

Athn - James Phillips

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**TRANSCRIPT OF THE PRIME MINISTER  
THE HON JOHN HOWARD MP  
PRESS CONFERENCE - PARLIAMENT HOUSE**



E & OE .....

Well ladies and gentlemen, I've called this news conference to announce the Government's decisions in relation to the motor vehicle industry.

From the 1st of January, the Year 2000, the tariff will be 15% in accordance with existing legislated arrangements. It will remain at that level until the 1st of January, 2005. We will legislate forthwith to reduce it on the 1st of January, 2005 to 10%. There will be no differentiation for micro-light vehicles and four wheel drive vehicles and light commercial vehicles will remain at 5%.

After the drop, which we will legislate forthwith, to 10% on the 1st of January 2005, there will be a further review dealing with APEC performances and market access arrangements. And protective or other arrangements after the 1st of January 2005, will be determined in the light of that review.

A scheme consistent with the principles of the World Trade Organisation will be introduced to replace the Export Facilitation Scheme when it expires in the Year 2000 and that replacement scheme will run until the Year 2005.

The duty free allowance will continue at the prevailing rate of 15%. The Government will introduce a market access strategy including the establishment of a new automotive trade council, the appointment of a specialist trade access negotiator and a market development package worth \$20 million over four years. The package will also include an environmental strategy including measures to phase out the use of leaded fuel by the Year 2010 and the development of an industry code of environmental performance.

As a consequence of this decision I will be able to inform the APEC leaders meeting in Vancouver in November of this year that we will be moving motor vehicle tariffs in Australia in accordance with legislation down to a level of 10% on the 1st of January in the Year 2005.

I should make one or two things very clear. The first is that this is a package. If it is amended in any way by the Senate then the whole package will be off. I want to make it clear that we will be asking the minor parties and the Labor Party and the Senate to support this package.

I want to thank the motor vehicle companies and the component industry and their chief executives. We've had lengthy discussions with them. They will of course speak for themselves but I know from our discussions that the Government's decision has drawn their strong support.

It's a good decision for jobs. It's a good decision for security in many regional areas of Australia. It will provide a climate of investment certainty. It will be welcome news - a removal of doubt and concern and anxiety amongst many families of employees in the motor vehicle industry. I think it's a balanced decision. It recognises our trade obligations. It's consistent with our APEC

goals, but it also recognises the desirability of providing investment certainty and investment predicability and it will certainly do that in a very emphatic way. And I ask the Opposition and the minor parties in the Senate to guarantee immediate passage of the package. And I repeat again that it is a package and it's not something...if it's altered and tampered with then we're back to the drawing board and that would be a very, very unfortunate development for the motor vehicle industry and for the employees of that industry.

Could I thank again Mr Morgan and his colleagues from the motor vehicle manufacturers and the component industry. It has been, as always is the case with these issues, a very difficult and protracted discussion. But I thank them for the very cooperative character in which the negotiations have been conducted. Are there any questions?

**JOURNALIST:**

Mr Howard, how big a factor was the pending South Australian State election in your handling of the tariff issue and did the fairly high spirited input which several South Australian backbenchers have had into this debate have any bearing on...?

**PRIME MINISTER:**

Well there was a lot of input. I mean, let's understand this, it is a good decision for South Australia. It's a great decision for the employees of the motor car companies. It's a great decision for the investment climate in South Australia and I make no bones about that. On the other hand, you shouldn't lose sight of the fact that not everybody has got everything they wanted in this. There will be a legislated drop of 5% in the tariff on the 1st of January in the Year 2005. That is not something that was wanted by some of the people who were putting those spirited views. I think it's a very balanced decision and I think it'll be a decision that will be welcomed in the homes and in the suburbs of many parts of Australia because it will give predicability and certainty to workers and their families and that's an important goal and an important responsibility of any government.

**JOURNALIST:**

Prime Minister, isn't this a capitulation by your Government to industry pressure to pull out of Australia or to pair back their investment?

**PRIME MINISTER:**

No.

**JOURNALIST:**

Mr Morgan, does the car industry see this as a victory?

**MORGAN:**

No we don't. I think we see it as a very sensible decision that allows us to now go through the decision making process for our next investment which has to occur in this country under a very stable environment for us.

**JOURNALIST:**

Mr Morgan, the announcement that the Prime Minister just made, is that exactly how it was put to you this morning?

**MORGAN:**

We've had a lot of discussions over the last few days, in fact, a lot of discussions over the last couple of months. In the course of those discussions the situation has changed. The circumstances that we both believe we could look at have changed...

**JOURNALIST:**

In other words you're saying that the Government's position changed from the outset of the negotiations this morning.

**MORGAN:**

No, I'm not saying that at all. I think what I am saying is that we had some long and ranging discussions. We had to go through that process to understand each other's position.

**JOURNALIST:**

Mr Howard, what signals does this send to other industry sectors about the Government's commitment to micro reform?

**PRIME MINISTER:**

I think it sends a sensible signal. But we have a responsibility to send signals to all sections of the Australian community. You don't just send signals to industry. You don't just send signals to workers. You don't just send signals to consumers. If you had wanted to send only a signal to workers and the industry you would have had the Webber option and that is a 15% until the Year 2005 and another inquiry with the inevitability of a re-hash of the same argument in the Year 2005. That is why I think it's important not to lose sight of the fact that we'll be legislating forthwith to reduce the tariff to 10% on the 1st of January, 2005.

**JOURNALIST:**

Mr Howard, when you look around the region in the Year 2005, when we move down to 10%, if you see that the tariff barriers are still high in countries such as Malaysia, Indonesia and so forth. Will you give consideration to breaching Australia's relationships...?

**PRIME MINISTER:**

We will be legislating forthwith to a drop of 10% on the 1st of January 2005. I mean, that's the basis of the plan. We are going to have a further inquiry, a market access examination after the 1st of January 2005 and obviously arrangements after that date will be determined in the light of the findings of that inquiry. Now I am just not going to hypothesise as to what I am going to do or my Government will do in relation to that in eight years from now. I mean, that is plainly ridiculous. We are making it plain now that it goes down on first of January 2005 to 10%. That will be legislated. Now it is after that, we have an access inquiry and what we do then will depend on that and I am certainly not going to hypothesise or answer this, that or any other question. That's just ridiculous.

**JOURNALIST:**

How does this plan differ from Simon Crean and the Labor Party?

**PRIME MINISTER:**

Well they're not proposing any drop of 5%. I mean, the bottom line, tariff-wise about this is that you have a 10% tariff as from the 1st of January 2005. They're not proposing that.

**JOURNALIST:**

Mr Morgan, can the industry accommodate that 5% cut from January 1 2005 without any job losses?

**MORGAN:**

I think this gives us the opportunity to have about six years to plan at 15%, to get our organisations more competitive which is what we've been seeking and we believe by then we should be able to accommodate such a drop in tariffs.

**JOURNALIST:**

You don't believe there will be job losses, is that what you're saying, you don't think there will be job losses as a result?

**MORGAN:**

I think this scheme that we now have gives us the opportunity to go ahead and invest in the country and should certainly avoid job losses as such.

**JOURNALIST:**

I was going to ask Mr Quinn specifically how Mitsubishi...

**QUINN:**

From Mitsubishi's position, we see it as a very balanced position. I agree with what Mr Morgan has said, we believe it gives us the opportunity to go on and invest with confidence in the new models.

**JOURNALIST:**

Once again, you don't believe there will be job losses?

**QUINN:**

No we don't believe at all.

**JOURNALIST:**

Mr Morgan, or any of the industry chiefs, in terms of the replacement scheme for the Export Facilitation Scheme, what would have to be in that to satisfy you?

**MORGAN:**

Well a lot of the details have to be worked out. What we're looking for is an equivalent opportunity to continue to export and be able to support the export through the scheme and we believe that opportunity is there. We have again had quite extensive discussions with the Government on what that scheme could be and we believe now we have an agreement of the nature of the scheme, we don't have to work out the details.

**JOURNALIST:**

Mr Howard, you said you won't speculate beyond 2005 but Australia has already a firm commitment to the APEC goal of trade by 2010. Can you reaffirm that and secondly, can you confirm that your decision did change during the course of today?

**PRIME MINISTER:**

I can confirm that we only took one decision and that's the one that I've announced. That's what I can confirm, I mean, come on Michelle.

**JOURNALIST:**

And the APEC?

**PRIME MINISTER:**

As far as APEC is concerned, we remain committed to the APEC goals, of course we do but the commitment to the APEC goals of the member countries of APEC thus far have not involved specific commitments down to the year 2010 in particular industries.

**JOURNALIST:**

Is this a signal to APEC economies, Mr Howard that Australia would like to see greater reduction on (inaudible) Australia wide?

**PRIME MINISTER:**

I think what it does is to keep Australia in the forefront of the trade liberalisation process, that's what it does. I mean, I will go to that meeting and say, on the 1st of January 1005, we will have a 10% tariff in this area. Now I will be interested to see whether anybody will be able to do better than that. So don't anybody start taxing me on the APEC liberalisation but as part of the decision we've also taken account of the need to provide in the near years, provide a degree of investment predictability and certainty. I mean, you've got to take balanced, sensible decisions that worry about the prospects for investment and also have a concern for the job security of people in the regions of Australia and we've taken those things into account. I mean, this is a very balanced decision of which I am particularly proud and I think it's a decision that would be seen by the Australian community as intelligent. It's not ideological. On the other hand it's not a cave in to any sectional interest. It's a balanced decision that keeps us moving towards the APEC goals but by the same token recognises the understandable desire of the car companies in a global environment of competing investment locations, it gives them the predictability and certainty that they need to invest and I am actually very heartened by the comments by both Mr Morgan and Mr Quinn about investment and about job security.

I mean, it's important, very important to the men and women who are employed there and to their families.

**JOURNALIST:**

Mr Howard, what information did you have before you in terms of the number of jobs this decision would create nationally, not just .....

**PRIME MINISTER:**

Look I am not going to go into...

**JOURNALIST:**

... the Industry Commission Recommendations?

**PRIME MINISTER:**

I am not going to go into details about all the information that was available to me. We don't have that much time. I had a lot of information available and it was on the basis of that that we took a balanced decision.

**JOURNALIST:**

Mr Howard where will this leave the Industry Commission and Treasury advisers?

**PRIME MINISTER:**

That leaves them still a very important and integral part of the government's advice and support system. I have an enormous regard for the Productivity Commission and as a former Treasurer I've got an enormous regard for Treasury advisers.

**JOURNALIST:**

Has it been de-fanged in any way?

**PRIME MINISTER:**

Well, I think that is an unintelligent provocative statement - with all due respect Mr Bongiorno.

**JOURNALIST:**

Did you accept what the Productivity Commission said when it said that the Commodore car will cost the average consumer about \$3000 more if you continue with the 15% tariff and how do you explain that to consumers out there in the marketplace?

**PRIME MINISTER:**

Well Mr Burton, I'm not going to get into the business of responding to specific questions on individual parts of the Productivity Commission report. Obviously there is an ongoing argument about the cost to consumers of protection from an economic point of view there is a cost of course and nobody denies that. There's debate often about what the cost is, but there are also balancing considerations that a government's got to take into account. You've got to remember that it's only a few years ago that the tariff protection level for the motor car industry was 57.5%. Under this proposal it will be 10% on the first of January 2005. I mean, nobody can say in those circumstances that there hasn't been a downward movement in the levels of protection for the automotive industry in this country, and when you bear in mind the non-tariff barriers that exist in many of the countries into which some of our producers and manufacturers try to trade you have to see this as a far more balanced decision. I mean, we are in the business of making intelligent balanced decisions who are not excessively driven by an ideology, nor are we unmindful of the fact that you've got to keep the pressure of reform going. But this is not the optimum decision from the motor car manufacturers' point of view, quite plainly, but it is a fair and balanced decision and one that gives them confidence and predictability.

We'll have one more question and then we must go.

**JOURNALIST:**

Could I just as the representative of Holden what this means for the company's operations in South Australia?

**REPRESENTATIVE:**

Well, right now we are in the process of investing in the Vector programme which we had a release on the other day. The key decision will be the next generation -that car which will come after the Year 2000 and what we talked about today will give us an excellent opportunity to put forth a business case to justify the next generation of that. But only time will tell, but we believe that this is a combination to support that.

**PRIME MINISTER:**

In concluding the comments I want to again thank the representatives of the industry and my two colleagues, Peter Costello and John Moore. Thank you.