



# Automotive Supplier Excellence Australia Newsletter - September 2015

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## Director's Message



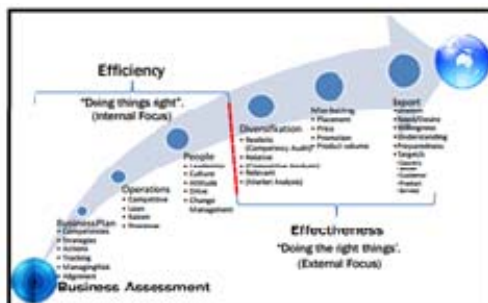
As manufacturing companies in the Australian passenger motor vehicle supply chains can attest to, we are living in a rapidly changing world, and we are also seeing similar effects at ASEA. After advising in the previous newsletter that I was

changing roles, I'm back again as Director, but will also retain a focus on Regional Development activities and entry into new industry sectors. Mr Peter Taylor will be the Deputy Director at ASEA.

Unfortunately for us, Mr Tom Chappell has moved on to greener pastures, and is now the Manager of FAPM taking over the reins from Mr Richard Reilly. Tom will be located in the VACC offices in St. Kilda Rd if anyone needs the support of FAPM. We sincerely thank Tom for more than 5 years of service and support to ASEA, and also to many of you, who are currently reading this newsletter.

During the past quarter we have found ourselves spending more time working with companies from other sectors, only to find that they share many of the same issues and challenges as the companies we have worked with from the automotive supply chain. The challenges of having an established and documented Strategic Business Plan for their future business growth; trying to introduce "lean" principles into their workforce; having to change the company culture; and trying to streamline and globalise their supply chains in order to be competitive.

These are all challenges faced by the automotive supply chain, and documented in the following ASEA slide that has been used in overseas government automotive reports, and is now becoming widely accepted across multiple business sectors.



We were already aware that many different sectors are finding the introduction of a lean culture into their organisations to be demanding and confronting, but it was interesting to hear about the diversification challenges from many of the companies we talked to, who like the automotive suppliers, are trying to spread their business risk. There also appeared to be a significant void with many companies not having a valid and usable Business Plan, so all employees could focus on achieving the company goals - whatever they may be.

There are many opportunities for automotive suppliers to network and share their lessons and expertise with counterparts from other industry sectors, and in doing so, to broaden their own knowledge and reach. This can open up future partnerships or supply/customer opportunities which may not have been possible beforehand.

The ever increasing rate of change of the global car industry also presents us with other opportunities that we may not have even thought of. The example of Kodak is a good one. Here was a company at the top of their game, but they neither understood their market, their core competencies, their value proposition, nor looked far enough into the future. There will potentially be global automotive suppliers that will suffer the same fate, if they make the same mistakes as Kodak.

With recent headlines such as "Volvo will be the first car company with a driverless car on Aussie roads", "Volvo to lead Australia's first self-driving car-trial" and "South Australia to host driverless car test from November", do yourself a favour and take a few seconds to think about the changes that are rapidly approaching. Autonomous vehicles produced by Google, Mercedes, Tesla, Delphi, just to name a few, are currently being tested around the world.

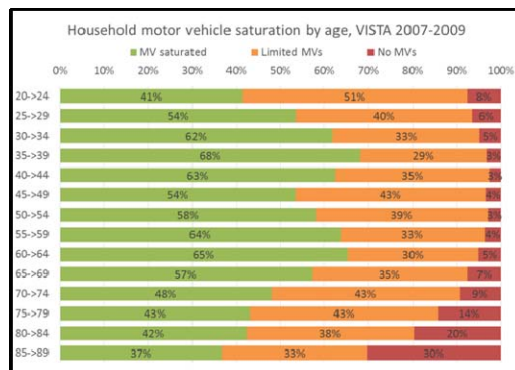




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If we look to the future when the roads are potentially filled with autonomous vehicles, who will need safety equipment such as seat belts or air bags as there will be no crashes; vehicle size and weight can be reduced significantly meaning changes to powertrains, brakes, cooling, wheels, etc.; vehicles can drive closer together which has an effect on the need for infrastructure; vehicle ownership (which as shown by a recent study by the Victorian Integrated Survey of Travel and Activity "VISTA") is already reducing with newer drivers.



And what about the accessories desired in these vehicles? There will be no need for instruments as the vehicle will run and diagnose itself; with no need to steer, what use is a steering wheel; in fact why do the front two seats even have to face forward; what about a vanity option for makeup and shaving on the way to work; or a computer workstation; all possible in an autonomous vehicle world.

And when you get to your destination, the vehicle drops you off and goes on to meet its next client, so no need for parking decks in city centres, or in fact parking spaces in apartment complexes, households, etc.

OK I hear you say, not in my lifetime!! But think about the current technology changes that are already happening. Are there potential companies in the automotive supply chain whose products are becoming obsolete, and who don't have a strategy to replace them? They already have a customer base (that may compliment yours); they have manufacturing facilities so you don't need any new investment; all they need are a new range of products.

The more the world changes and the more we engage with companies in new industry sectors, the more opportunities we discover and the more similarities we are finding with the automotive supply chain.

Funding for our current programs "Business Capability Support Program" (BCSP) and "Manufacturing Productivity Network" (MNP) is available until June and May next year respectively, and we would like to maximise the impact it has. Hence, over the past month or so, Messrs. Peter Taylor, Tom Chappell and Peter Cesco have been trying to visit as many companies as possible to discuss your requirements, so we apologise if we have not visited you yet.

You can find more information about the ASEA Program, our Business Capability Support Program, the Manufacturing Productivity Network and our international Engagement activities, at [www.asea.net.au](http://www.asea.net.au)

If you would like project support from ASEA and we haven't yet visited your company, please don't hesitate to call either of the Peters or myself for urgent attention.

## Business Capability Support Program (BCSP)

The Business Capability Support Program (BCSP) which is a Commonwealth Government funded program running until June 2016, continues to assist companies to transition their businesses beyond the cessation of the Australian vehicle manufacturing in 2017.

Since the beginning of the program in December 2012, 40 companies have been involved. Currently there are 14 (3 South Australian and 11 Victorian) companies that are actively undertaking projects,



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with another two companies scheduled to commence projects during Q4 2015. There are also another two new companies that will undertake the ASEA benchmark assessment and then commence improvement projects.

The 40 companies have undertaken 84 projects. Of these 67 have been completed, and the remaining 17 projects in various stages of completion. In addition to these current projects, there are another three projects that are in the preliminary scoping phase and these will commence during of Q4 2015.

There are quite a broad range of industry sectors that the various BCSP participants are progressively transitioning their businesses by winning new contracts in, including Bus & Truck, Building Construction, Energy, Electronics, Food, Defence, Health & Medical, Mining Equipment, Water Storage and Auto Aftermarket. Some companies have looked to diversify overseas by pursuing opportunities in the Malaysian automotive industry via the State Government of Victoria, Automotive Supply Chain Advocate program.

There are still opportunities for increased company participation in the *Evolving Innovation Program* to undertake projects that will assist in the transition to the new business paradigm once vehicle ceases on 2017. Please contact your friendly ASEA team to find out more: Peter Cesco and Peter Taylor.

### Manufacturing Productivity Networks (MPN) - latest news

There are now 15 participating companies in the Victorian Government funded Manufacturing Productivity Network (MPN) and so far 25 projects have been completed, with 18 in progress and another six projects that are awaiting approval.

ASEA has continued conducting networking workshops which are a key activity of the MPN. At these workshops the participants share their respective outcomes from ASEA projects undertaken, and their experiences with pursuing new business opportunities.

On the 24 September 2015, ASEA conducted the 9<sup>th</sup> MPN workshop with the theme "Success Beyond Local Auto". The company participants attending all presented their company's experiences regarding their new business

ventures/opportunities which included the following topics:

- New products and processes
- Sectors (non-auto) being pursued and their experience to date
- Export opportunities
- Lessons learnt in business development over the last 2-5 years
- Opportunities being pursued at present and in future.

This generated a very positive discussion highlighting a number of key items. Some of the shared comments included:

- Ongoing assistance from ASEA is still required to enable us to be more efficient and effective
- We need more 'right brain thinking' to see things differently for new opportunities
- With an established universal brand, it can be leveraged to 'open other doors'
- Restructuring the business for the 'new paradigm' is challenging
- With the devaluation of the dollar some work is coming back from overseas
- Sectors that companies were growing their businesses in include defence, construction, medical and auto export
- Collaboration with universities has been mostly value add
- Maintaining overseas export business may be challenging when the MVPs cease local production, as Australia will then be perceived as non-auto country
- It can sometimes be advantageous to deal with a 'nutter' who has a great product but needs expertise to manufacture and take the product to market
- We should view each other not as competitors but potential collaborators



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- Doing things the same way, will get you the same outcome, so we need to look at new ways of thinking and approaching the 'new world'
- Keep close to your potential customers and understand their problems and then become their solution
- The biggest challenge is to change the thinking from predictable high volume to unpredictable low volume work
- Utilise the input from universities and focus on providing technical solutions to manufacture challenging product ideas
- It is important to develop efficient and flexible manufacturing processes
- Ensure that you maintain the basics in the business e.g. lean and cost controls
- Automotive competencies are an asset for future business
- Be the solution to someone else's problem and turn it into a business opportunity
- Larson & Toubro Technology Services Ltd
- Maruti Suzuki India
- Samvardhana Motherson Group
- Society of Indian Automobile Manufacturers (SIAM)
- The Automotive Research Association of India (ARIA)
- TVS Motor Company
- VE Commercial Vehicles

At the conclusion of the forum there was an opportunity for the attendees and the inbound Indian mission delegates, to further their dialogue during the networking session.

The feedback from the workshops continues to be excellent, with some of the participants already collaborating with each other on new business opportunities/ventures.

## ASEA Forum

The most recent ASEA forum was held on 10 August 2015 titled "Business Opportunities in the Indian Auto Sector" and was held at the Victorian Government's Office at 121 Exhibition Street, Melbourne. This forum, which complemented the activities of the Automotive Supply Chain Advocate program, provided potential diversification opportunities for the attendees.

The forum was organised in conjunction with Austrade and the Victorian Government and the key note speaker was Mr Carl Parkin from Ford Australia. Other speakers were from the inbound Automotive Mission from India and included the following organisations:

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