



DAVE'S DAIRY

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Auto industry is in a straitjacket

Clarkson has always said that the car industry is an example of how too lavish and too careless protection can damage not only the Australian economy in general but can also damage the industry itself.

This it does by encouraging too many small factories to be set up to make cars and components.

For instance, we have three car manufacturing plants for a market of about 500,000 cars while the USA has three for a market of 11 million cars.

And not only that, our previous 95 pc tariff plan has forced the car industry into a straitjacket which has made it impossible for us to produce cars economically.

The result has been that the users of cars have to pay a \$4000 subsidy for each person employed in producing cars.

And Clarkson says that the tariff induced costs for a car retailing at \$5000 works out at about \$1400 a car.

That is a measure of the burden with which Australia has been saddled.

We now know, since Clarkson has been lecturing us, that this burden is borne by the export industries, so we farmers were anxious that the Government's 85 pc car plan will lighten the load.

In the past we would only have been angry about the car tariff if we happened to be buying a car, but now we know that we pick up the tariff tab, not only for the cars that we ourselves buy, but also for the cars that everyone else buys.

This makes us mad.

We aren't nearly as apathetic about tariff costs as once we were.

Clarkson says it is easy to understand why our industry is in such a mess if you look at the way the careless protection of the past has encouraged too many factories to be set up.

For instance, to economically press motor body panels an efficient factory would have to have a capacity of about 600,000 units a year.

In 1973 Australia pressed 425,000 units but instead of doing it in one factory we did it in five.

Again, the minimum throughput to produce cheap engines is about 350,000 a year.

In 1973 we made 300,000 engines but instead of making them in one plant, which would have been sensible, we used four.

No wonder cars cost so much!

The result of this uneconomic proliferation of car plants can be measured by the number of cars that an employee makes in a year.

In Australia the average figure is 5.9 cars an employee while the figure for Nissan in Japan is 37.2 and Toyota 41.5.

So it isn't just that our workmen are bad at making cars although it often seems by the way they act that they are trying to cut the industry's throat.

But even more important, our poor performance has been due to the 95 pc car plan which now has been allowed to die.

It is interesting to compare Australia's performance with the Swedes.

The Swedes don't protect their car industry at all and they allow it to buy its components where they like.

The result is that Volvo supplies less than a quarter of the Swedish car market.

And only about 60 pc of the Volvo car is made in Sweden.

But Volvo makes 290,000 cars a year and exports 77 pc of these, and more to the USA than anywhere else.

Clarkson says the difference between the [Swedish] performance and ours should be a grim lesson to us.

We used to have an export market in cars which has largely gone now.

Clarkson says that the 85 pc component plan will free the industry, to some extent at least, from the awful straitjacket which has made it such a burden to the country

But he adds grimly that we will only have a more efficient car industry if we close down some of the smaller inefficient plants or use them for something else, such as solar heaters.

But he knows that when the time comes to make some of these painful re-adjustments the political pressure will be hard to resist.

So we closed the meeting on that rather grim note.

Most people, except a few like Mr Rod Black, realise that tariffs are too high for the well-being of exporters in particular, and the economy in general.

But we know that reducing tariffs, while good in theory, is painful in practice.

We have promised Clarkson that we will help him in his tariff battle if we can.

What about having a talk to your Member of Parliament about it?