

# Australian government car subsidies spark rift in corporate circles

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The Labor government's announcement that it will provide further financial assistance to Ford and consider additional subsidies for General Motors has triggered sharp opposition from sections of finance capital and big business.

After discussions with Ford executives in Detroit earlier this month, Manufacturing Minister Kim Carr announced a new \$34 million subsidy to continue production in Australia until 2016. The deal involves further, as yet undisclosed, funding from the state Liberal government in Victoria, where Ford's plants are located, and an investment of \$103 million by the company.

Carr revealed that discussions were underway with General Motors for another subsidy package that could amount to more than \$100 million, aimed at ensuring the company produces Holden vehicles in Australia beyond the existing 2016 commitment.

The government has promoted its subsidies as a means of protecting jobs, but this is a fraud. Its assistance is premised on continuing restructuring measures, coordinated with the trade unions, involving mass layoffs and the elimination of "excess" productive capacity. Labor commissioned the 2008 Bracks Review, outlining the government's strategy for the automotive sector. The review stated that the issue "was not so much that [plant] closures are occurring and will continue to occur, but that 'unplanned' exits need to be addressed."

Since the eruption of the global financial crisis in 2008, car workers in Australia have faced a relentless assault on their jobs, wages and working conditions. Yesterday, the offensive intensified when 350 Toyota workers were sacked—more than 10 percent of the workforce at the company's plant in Altona, Melbourne. The layoffs came just weeks after the

Australian Manufacturing Workers Union rammed through an enterprise agreement on behalf of the company, involving significant real wage cuts and other concessions.

The Australian ruling elite is divided over whether the car industry should still be subsidised.

One section of the corporate and media establishment is willing to see the remaining car producers shut down operations if they prove unable to compete on the world market. The *Australian Financial Review* and the *Australian* have served as the mouthpieces for these interests, conducting a concerted campaign against further assistance to Ford, General Motors Holden and Toyota.

The *Australian Financial Review* issued an editorial on January 11, titled "Car handouts make no sense." After insisting that Prime Minister Julia Gillard had not explained how she could justify car subsidies "in the midst of a resources boom that is creating wealth on an unprecedented scale," the editorial concluded: "Instead of pouring tax-payer funds into an industry that cannot stand on its own in the global market, the federal government should be ensuring that the economy is able to shift resources, particularly labour, to where it's most profitably employed."

A further editorial on January 13 added that "the message that we can and should stop the structural adjustment of the economy is especially poisonous." In other words, "free market" forces ought to be permitted to direct resources toward the most profitable areas for business, above all the mining industry, while uncompetitive sections of industry go to the wall, along with their workforces.

The Labor government is resting on a rival wing of the ruling class, which regards the automotive industry as a necessary component of what remains of

Australia's manufacturing base.

Gillard and Carr emphasised the strategic—and military—significance of the sector when they held a press conference last week at Ford's Broadmeadows plant in Melbourne. The prime minister declared that "the skills and capabilities that come out of manufacturing automobiles then flow through to the rest of manufacturing, so a vibrant car industry is so important to the future of manufacturing generally."

Carr stressed "how important the automotive industry is to the skills foundations of many, many other aspects of manufacturing, whether it be in aerospace, whether it be in instrument making, whether it be in aluminium, whether it be in plastics, whether it be in glass."

After noting that "nowhere in the world does the car industry survive without substantial co-investment by governments," the manufacturing minister referred to the potential military significance of the sector. He explained that the advanced manufacturing associated with car production "means that we can make jet fighters, and we're in the process of that through the Joint Strike Fighter."

There are deep divisions within Liberal-National coalition ranks over the car subsidies. Earlier this month, the media reported that an internal opposition report had recommended supporting long-term subsidies to the car producers. The authors of the report, MPs Ian McFarlane and Sophie Mirabella, are among a substantial layer within the opposition's ranks more closely aligned with the interests of manufacturing capital.

Opposition treasury spokesman Joe Hockey declared a "line in the sand" against the McFarlane-Mirabella recommendations, insisting that the Liberals maintain their policy of slicing \$500 million from Labor's existing \$3.4 billion Automotive Transformation Scheme subsidy package. Abbott was forced to intervene to quell the infighting, declaring that subsidies would be reduced if he were elected.

The sharp divisions within ruling circles reflect the perilous state of the car industry in Australia, amid a continuing crisis of the global auto sector.

Just three years ago, both General Motors and Ford in the US were teetering into bankruptcy, before a multi-billion dollar bailout from the Obama administration, tied to a wave of plant closures and wage-slashing. Australia has a very small domestic market, and both

Ford and Holden have suffered collapsing sales. More than 40 percent of Australian-produced cars are for the international market, but these exports have been badly affected by the rising value of the Australian dollar. Australian-based car producers also face intensifying competition from subsidiaries based in the low-wage platforms of China, India and Thailand.

Last year, to cover expenses relating to the devastating Queensland floods, the Gillard government cut \$234 million in subsidies from its so-called Green Car Innovation Fund. This cutback is now being partially reversed in the face of warnings from car company executives that continued production in Australia is on the verge of being unviable.

As yesterday's Toyota sackings demonstrate, however, the latest handouts will not save a single job; rather the funds will only facilitate further restructuring, destruction of working conditions and preparations for outright plant closures.

*The authors also recommend:*

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