



AUTO INDUSTRY REVIEW 2008

SUBMISSION

AUTO MANUFACTURING IN GEELONG

"AN EMPLOYEE'S VIEW"

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-INTRODUCTION-

ABOUT THE SAVE GEELONG MANUFACTURING COMMITTEE

The Geelong community is extremely concerned with the current state of manufacturing and future opportunities for our region's manufacturing workers and their families.

2007 was a turbulent year in the local Geelong manufacturing industry in general, with a number of companies announcing significant redundancies and in some instances closing altogether. Alcoa Rolled Products, Bekaert Australia, Goodman Fielder, Geelong Leather, Henderson Automotive Technologies, Coghlan and Russell and Ford Geelong are all recent examples of major job losses across our region.

This year has not had a positive start with the demise of another local manufacturer - Brintons Carpets.

Free trade agreements, drastic tariff reductions, previous federal government neglect and a rising Australian dollar have all conspired to the detriment of Geelong's manufacturing/automotive industries and its workers.

It has been estimated that manufacturing currently represents 42% of employment in the Geelong region and accounts for 50% of regional income of which automotive manufacturing is a significant component.

As a result of the devastation inflicted by this cruel turn of events a new committee has been formed to give a voice to Geelong's often unheard manufacturing workers and their families.

The Save Geelong Manufacturing Committee (SGMC) comprises a unified group of grassroots Geelong workers, who are concerned by the deteriorating manufacturing industry across Australia and locally.

Our aim is to secure improved assistance for the manufacturing sector in the Geelong region, including lobbying political parties for policy change to support an ongoing future for Australian manufacturing.

The SGMC is supported by the ETU, AMWU, AWU and Geelong Trades Hall. We also have the support of local working families and the broader community, as any local job losses has a flow on effect to other businesses and workers in Geelong.

A BRIEF HISTORY OF AUTO MANUFACTURING IN GEELONG

GEELONG'S LIFE BLOOD FOR OVER 80 YEARS

The history of auto manufacturing in Geelong began more than 80 years ago, with the assembly of the Ford model "T" at a disused wool store in Gheringhap Street. Of course, Ford had already been importing and selling cars in Australia prior to this time - the first landing on our shores in 1904.

It was during a period of lagging sales in the 1920's that Ford decided the best solution to overcoming this problem would be to assemble cars in Australia. Significant tariffs imposed by the Australian government on fully imported cars, also played a key role in Ford's decision to begin local assembly operations.

'This is a prime example of how protectionist policies attracted major investment from multi national automotive companies into Australia.'

After much deliberation and travel, an Executive and a Senior Engineer both from the Ford Motor Company of Canada finally recommended Geelong as the best location for the first Australian Ford factory. The actual site in North Geelong was chosen for reasons including, close proximity to main roads, railways and easy access to a deep water harbour.

In 1925 on Geelong's northerly outskirts, construction of the first permanent Australian Ford factory was commenced. Pretty soon fully assembled cars were rolling off the line and approximately 500 new jobs had been created.

The onset of World War 2 saw car production transformed into military production. Ford Australia produced a vast array of equipment/ordnance for the defense forces, including, landing craft, barges, cargo ships, tugs, pontoons and long range fuel tanks. By 1944 over 5,000 people were working at Ford plants Australia wide.

In 1959 Ford Australia finally made the transition from part manufacture/assembler to full manufacturing and assembly. The Geelong plant was extensively upgraded and expanded to look after the manufacturing side of the business. A new facility was built at Broadmeadows in Melbourne, specifically for the car assembly (reportedly the largest of its kind in the southern hemisphere at the time).

'As a sidelight, the evolution of the Broadmeadows plant is a very interesting story in its own right, as a whole new suburban development was created in the process.'

The Broadmeadows plant was actually built on land made available by the state government (450 acres in total at cost of £500 pounds an acre) and had to be rezoned for heavy industrial. There was a catch! Ford had to lend the government £300,000 at bank interest rates for a rail spur onto the site, £500,000 interest free - for the connection of city water and £100,000 for sewerage works. The government assured Ford that there would soon be a substantial residential development surrounding the plant to provide a workforce and the influx of migrant labour would continue into Australia.

However, if Ford had not been willing to make an earlier major concession to the federal government of the day - relating to the local production of engines – there was a distinct possibility these plans may not have ever come to fruition.

'In February 1957 Ford formally presented to Canberra its plan to manufacture the Zephyr locally, to reach full production by 1961. A basis of the proposal was the allocation by the government of extra sterling quota, equal to around 20,000 Zephyrs a year. Ford had already been getting extra cash quotas- £3.7 million (equal to 16819 North American units) in 1953-54, £3.885 million (16,717) in 1954–55 and £3.335 million (14,712) in 1955-56, but these would have stopped had the company not gone into local engine manufacturing'

(Source: Bill Tuckey, TRUE BLUE - 75 years of Ford in Australia)

'Once again government intervention defined the opportunity for growth in the industry.'

By late 1959 the new Ford Australia facilities were producing the Tank Fairlane range and the British Zephyr /Consul. Everyone believed that Ford's next model would be the upgraded Mark two Zephyr, but in June 1960 emerged the first Australian built Ford Falcon (consisting of 90% local content) and a locally made Ford Geelong engine.

A product development centre and proving ground would be soon established at Geelong and Ford Australia would begin designing and developing future Falcon models, its derivatives and engines.

'It is interesting to note that the innovative, research and development side of the business only came about as a result of the grass roots manufacturing'

This large expansion by Ford was a welcome benefit to the Geelong economy and as a direct result spawned many supporting industries and infrastructure in and around the region.

On July 18th 2007 Ford announced their intentions to close the Geelong engine production facility (Powertrain Operations), by mid 2010 and up to 600 Ford Geelong workers will be made redundant.

A sad end to an Australian designed and locally built Aussie icon of almost 50 years. To be replaced by a fully imported engine from the United States. Of course, the innovative research and development of this 'imported engine' will also be completed in the United States.

Bibliography: Bill Tuckey, TRUE BLUE - 75 years of Ford in Australia.

AUTOMOTIVE MANUFACTURING & COMMUNITY BENEFITS

Automotive manufacturing is deeply embedded in the Geelong community.

Over many decades, the Ford Geelong plant has provided a wide range of employment opportunities for thousands of local residents and significantly contributed to the economic prosperity of the region in many aspects:

- Ford Geelong has a long proud history of training apprentices. From 1964 to the present day, almost 2000 apprentices have been trained by the company at its local operations. Thereby affording a start in life for many of Geelong's youths, mature age and people of both genders. Unlike many other industries, apprentices at Ford are trained well beyond the base trade level to the nationally accredited AQF5.

'Large employers "making things" is an essential foundation for tackling the current skills shortage within Australia.'

Apart from apprenticeships, Ford also provides employment in a vast array of other areas including trades, engineering, accounting, skilled operators, supervisory/technical, drafting, design, research and development and a substantial ongoing graduate program, etc.

- Many of Geelong's past leaders started out or spent part of their working life at Ford Geelong; from small business owners, councilors to politicians and so on.
- Ford Geelong employees support their community in many varied ways. From large donations to United Way and other charitable institutions to a wide and varied array of other community service. Prominent examples of this include stoic long standing memberships of numerous sporting, social, ethnic and community clubs and associated committees.
- Reportedly, over \$26million is directed into the community via Ford employee wages annually. Needless to say, if that money is not sustained and over time increased, Geelong's economy will suffer greatly going forward.
- Spin off effects of automotive manufacturing, include, auto components and machine tools, spare parts suppliers and research and development, etc.
- Ford is a long term sponsor of the Geelong Football Club and also regularly donates/supports many educational institutions and community groups, in various ways.

Economics aside, the social impact of current or any future job losses will be a disaster for the Geelong community. The very fabric of all Geelong's community building organisations and leadership development will suffer dramatically, if automotive manufacturing was to diminish or cease large scale operations in this city.

PROTECTION OR NO PROTECTION

TARIFFS & THE AUSTRALIAN DOLLAR

Why is Australia on a path to zero tariffs, when most other countries in our region seem to be travelling in the opposite direction?

For example, Australia's tariff on passenger motor vehicles is 10%, which is the same as applies in the European Union. In the United States its 2.5%, but more Americans buy trucks than cars, so this is why they have a truck tariff of 25%. Our local regional competitors such as China, India, Malaysia and South Africa amongst others maintain tariff anywhere from 25% up to 150%.

The reason why the Ford Territory is not exported to Thailand is a case in point. As Australia was signing an FTA with Thailand in 2004 the Thai authorities doubled the excise payable on an imported Australian Ford Territory to 50%.

The Productivity Commissions 2002 report into the Auto industry concluded that there were no economy wide benefits to be gained from reducing Australia's auto tariffs from 10% to 5%.

It is also useful to note that compared to the day that the Productivity Commission released its report on the auto industry back in August 2002, to the release of the Bracks Panel discussion paper at the end of March 2008, the Australian dollar has risen by 66% against the US dollar, and 40% against the Japanese Yen.

It is no wonder that Geelong and Australia's auto manufacturing industries are under serious competitive pressures.

Surely, common sense will prevail and Australia's current tariff levels will not be further eroded to the detriment of thousands more automotive industry workers.

FREE TRADE AGREEMENTS

The old 18th century concept of free trade has been resurrected and is alive and well in the 21st century. The notion that everyone in society must only do only what they do cheapest, might serve the big business interests, but not everyone in a society wants to be relegated to working in a few narrow fields of employment. Too bad if someone wants to pursue a cure for a disease or has some innovative ideas about automotive manufacturing. Free trade will dictate who does what and where it will be done.

About the only thing the Australia, U.S. Free Trade Agreement (AUSFTA) appears to have delivered for Geelong is to gut the city of auto manufacturing jobs and thus deny more people the opportunity to have a decent standard of living.

At the time of negotiation, economic experts warned it was not in the 'National Interest', as Australia would be unable to compete with the large economies of scale in the U.S.

The Geelong Business News reported in its July edition of 2004 (prior to the AUSFTA deal being signed by Australia):

'NIEIR boss Peter Brain said that there was a reasonable probability that the Americans would start to import high value added components into Australia as a result of the trade deal. These components could include instruments, brake and clutch systems, transmission systems and engines.'

'A study commissioned by the Victorian Department of Premier and Cabinet from the Centre of Policy Studies at Monash University found the overall impact on the automotive industry in Victoria would be significant, costing over 1100 full and part time jobs in the long run.'

Ford Australia's Government Affairs Manager, Russell Scoular told the Geelong Times (July 7th 2004 Edition), that there was limited potential for Australia to trade vehicles into the US even under an FTA.

However, in a brave show of blind faith, the government signed the deal anyway.

Since inception, statistics indicate that Australian exports to the U.S. in many sectors, including automotive and components are in a downturn.

'Forget about third world competition! We are now unable to even compete with a nation where wage rates in many cases are significantly higher than an equivalent Australian worker.'

The previous federal government also signed FTA's with Singapore and Thailand, at an estimated cost of 26,000 Australian manufacturing jobs.

There should be no further free trade agreements signed unless they also deliver benefit to Australian manufacturing workers. Only fair trade agreements, which are consistent with the renewal of the Australian auto industry, should be negotiated.

THE ACCUMULATIVE EFFECT & AFTERMATH

The imminent closure of the Ford Engine plant will see up to a 600 workers join a growing list of local job casualties, a direct result of a rising Australian dollar, free trade, drastic tariff reductions and over a decade long lack of policy and direction by the previous federal government.

Various economic studies demonstrate that when job losses of this nature occur, there is also a substantial flow on effect to other workers and economic sectors. For example, some economists have cited studies that show that between 2 and 7 jobs in total depend on every core job in an auto manufacturing plant.

In real terms, this means Geelong could be set to lose anywhere from 1200 to 4200 jobs, come mid 2010.

Ford Geelong also recently announced its intentions to downsize (via outsourcing) a large segment of the stamping facilities at a cost of around a further 75 jobs.

AUSTRALIAN LOYALTY

WHY DO WE HAVE AN AUTOMOTIVE INDUSTRY IN AUSTRALIA?

Should it be only to provide profits for overseas foreign owned companies? No! The principal reason we have built an automotive manufacturing industry in Australia is to provide a means for our workers, communities and our nation to prosper.

'The development of a skilled workforce in Australia protects our sovereignty and reduces national dependence on imports.'

Although these auto manufacturers are not Australian companies, they are of great importance to the national interest and must be protected.

These car companies are only looking, and have always only looked, at where they can make the most money for their overseas interests and will not hesitate to relocate to another cheaper country. This cannot be allowed to happen.

A great example of this is the rapid push to the East in Europe, West in Asia from Japan to Korea and now China and India, the south from North America and Canada to Mexico and Brazil. The reason for this global shift is not a charitable desire to help emerging economy countries, it's to maximise profits!

Continual outsourcing activities, both in country and from overseas, as demonstrated by the constant drop in local content, along with the cruel cost downs driving local suppliers out of business and the resulting job losses is clear indication of the foreign owned car companies intentions

So this indicates our loyalty should lay with our workers, our families, our communities and our nation. Every effort must be made to retain and expand these companies so as to continue to provide a means of survival and prosperity for all Australians.

GREEN CAR POLICY

A FUTURE FOR GEELONG

Geelong must share in any Government Green Car Policy outcomes. The region has a plentiful supply of skilled workers who could easily undertake this type of work, particularly when you consider the Ford Engine plant is expected to close by mid 2010. Leaving Geelong and its automotive workforce out of the green car industry would be a severe body blow, from which our community may never recover and will consign Geelong's auto industry to the pages of history.

Geelong's history and current workforce make it possible for Australia to design, develop and manufacture a hybrid powertrain and supply it to the world. Holden has proved engine export is a viable enterprise. Car companies would jump at the chance to buy in a hybrid engine where all design, development and manufacturing was done for them. Given the opportunity you could see the "Australian Hybrid Powertrain"(AHP) gracing automotive Marques world wide.

Australia is well positioned to take advantage of abundant supplies of natural gas. One element of Geelong's contribution to the development of new green technologies should be the application of natural gas in a powertrain system.

This would provide consumers with a low cost 'green' alternative, whilst at the same time alleviating Australia's heavy reliance on oil and related bi products. This concept would be well suited to six cylinder or four cylinder engines and Australia certainly has the innovative expertise to develop this concept into a reality.

We want Ford to stay in a meaningful way in Geelong and the green car policy to directly benefit the autoworkers of Geelong. We do not want our city transformed into a depressed rust belt and a community of welfare recipients!

GEELONG INNOVATIVE REGIONS CENTRE

The proposed Innovative Regions Centre earmarked for establishment at Deakin must have an automotive arm or focus and look to develop the "Australian Hybrid Powertrain"(AHP) or a "Green Engine".

This centre will need to work in a collaborative manner with the local community as it is extremely important any concepts generated as a result of this research and development creates jobs in the region for local people.

SUMMING UP

It would be fair to say history shows - that without government intervention/assistance and direction, Australia may have never bravely established and continually sustained an auto manufacturing industry, to the present day.

In the 21st century this certainly remains the case. As stipulated, if the government of the day does not continue to support and provide direction for the Australian industry, in all probability the industry will cease to exist.

Automotive manufacturing is a lucrative industry to have as a nation and the beneficial spin off effects are wide and varied. This is the reason why so many countries are trying to secure a piece of the action for their own communities and economies.

The Geelong community continues to rely heavily on auto manufacturing to provide decent jobs and opportunities for local working families. Apprenticeships, trade, engineering and many other highly skilled jobs are examples of the benefits auto manufacturing provides for our region and nation.

Geelong must share in any Government Green Car Policy outcomes and Ford needs to stay in a meaningful way in Geelong. Leaving Geelong and its automotive workforce out of the green car industry would be a body blow, from which our community may never recover and will consign Geelong's auto industry to the pages of history.

Our city has an abundance of existing infrastructure ideally suited for automotive manufacturing applications. Transport facilities including, road, rail, port and is in close proximity to a burgeoning airport. This is why Ford chose the location for its first Australian plant. All this coupled with a highly skilled automotive manufacturing workforce should mean our region is a Mecca for automotive manufacturing.

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