

I write to provide reasons for the Productivity Commission to support to the Australian car industry in particular Holden and the need for the Government to articulate a more focussed strategy on where and when to support foreign ownership of industries.

In summary the key issues are :-

1. Foreign owners eliminate competition allowing higher prices.
2. The loss of existing Australian capital ownership of parts manufacture for foreign capital ownership increases unemployment
3. Lower insurance for Australian made vehicles suggests Australian car part manufacturers are already lower cost than foreign made.
4. The consequent loss of tax to foreign owners
5. Defence and the need of cars during wars.

As a retired living off private investments made over a lifetime of employment by investing in Australian businesses with a simple strategy to "buy the farm back". All of these businesses which I have owned shares in were listed on the Australian Stock Exchange. Like the majority of Australian share owners I was a minority shareholder subject to the whims of major corporate owners and outvoted particularly in the areas of strategy and takeovers. Unfortunately the majority of these Australian businesses' instead of now supporting me in retirement have all been taken over by foreign interests. In all cases with the full support of the Commonwealth Government. On each occasion such arguments as the defunct economic theory about "providing a competitive level playing field" are mouthed. There is a fine line between true competition and market share. For instance my shares in one food company were taken over by US interests 10 years ago. My opinion is that since that time there has been a concentration of market share in that industry, leading to less competition and higher prices in the Australian market. I believe the same will happen in the car industry.

This is not an isolated example. A more recent example is the dairy company Warrnambool Cheese and Butter currently subject to a foreign takeover offer from Saputo of Canada. Overseas companies see the business as productive and irreplaceable as one of Australia's leading exporters of milk products. They also see the advantage of setting milk prices by monopolising a geographic region and predatory pricing to ensure competition is progressively eliminated. I hope it stays in Australian ownership. Qantas is in a similar position. In business the argument is not about farmers or food or cars it is about who gets to share the profits of those companies. At the moment it is Australians both directly in share ownership and via company tax receipts. In future it is foreigners who will share directly the profits and we will collect less tax as they structure legitimate international company structures, using debt instead of equity. The Government suggest that we need overseas capital. Yet in the case of all these car parts manufacturing businesses they are already owned currently by Australians. What we will achieve is simply a swap to overseas owners and less tax and local employment. The government reckons we need overseas capital yet judging by the number of recent company floats, all oversubscribed, there is no shortage of local investment capital in Australia.

In the case of Holden manufacturing in Australia we have allowed aggressive competition from all comers. Yet other countries have the same manufacturing problems as Australia. They have floating currencies, high labour costs, high energy costs, yet they can still attract both financiers and always the key ingredient national Government support. Whether we like it or not some industries and structures are icons in the Australian psyche. Holden is such an icon. Without these icons the message to Australians is "it's not worth having a go because the Government particularly the Coalition won't support you". The seventies television advert "football meat pies, kangaroos and Holden cars" did not come about of its own accord. It was a parody of the result of many migrants who were proud to work on the car production line and were prepared to give it a go. Ford as the second entrant never had this first starter iconic position in Australian culture and thus was not as sorely missed recently when it stopped manufacture.

Recently I traded in my overseas manufactured car for a Holden Calais. I have owned a Holden before but I did this mainly because I consider a major shift is occurring in nationalism both in Australia and overseas. I found the Holden product to be equal in quality to overseas cars which are twice the price. One major motoring correspondent has compared both the Holden Calais with a Mercedes 200 coming out in favour of Holden. However this email is not to be an advertising platform. What I did find to my surprise was that when I went to my insurer AAMI the insurance premium was less than half of the imported vehicle though my old car a Renault was and still when new about two thirds of the cost of my new Australian Holden car. The saving was over \$600 per year. Upon investigation with the insurance company representatives I was told the main reason was that imported car panels and replacement parts were not only more expensive but often could take some weeks to source. Given the size of the Australian car industry and high percentage of imported cars this must be a huge cost to families of which like myself they are unaware. I believe this insurance cost and lower repair cost of Australian made vehicles should be taken account of in the Productivity report. If the Australian dollar drops as it likely will at some stage we will also get higher costs for imported car panels and parts. If as evidenced by the

insurance company there exist lower price of Australian manufactured car parts the elimination of these low cost manufacturers leaves Australian families open to exploitation by foreign owned car part manufacturers at higher prices in future.

With Holden is we appear not to have the will to supply the finance to start up a totally new Australian owned car manufacturer. So the argument is about which foreign car manufacturing company, if any, we will support. Every major country city has a Holden dealership and there are many car parts manufacturers and spare parts suppliers. It is much more about how much pain the Australian public are prepared to take in the closure of these support industries and loss of employment. Both Toyota and Holden are listed companies in their respective countries of origin. They thus have foreign shareholder support. I propose both Toyota and Holden list their Australian car manufacturing in part on the Australian stock exchange to garner Australian shareholder support and raise capital to restructure their Australian manufacturing plants. These Australian shares do not necessarily need voting power. It could be a share structure to a stapled note of debt and equity similar to that in which the dairy company Murray Gouldburn is presently in the process of organising. Local Australian investors could then be investors in overseas car manufacturers. The Australian stapled notes could be funded by local private investors, and superannuation funds maybe even the Future Fund. This then takes the car industry funding at arms length from the government. It also means the car industry needs to win over private investors support by providing a suitable return on funds. This ensures the Government is at arms length with taxpayers money from nationalistic decisions about foreign ownership.

We hear many platitudes from governments and economists of all persuasions that new industries will come forward to replace old industries. Occasionally they do, but generally over many years, and with much pain. In the case of the car industry there are however bigger issues of Defence. Australia needs the ability if necessary be independent at times of war. Menzies in 1949 provided support to Holden after a major war because he identified the necessity to have a local car production facility just in case. This argument is still valid. In a war if we lost the iconic Opera House it would be quite demoralising but not a total loss, the dairy industry facilities would still be available to requisition, to try to rebuild a car industry would be impossible. I think the amount of about \$200 million support to continue car manufacture at Holden to be comparatively small insurance in case of war. I am thus proud to buy Holden products and happy for a small portion of my tax to be used to support local manufacturing by our US ally.