

Australian government inquiry blames wage levels for car plant closures

James Cogan
23 December 2013

The Liberal-National government's Productivity Commission last Friday issued an 81-page interim report of its inquiry into the car industry. Its findings implicitly justify the decision of both Ford and General Motors Holden to shut down their manufacturing operations on the grounds that "Australia is among the highest labour cost countries." Using figures supplied by the auto conglomerates themselves, the Commission declared that the cost of vehicle production in Australia was "two times higher than in Europe, and four times higher than in Asia."

The nominal task of the Productivity Commission is to review the level and effectiveness of government subsidies provided to the car industry. Its final report of the inquiry is scheduled for release by March 31, 2014.

The interim findings, however, make clear the thoroughly scripted character of the entire process. Its primary purpose is to endorse the clamour by corporations and media commentators for cuts to workers' wages and conditions. Working people across the country will be told that if they do not accept the slashing of their living standards, they can expect to see their jobs destroyed, like those in the car industry. Toyota, the third and largest vehicle manufacturer in Australia, is already demanding that its workforce agree to the elimination of a raft of conditions or it will also shut down.

The contents of the Productivity Commission's interim report pointed to the likelihood that Ford and General Motors decided to liquidate their Australian operations years ago.

It noted that between 2007 and 2009, as the global economic crisis affected millions of people, demand for vehicles plummeted by 22 percent in the US, Europe and Japan. The Commission highlighted some of the indices of the vast international restructuring carried

out by the major producers as they sought to generate profits amid the deepest slump since the 1930s. Employment in US-based assembly plants was slashed by 62,000 and around 194,000 in component manufacturing firms. GM closed six US plants. The Commission also noted the cutbacks that have been carried out in Europe, including Ford's sackings in Britain and Belgium and GM's moves to mothball the Bochum plant in Germany next year.

The Productivity Commission noted that amid the cost-cutting drive, there has been a "rapid expansion of investment in production capacity in countries such as China, Mexico, Korea, and Thailand", where cheap labour can be exploited and new markets tapped. Car sales in China in 2012 accounted for 24 percent of the world total, up from 9 percent in 2005. GM now produces more vehicles in China than it does in the US.

The Commission pointed to the way in which all the auto companies are cutting costs through the development of "global platforms", in which different car models produced and sold in different parts of the world are based on the same design and assembled using the same components. Volkswagen, it noted, now manufactures 40 models internationally using just one platform. Ford is reducing the number of its platforms from 27 in 2007 to just 9 by 2017. GM is reducing its platforms from 30 to 14 by 2018.

The plants churning out the global platforms operate on "high volume production." The report cited GM's new plant in Liuzhou, Guangxi, which assembles 400,000 cars per year, and Toyota's plant in Kentucky, which can produce up to 550,000 vehicles annually.

Ford and GM effectively side-lined their assembly plants in Australia, refusing to manufacture models there that would either sell in significant volumes within the domestic market or that could be exported.

Since 2008, both corporations instead slashed hundreds of jobs and cut production. Ford's plant in Broadmeadows has been downsized to assemble just 35,000 cars per year, while GMH's plant in Elizabeth produces only 88,000.

Toyota's plant in Altona, Melbourne assembles 105,000 vehicles, including a Camry model that is exported to the Middle East. The Productivity Commission noted, however, that eight other Toyota plants assemble Camrys and its US-based plants, taking advantage of high volume production and lower wages than Australia, are "competing" for the Middle East export market.

The Productivity Commission report is essentially an argument that nothing can be done to stop the complete liquidation of car production in Australia unless wages and working conditions are reduced to "internationally competitive" levels. The benchmarks that it held up were the conditions of workers in China and Thailand.

According to the Productivity Commission, 45,000 workers are directly employed in the car and car components industry in Australia. The vast majority will lose their jobs if car production ends. Tens of thousands more jobs, as many as 150,000 by one estimate, will be lost due to the economic impact. Working-class suburbs in northern Adelaide and northern and south-eastern Melbourne, already hard hit by layoffs across the manufacturing sector in the last five years, will be most severely affected by mass unemployment.

The major corporations are indifferent to the consequences of their global restructuring on the working class, whether in Australia or anywhere else. They answer only to the demands of the financial markets, banks and hedge funds that control every aspect of economic life.

The corporate elite, the Abbott government, the Labor Party opposition and the trade unions all agree that the dictates of private profit take precedence over the lives and futures of the working class. They insist that workers have to pay for the global crisis of capitalism and must accept the ensuing social devastation.

The answer of car industry workers to the interim report of the Productivity Commission should be the formation of rank-and-file committees, independent of the trade unions, to organise a united defence of jobs and to appeal for support from car workers around the

world on the basis of a socialist and internationalist program. The car companies—along with the other major corporations and the banks—must be placed under public ownership and the democratic control of working people, as part of the socialist reorganisation of the Australian and world economy.

The author also recommends :

Australia's auto closures pose need for a global workers' strategy
[20 December 2013]



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact