

I wish to submit the following public submission. Your Submission Cover Sheet is attached.  
**TIME TO BECOME THE SMART COUNTRY**  
(Rather than the Lucky Country)

Toyota and GMH leaving Australia presents a watershed. We in Australia can either put our heads in the sand or use it to our advantage.

#### **FIRSTLY WHY ARE THEY LEAVING?**

There are five reasons but the first is most important:

- 1) Economies of Large Scale Mass Production: The Australian car market is too small and fragmented for large-scale mass production. Due to “economies of scale” the cost of producing each car is substantially less in a very large overseas car plants compared to Australia. Economists would say this is because “huge fixed costs involved in car production (buildings, plant and equipment, machinery etc) get spread over many, many more units of output” so each car is cheaper to make. The main reason these companies are leaving is because they get the benefits of large scale production overseas that more than make up for transport costs they will incur to send finished cars to the Australian market. It has very little to do with labour costs in Australia (which are variable rather than fixed) as car making is highly automated with robots etc.
- 2) High Australian Dollar. Again this prevents car manufacturers relying on car exports to achieve large-scale production in Australia. The high dollar makes our exports dearer for overseas buyers. Add to that transport costs to major overseas markets (due to Australia being remote) and Australia is at a major disadvantage for large-scale mass production of cars.
- 3) High Labour Costs: Yes this does come into it but only as a poor third after 1) and 2) above. More important are strikes and waterfront blockages when they occur.
- 4) Unprofitable: It has been unprofitable for Toyota and GMH to make cars in Australia for many years. They have received large subsidies over these years. However with the help of the subsidies they have built up strong brand names, which they get to keep even though they will not be manufacturing in Australia. We must have world-class manufacturing. We can't keep supporting unprofitable industries.
- 5) Globalization plus low export/import barriers make it time for Australia to bite the bullet and specialize in what we do best and where we have a comparative advantage over other countries.

#### **WHAT CAN WE DO?**

- 1) Bury our Heads in the Sand and Blame the Current Government. This is what Labor is trying to do at present and is very unhelpful.
- 2) Become the Smart Country: This is the way we must go.

## FIRST WHAT ARE OUR COMPARATIVE ADVANTAGES?

- 1) Well educated population: We have high literacy and education standards compared to many countries especially SE Asia. (Although this may be slipping)
- 2) Top Level Research Scientists: The CSIRO and other research organizations in our universities continually come up with exciting breakthroughs in many different areas. However these are rarely commercialized in Australia and end up overseas.
- 3) A Good Work Ethic: Well we used to but perhaps this is now questionable.
- 4) Entrepreneurial skills: Again we used to have these but do we still?

## OK, OUR DISADVANTAGES:

- 1) Small scattered population so mass-produced manufacturing is not suitable as discussed above.
- 2) Distances from major overseas markets. Manufactured exports (apart from minerals) need to be small/light or else specialist products with a high technical element.

## SO WE MUST PRODUCE:

- 1) Products that require a high level of technical skills (and therefore are high value products) and have limited production runs unless they are small/light weight for easy export.
- 2) Products that we can patent from our research facilities.

## EXAMPLES OF PRODUCTS WE SHOULD BE DEVELOPING:

(Australia to become the High Tech Production Capital of the World)

- 1) Specialist Motor Vehicles: High tech/high value but small production runs, These could include specialist mining vehicles, off road vehicles, military vehicles etc and perhaps even at some later time specialist sports cars to rival Ferrari or Lamborghini.
- 2) Specialist high tech mining equipment.
- 3) Specialist Bio Tech products.
- 4) Specialist Robotic Products including AI (artificial intelligence).
- 5) Specialist Computing and telecommunications products.

- 6) Specialist aeronautical components.
- 7) Specialist marine and navigational components.

The above are just a few ideas. I am sure a government think tank comprising of scientists and business leaders could come up with a lot more. Then the government should give assistance to carefully selected specialist manufacturers rather than prop up unprofitable car manufacturing, where we don't have a comparative advantage.

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