

One Part of a Whole



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The Australian arm of global automotive parts manufacturer and supplier Toyoda Gosei is working towards securing and stabilising the future of its own company and the Australian automotive industry.

Images by David Evans

“The automotive industry in Australia has gone through a very hard time in recent years, so I developed a survival plan that consists of three pillars.”

- Eiichiro Maeda

Toyoda Gosei Australia recognises the hardships and struggles that the Australian automotive industry is experiencing. As the domestic arm of a leading global supplier of automotive parts, Toyoda Gosei is utilising its widespread reach and knowledge base to improve productivity and cost-effectiveness in the industry.

CEO of Toyoda Gosei Australia Eiichiro Maeda has worked across the global corporation's operations, and recently spoke to *The CEO Magazine* about the future of Toyoda Gosei and the Australian automotive industry.

The CEO Magazine: What was your professional background before moving to Australia?

Eiichiro: I was working at Toyoda Gosei Japan in the purchasing department. After that, I was transferred to Toyoda Gosei in North America, where I worked for six years. I was then transferred to Mexico, where I took the role of CEO for three and a half years.

Following that position, I moved to Australia, and I've been here for five years. Due to that global experience, I've always compared the Australian automotive industry to the other automotive markets that I've worked in like the US, Mexico, and Japan.

How does Australia compare to those markets?

The main difference is the way the governments regulate the industry, and this is related to the reason why Japanese car companies started to grow in the US. The US government started to charge a very high price for imported cars. In the case of Mexico, the government didn't let any automotive companies import cars from overseas if they didn't have a plant within Mexico. Therefore, there were no Toyota cars on the streets of Mexico until 2003.

In the case of China, they charge a 20-per-cent fee on imported cars from Japan. As a result, Japanese car companies started to establish plants in China to make cars there.

In the case of Australia, the charge on imported cars is drastically being dropped. It used to be 50 per cent on imported cars; now it's gone down to 5 per cent and is continually dropping. I have an impression that the Australian automotive industry is struggling significantly.

I think the Australian Government should take action to protect Australian manufacturing companies. Those cars that are manufactured outside of Australia should be charged up to 20 per cent, rather than 5 per cent. I think the government should set different import tariffs for different car-makers.

At the same time, the Australian Government should ensure that Australian-manufactured cars have a certain amount of locally produced parts.

Do you see a future for the Australian automotive industry if there are no changes to the existing tariffs?

If there are no changes to the tariffs, then I think the industry will suffer. There are three automotive manufacturing companies in Australia: Ford, Holden, and Toyota. Ford has already announced that it's withdrawing its operations, and Holden is currently negotiating with the government over further financial support. Australian union groups are very strong, and I recently discovered that Holden is holding salary increases for two years.

To create a successful automotive industry, we should maintain as many car manufacturers and component manufacturers as possible.

What are some of the key goals you and Toyoda Gosei have achieved since you've been there?

I was dispatched to Australia in 2008 and became CEO in 2012. The automotive industry in Australia has gone through a very hard time in recent years, so I developed a survival plan that consists of three pillars: ▶





1. Transition the business to suit volume production, environmental changes, and demands by combining technical and functional roles to improve work efficiencies.

2. Use Toyota Production Systems mindset to eliminate waste, and standardise processes and production cells to achieve a better-quality product with the least cost possible.

3. Set up a warehouse in Melbourne serving as a logistics hub to TMCA and our second-tier suppliers.

By implementing these plans, we are strengthening our business structure.

Can you expand on those pillars?

The first pillar was to group technical, functional teams and production cells where we

optimised our headcount to meet business needs. Unfortunately, this resulted in reducing our headcount by 100 members across all segments of the business.

The second pillar stems from utilising Toyota Production Systems methods to reduce waste and improve our processes, which has increased our plant efficiency. At the same time, standardising these processes has helped us improve our quality.

The third pillar is using our worldwide affiliates to source the best price on components that are procured and shipped into our Melbourne warehouse in full containers and then delivered to Toyota and to our second-tier suppliers.

I've found that the minimum wage and the cost for labour in Australia is quite high. For example, the United States minimum wage is \$8 an hour, while in Australia it's almost \$17 an hour. In the case of

Japan, our minimum wage is around 800 yen, approximately nine Australian dollars per hour. Comparing those minimum wages, I've found that Australia is almost double the cost of operating and employing workers in the United States and Japan.

Why is it important to work with key suppliers?

Toyota Gosei has a very organised structure, and the group companies provide support to each other.

Our automotive resin-parts business is divided into an interior and exterior business unit and a safety-system business unit. The rubber-parts business unit is divided into the automotive sealing business unit and the functional business unit. On top of automotive parts, the Toyoda Gosei group is also making optoelectronics products and other general products.

If we look at each region, there are four major regions: North America,

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China, Asia-Oceania, and Europe. We share information and communicate globally by overseas plant president meetings, global meetings, and product-based meetings. Meeting results can be shared with our suppliers for the purpose of developments, sales strategy, and process kaizen.

For example, if one of our plants made quality NC parts, this information will be shared promptly with all of our bases using our emergency contacts and quality-information network per product. This includes our tier-two suppliers. This will allow us to implement countermeasures as soon as possible. Information related to Camry, which we also make in Australia, is always shared globally.

To build up a good relationship with suppliers, I believe it is important to share information with each other—not only technical and quality information, but also automotive industry-related information. This is the key to building a good relationship with suppliers and establishing a global support system.

What sets Toyoda Gosei apart from its competition?

In terms of product development, Toyota Australia [TMCA] is manufacturing Camry, which is designed by Toyota in Japan [TMC]. Toyoda Gosei sends design staff and design engineers to TMC to work. They mainly work with resin-product and rubber-product developments and design. This information is shared within Toyoda Gosei globally.

As for the global supply chain, we share information from Toyoda Gosei head office in Japan to 47 facilities in 18 nations and regions, and also with our tier-two suppliers. We communicate to ensure we optimise the best sourcing in each region. For example, we tend to use Vietnam, Thailand, and China for safety-system airbag sourcing, Thailand for interior- and exterior-related sourcing, and Taiwan for raw-material sourcing.

What are Toyoda Gosei's core values?

We have a set of values that form a core part of our operations and processes.

The first is customer satisfaction. We aim to provide products and services with satisfying quality and price in a timely manner through advanced research and development and production engineering.

We also aim to realise a vibrant corporate culture through encouraging innovative thinking by individuals and enhanced teamwork values based on shared responsibility and mutual trust between employees and management.

As a global corporation, we strive to be a trustworthy, respected corporate citizen by honouring both the letter and the spirit of the law and rule of every nation, as well as engaging in community-based business activities and contributing to the industry, the economy, and society.

We dedicate ourselves to creating a prosperous society and making the Earth a better place to live in through our business activities, such as providing environment-preservation and energy-saving, safe products.

We aim to ensure steady growth as a leading global manufacturer in high-polymer and LED technologies through a strengthened corporate structure and management that can adapt quickly to changes.

What are your plans for the future in terms of expansion and growth?

Within Australia, 1,100,000 cars were sold in 2012. This was the highest sales figure in its history. Australian domestically manufactured cars accounted for 200,000 of this number. Among them, 70,000 cars have been exported to the Middle East.

Since 2008 and the onset of the global financial crisis, Mitsubishi



LOOKING GLOBALLY, GROWING LOCALLY

OzPress is an industry partner and manufacturer of metal pressings and assemblies with pressing capacity from 15 to 400 T. OzPress's customers operate in diverse range of manufacturing areas with consistent need: to be able to rely on quality of product and quality of supply. OzPress prides itself on the ability to cost-effectively deliver both without compromise.

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info@ozpress.com.au www.ozpress.com.au

has withdrawn its business from Australia, and Ford is going to cease production in Australia by 2016. As an automotive-component manufacturing company, Toyoda Gosei Australia has been going through a very hard time as well.

However, even in such a hard environment, the Toyoda Gosei group of companies has utilised its strong global network including 47 facilities in 18 nations and regions around the world, expanding its business by manufacturing automotive interior and exterior parts, automotive sealing parts, functional parts, and safety system parts—all with strong cost competitiveness. •

"OzPress has found the collaborative approach that Toyoda Gosei adopts has been extremely beneficial to building a sustainable relationship. We have always really appreciated the assistance provided by Toyoda Gosei in problem resolution and improvement planning."
- Mark Dwyer, Director, OzPress