

Is Australia becoming a service provider rather than a world leading manufacturing nation?

We have recently seen the total demise of the Australian vehicle manufacturing sector which will lead to the subsequent closure of many vehicle component and Original Equipment suppliers. Already in Australia we import the bulk of our clothing, footwear, electronically equipment, whitegoods all areas that until recently Australia could rightly say that we manufactured or made world best, all gone!

Australia's first mass produced locally made car was the Holden 215 (FX), which rolled off the production line in 1948 to great excitement . Australia could now take its place in the world as an advanced economy able to produce vehicles with the best of them.

The recent withdrawal of the last of the major car makers was inevitable, the industry has been in decline for years starting with Mitsubishi, which had closed its South Australian plant in 2008. Ford, was next with the announcement that they'd be gone by 2016, already Ford due to close its Geelong and Broadmeadows plants in 2016, announced earlier this month that it would start cutting about 300 jobs in June this year. Holden just prior to Christmas was next to go with the statement that 2017 would be their last year of local vehicle manufacture. Now Toyota joins the exodus, with their announcement that they'd close the Altona plant and cease all Australian vehicle manufacture by 2017.

At its peak the Australian vehicle manufactures produced in excess of 400,000 cars pa, last year 2013 that figure had dropped to 200,000, yet we bought a record 1.14 million cars last year. Did we make the wrong sort of car for our population, or where other factors at play?

Irrespective of style or engine size the industry was doomed, we simply didn't produce enough cars to make local manufacture viable. Our local costs are four times greater than the same product manufactured in Asia. Even European vehicle manufacture is currently running at 1/2 the cost of Australia per vehicle.

It's all about economies of scale and Australia doesn't have it.

Carmaking is a small and unprofitable part of the shrinking manufacturing sector, which employs relatively few, our economy is now dominated by services and the resource sector.

Already there is now the likelihood that we will see a flood of cheap 2nd hand vehicles (grey imports).

Cars Made locally in 2012	
Holden	85,000
Toyota	101,500
Ford	37,000
	223,500*
TOTAL NUMBER OF VEHICLES SOLD IN AUSTRALIA	
1.14 MILLION last Year	
* Includes vehicles manufactured for export.	

The moving offshore of our food processing plants has commenced already or is planned for the next few years.

Tariffs that have been put in place to protect Australian manufacturing are still in place even though we don't manufacture. Free trade agreements with some of the world's less developed food producers has seen an influx of a huge variety of some very interesting foods and textures coming into the country.

Victoria and South Australia both without vast mining interests are potentially going to be hardest hit, with limited scope for reemployment in like industries vast numbers will need to be retrained so they can refit back into the work force.

Alcoa has also announced that its 50-year-old aluminum smelter plus two rolling mills at Point Henry in Geelong Vic plus the Yennora NSW site, will close in August this year, with about 1,000 people losing their jobs.

The Forge Group has now joined this exodus, with almost 1500 employees joining the ever expanding ranks of the unemployed.

So is there an answer to rising unemployment which has now hit 6%?

Will scrapping the carbon and mining taxes, cutting regulations, addressing budget issues and reintroducing tougher building industry watchdogs, help Australia get back on its feet? .

Australia is undergoing an economic transition, Australia's future needs to increase growth. There will be a further drop-off in the labour intensive mining industry as the construction phase finishes and moves to the production phase, which requires fewer employees.

“The status quo is not an option, doing nothing is not an option. And that's why we have a plan and that's why we are trying to roll out our plan and that's why we want our political opponents to get on board.” Said the treasurer Joe Hockey recently.

Current decisions will change the face of industry in Australia forever.

The thinkers must now decide not only what any manufacturing jobs will look like in the future, but also what is needed now to ensure the success of these plans. The population is growing older so any plans will have to take into account the fact that by 2050 23% of the population will be over 65.

Manufacturing from the earliest days of Australia's economic development has been an important contributor to the nation's well being, combined with a borderless national market and tariff protection, Australia's small scale manufacturing sector flourished, accounting for 29% of Australian GDP in the 50's, however by the 70's Australian manufacturing was in decline, so that today manufacturing in Australia accounts for less than 10% of GDP, our lowest level since early colonial times.

There is no secret cause for this decline, higher work force wages, trade union demands for shorter hours and earlier retirement on full benefits, a huge welfare sector necessitating higher federal and state taxes, the costs for all this carried in part by the manufacturing sector, Australia's manufacturing has been rendered permanently uncompetitive against nations whose firms carry lighter burdens.

Without exceptional technical and entrepreneurial talent (The great brain drain), or a cultural tradition of producing highly prized goods, Australia with its high wages and welfare costs plus the small domestic market will struggle to ever make a success of manufacturing.

Can we expect our primary industries to retake their previously held leader of the pack position and will Australia be able to go forward “riding on the sheep's Back”?

The short answer is of course NO!

We will always have strong and dependable farming sector, but now the decisions are being made in overseas boardrooms, thanks to the selloff of most of Australia's major businesses. Throw in the occasional drought, flood or bushfire and the reliability factor comes into play.

What we need is a clear vision of where we are heading and what will the nation look like in 50 years time, plus what industries are we going to nurture to guarantee a prosperous future.

We need to stop focusing on the short term, we should be developing the skills, expertise and knowledge base of workers, so Australia can compete directly on the world market.

Governments, private investment as well as venture capital will all need to stump up to ensure a positive future.

We'll need to stimulate innovation, high-tech as well as niche products that are within our capacity.

We are still capable of re-establishing our manufacturing and engineering industries to world class standards.

Our medical researchers are leading the world with cancer, hearing and illness studies.

Yes we do have current problems, but if we approach them now with the attitude that this is an opportunity to develop a description about what new jobs should be created and what they will look like, plus take the steps to head in that direction, then the future has a more exciting and optimistic outlook to it.

