



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

ADJOURNMENT

Goods and Services Tax: Car Industry

SPEECH

Tuesday, 19 October 1999

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

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Questioner
Speaker Cox, David, MP

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Mr COX (Kingston) (10.49 pm)—The Minister for Industry, Science and Resources is putting in a feeble effort on behalf of the car makers who are faced with a crisis because of the government's transitional arrangements for the GST. Last week, he said the government was talking to the companies, that it did not want the car industry to suffer and it would act, if necessary. Senator Minchin has admitted there is a problem, but it is easier for him to make sympathetic noises than do anything about it.

Demand for new cars has slumped and the inventories of both the local car makers and the importers are building up across Australia. Yesterday, there were reports that inventories had reached three months supply, double the normal level of inventories in Australia. It is also about four times the level of inventories achieved by lean production manufacturers using best practice in Japan. What does that mean? The government expects the local car makers to carry the cost of inventory levels which are totally uncompetitive with the rest of the world. That cannot happen. There will be more stand-downs like the 3½ thousand laid off from Ford earlier this month. Ford has already scheduled several more down days at Broadmeadows and has warned that it might need more close downs if sales continue to fall. General Motors Holden's Chairman and Manager Director, Peter Hannenburger, said last week:

We have been very successful during a difficult period of falling sales of passenger vehicles over the past three months, but not even Holden can afford to build cars for the grass.

He refused to rule out down days if sales of the Commodore and Vectra, both built at Elizabeth, fail to keep pace with production. He said:

There is every indication something ugly is going to happen next year.

Why isn't the Minister for Industry, Science and Resources doing more than just making sympathetic noises in the face of this ugly outlook? The government's problem is that it would have to do something to restore car sales to their normal pattern, and that would be expensive. It has to cut the current wholesale sales tax rate for cars from 22 per cent to 13 per cent. That would cost around \$1,300 million over the rest of the financial year. On present trends, it is already set to lose about \$450 million in revenue this year because of lower demand and changes in the product mix.

Certainly, \$1,300 million is a great deal of money, but it has become very obvious that the Howard government has made a gigantic miscalculation in terms of the transitional effects on buyers of the introduction of the GST. Instead of the government wearing the cost of the transition, the burden has been left with the car makers and particularly workers in the car industry. The comparison that needs to be made here is with the treatment that the electrical goods industry got. They received a reduction in wholesale sales tax to ensure that there would be no buyers strike for what are mostly imported products.

Most of the reduction in car sales has come from fleet buyers who are concerned about the additional cost of purchases, because residual values on cars bought now will fall as a result of the general reductions in car prices of about \$2,000, on an average vehicle, resulting from the GST. For business buyers, the disincentive to buy after the GST comes in will be continued by the government's decision to deny access to GST input tax credits in 2000-01 and only 50 per cent access in 2001-02. With 72 per cent of locally produced cars supplying the fleet and business markets, the local car makers have been singled out for especially adverse GST treatment by the government.

Are we seeing any sign of the Minister for Industry, Science and Resources standing up for the car industry within the government? No, we are not. Are we seeing him stand up for the most important manufacturing industry in his home state of South Australia? No, we are not. This is a crisis entirely of the government's own making. What has the minister done? Last week, he threatened to withhold \$2 billion worth of assistance to the vehicle industry if the opposition insisted on a full review of the car industry before there is a further reduction in tariffs after the year 2000 and before the expiry of the new ACIS assistance arrangements in 2005.

A commitment to a review of the vehicle industry by 2003 would have been of material assistance to Mitsubishi in making its case to its parent company for approval to invest in the next model Magna, a decision expected in December or January. Labor has ensured that the Howard government is not given any excuse to hold up the provision of assistance to the car industry. We will now go to the next election with a clearly differentiated policy from that of the coalition. Labor's commitment is to hold a full public review of the car industry before there is a further reduction in tariffs.