

# Australian government inquiry calls for end to car industry subsidies

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4 February 2014

The Productivity Commission last Friday released a “position paper” focussed on government subsidies for the auto corporations, ahead of a final report on the Australian car industry due at the end of March. To no-one’s surprise, the “free market” research arm of the treasury department has recommended that the government eliminate all forms of public subsidies and protections and demand companies slash their costs instead.

The Productivity Commission’s review is a sham, concocted by the Liberal-National government to provide a political cover as it proceeds to force the ruthless restructuring and downsizing of car production. Decisive layers within the ruling elite have concluded that most of the industry is “globally uncompetitive” and should be allowed to collapse. As a result, entire working-class suburbs and communities will be devastated by mass unemployment.

Ford and General Motors Holden have already announced an end to production in Australia in 2016 and 2017 respectively. Executives with the only other remaining car producer, Toyota, will announce later this year whether the company will maintain operations at its plant in Altona, Melbourne, which employs around 2,500 workers. Nearly 50,000 jobs in the car component sector depend on car manufacturing in the country.

The central purpose of the latest Productivity Commission report was to oppose government subsidies, and to insist that Toyota and the trade unions slash the wages and conditions of workers. If such cost cutting fails to boost corporate profits, the Productivity Commission clearly implied that the Toyota should also close.

The government body declared that a problem with subsidies was that they “can dull the commercial incentives faced by automotive manufacturers to respond to competitive and adjustment pressures—for example, by reducing their costs.”

The report added: “Rather than providing extra industry-specific government assistance, in the Commission’s view, it would be more efficient to assist Toyota to continue manufacturing in Australia by ensuring that broader policy settings allow it, and its supplier base, to best respond to market and competitive pressures.” At the top of the list of “broader policy settings” were “workplace arrangements” and “labour market mobility.” This is thinly-veiled code for slashing wages, imposing assembly line speedups, and undermining workplace protections.

The Productivity Commission complained that industrial agreements in the auto sector “frequently contain wages for automotive manufacturing employees that are higher when compared to the relevant award and to international competitors.” These competitors include the US, where young workers receive as little as \$14 an hour, as well as the poverty-wage platforms of China and Thailand.

The position paper hailed the agreement drafted by the Australian Manufacturing Workers Union (AMWU) on behalf of GM Holden executives last year, just prior to the shutdown announcement, which involved real wage cuts, unpaid production during what were previously break times, and the stripping of overtime penalty wage rates. It complained that a recent Federal Court ruling blocking Toyota from making its workforce vote on a similar regressive industrial agreement had “wide reaching implications ... throughout the automotive manufacturing sector.”

The Productivity Commission’s latest document included an assessment of the likely impact of the collapse of the entire auto sector. The report pointed to mass job losses especially affecting Geelong and northern Melbourne in Victoria, and Elizabeth in South Australia. It concluded that previous government regional assistance, “structural adjustment” and retraining schemes

had “some, but limited, success in assisting displaced automotive manufacturing employees find future employment.”

This only underscores the fraudulent nature of the “transition” programs that have been promoted by the trade unions and the Labor Party in the last period as they enforced round after round of job losses in the car industry.

The Productivity Commission position paper was hailed in the Murdoch and financial press, ahead of an expected Abbott government decision in April to cut off all or most subsidies to the car industry. It was taken as a sign that the most forceful advocates of “free market” economic restructuring and austerity measures against the working class dominate within Abbott’s cabinet. The paper was released just after the government said it would reject a subsidy request by the SPC fruit cannery, which is threatened with closure (see: “Australian government refuses assistance to SPC fruit cannery”).

The *Australian Financial Review* editorial yesterday hailed Abbott for opposing so-called “over-generous union wage deals” at both SPC and Toyota, adding that “the government needs to press ahead with reforms—including to the tax system and workplace regulation—that will remove barriers to businesses adjusting to the structural pressures that inevitably will continue.”

The newspaper today published a further comment by Ben Potter praising Treasurer Joe Hockey’s statement that “the age of entitlement is over; the age of personal responsibility has begun.” Hockey intends to use the government’s refusal of some corporate subsidy requests to justify a sweeping assault on welfare payments, social services, and public infrastructure spending. While he was opposition shadow treasurer, Hockey made a major speech demanding the abolition of the welfare state under the banner of ending the “age of entitlement.”

The *Financial Review*’s Ben Potter continued that the Productivity Commission’s latest report “provides more ammunition for the Abbott government’s hardening stance against a protected, high-wage, high-cost culture that has afflicted Australian industry since World War II and has reached a crunch point in the face of low growth, falling commodity prices and a high dollar.”

Some sections of the ruling elite are concerned over the implications of destroying the country’s car industry, while being in complete agreement on the need to slash auto workers’ wages and conditions.

The *Age* newspaper, which is published in Victoria

where much of the Australian car industry is located, today published a comment by historian John Hirst denouncing the position paper. “It never crosses the mind of the Productivity Commission that there might be an occasion when we need car factories to turn out military vehicles,” he declared. “The free-trade world of which Australia is the most enthusiastic supporter may bring in the thousand years of peace. But it may not. We are no longer to make cars, soon we will not service planes, we will lose our national airline, we are not to refine petrol. The dangers to which this exposes us are beyond the computations of the Productivity Commission.”

The same rationale, that car industry subsidies are necessary for Australian imperialism’s military production capacity, was advanced by the former Labor government when it developed its industry plans. The trade unions have similarly demanded that army and navy production be expanded to provide employment for former Holden and Ford workers when production ceases as scheduled, with the unions again ensuring there is no opposition from workers to the plant closures.

The AMWU responded to the Productivity Commission’s report by again appealing to Toyota to work more closely in cutting labour costs. The union’s national secretary Paul Bastian declared that “the solution to Toyota’s productivity concerns would not be decided in court but when the company decided to sit down with the AMWU and be transparent about its plans and all the cost factors of its Australian operations.”

Bastian complained that unlike GM Holden, Toyota was refusing an “independent review of its business plan” and would not commit to new investments at its Altona plant if the union helped ram through a Holden-style wage-cutting deal. This underscores the union’s willingness to enforcing the company’s diktats against its workforce, provided that its services are duly recognised by executives and sham promises of “job security” are made to assist it to overcome resistance among workers.



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