



PRIME MINISTER

SPEECH NOTES FOR THE PRIME MINISTER
FEDERAL CHAMBER OF AUTOMOTIVE INDUSTRIES
CANBERRA - 5 APRIL 1984

- . I am pleased to attend this dinner tonight with delegates from the automotive industry in Australia
 - Representing motor car and component producers, importers and distributors
- . The motor car industry holds an important position in the Australian economy and industry structure
 - In 1981/82, motor vehicle and component production along with vehicle distribution and sales employed more than 150,000 people
 - and contributed over \$3,600 million to GDP
- . The motor vehicle also holds a special place in Australian society
 - As our fundamental means of transport in a big country where large distances need to be covered
- . It is not surprising, therefore, that my Government would wish to ensure that we have a healthy automotive industry providing up-to-date vehicles at competitive prices
- . The motor vehicle industry, in Australia and overseas, has been required to meet three great structural challenges over the last ten years. These are:
 - A rapid and enormous rise in the price of petrol and as a result a swing in demand to smaller, more fuel-efficient cars
 - The strong penetration of overseas markets by Japanese vehicle producers
 - The huge escalation in costs in bringing a single new vehicle model into production

- . The industry throughout the world has responded by massive adjustment in its activities
 - Through internationalisation of vehicle production:
 - common basic designs for cars are produced in a number of countries, concentrating vehicle and component production where cost advantages are greatest
 - By huge re-investment programs: - for example, the United States motor vehicle industry is estimated to spend more than \$US80 billion in 1985 to meet the Japanese challenge
 - Through rationalisation of production by company mergers and co-operation in design and production.
- . As well, the industry is moving into new technologies, and this trend is expected to grow strongly in future years
 - This includes new materials, such as plastics and ceramics in vehicles
 - And use of robots and other advanced machinery in production.
- . In these ways the industry is restructuring not only to meeting present challenges but to address the issues of the future
 - This will contribute to guaranteeing the industry's viability in the longer term
 - And assist in achieving higher standards of living for the whole community.
- . As I have said on a number of occasions, the Government is committed to facilitating structural change in the economy
 - To reinforce prospects for sustained medium to longer term economic growth
 - And to provide enhanced employment opportunities and improved living standards
- . I would emphasise that in approaching structural change in industry the Government does not intend imposing policies arbitrarily
 - We seek an ongoing dialogue with the community as a whole and industry members in particular to assist in encouraging a more favourable climate for change
 - and in developing suitable mechanisms for adjustment

- . The steel industry plan is an example of the Government's co-operative approach
 - Entailing contributions from Government, business and unions.
- . The Government is convinced of the need for increasing change in the Australian motor vehicle industry to ensure it becomes more internationally competitive
 - Without change
 - Australian consumers will continue to be disadvantaged by high prices for motor vehicles
 - Australians will suffer lower incomes because resources are not used wisely in producing several, low volume models and
 - other parts of the economy will be disadvantaged by inefficiencies in the industry
- . The Australian motor vehicle industry must confront the need for change
 - indeed, some rationalisation has already occurred in the component industry
- . But as commentators have pointed out, existing policy on the industry has not been as successful as it might have been
 - Protection provided to the industry has increased and yet employment has fallen and the competitiveness of the industry appears to have stagnated.
- . Indeed the increase in protection levels over the last decade has removed some of the impetus for gradual adjustment.
- . The Government aims to promote reductions in the costs of producing vehicles in Australia. In part this will mean reductions in protection levels towards the manufacturing industry average consistent with the maintenance of motor vehicle production at around its present level
 - The Government will be seeking gradual but consistent changes which take into consideration the costs of adjustment
 - We also aim to establish a stable policy environment within which companies can invest with confidence for the future

- . Accordingly, the Government is presently reviewing the assistance arrangements for the industry after 1984 when the present arrangements expire
 - Our deliberations will be aided by the report of the Car Industry Council as well as the IAC Report on assistance for light commercial vehicle production
- . In making our decisions we will be taking into account the views of all parties
- . We will be guided by our desire to foster an outward-looking, efficient and competitive economic environment
- . We expect the Australian Motor Vehicle Industry to continue to make a very significant contribution to our economy and general well-being
- . For its part, the Government is working to remove obstacles to progress
- . In this way we look forward to a continued major contribution from the Motor Vehicle Industry to Australia's continued economic prosperity.
