

# Secret report foreshadows closure of Australian car industry

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A study into the operations of General Motors Holden (GMH), prepared in August for the company and the Australian Manufacturing Workers Union and provided to the South Australian state Labor government, concluded that continued production in Australia was “not sustainable.” The report’s author, University of Adelaide academic Professor Goran Roos, named 2016 as being the “earliest likely date” for the winding down of the Holden assembly plant in Elizabeth, South Australia.

The study was obtained by Fairfax Media journalists and its key findings were reported yesterday. Among Roos’s other conclusions were that if GMH closes, “then the supply chain would start to fail and this in turn may well lead to Toyota ceasing Australian operations,” and that “only 30 percent of Tier 1 suppliers would survive the closure of GMH and Toyota.” Roos recommended state funding to assist the Tier 1 suppliers—companies that directly provide parts to the assembly plants—to “diversify” away from the auto industry.

The report, in other words, predicts the destruction of tens of thousands of jobs, overwhelmingly in Melbourne and Adelaide, which will impoverish major working class suburbs in both cities. Studies have estimated that up to 150,000 jobs will be indirectly destroyed—in the services industry and from small businesses—if the car industry closes in Australia.

The driving force behind this assault is the vast global restructuring taking place in the auto industry. Amid the deepest economic slump since the Depression, all the transnational car producers are engaged in ruthless cost-cutting. Plants have shut down across North America, Europe and Japan, while new factories are being opened up in China, India, South East Asia and North Africa, where the companies can exploit low-cost

labour and tap into emerging markets.

Ford has already announced that production in Australia will end in 2016 because it does not fit in with its international plans to compete for markets and profits. Roos’s report essentially concluded that GM and Toyota will make the same decision.

Roos detailed a “less likely” scenario in which GMH continued to assemble vehicles in Elizabeth. It would not involve any further assembly of a rear-wheel drive car or any utility vehicles after 2016. The vast majority of parts for two new models would be sourced from GM’s global supply chain, not local manufacturers. The federal and state governments would have to provide subsidies that guaranteed the company a profit margin of at least 5 percent, regardless of its sales.

The implications are almost as dire as if the entire operation were shut down. The engine and design plant in Port Melbourne would be rendered redundant and radically downsized or mothballed, and large numbers of workers employed by parts manufacturers would be sacked. An earlier leak of GM’s plans revealed that it would assemble no more than 65,000 vehicles a year and not export from Elizabeth at all. Hundreds more jobs would be eliminated. The collapse of components suppliers would again raise the prospect of Toyota ending production at its assembly plant in Altona, Melbourne.

Roos also speculated on the even less likely scenario that GM and Toyota could produce models of cars from the same assembly plant. If such an arrangement were reached, Roos assessed that the condition of the Elizabeth plant was “below average” and was “at risk of being deemed as non-essential.” In other words, it would be closed down and Toyota’s more sophisticated plant selected as the joint production site.

The revelation that the Australian Manufacturing

Workers Union (AMWU) was in possession of Roos's report in August underscores the treacherous role of the unions. At the same time as union officials were pressuring Elizabeth workers to agree to a three year wage freeze and cuts in their conditions to keep the plant open, they were well aware that GM had been advised that its operations were not viable.

When workers voted in favour of the cost-cutting agenda on August 12, AMWU state secretary John Camillo declared: "It was a tough choice, but they made the right decision.... They really wanted to vote no, but at the end of the day they know they're voting for their future, to keep this company going for 10 years." Camillo deliberately kept workers in the dark about the fact that hundreds more jobs would be destroyed at Elizabeth even if GM continued operations for two to six years after 2016.

At the Toyota plant in Melbourne, the AMWU is currently assisting the company to draw up a similar cost-costing plan to destroy jobs and conditions, using the same fraudulent claim that it will prevent the closure of the plant.

GM's decision last month to transfer Mike Devereux, the CEO of Holden Australia, to a new position in China was a clear signal that the company is acting on Roos's assessment that it is "not sustainable."

The report prepared by Professor Roos demonstrates the fraudulent character of the Productivity Commission report into the car industry commissioned by the newly formed federal Coalition government. Prime Minister Tony Abbott and his ministers, like the top figures of the former Labor Party government, will have been thoroughly briefed that the auto transnationals have essentially written off their Australian operations.

Any subsidies that are handed over by the Abbott government to GM and Toyota will not be used to support "jobs" and "workers" as the AMWU has repeatedly asserted. Rather, the hand-outs will be primarily used by the companies to finance the so-called "orderly closure" of the Elizabeth, Port Melbourne and Altona plants, as is already taking place at the Ford plants in Broadmeadows and Geelong.

Whether the closures occur in 2016 or several years later, the entire car industry is now under threat, with potentially devastating consequences for the working class.



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