

14th November, 1974.

DOES AUSTRALIA NEED TO MANUFACTURE CARS?

This question would have sounded ridiculous to Ben Chifley, but it is right that it should be asked now.

Current events are showing that <sup>an</sup>automotive manufacturing industry is a bit like pregnancy -- you either have it or you don't.

The economic climate is either favourable to manufacturing in Australia, or it favours imports. A very small shift in the degree of protection is sufficient to move from one situation to the other.

No one in their right mind would suffer the level of investment and the risks associated with a local manufacturing project, if he could do just as well or even nearly as well by importing or by assembling.

So what?

Why should we be so concerned about encouraging a local industry, which produces products at a higher price than they can be imported from overseas and consumes large quantities of our resources to boot?

This is an attempt by a few people who have grown with the industry in Australia, but are no longer involved, to show why they are deeply concerned at the demise of an industry so carefully nurtured and in particular are concerned with the ramifications this will have for the future of the country.

HISTORY.

Sir Lawrence Hartnett's book "Big Wheels and Little Wheels" is essential reading for anyone who wishes to understand the growth of the industry in Australia.

There is nothing new or unusual about the assembly and even body manufacture of motor vehicles here. The above book clearly details the size and extent of the body manufacturing prior to World War II under the protection of special tariffs on body pressings.

Only those associated with the industry in its immediate post war years can fully appreciate the immense leap forward that resulted from the decision to fully manufacture.

Ben Chifley must have been a man of incredible vision. Without the help of economists, analysts, planners, he grasped that at that point in the development of Australia, the complete manufacture of a motor vehicle could provide the springboard for the development of all volume light industry.

Only those involved in this enterprise can fully appreciate the difficulties of manufacturing in volume to tight specifications in a country where this has not been done before. The establishment of the Spanish automotive industry over roughly the same period shows a similar experience.

Assembly is not just manufacture on a small scale. It is a different order of activity and does not preserve the advantages of manufacture as we hope to share.

DEVELOPMENT OF SUPPLIERS.

Because it is virtually impossible for the many and varied components of a motor car to be produced by one company, it is inevitable that many other ancilliary industries are dragged up by the bootstraps to become reliable suppliers of specialised components.

These suppliers in turn develop the capabilities and capacity to support other, possibly smaller and less demanding industries, but Australian industries making products for Australians -- industries which would not exist with/<sup>out?</sup> this supplier support.

Enquiries such as the recent I.A.C. enquiry on the automotive industry tend to look at each industry in isolation. This ignores one vital fact which cannot be measured in economic terms.

This is:

THE INCREDIBLY COMPLEX INTERLOCKING OF ALL VOLUME MANUFACTURING INDUSTRY THROUGH THE COMMON DEPENDENCE ON SPECIALIST SUPPLIERS.

Now that the supplier industry has been developed and is supporting all these other industries, is the automotive industry still important?

We believe that without the largest, most complex and demanding of all volume products in the light engineering field, much of this specialist supplier activity will wither and die.

There are many small suppliers who only have a portion of their work with the car companies, but who are not viable without this portion. Without the extra volume of work demanded by the vehicle manufacturers, there is no incentive for further investment in these operations -- assuming that they survive at all.

What will happen to the other products which they manufacture?

THERE IS NO OTHER INDUSTRY WITH THE/<sup>SAME</sup> SORT OF DEMANDS TO REPLACE THE AUTOMOTIVE INDUSTRY IN SUSTAINING THE VAST COMPLEX OF ANCILLIARY TOOLMAKING/SUPPLIER COMPANIES.

WHAT ARE OUR ALTERNATIVES?

As we see it, there are only two alternatives:-

- 1. REVERT TO A NATION OF IMPORTERS, OR IMPORTER ASSEMBLERS AS IN PRE WAR DAYS.

We were able to live this way in pre war times, as our modest consumption of manufactured goods was adequately balanced by our substantial export of agricultural products to an assured U.K. market.

It could be argued that our discovery and exploitation of huge new mineral resources has largely replaced the agricultural industry in providing this balance of money flow, but recent shifts in balance of payments indicate that we cannot now afford to import our manufactured products -- in fact, we need to expand our export of these products.

In 1973, the export of motor vehicles was the highest export earner. And who is to employ our workforce without fully fledged manufacturing industry? Assemblers are not large employers.

- 2. MAKE THE CONSCIOUS DECISION TO HAVE A BALANCED & VIRILE VOLUME MANUFACTURING INDUSTRY, EVEN IF THIS RESULTS IN MANUFACTURED PRODUCTS AT HIGHER PRICES TO THE CONSUMER.

This does mean a lower material standard of living in the short term, but surely a slightly lower overall standard of living is more socially acceptable than a high level of unemployment.

ONLY A HIGHLY DEVELOPED VOLUME MANUFACTURING INDUSTRY CAN PROVIDE THE LEVEL AND QUALITY OF EMPLOYMENT EXPECTED IN A MODERN INDUSTRIAL SOCIETY.

A lot of criticism has been levelled at the degrading nature of the assembly worker's job in production industry. To some extent this is true -- it is almost as bad in some cases as in the mining and building industries.

We tend to forget that these self same industries also provide the

employment for a high proportion of the technicians, engineers, draftsmen, accountants, chemists, statisticians, metallurgists, marketing analysts, computer programmers, etc., etc., generated by our highly sophisticated education system.

An every higher proportion of these are being employed in government, to improve the social services and ordered development of the natural resources and rightly so. But, unless we can provide a balanced employment opportunities, a fair proportion of our best brains are going to go overseas to satisfy their employment desires. It might be a surprising fact, but some people actually want to work in industry. They only get satisfaction from making things for other people.

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### WHAT ARE OUR NEEDS?

We have said that an automotive manufacturing industry is an essential element of a viable volume manufacturing industry.

We have also said that a virile volume manufacturing industry is essential for the balanced development of this country, even if it does mean less buying power for all.

What do we need to do to develop the industry in a way which maximises the benefits but minimises the disadvantages.

Before considering what we need, let's ~~work~~ look at what we don't want.

#### What has been wrong in the past -

Some of the criticisms that have been levelled at the industry:

It's Inefficient. Yes, measured in terms of dollar cost of finished product, or man hours per vehicle, but is this the most important criterion. This is, of course, a result of the much quoted economy of scale. If we accept for a moment that we need this industry, let's look at some of the other measures of our efficiency. Man hours design and development per vehicle model, tooling man hours, per vehicle, degree of standardisation of components, percentage utilisation of capital facilities.

THE AUSTRALIAN INDUSTRY IS ONLY INEFFICIENT BY VIRTUE OF THE LACK OF ECONOMY OF SCALE. IN ALL OTHER RESPECTS, IT IS EXTRAORDINARILY EFFICIENT -- IT HAS HAD TO TRY HARDER THAN OTHERS BECAUSE OF THE SMALL SCALE.

It's in the hands of the Americans. This is true and everything that has been done in recent months has reinforced this.

Too many companies. Yes, but necessary, if we are to enjoy the sort of cross fertilisation of technology, which ~~has~~ has given this country special advantages in many manufacturing fields and contributed to our very high efficiency in many areas. This is a difficult problem, to reduce the number of companies means to reinforce the domination of the Americans.

THE IMPORTANT THING IS NOT THE NUMBER OF COMPANIES, BUT THE NUMBER OF UNIQUE MODELS TOOLED IN AUSTRALIA.

This is what really matters, as the manhours of investment and overheads for a particular production run is dependent on the number of models.

Measured in these terms, we are not so far out of line. Count the number of models which make up the total volume of production of any other country. Look also at the number of vehicles actually produced in other countries at volumes substantially below the magic magical figure of 200,000 frequently quoted.

The criterion here should be how many models can we afford to tool -- or more importantly, how many do we need to tool to achieve the level of industrial development we are seeking.

The Australian Industry is copyist. Yes, it is, to the extent that it selects and develops the best things it can find elsewhere -- this makes maximum use of the resources we have. At least with our own industry we can make the conscious selection. An assembler has to take what he gets.

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WHAT SHOULD WE AIM FOR?

We have said that we need an automotive manufacturing industry and that we should minimise the disadvantages, some of which are mentioned below.

WE MUST ESTABLISH AN ECONOMIC AND LEGISLATIVE ENVIRONMENT WHICH WILL DEVELOP AND MOULD THE INDUSTRY IN THE BEST INTERESTS OF THE COUNTRY.

Our approach must be positive -- we should cash in on some of the special advantages and opportunities we have -- exploit areas of superiority we have already shown.

OUR ADVANTAGES AND OPPORTUNITIES.

Small Scale. We are well on our way to becoming world experts in achieving high efficiency in a relatively low volume production situation by:

- Low tooling cost techniques.
- Commonisation of components over wide range of vehicle types.
- Ingenious improvisation and adaptation.

WE ARE DEVELOPING A TECHNOLOGY HIGHLY APPROPRIATE TO THE ESTABLISHMENT OF INDUSTRY IN OTHER DEVELOPING INDUSTRIAL NATIONS. THIS TECHNOLOGY CAN BE A SALEABLE COMMODITY IN ITSELF.

Cross Fertilisation of Technology. Through the vehicle manufacturing companies, and more particularly the supplier industry we are getting an input of technology from all other industrial countries, which no other country enjoys. This crossroad of technology if properly exploited could put us into a position of leadership in specialised areas.

Unique Products. We are at a turning point in deciding and being able to control the whole future of the industry here. It has almost come to a halt technologically and this surely provides a unique opportunity to direct it in a new direction. There is no real reason why we cannot become world leaders in producing the sort of private transport to satisfy the social needs of the 1990's.

IF WE COMMIT OURSELVES FOREVER TO IMPORTING, WE ARE ALSO COMMITTING TO HAVING OUR PRODUCTS DICTATED BY WHATEVER THE JAPANESE, EUROPEAN OR AMERICAN CONSUMER WANTS OR IS PREPARED TO ACCEPT.



THE I.A.C. REPORT.

We believe that the IAC report was ill conceived and badly executed. It considered the automotive industry in total isolation.

It only investigated those areas which would give the answers to support a prejudged conclusion.

In our opinion, what is wanted is leadership, co-operation and the necessary legislation to preserve, x develop and mould the industry to Australia's best advantage -- not to eliminate it simply to reduce product prices.

WE BELIEVE THAT THIS COULD BEST BE ACHIEVED BY A COMBINED INDUSTRY/ GOVERNMENT CONTROLLING BODY SIMILAR TO M.I.T.I. WHICH HAS SO SUCCESSFULLY DONE THE SAME THING FOR THE JAPANESE INDUSTRY.

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CAN A SMALL COUNTRY SUCCEED INDUSTRIALLY.

Economy of scale is not the whole story of the automotive manufacturing business.

Sweden, a country of only            people, has adequately demonstrated that by identifying a need, specialising in a high quality product to fill that need, using ingenuity and looking on the world as its market place, has been highly successful in many industrial areas. This could probably not have been achieved without their very considerable effort in the automotive sector.

May we leave you with this one thought:-

LET'S MAKE AUSTRALIA THE SWEDEN OF THE EAST.

R.N.F.

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