

SAVING OUR AUTOMOBILE INDUSTRY

Submission to the Australian Government Productivity Commission inquiry into public support for the local automotive manufacturing industry (interim report by December 20 2013) From Christopher GELLIE

To the Chairman Peter Harris. Sent to both the Canberra and Melbourne offices

The Productivity Commission is of relatively recent vintage ie April 1998. *Let us go further back.*

STARTING POINT:

The starting point:- Was when we had reasonably substantial tariffs and 80% of our cars were **locally made. We also had up to 7 manufacturers**

RELAYING THE PRESENT DISGRACEFUL SITUATION BACK IN TIME

Now let us suppose we could relay the present manufacturing (or lack of manufacturing) situation back to the old Economic Planning Advisory Commission, circa 1983.

Currently:- Ford going with the distinct possibility Holden and Toyota will go also, leaving us with no automotive industry. White goods virtually gone as is clothing. Tyres, no. Steel shaky. In fact no country has lost more industry more quickly than this once-proud nation.

More shocking evidence of Australia's shame: A vast bulldozed wasteland on the Main South Road in the Adelaide suburb of Edwardstown. Once a thriving manufacturing hub; now everything shattered or gone to China. And this situation is repeated many times over in each manufacturing state.

ADVERSE REACTION

I would fancy that if the old Economic Planning Advisory Commission had a crystal ball to peer into 2013 they would say something like: what crazy politicians, economists and other so-called experts, together with apathetic voters, could allow this to happen? **The partial disaster of "free" trade.**

MY SUBMISSION

Bring back moderate protective tariffs, continue with government assistance, either bring the currency back to about \$ 0.60 Australian to the American dollar or preferably peg the Australian dollar, (possibly with modest import quotas also). Naturally additionally with measures to restrain costs and to increase productivity . **BEFORE IT IS TOO LATE.**

THE ARGUMENT AGAINST MEANINGFUL PROTECTIVE TARIFFS

Of course I have to admit on the surface there are seemingly plausible arguments for low tariffs and "free" trade. Indeed that is the current mainstream view in economic circles. Although it is not so long ago that both would be regarded with either horror or considerable apprehension.

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We live in such a strange world where fads come and go including what some would regard as the current blind obsession with the combined curse/blessing of the part myth of "free" trade.

BALANCE

I have always believed that balance is one of the most important elements in the practical world of economic management. To take an extremist view, Australia, with virtually the highest employee and other costs in the world, is "not fit" to produce much in the way of manufacturing. And once mining runs dry and droughts occur we need to think of that dismissive, offensive cry I heard so often when I was a boy: "give the bloody country away." Manufacturing Armageddon

LOGIC

Dismissing such extremism, let us also dismiss-another extreme- what some pundits would see the Australian automobile industry as being without radical change ie fully cost competitive with imports, having steadily rising productivity, fully export-focused and so on.

THE REALITY

The reality is we have a "crippled" automotive industry. And without this essential, precious industry we must all fear for the future.

If you have just about the world's highest costs (minimum wages about five times those of say in Thailand's auto industry: indeed even more compared with some sectors in the U.S.)

Then you have "useless" Australian tariffs, nominally 5%, averaging 3.5%. And you compare this with Thailand 80% and India 60%. Economics is not inflexible and doesn't balance dictate that the theoretical "advantages" of low tariffs apply only under some circumstances?

TO SAVE INDUSTRY AND MAKE "THE PLAYING FIELD" MORE EVEN. SURELY RADICAL MEASURES ARE NEEDED INCLUDING INCREASED TARIFFS AND A PEGGED ~~LOW~~ DOLLAR. PLUS CONSIDERABLE RESTRAINT ON "FREE" TRADE. WHAT SERVED US SO WELL SINCE EVEN LATE COLONIAL TIMES.

GOVERNMENT ASSISTANCE

Yes important. Every motor manufacturer does so. In Germany assistance is even regionally.

CURRENCY CHANGE

A chance to impose a tangible restraint on imports and help make a more even "playing field" for our car manufacturers. Impossible over time to reduce the currency rate to something like \$0.60 Australian to the American dollar? I don't believe so. Ah, but if only we could reverse the December 12 1983 decision and repeg the dollar. Could be more effective still.

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QUOTAS

Reintroducing them in a modest way. A nice idea but not essential.

SUMMARY

We need a radical linked 3-way new approach along the lines I have suggested that fully recognises the huge disadvantages our automotive industry operates in and introduces a new ECONOMIC BALANCE to allow it (and the vital auto parts industry) to get closer to the proverbial "even playing field"..... and not only survive but thrive.

Personally I become very emotional on this subject. I fear greatly for any future for this once great nation if it had no automotive industry. I would like to think I am not alone in these fears.

How to destroy our priceless car industry and industry in general,
Keep virtually^{No} tariffs. Never peg the dollar at a much lower level
and completely ignore the harmful effects of the part curse of the
semi-fantasy of "free" trade.

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