

# Business Spectator

## INTERVIEW

10:39 AM, 20 May 2009

### A stuttering engine

*DuPont managing director for Australia & New Zealand Hutch Ranck tells Business Spectator's Isabelle Oderberg from Future Summit 2009 in Melbourne:*

- **Long term there's a big question mark over the viability of automobile manufacture in Australia, but for the short to medium term, after the crisis, it will be strong**
- **One of the US majors may pull the pin on Australia and not all the US car giants will survive the next downturn**
- **Business in the Australian arm of DuPont is down around 10 per cent in local currency, but it is well-positioned for the bounce back**

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**Isabelle Oderberg:** As a business leader, if you could give our readers some insight into how it feels to be operating in the Australian marketplace at the moment? You've got a wide variety of businesses that you are responsible for, how the impact of the financial crisis is affecting you in your different areas?

**Hutch Ranck:** Yes, it really is a mixed bag. Our agriculturally-based businesses are doing OK. Farmers are still planting, so agriculture is normal and it's really driven by rainfall. Any business that touches automotive – that's obviously severely down. Any businesses that support local manufacture, it's pretty much a mixed bag. Some industries are a little bit down, others are down more so, but basically overall our business is about 10 per cent down in local currency.

**IO:** How would you sum up your feeling about doing business in Australia at the moment, overall?

**HR:** In terms of the global financial crisis or just in a normal environment?

**IO:** Well the environment at the moment has to be coloured by the financial crisis.

**HR:** Well I think Australia is probably a better place to be than some other markets. I think we've got a sounder banking system to support our customers. The government, even though they're going to run up a pretty hefty budget, by global standards we're still fiscally responsible. Except for a few segments, I think the construction industry with infrastructure is going to continue to show good growth going forward, so I think the infrastructure investment makes Australia a good place to be. So I think except for a couple of segments it's probably one of the better countries to do business in.

**IO:** So you feel quite relieved that you're in Australia compared to some of the other markets in which DuPont operates?

**HR:** Well I am an Australian and so I made the choice to live and work in Australia some time ago but the answer is yes.

**IO:** What do you think are going to be the key areas going forward for DuPont in

Australia in terms of growth opportunities.

**HR:** Agriculture is probably going to be our biggest area. One of our businesses is Pioneer Seeds and we've launched some new hybrid canola that's doing extremely well. On the crop protection business we've got some new insecticides that are effective and safe and the adoption rate is extremely strong so agriculture is probably going to be one of our higher growth businesses. Our consulting businesses are showing excellent growth so that is our safety consulting and our operations excellent businesses and operational excellence is helping companies reduce energy, reduce greenhouse gas, get more out of their assets, better project planning. I think automotive will bounce back and it's been going negative for so long and so deep that when it does come back it will be a very strong business. I think long term there's a big question mark over the viability of automobile manufacture in Australia but I think for the short and medium term once a thing turns around it's going to be strong.

**IO:** When you say 'long term', what kind of time frame are you thinking?

**HR:** Ten years I think. Yeah. Because the next downturn I think GM and Toyota and Ford, if you were a betting person you'd have to argue that one of those might not make it and then that would be really really difficult for the supporting industries, the component manufacturers but I think over the next five years, for those who are going to be here to play, I think it will return especially with the retooling of the four cylinder cars it will be a good place to do business.

**IO:** But perhaps it's not unrealistic to think that in ten years there will be either highly reduced or no automobile manufacturing in Australia.

**HR:** I don't think the government would let that happen. It's a strategic industry and we need to be able to manufacture transportation vehicles in country but I think that one of the majors may pull the pin on Australia. It's more a concern.

**IO:** And if that happened then their operations here would be unviable.

**HR:** Well no. If that happened it would have a flow on effect and it would affect the component industry that supports automobile manufacture in Australia and we would continue to supply the industry with paint and high performance polymers but it would obviously affect our sales.

**IO:** And in terms of DuPont do you expect to enter any new areas in Australia at all in the near future.

**HR:** Yeah, well we're going to be launching our first polymer that's derived from renewable resources. We call it Sorona and it's made with an intermediate that is fermented from starch and using biotechnology and it was launched in the US about 18 months ago and we're launching it in two months into carpets so that's our next new product. Next new business.

**IO:** At the Future Summit, I notice that you were on a panel discussing Australia's competitiveness. What your key take-aways from that?

**HR:** Well what's interesting is the panel discussion in the beginning was quite broad on what it touched on which was first of all let's concentrate on the strengths of Australia. Mining, agriculture, medical research, medical care, farmer, biotech and key services around the environment. Water management etc. And then we discussed some of the barriers to being competitive like our current overlap in governance between states and the federal government and a lot of the red tape that happens, but we came back and we spent about 30 per cent, well more like 50 per cent of the discussion time on education and talking about that.

If Australia really wants to be competitive it all starts with a really solid education

foundation and the group we talked about and we had a lot of questions around secondary schools, maths and science and the challenge of recruiting good maths and science teachers in the secondary schools. Then we talked about skills development. There is a real shortage of skills prior to the recession and the belief is that by the middle of next year we're going to be right back in that space. We talked about greater connectivity between our researchers in Australia and researchers globally.

**IO:** According to your website, DuPont has 300 people in Australia. Is that still the case?

**HR:** No, we actually have in total 450, including our Pioneer seed operation.

**IO:** And the parent in the US has announced a cost cutting program of around US\$1 billion. I'm just wondering whether that's going to affect the Australian business if at all?

**HR:** It has had some effect. We have shed some positions here locally but we've always operated fairly lean and mean in Australia and so it's had a modest impact but not major so far. Most of the impact has been in North America for plants that service the automotive industry and construction.

**IO:** But there's no projected outcome to hit later on in Australia.

**HR:** In other words, how impacted do I expect Australia to be in the future?

**IO:** From the cost cutting program.

**HR:** Oh well, never say never, but I would say we're well-positioned to wait for the bounce back.

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