



PRIME MINISTER

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**SPEECH BY THE PRIME MINISTER
FEDERAL CHAMBER OF AUTOMOTIVE INDUSTRIES
50TH ANNIVERSARY DINNER
CANBERRA - 22 MAY 1989**

Ivan Deveson, President,
Ladies and Gentlemen.

At the outset I offer my congratulations to the Federal Chamber of Automotive Industries as you celebrate your 50th anniversary.

When this Chamber was established in 1939 with the amalgamation of various independent State Chambers, the motor vehicle industry was already a significant one for Australians and for Australia. That importance is much greater in 1989.

The performance of your industry is a telling indicator of the health of the whole manufacturing sector.

Your industry is one of Australia's most significant exporters of manufactured goods, a leading innovator in high technology - and a major employer.

Manufacturing and assembly of motor vehicles provides jobs for some 35,000 people; and the components industry provides another 25,000 jobs. Then there are the tens of thousands of jobs in supporting industries such as plastics, steel, rubber and glass, as well as some 80,000 more in sales, distribution and servicing.

Such figures alone indicate why ensuring the competitiveness of the motor vehicle industry in Australia was in 1983 and remains in 1989 a very high priority of my Government.

In inviting me to speak here tonight, Ivan Deveson reminded me that I have not met with the Chamber since my first year as Prime Minister in 1983.

At that time, economic policy makers faced two massive tasks: reversing the recession we inherited, with its double digit inflation and unemployment, as well as starting out on the longer battle of restructuring the fundamentals of the economy.

The manufacturing sector was in special need. High protection and regulation had for decades encouraged manufacturers to be uncompetitive on the world market and, accordingly, unresponsive to changing market conditions.

In many ways these general problems were encapsulated, as I am sure you recall, in the Australian car industry.

For decades before 1983, Australian Governments had tried to foster a domestic motor vehicle industry in the deep shelter provided by massive barriers of protection.

In those days, manufacturers would set up a plant in Australia with little regard for the scale of efficient operations overseas.

The outcome was as predictable as it was expensive: Australians found themselves supporting, through tariffs and prices, a car industry that was fragmented and uncompetitive.

When we came to office we were determined to abandon the short-sighted interventionist policy-making that had been the forte of previous Governments.

We wanted to ensure that, through a cooperative effort involving the Government, employers and unions, the car industry had the incentive to meet, not ignore, the challenges of the 1980s and 1990s.

What we sought was a clear commitment from manufacturers and component suppliers to undertake the investment necessary to modernise the industry, and a commitment from management and unions to work constructively together to avoid costly disputation and to lift productivity.

And in the Car Plan that was developed by my colleague John Button, we received those commitments.

For our part, the Government overhauled the existing assistance arrangements and agreed to provide stable levels of support for a fixed period to allow the industry to find its feet and to become more self-sufficient and more competitive.

This Car Plan, which in 1984 set the course for your industry for the eight years through to 1992, was a vital means to safeguarding a vital industry.

We are now more than half way through the Car Plan, and the Automotive Industry Authority has just released its report on the state of the industry at the half way mark.

As you know, it was a report that levels a number of criticisms at your industry and identified areas for future challenge.

My view of the Authority's report is that it presents a constructive and timely assessment of the industry's progress since 1984.

And I stress the adjective "timely" - because the eight year life span of the Car Plan is long enough to give the car industry time to adapt to a less protected environment.

In this perspective, I believe there is no problem in the industry which should be viewed as insurmountable.

So I urge you to take the Authority's criticisms on board. A great deal of progress has been made, but a good deal remains to be done to meet the time-table, particularly in regard to price, productivity and quality.

It was certainly disappointing to read the Authority's judgement that the quality of Australian made cars has not improved significantly over the life of the Plan.

Insufficient quality control can only damage the reputation, and therefore the sales, of your products, at home and overseas - and that is an outcome that none of us wants to see.

You have a collective responsibility - producers, the unions and component suppliers - to secure the industry's future.

Further plant and product rationalisation, and greater export orientation, should result in increased efficiency and cost reductions through the operation of economies of scale and improved capacity utilisation.

I realise I have dwelt so far on the Authority's criticisms. Let me make it clear the Government fully acknowledges the considerable achievements that have also been made. Credit should be given where it is due.

The industry has developed considerably since 1984 when it was hampered by a policy environment which made it hard for the industry to chart its future.

Exports have grown by 60 per cent over the first four years of the Plan and despite recent set-backs the Authority expects a resumption in growth of exports by 1990.

Investment expenditure in the industry since 1984 has also been substantial, both by Plan producers and by specialist component producers. I was pleased to note that the Authority reports that investment, aimed at upgrading and enhancing production equipment, is expected to increase further over the remaining years of the Plan.

The Authority also reports considerable progress in rationalising the industry through reduced number of producers and models, and through joint-ventures. This is expected to ensure production runs of 40,000 vehicles or more for most models by 1990. The export facilitation scheme is also helping to increase specialisation in the component sector.

These efforts, if built on rigorously, should contribute to increased productivity, lower real prices and high quality cars.

This progress has been due, in part, to the improved industrial relations in the industry, and I pay tribute to all those responsible for that.

As good as industrial relations have been on the manufacturing side of the industry, the same cannot be said for the components suppliers side.

Let me take this opportunity to comment that in the era of just-in-time production, the Government can only take a dim view of the supply unreliability that accompanies such disputes.

It is more galling in view of the components industry's heavy reliance on local content rules. The Car Plan itself is progressively bringing pressure to bear on components suppliers to lift their game. But employers and unionists are being short-sighted if they see local content rules as a cushion for their inefficiency or unreliability.

So, where do we go from here?

For our part, the Government remains committed to providing a stable and predictable environment in which the industry can make confident decisions about restructuring and investment.

It should not be forgotten however that at the expiry of the Plan in 1992, relatively high levels of tariff assistance will still apply - 35 per cent, compared with levels of 10 or 15 per cent for most other areas of manufacturing.

It is important to appreciate that the community at large is aware of the costs of the high levels of protection afforded the car industry. You can expect to face continuing public pressure for competitively priced, quality vehicles. And there is a growing feeling in the community that the industry has had time to become internationally competitive.

Clearly towards the end of the Plan the Government will again need to look at options for post-1992 assistance arrangements.

This is not meant as a threat but as a reminder to the industry to make the most of the stability offered now by the Plan, to get on with the task of rationalisation. It will be easier to do so now than after 1992.

Ladies and gentlemen,

Over the past 20 years a lot of effort, throughout your industry and in Government, has been directed to the task of creating a national system of design rules to maintain and improve the level of safety and emissions of vehicles in Australia.

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Despite this effort, uniformity has proved an elusive goal, and crucial safety and emission questions remain subject to eight separate sets of State and Territory legislation.

Last year the Interstate Commission concluded that effective national uniformity could best be achieved by Commonwealth legislation.

This Government as you know has an unparalleled record in pursuing micro-economic reform, eliminating the bottlenecks that hamper efficiency and productivity and fostering a more competitive environment.

This month we are bringing down a number of statements which take this process further - among other elements, a new deal for scientific and technological research, and a strategy for reform of the waterfront and coastal shipping.

Federal Cabinet recently tackled the issue of national automotive design standards, and we have decided to legislate to introduce national safety and emission standards applying to all imported and locally manufactured vehicles.

In making this decision, Cabinet was also conscious of the mounting concern about imports of secondhand motor vehicles from Japan which do not conform to existing Australian safety and emission standards. National legislation will ensure that imported second hand cars are modified to meet Australian standards and do not jeopardise the safety of Australian road users.

The advantages of the legislation will be considerable. It will:

- replace eight sets of legislation with one;
- encourage production economies in the industry;
- enhance export prospects for Australian producers by facilitating international harmonisation of vehicle safety requirements; and
- ensure a 'level playing field' for Australian producers and importers of new and second hand cars.

I pay tribute to Bob Brown, the Minister for Land Transport and Shipping Support, who can take great credit for this initiative. It is the Government's hope that this legislation will be introduced and passed in this parliamentary sittings. I trust the non-Government parties will co-operate in this important task.

Ladies and gentlemen,

I've addressed a number of issues of specific concern to the passenger motor vehicle industry tonight but I want to close on an issue of relevance to all employers and, indeed, all Australians.

The Australian economy, as we all know, is working at a very strong level of demand, which is sucking in excessive imports and requiring a policy of tight money.

Employment growth has been strong and job vacancies are at high levels.

Capacity utilisation is high and in some industries domestic demand cannot be met by local production.

These conditions are comparable to the periods of the 1973-74 and 1981-82 wages explosions.

The Government's major short term objective has been to prevent these pressures leading to another destructive wages explosion.

The wage/tax/transfer package in the April Statement has been successfully designed to avoid a wages blow-out while providing substantial tax cuts and additional support for the least well-off members of the Australian community.

Anyone who imagines that the wages outcome we now face in 1989-90 could have been achieved in the absence of the Accord is, to put it frankly, talking through their hat.

Where we have an effective and durable wages policy, a fiscal policy that has delivered a \$5.5 billion surplus this year and will do so again next year, and an appropriately tight monetary policy, the alternative is nothing but confusion and instability.

I believe the car industry knows as well as anyone in this nation that we cannot afford a return to the inefficiency and uncompetitiveness that characterised earlier years.

So, the Government will continue to take hard economic decisions. It cannot lose sight of the responsibilities the Australian people have put upon it. Similarly, industries such as yours must strive to do their part to help set Australia on the path of prosperity.

Once again, let me offer my congratulations on your 50th birthday, and my best wishes for your future.
