



GM Holden Ltd

The Australian Automotive Manufacturing Industry- Reform is the Norm



Outline

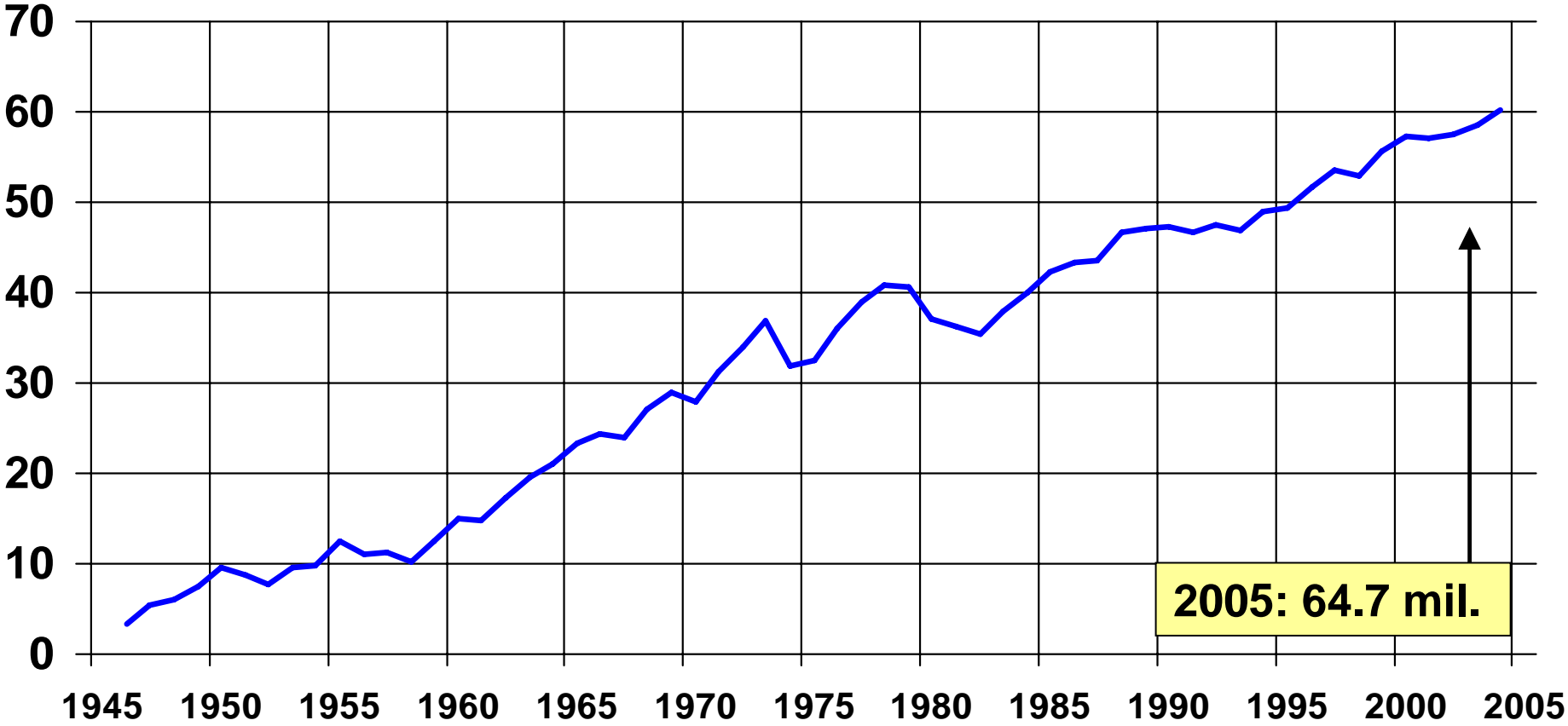
- The Australian automotive manufacturing industry
- Reform over the past 20 years
- GM Holden today
- New reform agenda
- Summary

The Australian Automotive Manufacturing Industry

- important role in the development of the Australian economy
- one of the largest sources of employment
- one of Australia's most significant export industries
- intensive developer and user of advanced technologies
- the largest sector in manufacturing



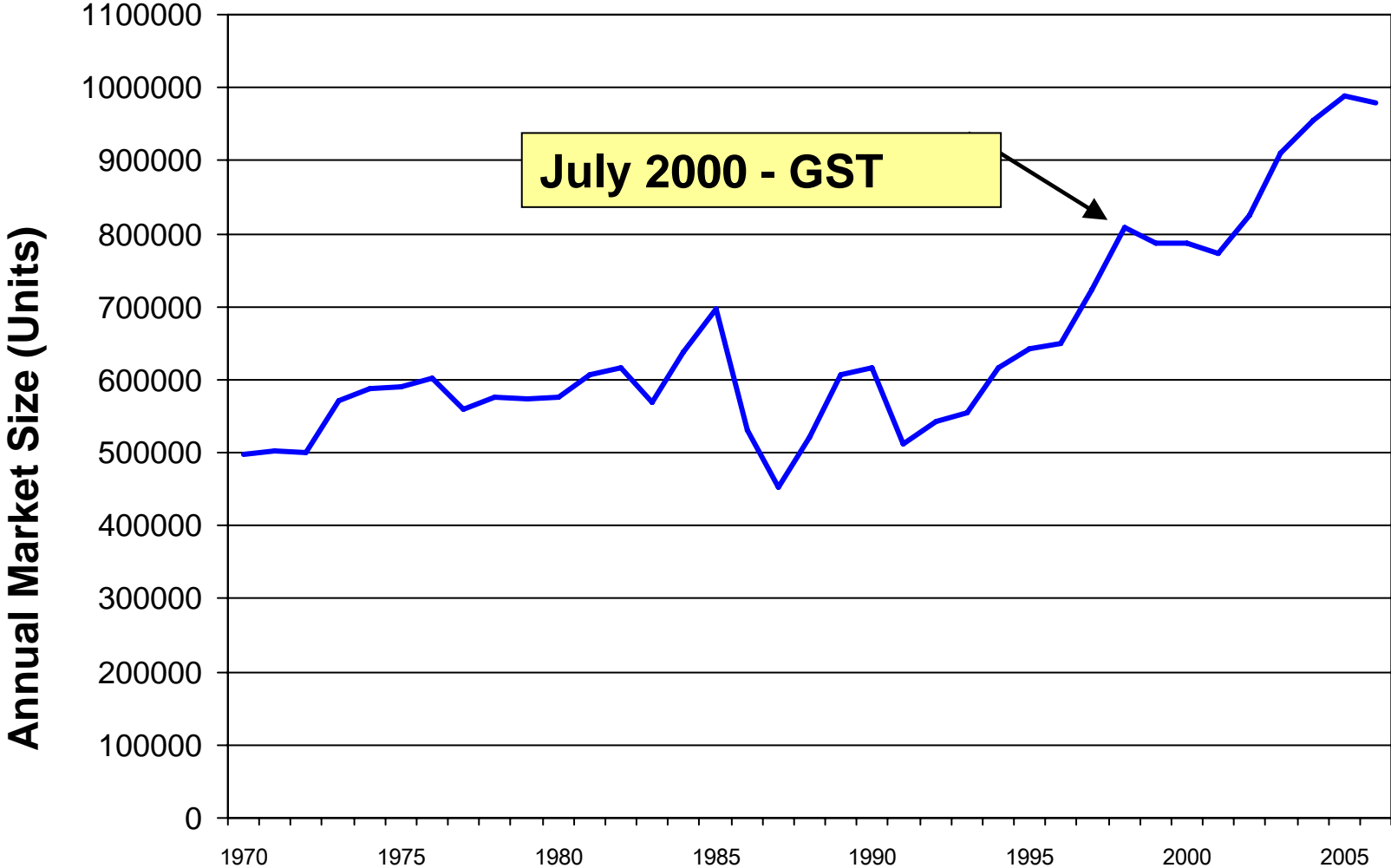
Global Vehicle Sales- Current



Global Car Parc: 750 mil.



The Australian Automotive Market



The Australian Automotive Manufacturing Industry

- The Australian automotive industry developed with considerable govt support
- Features of this highly protected industry
 - Tariffs
 - Quotas on imports
 - Low productivity
 - Poor quality
 - Too many manufacturers focussed on the small Australian market
 - Low levels of technology
- As a result, the industry's lack of global competitiveness required structural change



Reform over the past 20 years

- **The Passenger Motor Vehicle Plan**
 - A set of policies designed to reduce the industry's dependence on state support and improve productivity
 - Quotas on imports abolished
 - Tariff reduction plan
 - 1985- 57.5%
 - 1992- 35%
 - Now at 10%
 - Export facilitation scheme

Reform over the past 20 years

Award Restructuring

- changes to job structures in order to achieve a more flexible and better skilled workforce
 - shift to wages based on nationally consistent skill levels
 - reduction from 240 pay classifications to 3 for non trade and 6 for trade employees

Reform over the past 20 years

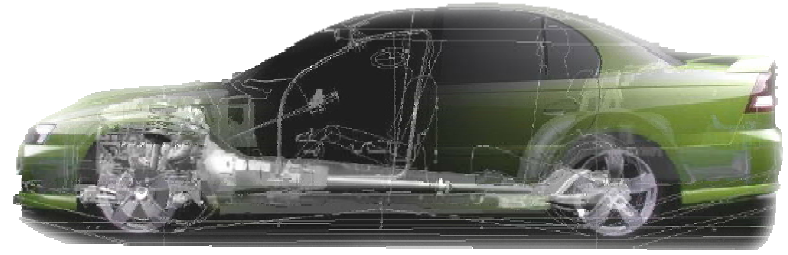
- Central to the implementation of this award structure was the introduction of new arrangements for the training of the workforce
 - training and skill formation became bargaining currency
 - formal training for the so- called ‘unskilled sector’
 - broadly based trade training which would allow for multi skilling and reduce demarcations

Reform over the past 20 years

Enterprise Bargaining

- EBA embraced in the early 1990s and 5 agreements negotiated to date
- opportunity to negotiate further enhancements to improve flexibility and productivity
- used as the vehicle to implement lean manufacturing principles

GM Holden today



What does our business look like today?

- Holden still an iconic brand
- Today we employ approximately 8,200 people
- GM's investment in Australia to support growth is significant
 - A\$6.1 billion over 10 years
 - A\$2.0 billion between 2002 and 2006
- Now fully integrated into the global organisation

GM Holden today

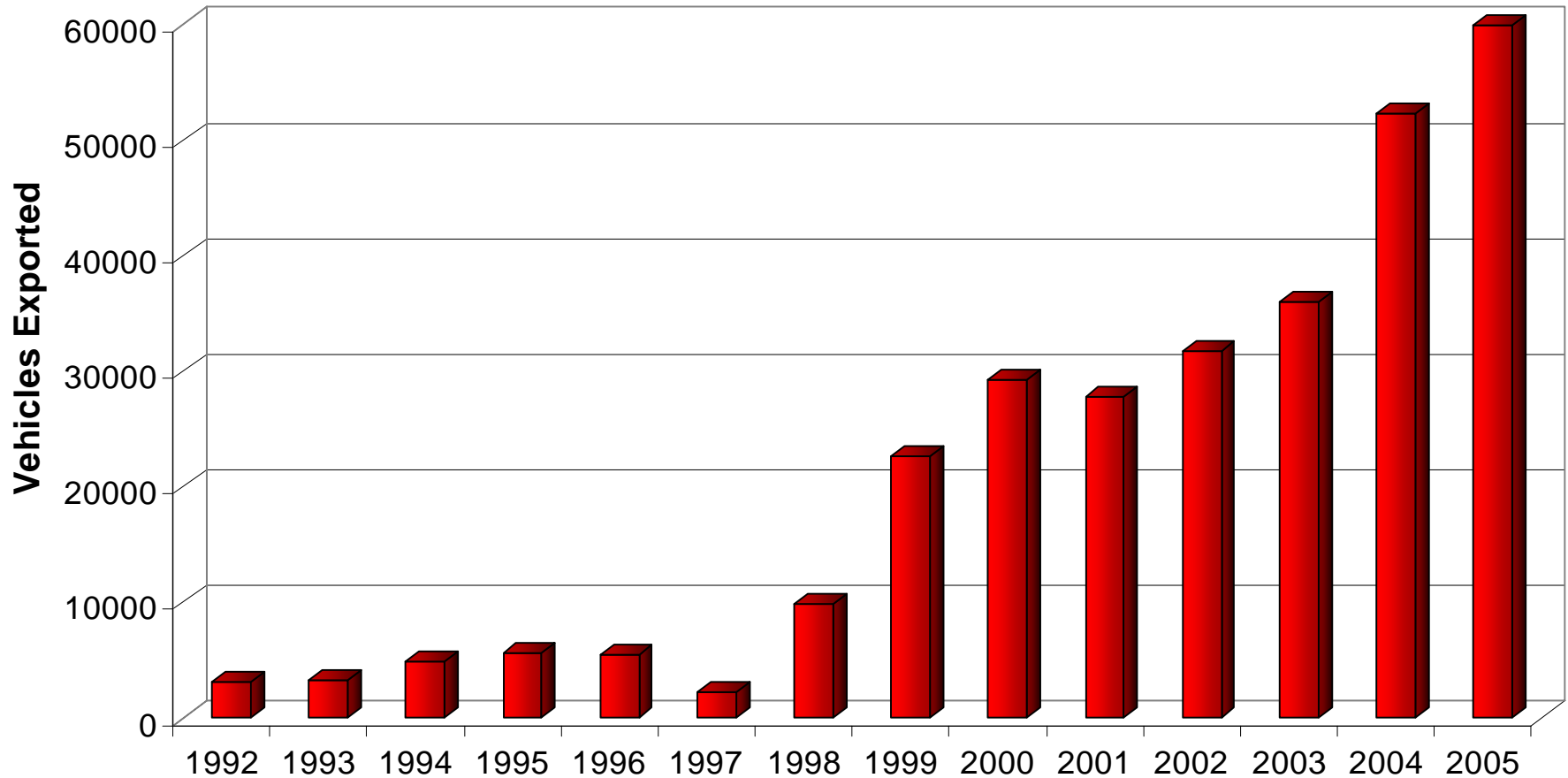
Vehicle Manufacturing

- 4,500 employees
- 140,000+ cars per year over two shifts
- 620 cars a day – a new car every 76 seconds
- 152,000 cars built in 2005
- \$532 million investment in plant upgrade for VE/WM just completed
- Vehicle exports to every continent except for Antarctica- 60,000 in 2005

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Holden Vehicle Exports 1992-2005



GM Holden today

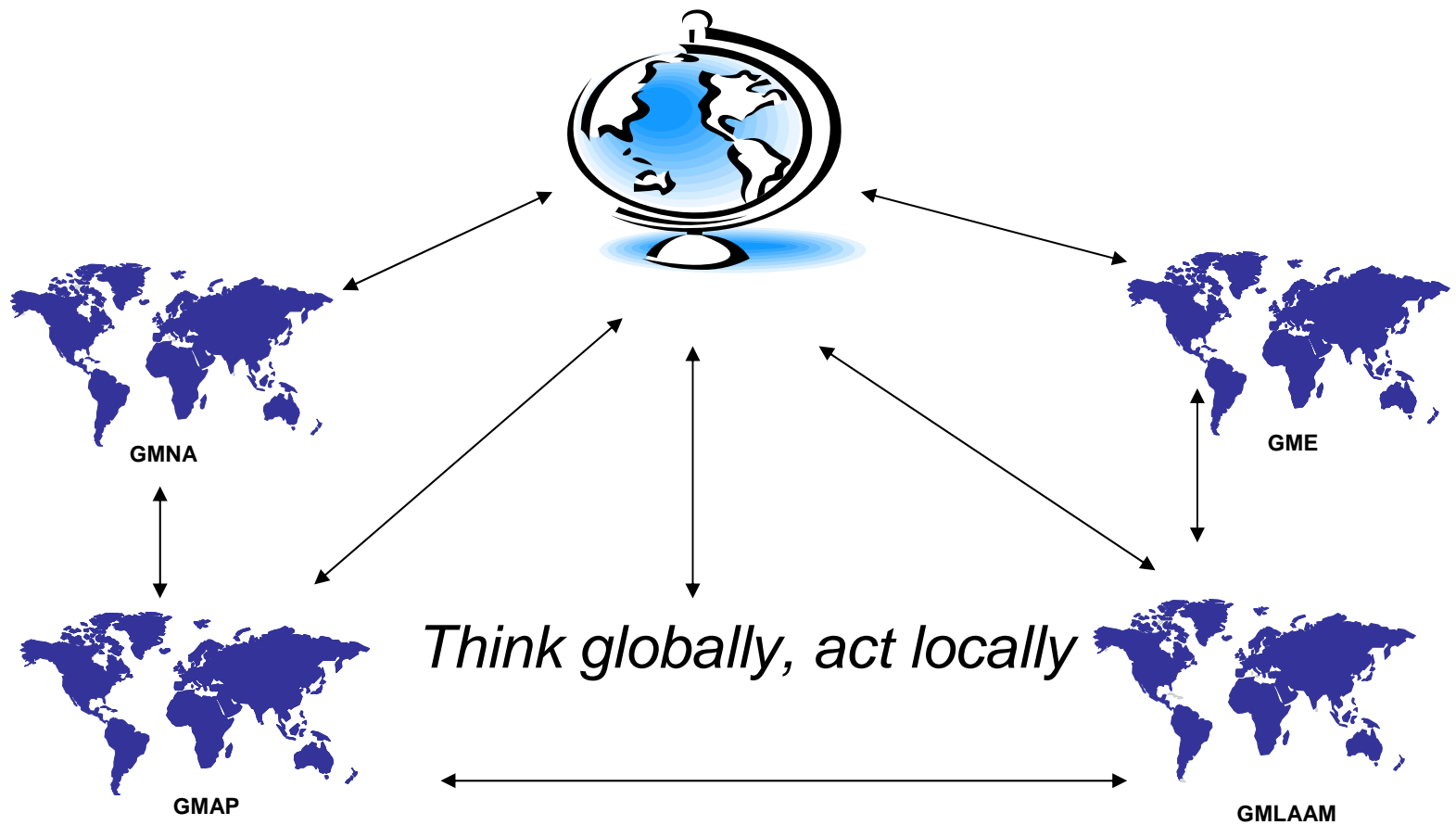
Engine Manufacturing

- 1,200 employees
- 315,670 engines produced in 2005
- Engine Manufacture:
 - Family II 4 cylinder
 - Global V6
- \$435 million investment in Global V6 plant
- Component Manufacture:
 - Iron castings
 - Brake and suspension components
- Australia's largest exporter of automotive components
 - South Africa, Korea, China, Thailand, Europe



GM Holden today

- Now fully integrated into the global organisation



GM Holden today

A global business

Each business unit managed by the global function as opposed to the country

	GMNA	GME	GMAP	GM LAAM	GMAC
Product Development					
Manufacturing/LR					
Sales/Service/Marketing					
Quality					
Powertrain					
Human Resources					
Legal/Public Policy					
Purchasing/Supply Chain					
R&D/Strategic Planning					
Finance					
Communications					
IS&S					

Global Processes



Global Engineering & Design Centres

- significant role in GM's global products
 - engineering and design centre strategy
- now providing intellectual property as part of GMs global
- 1200 Engineering and Design staff
- largest private sector R&D spend in Australia



GM Holden today A global business

Global Architectural Development Teams



New Reform Agenda

Workchoices

Business seems to be taking 1 of 3 approaches

- Business as Usual
- Wait and See
- Rush to Reform

New Reform Agenda

Considerations

Regardless of the level and extent of legislative reform in this area, there are 3 key considerations

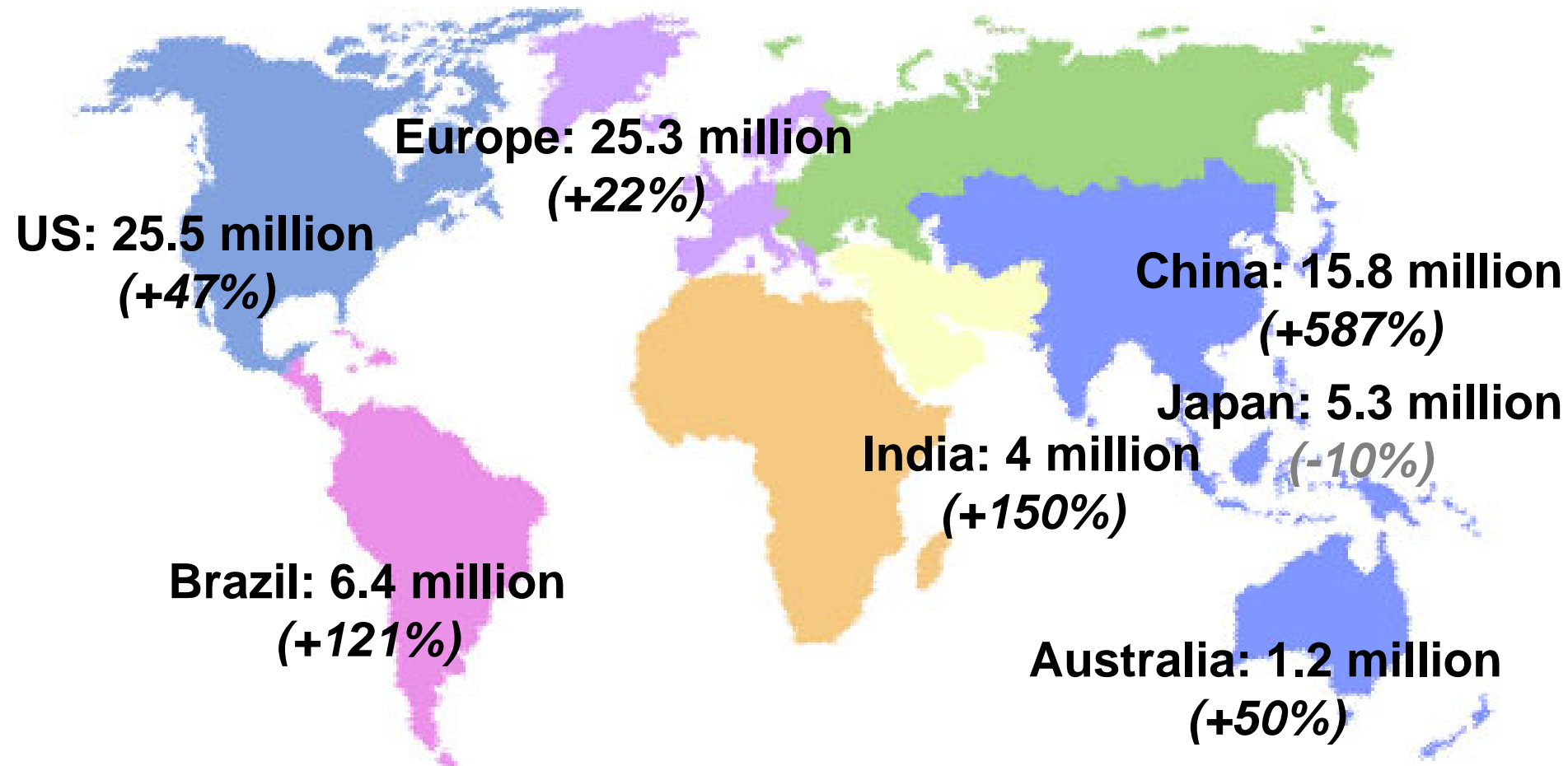
- Unions like any organisation are organic in nature ie. will grow and adapt to their environment accordingly
- Likewise, other stakeholders (eg. AIRC) will re-invent themselves as necessary to continue to have a meaningful role
- Employees are the key – how do we engage with them?
 - Attract
 - Retain
 - Maintain
 - Motivate

Summary

- Survival of the automotive industry in Australia and companies like GM Holden now not only depends on our ability to remain internationally competitive and respond to the global market pressures
- Also depends on our capacity to contribute fully as part of a global organisation

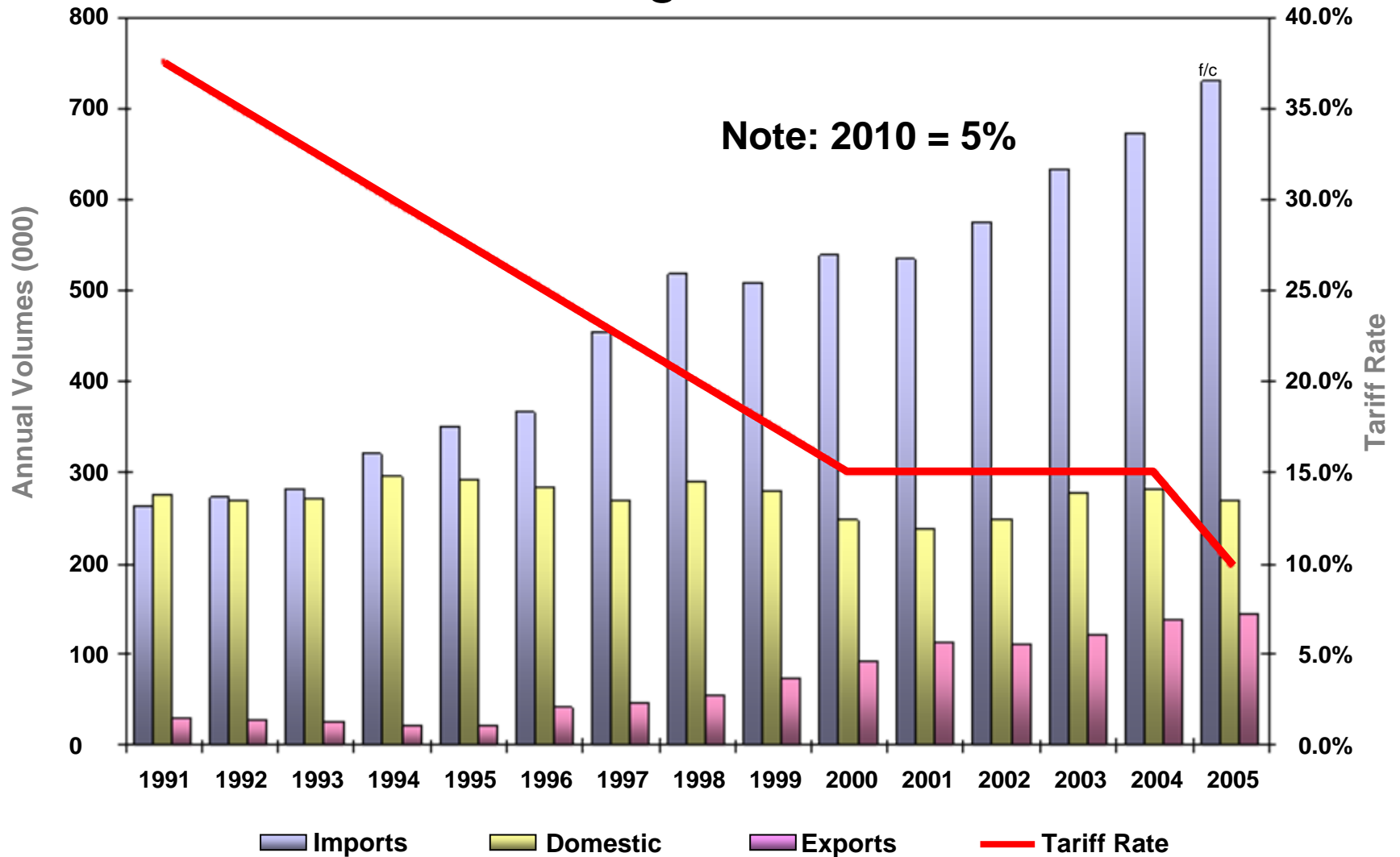
Summary

Growth in Emerging Markets



Summary

Reducing Tariffs



Summary

Australia- an open market



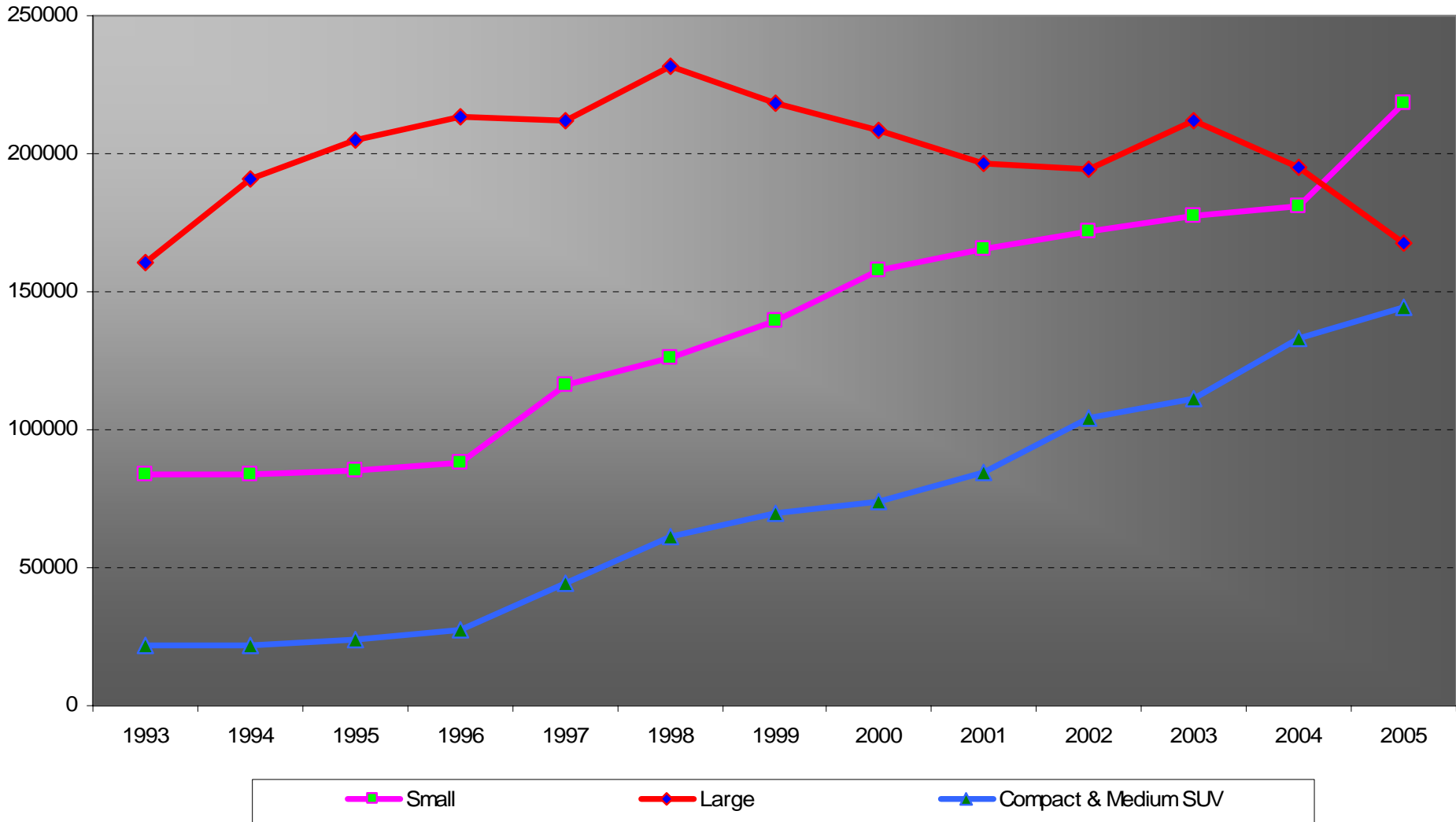
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Summary

Large Passenger Vehicle Market

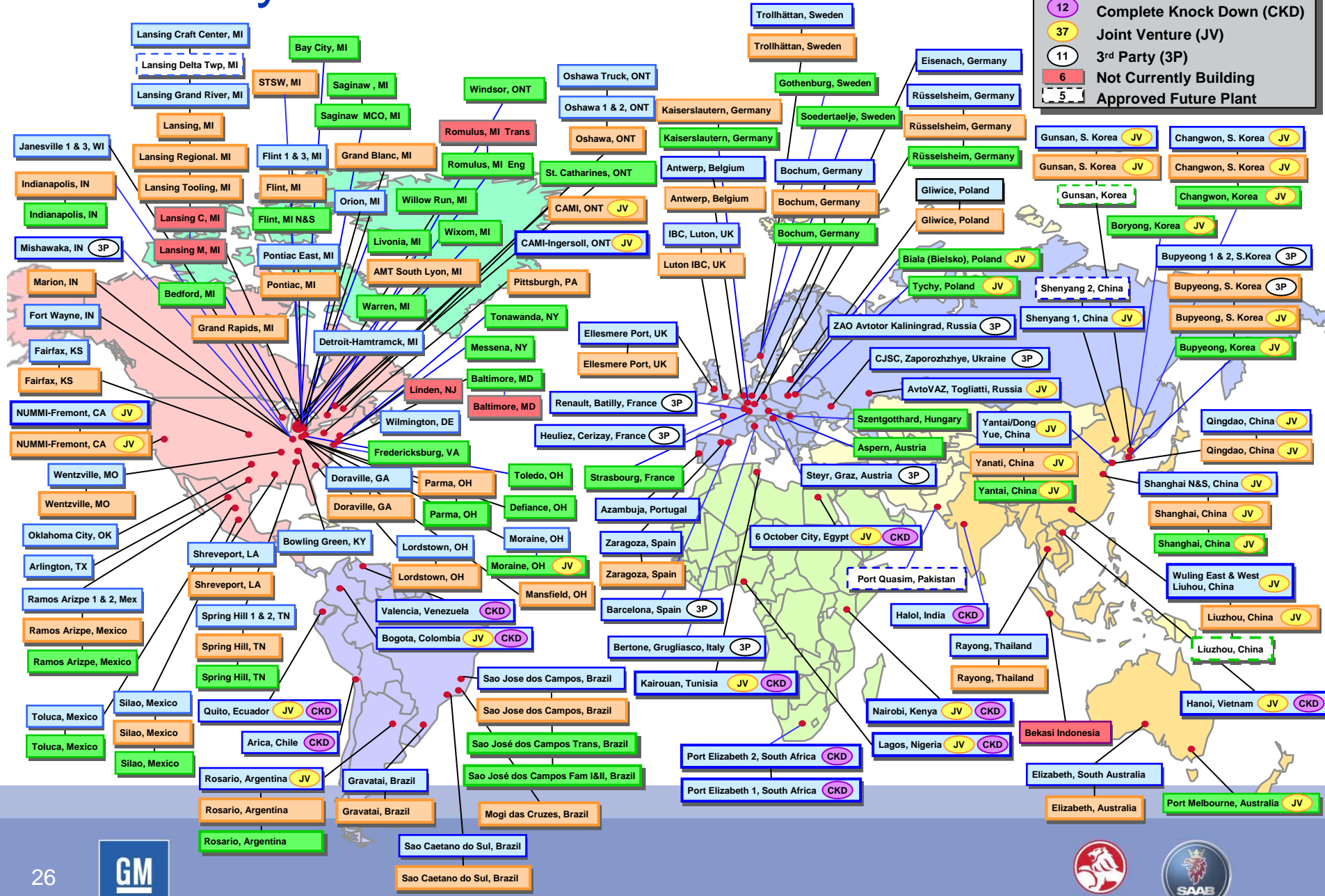


Source: VFACTS



Summary Global Capacity

80	Assembly
50	Die & Stamping
47	Powertrain
12	Complete Knock Down (CKD)
37	Joint Venture (JV)
11	3rd Party (3P)
6	Not Currently Building
5	Approved Future Plant



Summary

- Metamorphosis of the work force
 - The global worker
 - The war for talent
 - Skill shortages
 - Changing workforce demographics