



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



**HOUSE OF REPRESENTATIVES**

**PROOF**

**CAR DEALERSHIP FINANCING  
GUARANTEE APPROPRIATION BILL 2009**

**Second Reading**

**SPEECH**

**Wednesday, 27 May 2009**

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

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## SPEECH

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**Page** 77  
**Questioner**  
**Speaker** Tuckey, Wilson, MP

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**Responder**  
**Question No.**

**Mr TUCKEY** (O'Connor) (5.39 pm)—As the member for Corio informed the House, the Car Dealership Financing Guarantee Appropriation Bill 2009 is necessary and urgently required legislation simply because certain providers of capital, based primarily in the United States, decided that they had to repatriate the funds they had available to head office. As a consequence, the Australian retail and wholesale vehicle industry found itself in a position of not being able to finance even its stock on hand, which is known as floor plan. The government, by a fairly simple mechanism of guarantees—with a contingent liability which, in this case, I doubt will be called upon—was able to give security to the industry.

As the second reading speech informed us, even at this stage a number of car retailers and wholesalers are finding that alternative opportunities are appearing. It has always been a very profitable sector for the finance industry, and within Australia it is surprising how few people do not pay their debts of this nature. It is not a bad bet, because an interesting aspect of this particular form of financing is that the security of a vehicle is well known. More particularly, as I experienced for many years in the earthmoving industry, we would go to the finance companies to finance things like Caterpillar graders that were often worth more when you traded them in than the cash price you paid for them originally. We were still charged usurious interest rates on an item that was better than a block of land. It had a fairly well-defined value and the only risk, really, was that it might not have been adequately maintained during its working life. It tended to maintain its value in nominal terms and, of course, if it could not be sold in one locality, then, unlike a block of land or a building, it could be shifted to where the market was more prosperous. I just make that point in passing because I remember cursing that on many occasions when I was in the earthmoving business.

The reality is that quick action by the government on this occasion was appropriate, but it did not load future generations with a potential debt. In racing terms, it was a pretty good bet. The member for Corio, who has now left the chamber, made two remarks that I thought were interesting, considering my wider view of the future of the motor car industry and, more particularly, vehicle manufacturing in Australia. He talked about the industry doing it tough. Significantly and more particularly, whilst Australian manufactured vehicles

are primarily sold into the fleet market, that is an area where suddenly businesses are saying: 'Yes, things are tough. We'll extend the useful life of vehicles we have'—under whatever arrangement. So there are fewer sales occurring. The member for Corio also talked about a double blow. To the government's credit, there was no double blow in the availability of finance in this particular sector.

In the much publicised debate on emissions trading schemes that we listened to yesterday it was pointed out that the Obama administration has now managed to get some terms of reference—if you like, a draft bill—through its own party structures, which are much more flexible and fluid in America compared with the discipline that applies to major parties in this country. They have put through a set of issues that will eventually be debated in congress. That probably will be made even more generous to the manufacturing sector in that country but, as it exists, a trade exposed industry—and for the purposes of this debate read 'car manufacturing'—will get a 100 per cent exemption. All such trade exposed industries under the bill at its present level of generosity will get that particular exemption. Under the draft bill, they will also have it for about three or four times longer than is proposed under the legislation introduced into this place.

One only has to look at the fact that, with billions of dollars of taxpayers' money, the major American owned manufacturers are being restructured, and under those arrangements it is patently obvious that some of the huge cost burdens they have carried—for instance, their health funds, which I have read previously cost about US\$1,500 a motor car—are to be restructured. There are discussions about how that is happening and one proposal might be that a union health fund gets a lot of shares and will then rely on the profitability of the company to fund the health services of their members. Nevertheless, the cost of building motor vehicles in the US is going to fall.

As the wider implications for these companies—like GM, which it appears is going to sell its German manufacturing arm, Opel, as part of its restructure—become known, the question in the boardrooms in Detroit is going to be about this. 'We are now restructured and we now make vehicles cheaper, and the more we can sell anywhere in the world, the cheaper they will get,' they will say. What is more, it has always

been the case in the motor car industry that the price has been relevant to the local preparedness to pay, and the profits have been averaged across different markets. So the board members over there are saying: 'Things are starting to look pretty good. Furthermore, those dopey cows down in Australia have decided to increase the operating cost of General Motors Holden. We can export our cars over there to the advantage of our business here in Detroit and sell them much more competitively than trying to continue to make them in Australia.'

Now what does that mean? What if the board of Ford are coming to the same conclusion? Then there is whatever state Chrysler might be in and whether it is going to be Fiat or whatever. I do not know how other people are experiencing their driving at present but I keep noticing more and more American built Jeeps on the roads of Perth. They are fully built up vehicles coming from somewhere else and competing, I would imagine, with the Ford Territory. Recently they have put out these 'You can do it' TV ads, where they are cutting the prices of all of those vehicles and making them extremely competitive. So what is going to happen? A doing-it-tough double blow.

The second component of the double blow has been removed by this legislation, and I welcome it. But there is another time bomb sitting there for the Australian manufacturing industry. Of course we now acknowledge that the Chinese have outgrown tin cans and—this was pointed out to me the other day—where once they were the great international patent infringers of the world, they are now actually having court cases within their own country protecting patent rights. They have proved in so many ways that they just get better at things. I do not care what happens at Copenhagen, but I know they will not penalise their trade exposed industries.

Considering my interest in a renewable solution to emissions and in light of the great job opportunities that that would generate as well as, to my mind, cheaper electricity—and I might come back to this in a minute—I have read with great interest that they have gone out into the desert on the Silk Road, where the wind has blown sand into people's eyes for centuries, to harvest the wind. They are currently building the longest high-voltage DC line in the world—2,000 kilometres long—so they can better transfer electricity with the minimum loss of energy. It is a 6.6-gigawatt capacity line. That is pretty big. It is twice the generating capacity, by the same measurement, of all Western Australia—and they are building it now. Why are they building it? So that their manufacturing sector on the east coast can have green power from their huge hydro resources and these wind and other resources. So, whilst they might

go along to Copenhagen and accept some targets, they are not going to do it at the cost of their industry.

Some will hoo-ha this little lecture that I am giving to the House—typically, there are not many around to listen to it—but I have a very funny feeling that I will be very sadly saying, 'I told you so'—as I have done on other occasions with speeches made in this place—when all these circumstances come together and the owners of General Motors Holden and Ford Australia and probably Toyota too say, 'Sorry, we've got this ultracheap means of transporting fully built up cars around Australia'—you only have to see those huge ships coming in now—'so we're not going to manufacture in Australia.' Mitsubishi have made that decision and Nissan made it years ago. The GMs and all those are going to have a tough enough time anyway, and I want to talk a little bit about that on the other side of the ledger. Those companies face extinction if one additional ounce of burden is placed upon them, and let us hope their unions do not go silly under the laws that will come in in a month or so.

I have written to the Secretary of the AWMU drawing this matter to his attention, and not in a dog-in-the-manger way but enclosing what I have been promoting—which I could never get into the head of John Howard, I have to say—as the solution to the climate change issue without destroying the economy. I will be interested to know if this fellow has real concern for his workforce, which totals about 40,000 or 50,000 Australians who are involved just in the vehicle manufacturing sector, to say nothing of the retail sector, which this legislation has a lot to say about and who number even more, although they will survive. They will still be here and they will be okay, because they will be selling fully built up American motor cars. People will still buy them and they are going to be better and cheaper—their price will line up with that of the Chinese. It is going to be tough anyway, but why would this parliament be contemplating a set of rules when the simple solution for those most affected is to pack up and go somewhere where there is a better deal, at whatever level that might be?

I just cannot believe the carpetbaggers at the Business Council, who only see the opportunity to have a new derivative so they can trade in fresh air. They say, 'We want certainty.' I know what 'certainty' is. They want to know whether they are going to leave town or not. It is not: 'Once we have the certainty we will go back to our shareholders in this economic climate and ask them for a few more billion dollars so we can reconstruct our industries.' No, they will just run them down, and they will otherwise start investing overseas.

It gets pretty dreadful, because we have very few other problems in Australia like what I call Kakadon't. Some of you may have read the article in the *Australian*

about Kakadu: is it Kakadu or Kakadon't? The journalist came down on the side of Kakadon't. That is a disease throughout Australia. It was a challenge that we failed. It is a challenge I hope the Western Australian government is going to do something about, and we got a little bit of encouragement the other day that we are actually going to get an LNG plant in the Pilbara. But here we are with this government still sneaking along under the minister for the environment, still holding a heritage inquiry into 6,000 kilometres of rock and sand called the Kimberley, which includes the occasional waterfall. And there sits an energy generation capacity equal to all the energy consumed in Australia.

Now we have another option. Instead of pumping gas down pipelines—and the existing pipeline between the Pilbara and Perth consumes 250 megawatts of energy in pumping the gas, with 700,000 tonnes of emissions—the first thing we should be doing now in meeting the additional power supplies of Perth and the nation is generating gas energy in the Pilbara for the use of the Pilbara and for transmission with high-voltage DC to the Western Australian grid and onwards to South Australia and the rest of Australia. People talked—Rex Connor and others—of putting a pipeline across the middle of Australia. Much better: just send the electricity. But, having done that and extending that to the LNG place at James Price Point, you are on the doorstep of the tidal region, and then it is attractive for some investor to do it. I just want to say that this car industry is under dreadful threat—a double blow, according to the member for Corio—because of other legislation in this place that probably will not work and that is the wrong solution.

I want to make another point in the few minutes I have left to speak tonight. I took an immediate positive view to the GM crash. One of their announcements was: 'We're going to drop Pontiac.' One of their major Pontiac brands happens to be made in Australia—over here it was known as the Camaro. More particularly, and I drive one, there is the six-litre SS V8. In writing to the chief executive of GMH, I told him what a good motor car it was. I listed myself as some sort of expert, having once owned a Delahaye, once smashed up a Lamborghini, driven just about every imported American car from time to time—and I forgot to tell him I had also had a Jaguar and a Mercedes. I think I am some sort of judge and I think that car stands up very well in that company. I said to him: 'What are we going to do? Are we just going to cop it, or do you write to GM in Detroit and say: "Send the Pontiac brand name out to Australia. If you don't want to retail our cars, we'll sell them on the internet."' That sounds funny and silly, doesn't it? But tell that to Dell, and tell it to the people who sell their second-hand vehicles on the internet. When you start talking about maintenance and

all of that, in my state we have a crowd called Auto Masters. They are a chain, a franchise, of repairmen. I do not know if they are in other states, or how many there would be in America.

If you can escape the ETS, there are opportunities for Australia's manufacturers to become niche marketers with special vehicles. Yes, they use a bit more petrol, but some people want them, and rear-wheel drive is another factor. That is my proposition of a positive nature. All that, of course, disappears if the ETS drives these companies back to their base in America and these other places. I just think that is so important. You do not need finance for motor cars you do not make. There is a real challenge there. I appreciate that the father-in-law of the Parliamentary Secretary for Regional Development and Northern Australia, who is sitting at the table, would be cheering with every word I am saying. He has this funny belief that, in the Labor Party, jobs for workers come first, and he and I took a strong view in that regard in protecting forest workers' jobs. We lost the jobs, and we lost 170 lives recently because of their absence from the forests, which is another tragedy. Anyway, my best wishes to your father-in-law. (*Time expired*)