



Automotive Supplier Excellence Australia



Foreword

Australia has a diverse and developing automotive industry, which includes four motor vehicle producers and over two hundred specialist component suppliers, with expertise in a wide range of technologies and materials. Automotive Supplier Excellence Australia (ASEA) is a collaborative initiative involving government, all four Australian motor vehicle producers and the Federation of Automotive Products Manufacturers. The Co-operative Research Centre for Advanced Automotive Technology (AutoCRC) is acting as facilitator and project manager.

ASEA aims to:

- ▶ Develop a sector-wide competency assessment for Australian automotive component suppliers, based on a range of metrics agreed by MVPs and suppliers.
- ▶ Plan and implement a prioritised, sector-wide series of interventions, to raise Australian component supplier capability to a globally competitive standard.

Similar programs conducted in the UK, South Africa and the US have delivered impressive results with participating companies reporting up to 50% increases in production output and significant savings.

It is our pleasure to invite you to participate in Stage 1 of this significant project for the Australian automotive industry. Shortly you will receive an email inviting you to partake in an online survey, the aim of which is to determine:

- ▶ Key measurables of world-class supplier competency, and
- ▶ Key areas of Australian automotive supply base potential and critical need.

These outcomes will be used to develop a homogeneous benchmarking program that, when independently applied by specialist assessors in Stage 2, will provide a complete and accurate evaluation of supplier competency and capability. Application of this benchmarking program will then inform the development of targeted supplier interventions to be delivered by specialists in Stage 3. Participants will receive feedback on Stage 1 outcomes in the form of an industry report and via the 2007 FAPM Convention.

Your input to this survey is critical to the completeness of ASEA. The survey will open for participation on 21st May 2007 and will close on 8th June 2007.

AutoCRC and FAPM are proud to be involved in this significant collaborative endeavour by the industry and greatly encourage all suppliers to actively participate and assist at every available opportunity.

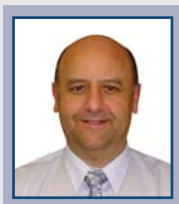
FAPM

Peter Upton
Chief Executive

AutoCRC



Victor Pantano
Project Leader – ASEA Program



Sam Casabene
Vice President Purchasing
Ford Australia

“Ford is pleased to be participating in this ASEA project. It will allow the Motor Vehicle Producers and the Component Producers to share current experiences, practices and expectations of the Australian automotive industry. Learnings will allow both of us to identify actions that may be required to further develop the industry in its highly competitive and challenging environment - with a vision of world class suppliers and products. Your participation is strongly encouraged as it will give us real, not assumed, data to plan the next steps of this project.”



Robert Jakobi
Divisional Manager, Purchasing
Toyota Australia

“Toyota’s success in Australia is dependent on a strong and viable local supplier network. For many years we have worked closely with our suppliers to jointly improve capability and competitiveness. We see the ASEA project as a valuable addition to our supplier development program, and I therefore have no hesitation in commending it to you.”



Rick Versteeg
Manager, OE and Aftersales Purchasing
Mitsubishi Motors Australia

“As a member of the Steering Group for the Automotive Supplier Excellence Program, MMAL endorses the actions of the group and urges ALL suppliers to proactively support the program which is designed to support you.”



Chris Naegeli
Manager, Global Purchasing
and Supply Chain
GM Holden Ltd

“The AutoCRC’s ASEA project is an excellent opportunity for collaboration in the highly competitive Australian automotive industry. Australian components suppliers can benefit from being actively involved with OEMs in developing a strategy to support the industry’s global competitiveness and reputation.”





Minister's Endorsement



I am writing to encourage your participation in the Automotive Supplier Excellence Australia (ASEA) program. Last year I announced \$7.2 million in funding for a supplier capability development program for the Australian automotive industry. The ASEA program, described in the enclosed documents, complements this initiative.

This Supplier Excellence program is supported by the Australian government through the AutoCRC as well as all four Australian motor vehicle producers, and fully endorsed by FAPM.

Never before has an automotive supplier development initiative in Australia had such broad support and cooperation. I congratulate the industry on working together and working with the government to develop this program.

Successful integration with the global automotive industry requires that Australian supply chain firms assess their international competitiveness and identify strengths as well as areas for improvement.

Global best practice must be the basis for developing strategies to improve capability where necessary and to sustain future growth. The extended vision for the Supplier Excellence program encompasses all these important goals.

I commend the ASEA Supplier Excellence program to you and I look forward to the first stage outcomes from the program being reported at the FAPM convention in July.

The Hon Ian Macfarlane MP

A handwritten signature in black ink, appearing to read 'Ian Macfarlane', written in a cursive style.

Minister for Industry, Tourism and Resources

Overview

The Automotive Supplier Excellence Australia (ASEA) Program is intended to assist the Australian automotive supply base in achieving international competitiveness and sustainability. Through the creation of an independent, best-in-class benchmarking process and targeted supplier assistance initiatives, ASEA aims to assist automotive suppliers in achieving world-class capability and competency levels. Stage 1 of the Program is financially supported and endorsed by all four Australian Motor Vehicle Producers (MVPs), both the Victorian and South Australian Governments, the Federation for Automotive Products Manufacturers (FAPM) and the Commonwealth. The Program is being managed and delivered by the Co-operative Research Centre for Advanced Automotive Technology (AutoCRC) and is a major strategic project underpinning future areas of automotive industry development.

“ASEA aims to assist automotive suppliers in achieving world-class capability and competency levels”

There are currently three proposed stages to ASEA:

Stage 1: Evaluation Development

Stage 1 involves the identification of key measurables for the Australian automotive supply base as well as key areas of supply base potential. This is within the context of the changing market needs of both the domestic and international automotive industry. The goal is to develop a world-class, contemporary benchmarking program that is common across the entire Australian automotive supply base. This will enable assistance to be targeted to the areas in which it is most needed during later stages of the Program.

Stage 2: Supplier Benchmarking

Stage 2 is intended to establish current capabilities and competitiveness of the Australian automotive supply base within the key areas of identified potential. This will serve as a baseline for developing targeted and common interventions in Stage 3. Identified key measurables from Stage 1 will be used to create a common, forward-looking, independent supplier evaluation methodology. Delivery will be effected by professionally trained and dedicated assessors who will have access to international benchmark data enabling assessment of current supplier performance in the context of both local customer requirements and global best practice.

“A dedicated industry resource to assist supplier development”

Stage 3: Intervention Development and Delivery

It is envisaged that Stage 3 of ASEA will establish a dedicated industry resource to provide world-class expertise and deliver interventions to assist supplier capability and competence development. The scope and nature of this assistance will be determined through the preceding stages of ASEA, however areas of development are anticipated to encompass operational, strategic and educational aspects. Interventions provided may include a combination of assessment and training, work-based learning, assisted mentoring and/or specialist coaching.

ASEA Structure

May 07
Stage 1 - Evaluation Development Identification of key measurables and areas of potential for the Australian automotive supply base. ▶ Uniform Supply Base Metrics
July 07
Stage 2 - Supplier Benchmarking Global Benchmarking and assessment of suppliers. ▶ Dedicated professionally trained assessors ▶ Supplier oriented development interventions
January 08
Stage 3 - Intervention Development & Delivery Development of common interventions and dedicated world-class specialists to support delivery. Providing on-going industry support in operational, strategic and educational areas. ▶ Dedicated professionally trained specialists ▶ Common supplier & supply base development initiatives

ASEA Stage 1

Stage 1 of the Program is currently underway.

This will involve:

- ▶ A survey of Australian MVPs and suppliers to determine:
 - (i) a homogeneous set of supplier evaluation measurables, and
 - (ii) key areas of supplier potential and critical need, and
- ▶ Follow-up workshops to confirm or refine survey outcomes.

Survey and workshop delivery and analysis will be conducted by Deloitte. Deloitte have a wealth of experience in industry analysis and working with the Australian automotive industry.

Outputs from both the surveys and follow-up workshops will be consolidated with existing sources of industry knowledge and reported back to all stakeholders through various means including an industry report and the 2007 FAPM Convention. Importantly, outcomes from Stage 1 will lay the foundation for subsequent stages of the Program and are hence critical to ensure continuation of the program and overall success.

“A world-class, contemporary benchmarking program that is common across the entire Australian automotive supply base”

Participation Benefits

The ASEA concept is an evolution of numerous international success stories for similar programs. Economies with long established automotive manufacturing sectors such as the United States, South Africa and the United Kingdom have well developed sector support mechanisms and initiatives.

Typical improvements achieved by Industry Forum in the UK utilising such initiatives are shown below¹:

<p>Not right first time</p> <ul style="list-style-type: none"> ▶ In-line rejects reduced by 75%. ▶ Scrap costs reduced by 59%.
<p>Overall equipment effectiveness</p> <ul style="list-style-type: none"> ▶ Changeover times reduced by between 49% and 72%. ▶ Downtime reduced by 37%.
<p>People productivity</p> <ul style="list-style-type: none"> ▶ Output per operator-hour increased by 41%. ▶ Output increased by between 14% and 97%.
<p>Value added per person</p> <ul style="list-style-type: none"> ▶ Value added per person increased by 35%. ▶ Direct labour cost reduced by 65%
<p>Stock turns</p> <ul style="list-style-type: none"> ▶ In-line WIP value reduced by 96%. ▶ Process lead time reduced by 92%.
<p>Floor space utilisation</p> <ul style="list-style-type: none"> ▶ Floor space utilisation improved by between 21% and 29%.

¹ MasterClass (Brochure), SMMT Industry Forum, UK
[Available online: <http://www.industryforum.co.uk/brochures/master.pdf>]

ASEA has the potential to deliver similar benefits to the Australian automotive industry on a sustained and targeted basis. Broad support for the Program from all Australian MVPs as well as Government demonstrates a recognised need for such support in the Australian automotive industry and a desire to make it happen. Stage 1 is an opportunity to participate in the process of building such a resource for your industry.

Your participation in Stage 1 is essential to ensuring:

- ▶ The development of a common set of robust metrics which can be universally applied across the entire supply base
- ▶ Participation in a dialogue between all Australian MVPs and the automotive supply base where needs and expectations can be universally established
- ▶ Delivery of a strong message to all stakeholders that ASEA and in particular stages 2 and 3 are important for the future competitiveness of the Australian automotive supply base
- ▶ Continued funding support for later stages of ASEA

Disclosure & Protection

A Steering Group has been established to provide advocacy, vision and oversight for ASEA. The Steering Group is comprised of representatives from AutoCRC, each of the MVPs, FAPM, the FAPM, the State of Victoria, the State of South Australia and, the Commonwealth of Australia (through the Department of Industry, Tourism and Resources). This group is also responsible for ensuring the integrity of the program and the confidentiality (including from the Steering Group itself) of all information provided by participants.

Your input to the program will remain strictly confidential and will not be made directly available to any other supplier or MVP organisations involved in ASEA. Only summary outputs will be made available, which cannot in any way be traced to specific organisations. By participating in the follow-up workshops, each participant agrees to treat all information provided by other participants as confidential, except where that information is, or becomes, public knowledge (otherwise than as a result of a breach of confidentiality). With your permission we will formally acknowledge your input.

For further information on ASEA, please contact:

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