

Hysteria in car debate 'surprising'

Mathew Dunckley

Steve Bracks, the federal government's hand-picked champion of the automotive industry, says public investment in local car makers is needed to complete their journey to global competitiveness.

Mr Bracks led a review of the automotive sector for the Rudd government and is one of two federally appointed ambassadors for the industry at a time when the future of public assistance for car makers is under renewed scrutiny.

"It is surprising some of the hysteria in the debate," Mr Bracks told *The Australian Financial Review*.

"I don't think Australians want to see Australia just become a financial services and services sector economy with a fair bit of resource development. I think we are better than that."

Mr Bracks said the view expressed in his 2008 report had "not changed one bit" that there were crucial spillover benefits to other industries that made the automotive sector worth supporting.

"You have got to look at both sides of the ledger, the investment that the parent companies are putting in far outweighs any incentives or inducements ... that governments might give."

Mr Bracks said Holden would likely spend at least \$400 million if it did decide to build a new model car in Australia.

"I think the net benefit of that far outweighs any contribution a government might make. I would argue, on the ledger, the benefits are significant," he said.

"It is difficult to get that sort of inbound investment into Australia in many other ways."

Mr Bracks said examples of that



Steve Bracks ... car industry has crucial spillover benefits. Photo: JESSE MARLOW

included the role Australian manufacturers were playing on projects such as the joint strike fighter and in shipbuilding.

He said the transformation of the Australian industry, that his report argued required taxpayer support, was still continuing. "We shouldn't stop part the way through the transformation."

He defended the industry's record in adapting to changed consumer demands, pointing to Toyota's hybrid Camry and Holden's Cruze.

Mr Bracks said spending from the automotive industry made up about 14 per cent of the research and development expenditure for the entire manufacturing sector.

Those high-end design and engineering jobs would not be sustainable without local manufacturers, he said.

Mr Bracks said car component makers were also important and were making their presence felt globally through exports worth about \$1.8 billion a year.

"That represents a great export value to Australia larger than any

sector of agriculture, bigger than wheat, bigger than world ... are you saying that we will forego something like \$3.5 or \$4 billion in exports," he said.

Mr Bracks said automation and other advances had improved productivity in the sector but conceded there "can always be improvements".

"We have seen a significant level of co-operation between the industrial partners in the automotive sector," he said.

He disagreed with comments by Toyota Australia boss Max Yasuda about the flexibility of Australia's workplace, saying this country probably ranked near the middle of the spectrum internationally.

"We don't have the inflexible arrangements of Europe, like Germany where they are indentured in their jobs ... nor do we have the total flexibility of some countries like Thailand or South Korea," he said. "But there is not a lack of flexibility."

He also called for greater care in the crafting of free-trade agreements.

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