



A MODEST MEMBER

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Too many car men in the feather bed

When Eccles found that I was planning to have a holiday he made me read two books.

One was *The Australian Motor Industry* by Stubbs, the other was a thesis written by Ian Wearing of New England University.

They had two things in common — they were hard for me to understand and they both spelt out in stark terms the mess we have made of our car industry.

The fundamental fact is that to produce cars economically you need to make a large number of cars of one model.

If you produce 10,000 cars of one model in a year it will cost you much more per car than if you made 100,000.

The costs of the components of a car decrease if a large number are made because the cost of tooling can be spread over a greater number of components.

Both Stubbs and Wearing point out that cars continue to get steadily cheaper as you move towards a through-put of 100,000 cars of one model. From then on the curve flattens out to some extent.

Well, we have a market of around half a million cars and we are trying to make nine models with four manufacturers, GM-H, Ford, Chrysler and BLMC.

In the US with a market for about eight million cars they only have three manufacturers.

We have too many car manufacturers in Australia making too many models, so the cost of car production is excessively high — so we have to heavily protect our industry against imports.

Yet, in spite of the high tariff, the number of imported built-up cars continue to rise.

In 1971 over 50,000 cars came in over the 45 per cent tariff wall (12.4 per cent of total registrations).

The position will now become worse. Both Nissan and Toyota have announced decisions to make cars in Australia.

We are supposed to be glad about this but the inevitable result will be that if they do, some of the other manufacturers will have to stop.

There is only room for a limited number of car manufacturers in the feather bed we have made for them. There are too many in it now. If two extra get in one side of the bed, some will have to get out of the other.

I guess both Nissan and Toyota will come in boots and all. They know what they are up against.

They have been messed around too often and too long with the various assembly plans in Australia not to know.

They know that they have to get volume to get cheap production. And who will they get it from if not from the manufacturers already producing at too low a volume?

They will no doubt make the 61,000 Toyota and Datsun cars which, between them, they assembled in 1971.

But, to manufacture economically, they will need to make at least 50,000 cars of each model. To do this, they have to pinch about 40,000 cars from the other manufacturers.

What will happen to these when their throughput falls from its present seriously low level?

Some will have to fade out to make room, and I should think they will be glad to go. They are, even now, losing a lot of money.

The whole scheme was dreamt up, presumably, to create employment, but now we have the industry so pathetically fragmented that we are producing fewer cars and so providing less employment than if we had let the industry grow naturally as it would have done if we hadn't overprotected it, and so encouraged too many manufacturers to start up.

The Swedes have a population that is smaller than ours, their wages are higher, their steel is as dear.

They have only two manufacturers of cars and these they do not protect at all and they can buy their components in the cheapest market.

They only supply 40 per cent of the Swedish car market but because they can produce cheaply they export about 70 per cent of the cars they make (more to US than any other country) and bring in over \$700 million in export income.

We have about 90,000 people employed in making cars and components for a total market of 500,000 cars. The Swedes employ 120,000 for a domestic market of 300,000 cars.

It is not generally realised that there are more people employed in servicing cars in Australia than in making them.

How many more cars would we have to service if we did not have to subsidise the industry at the rate of \$300 million a year, or about \$600 a car?

The industry is in a proper mess. Yet it is one of the industries that the Minister for Labour says can afford a 35-hour week.