General Motors slashes jobs in Australia

By Terry Cook
22 September 2005

Many hundreds of jobs are being shed throughout Australia's car industry in the wake of General Motors Holden's decision to close down the third shift at its assembly plant at Elizabeth, an outer suburb of Adelaide in South Australia. GM Holden will axe up to 1,000 jobs by December and another 400 by the middle of next year, reducing the workforce at Australia's largest carmaker to about 4,300. Production at Elizabeth will be cut from 800 units daily to 620.

While the auto unions initially condemned the Holden layoffs, they soon made clear they would do nothing to defend jobs. In the absence of any union campaign—either at Holden, or during other car plant layoffs—and facing a precarious future, many GM workers have expressed interest in taking a voluntary redundancy package (VSP).

Last week, Australian Manufacturing Workers Union state secretary John Camillo said: "Quite a wall of people want the packages ... The next couple of weeks will show us whether Holden will get 800 to 900 or 1,000 people to pick up the VSP. I feel confident that they'll reach that mark."

Holden's restructuring—following the destruction of 1,000 jobs at Adelaide-based Mitsubishi Motor last year—is having a serious impact on jobs at related suppliers, in particular auto part manufacturers already hard-hit by the increasing shift by car companies to outsource component supply to cheaper producers in Asia.

In the wake of Holden's announcement, Ion Automotive said it would shed 200 jobs at its North Plympton plant in South Australia. Last December, Ion—which has supplied camshafts, thermostats and oil pans to Holden for the past 30 years—slashed 400 jobs at its nearby Wingfield plant.

Seatbelt and airbag manufacturer Autoliv will shed 500 jobs from its operations in Melbourne, Victoria while auto parts maker Trico will cut another 160 jobs. A further 280 jobs are under threat at Silcraft and Calsonic after Holden failed to renew contracts. Early in August, Pilkington Glass cut 120 jobs after losing a contract with Holden.

There are strong indications of further downsizing at Holden itself as the company attempts to maintain an edge in an increasingly competitive domestic and global market. Holden's chairman and managing director Denny Mooney warned last month: "[If] you look at where we are right now in 2005, our costs are too high and the competition frankly is too fierce and we've got to revise our production plan accordingly". Put in plain English, this means more sackings and speed up.

Last year, Holden exported a record 52,372 vehicles to the Middle East, Asia, the US and the UK, but last month the company said this level was "no longer sustainable". It cited rising steel prices, falling car import tariffs—down from 60 percent in 1980s to 10 percent now and due to fall a further 5 percent in 2010—and the effects of a strong Australian dollar.

Holden introduced the third shift at Elizabeth in 2003 to take advantage of an increase in export demand, with the Australian dollar at around 50 US cents and less than 60 yen. Since then, it has strengthened to nearly 80 US cents and 80 yen, making Australian exports more expensive. Having extracted much higher output from the third shift, Holden has reacted to a change in the market by dumping the workers on the employment scrapheap.

The Australian dollar is tipped to stay high for some time, fuelled by global demand for raw materials such as iron ore, coal, copper and alumina especially in China, creating conditions for more layoffs in manufacturing industries.

Holden's prospects in the domestic arena are also under growing pressure. There are presently 50 brands competing in Australia for what is by global standards a limited market—described by one Holden spokesman last month as "one of the most competitive markets in the world". Even though new car sales in Australia are tipped to exceed one million in 2005, only three in every ten cars sold is expected to be produced locally.

In addition, the global car market—on which Holden has been highly dependent—is becoming increasingly affected by over-capacity. Analysts estimate that the world's car factories can build 30 percent more cars than can be sold in any year. This year, China launched two car models for sale in both the domestic and international markets.

In this cutthroat environment, the slightest error in market assessment can cause entire enterprises to rapidly go to the wall. Market analysts have criticised Australian-based car

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producers for "putting all their eggs in one basket"—namely large model cars.

Holden stacked its hopes on the continuing popularity of its VE Commodore—the only sedan produced by the company. However, like a range of large cars churned out by other local producers, the VE Commodore has suffered plunging sales; down 3,400 units so far this year. The sales of Ford's Falcon have fallen about 7,000, while Toyota's V6 Camry has dropped 1,400. Mitsubishi has propped up its Magna by giving large discounts and extended warrantees that will eventually eat into profits and lead to further job-shedding.

While larger car sales in Australia declined by 10 percent, small car sales rose by 19.5 percent, but one-third were imported models. The trend in this direction could escalate in the months ahead in the wake of rising fuel prices.

Other attempts by Holden to increase its domestic market share ran into difficulties. These included spending $12 million to develop an all-wheel drive Commodore range of wagons and utilities in an effort to capture part of the domestic four-wheel drive market. By July, however, the company had sold only 657 all-wheel drive units—less than a day's production at its Elizabeth plant.

Holden has also been affected by the crisis besieging its US parent General Motors, which has debts totalling $300 million against a $20 billion capitalisation and has recently shed thousands of jobs. According to Graeme Maxton of the Economist Intelligence Unit: "GM is having to run the business for cash, therefore every money-saving option will be considered."

In February, GM cancelled a program to use the next model Commodore as the basis of large rear-drive cars for the company worldwide. The cancellation of the Zeta large car program meant less capital was available to develop the new Commodore. Maxton warned: "The Zeta debacle is a symptom of problems in GM that could crush the Australian operations."

The global economic conditions affecting Holden are not restricted to the car industry. They are undermining Australia's manufacturing industry as a whole, creating the conditions for further heavy job losses.

On September 7, the Australian Bureau of Statistics (ABS) recorded a 1.3 percent increase in Australia's GDP in the June quarter. The result, though better than market expectations, was mainly the outcome of the rise in global demand for raw materials.

Increases in the price of raw materials, however, are having a devastating impact on local manufacturing. An Australian Industry Group (AIG) survey showed that raw material costs have risen by an average of 11.7 percent across 12 manufacturing sectors—including the car industry. At the same time, energy costs rose 4.2 percent.

Manufacturing demand is also being hit by a slowdown in the construction sector. Just released ABS figures show the value of borrowing by housing investors fell by 5.6 percent in July to $5.3 billion. The value of new loans issued fell by 1.4 per cent nationally and borrowing by owner-occupiers was also "weak," particularly in the state of Victoria where they plunged by 3.6 percent following a 2.1 percent drop the previous month.

Giant building-materials manufacturing group Boral warned last month that it planned to temporarily close some of its plants in eastern states. The company forecast that housing activity would slump a further 5 to 10 percent in 2005-2006.

In addition, Australian manufacturing is facing intensifying competition from cheaper imported goods—everything from textiles to industrial machinery—from China and other Asian countries. According to the ABS, international merchandise imports jumped 6.3 percent in August to $13.8 billion. Miscellaneous manufactured articles increased 16.1 percent to more than $2 billion and imports of manufactured goods were up more than 10 percent to $1.6 billion. Machinery and transport equipment imports increased 2.4 percent to $5.9 billion.

The AIG and Pricewaterhouse Cooper manufacturing index estimates that manufacturing production declined 5.4 points to 43.3 in August, the lowest level since the index began in 2001, and the second straight month that it went below 50.

The developments at Holden are the sharpest indication of just how manufacturing companies are responding. In their drive to defend profits, they are acting ruthlessly to shift the burden onto the backs of ordinary working people—slashing working conditions and thousands more jobs.

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