.bridger@dbi.vic.gov.au.

South Australian Update

South Australia has 11 projects from ASCDP Round 1 currently being completed and closed out in the next two months, and a number of others rapidly being addressed to ensure they are completed within the Stage 1 timeframe.

ASCDP Round 2 in South Australia currently has three projects approved.

One prerequisite of new ASEA projects is that an annual assessment needs to be completed first, and a number of South Australian companies have done this, with more programmed in the near future.

The 'annual assessment' is similar to, but not as detailed as the initial company assessment and it effectively reviews the standards and improvements in performance of the company, and compares the results to the original assessment, its peers, and world class performance both historically and currently.

From this assessment, improvement plans are developed in conjunction with ASEA's South Australian Client Manager, Peter Cesco.

If your company has not yet had its 'annual assessment' planned or conducted, please contact Peter Cesco to discuss a recommendation for that to happen."



Best Practice Visit - 16th November, 2011 FMP Group (Bendix)

FMP Group (Australia) Pty Ltd is Australia's largest automotive friction material manufacturer. FMP continues to market its product under the Bendix brand name.

FMP has kindly offered to host a Best Practice Visit, on Wednesday 16th November 2011, at their manufacturing plant in Ballarat, for companies participating in the ASEA program. ASEA has issued invitations by email.

The theme of this visit is two-fold:

- ASEA engaged Complete Lean Solutions to work with FMP to devise and implement a program of *Lean Preventative Maintenance*
- ASEA engaged Genesis Now to assist FMP to improve their *Energy Efficiency*

At the time of publication, there are still some places available for ASEA participants to visit Bendix, and to see and hear for themselves the results of these two projects.

Contact Judy Boyce or Tom Chappell if you wish to register for this Best Practice visit.

Further information about FMP Group can be found at <http://www.bendix.com.au/>.

The ASEA Team Visits Complete Lean Solutions in Eltham, Victoria

Complete Lean Solutions (CLS) is well known to companies participating in the ASEA program. To date, CLS specialist coaches have delivered projects at 16 participating companies. Directors Andy Kelsall and Richard Pounder are regulars at ASEA forums, Andy having addressed the ASEA 'Building Lean Capability' forum in November 2010.

CLS recently moved office to larger premises, in order to accommodate their growing team of Lean Manufacturing coaches. The ASEA team was invited for discussions with CLS at one of their regular Team Days. Cricket anyone?



The CLS and ASEA teams



**Roaring Success
expands and moves
offices to Port
Melbourne**

Over the Melbourne Cup weekend, the team at Roaring Success moved offices from South Melbourne to Port Melbourne.

"Our business has grown as we've been delivering growth and diversification projects for our clients. Over the past few months, it became evident that we had outgrown our office space in South Melbourne", says Steve Wood, Director and one of the four consultants at Roaring Success.

"We looked around at several options and found a suitable office space, which just happened to be in the same building as the ASEA Team."

"After the hustle and bustle of South Melbourne, our new office space is quieter, but we do have far more room, located in a modern and professional building at 574 Plummer Street."

"As a bonus.... we are doing our bit for reducing travel mileage too. Getting to our ASEA Project Review Meetings will now be a matter of seconds - about as long as it takes for the lift to arrive!"