

# GODFREY OFFICE EQUIPMENT PTY. LTD.

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16 June 2000

The Commissioners  
Productivity Commission  
PO Box 80  
BELCONNEN ACT 2616

Commissioners,

### RE: REVIEW OF AUSTRALIA'S GENERAL TARIFF ARRANGEMENTS

I write to you at the suggestion of the Hon John Olsen, Premier of South Australia (see attached copy of his letter dated 17 May 2000).

I had written to both the Hon John Olsen and Senator Nick Minchin on two separate but closely related matters pertaining to the decline of the manufacturing industry in South Australia. I was inspired to write these letters upon the placing in the hands of the receiver the much respected Perry Engineering, a South Australian manufacturing stalwart of over 100 years and the closure of the leather tannery operated by another South Australian stalwart, GH Michell & Sons (Australia) Pty Ltd. Copies of these letters and the articles which inspired me to write are enclosed for your interest and convenience.

Godfrey Office Equipment Pty Ltd was founded in 1954 when it began producing steel filing cabinets for the Australian market. Similar to many other industries established at that time we were able to give employment to the growing number of workers in Australia. With a great deal of hard work we competed against imports quite successfully because we had governments encouraging us and Australians were patriotic to local business enterprises. Both realised the value of supporting Australian manufacturers, to reduce or eliminate imports, to maintain a healthy balance of payments and give full employment to our citizens.

We operated very successfully against both local and overseas competition in both quality and price until the beginning of the 90's. At about this time tariffs were reduced and like many other manufacturers in a broad range of industries we found it difficult to compete against cheaper imports from Asian manufacturers who were advancing dramatically in their manufacturing techniques due to the governments assistance and protection. We cannot export to India because they have a 150% protective tariff or to Malaysia which has a 30% protective tariff but their products come into Australia for a 5% tariff which you want to remove.

We have endeavoured to compete but were faced with many rising overhead burdens such as staff superannuation, rising workers compensation costs, rising wages and staff benefits, reduced working hours and a multitude of other various costs beyond our control.

### **LABOUR, MATERIAL AND SUNDRY COSTS**

We are expected to successfully compete against Far Eastern manufacturers whose steel costs about 2/3 of ours and labour about 10-20%.

There are other burdens! Compare our industry workers compensation rate of 7.5% to the 2.5% applicable to those who assemble imported products.

Do you realise shipping costs into any city in Australia are the same, but transport costs to any Australian manufacturer to other capital cities are enormous. Imagine our costs to send our products to Brisbane or 2,800 kms to Perth!

### **COMPETITION**

One of the objectives of reduced tariffs is to force complacent local industry into becoming internationally competitive and efficient. This of course is good up to a certain point. A little research by you will confirm that manufacturers in my industry face strong competition from other Australian manufacturers which has created high quality products at a low price. Earlier competition from cheap imports may have enhanced this but reductions in tariff protection have fallen much past the sensible level.

### **EMPLOYMENT**

Ten years ago we had a thriving manufacturing business employing 60 persons over two shifts and still expanding. Now less than 20 persons produce about 1/3 of the output in one shift even using the very latest machinery and tooling. Have you any feeling for those other 40 workers who filled an excellent role with us and would still enjoy to be here but now form part of our unhappy, deprived mass of unemployed. They owe their present predicament to tariff reductions.

If you are considering removing the last 5% tariff protection, please do ask our present staff what they think of the issue. Their jobs and future rests in your hands.

### **PASSENGER MOTOR VEHICLES AND TEXTILES CLOTHING AND FOOTWEAR SECTORS**

It has been seen fit to assist these industries by reducing tariffs at lower rate in order to protect those industries and their workers. Why do you discriminate against the balance of the manufacturers who are working equally hard to maintain viable industry in Australia? The discrimination has arisen because those industries are large and have a loud voice to which the government listens. The balance of Australian industry is just as important in every respect but being more fragmented does not have a single uniform and powerful voice. May I shout for them the message loudly and clearly for your understanding.

## **SKILLED AND UNSKILLED STAFF**

Reduced tariffs are throwing both skilled and unskilled workers on the scrap heap. Australia has a great work force and we, hopefully like you, wish to see them gainfully employed thus continuing the wonderful Australian image of happy families enjoying a high standard of living in a delightful environment. Please do not destroy that lifestyle.

Concern has been expressed about the brain drain from Australia. Let me tell you about my two sons, aged 40 and 42 who have, since birth, been trained to become industrialists and hopefully build upon and exceed their father's achievements. Each has Adelaide University degrees in both mechanical engineering and business management and received further training overseas. They are superbly equipped to be leaders of industry in this country and I am sure Australia is grateful to have many men of this calibre to take our country to greater heights in its secondary industry. May I stress that past tariff reductions have darkened their future and any further reductions will undoubtedly see the closure of our manufacturing plant with the loss of further jobs. With the decline of manufacturing in Australia it is quite obvious that they would find enormous difficulty in finding employment which could utilise their superior skills and experience. Most certainly they would leave Australia.

## **DEFENCE**

I do wonder how our colleagues in the Defence Department view the closing of Australian manufacturing industry. It leaves them (and us) most vulnerable. Where will they obtain their equipment? They may not want filing cabinets but they will certainly want sheet metal components such as cartridge cases which we could manufacture. They may find enormous difficulties obtaining these and other supplies from overseas. Please remember when you have killed Australian industry, it is dead and cannot be revived, especially at short notice during a time of hostilities.

Because of rising costs the bearing manufacturer Australian Timken Pty Ltd closed its manufacturing plant two years ago, the last in Australia. Where will the army, navy and airforce obtain replacement bearings for existing equipment? Imported from the enemy or await slow shipments from overseas that could be sunk before reaching Australia?

## **COMMUNITY BENEFITS**

I am not a trained social worker but I still understand, as described above, gainfully employed persons are usually happy, and fit into our society, remaining mainly free from crime and the devastating effects of drug abuse. We all know that those unfortunate enough to be unemployed can become depressed, can turn to crime to improve their lifestyle or while away their time or turn to drugs with the consequences so serious and so well known that there is no need for me to list them here.

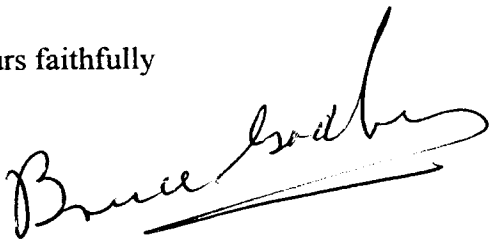
I believe I speak for the greatest proportion of Australian industrialists. There are pockets of industry that, because of special circumstances are thriving and it is a pleasure to see them doing so.

Please, however, recognise that while the remaining manufacturers are striving in many ways to keep their industries afloat and successful, the opportunities are limited and many will continue to fall by the wayside. Their future success is much more in your hands than their own; they are doing their best under difficult circumstances but need your help.

Does the government have any assistance available to those industries that succumb and have the enormous expense of closing down their plants, paying off staff with their accumulated and legislated benefits from profits that don't exist because they have been eroded, and the enormous loss on their real estate, plant and equipment for which there is little demand?

Please do not destroy the remaining Australian industry and the future of those people who work in it by lowering tariffs any further.

Yours faithfully



**BRUCE K F GODFREY**

cc: Mr John Olsen, Premier  
Mr John Howard, Prime Minister  
Senator Nick Minchin  
Mr M Rann, Leader of Opposition  
Mr Joe Scalzi, Member for Hartley

Mr Chris Pyne, Member for Sturt  
Mr Peter Vaughan, Employers' Chamber  
Mr David Michell, GH Michell & Sons  
Mr Griffiths, Perry Engineering

THE PREMIER  
OF SOUTH AUSTRALIA  
Hon John Olsen



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South Australia  
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Email  
premier@sa.gov.au

00P01840

Mr Bruce K F Godfrey  
Godfrey Office Equipment Pty Ltd  
PO Box 246  
MARDEN SA 5070

Dear Mr Godfrey

Thank you for your recent letters concerning Australia's manufacturing industry and for your support of my Government.

The South Australian Government is committed to providing a business environment in South Australia that fosters development and growth in local industries.

In developing this business environment the Government will continue to argue the case for South Australian industry when it comes to Commonwealth Government policy decisions. A recent example of this was the successful lobbying of Canberra to freeze automotive tariffs to 2005, a major boost for the South Australian automotive industry.

You may be aware that the Productivity Commission is currently conducting an inquiry into Australia's General Tariff regime. The State Government has prepared a submission to this inquiry, arguing that further tariff reductions should be on the basis of market access issues in export markets, as well as producing a net economic benefit to Australia.

The Productivity Commission released a draft report on the 25 May 2000 that recommends that tariffs of 5% or under be abolished by 1 July 2001. Can I suggest if you feel strongly about this recommendation that you submit a response to the Productivity Commission arguing your position.

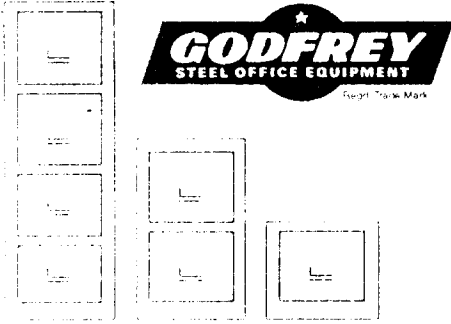
I thank you for your concern.

Yours sincerely

A large, stylized handwritten signature in black ink, appearing to be "John Olsen".

JOHN OLSEN  
Premier

6/16/2000



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17 May 2000

Hon John Olsen  
The Premier of South Australia  
GPO Box 2343  
ADELAIDE SA 5001

Dear Mr Olsen

Like so many other South Australians, members of this company were horrified to read of the demise of Perry Engineering, formerly one of South Australia's stalwarts. They are another catastrophe in a long line of manufacturers that were formerly part of the success of South Australia, but are now dead and buried.

It was not 100 years ago but only 47 years ago that with my bare hands, starting from nothing, I produced a successful South Australian manufacturing company that is known and respected Australia wide for its high quality products at a good price and bearing a reputation of unsurpassed integrity. Ten years ago we employed 60 persons working two shifts and still expanding, but today we barely manage 20 persons working one shift.

During the past three years our company has received from your State Government, more encouragement and direct assistance than in any of its former years, so I strongly disagree with those levelling criticism at your State Government for the plight of the State's manufacturers. You inherited a dreadful mess and are tackling it in a credible manner and yet still able to provide assistance and understanding.

The enormous problems facing manufacturing industry in Australia emanate in my opinion almost 100% from the Commonwealth Government. They expect my company (and others) to successfully compete against Far Eastern manufacturers whose steel only costs two thirds of ours and labour between 10-20% and give us a mere 5% tariff protection. They have locked this country into international agreements that cause havoc with secondary industry which results in an adverse balance of trade, high unemployment and its associated social problems.

May I respectfully suggest that your secondary industry would be better served if your critics joined with you and harmoniously and forcefully approached the Commonwealth Government. I am convinced neither Commonwealth party is in touch with or understands the plight of Australia's secondary industry. Perhaps you can convince them, they won't listen to me or my fellow manufacturers.

Yours sincerely

**BRUCE K F GODFREY**

cc: Mr John Howard, Prime Minister  
Mr M Rann, Leader of Opposition  
Mr Joe Scalzi, Member for Hartley  
Senator Nick Minchin

Mr Chris Pyne, Member for Sturt  
Employers' Chamber  
Mr Griffiths MD, Perry Engineering

# Ailing Perry sacks 40 staff

By BEN HOOPER

FORTY workers have been sacked from the troubled Perry Engineering group.

The workers, mostly blue-collar staff from Perry's sister company Pope Electric, learned of their sacking at a meeting yesterday morning at the Mile End plant.

Perry, one of South Australia's oldest companies, was put into the hands of a receiver, Ernst and Young partner Tony Smith, after plunging into "severe financial difficulty".

The appointment, made on Monday, placed about 130 jobs in jeopardy.

Australian Workers Union organiser John Braithwaite told *The Advertiser* yesterday 35 of the 37 staff from Pope Electric, which sold off most of its assets about six months ago, were sacked along with another five from Perry Engineering.

Many of the workers were angry at being "thrown on the scrap heap and left out to dry", he said.

Some had spent more than 40 years with the company.

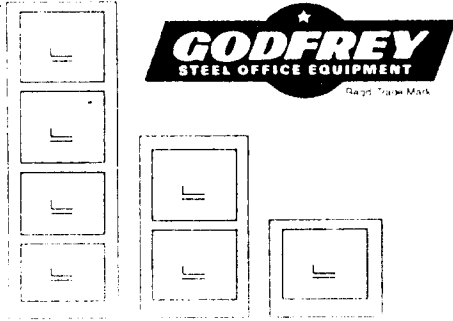
The workers will be paid owed wages but entitlements including long-service leave, annual leave, severance and redundancy pay were not offered.

"Obviously they are angry at the way the place has been managed. They are angry that entitlements they have worked for have been eroded."

Mr Braithwaite said he expected further terminations soon.

Receiver Mr Smith said those sacked had been found to be "surplus to the company's requirements" and there was no choice.

Mr Smith could not rule out further sackings while he conducted a review of the business operations to decide whether it could be sold as a going concern.



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25 May 2000

Senator the Hon Nick Minchin  
Minister for Industry, Science & Resources  
100 King William Street  
ADELAIDE SA 5000

Dear Senator Minchin

I totally support your attack on the State Opposition pointing out that the damage done to much of South Australia's manufacturing industry arose out of the previous labour governments gross mismanagement of the State funds emanating primarily from the State Bank debacle (refer Advertiser 24/5/00 - "Minchin fires march broadside").

This belief was referred to in my recent letter to our State Premier, Mr Olsen a copy of which was sent to you and another is attached for your convenience.

It may seem unusual but it is true that as an industrialist for nearly 50 years I support the workers with their concern about manufacturing industry not only in South Australia but throughout all Australia.

The four employers represented are but a small number of the manufacturers in this State that are ailing while many others are dead and buried. I won't mention their names here the list would be too long.

Much of the demise of the manufacturing industry in Australia arose from ill conceived reductions in general tariff protections and ridiculous acceptance of certain international trade agreements. Your Government shares the responsibility for these with the Hawke and Keating governments. It is a shame you have not seen the damage to general manufacturing industry that they commenced and put a stop to it rather than support it.

Our company was a healthy growing organisation of some 60 employees 10 years ago but has gradually reduced to less than half, while we endeavour to compete on the level playing field that does not exist. In the last month we have found it necessary to dismiss a further 12 factory workers - they are the victims of the pre GST "buyers strike" as our industry awaits the elimination of our current +22% WST.

It was nice of you to point out that the Howard government had acted to freeze tariffs temporarily in the automotive industry. What really is happening is that you are slowing down their death. However, many other manufacturing industries do not even have this breath of fresh air for the tariffs in our industry are a mere 5% and have been so since the early 1990's.



My sympathy is with the worker and his son (pictured). The fathers concern for his sons future is very real. Likewise my concern for the future of my two sons is equally great. They are 40 and 42 and since birth have been trained to become industrialists and hopefully to build upon and exceed their fathers achievements. Each has Adelaide University degrees in both engineering and business management and further training overseas. Thus they are superbly equipped to be leaders of industry in this country. Australia should be grateful to have these leaders to take our country to greater achievements in its secondary industry.

But you are destroying them, throwing them on the industrial waste heap along with other industries and workers.

You are a busy person so I will shorten this letter by omitting many other sound arguments in supporting my pleadings for your help and understanding for Australia's secondary industry.

As Minister for Industry, Science & Resources you should be more aware than your colleagues of the importance of adding value to our countries enormous mineral and agricultural resources through secondary industry. Our decreasing balance of payments, rising unemployment and associated social problems, will never improve unless the current decline is reversed. The opportunities open to this wonderful country will be lost. Please don't be guilty of turning a blind eye to what is really happening in the community.

Please remember, you must act now. Dead and buried industries will not come back.

Yours faithfully

**BRUCE K F GODFREY**

PS Since dictating this letter we have read of the closure and sacking of workers at the Michell Leather Tannery. The reason - reduction in tariffs. How many more deaths do we need for you to get the Howard Government to act?

cc: Mr John Olsen, Premier  
Mr John Howard, Prime Minister  
Mr M Rann, Leader of Opposition  
Mr Joe Scalzi, Member for Hartley

Mr Chris Pyne, Member for Sturt  
Mr Peter Vaughan, Employers' Chamber  
Mr Griffiths MD, Perry Engineering  
Mr David Michell, Michell Leather

# Minchin fires march broadside

By Political Reporter  
DAVID ECCLES

FEDERAL Industry Minister Nick Minchin bitterly attacked the State Opposition and unions after more than 300 workers yesterday marched through city streets.

The workers were protesting against ongoing job losses in the state's ailing heavy engineering and manufacturing industries.

Senator Minchin branded the march - organised by Australian Submarine Corporation workers concerned about the future of hundreds of jobs - as "nothing more than a carefully orchestrated stunt designed to conceal the damage done to South Australia's manufacturing base under the previous Labor Government".

Workers from the Australian Submarine Corporation, Mitsubishi, Mobil and Perry Engineering protested outside Senator Minchin's King William St office and held a minute's silence for lost jobs.

They continued on to Parliament House to criticise the Olsen Government on claims there was inexorable decline in the state's manufacturing base.

More than 700 job losses have been announced at the four sites so far this year, with uncertainty over the future of the ASC at Osborne - due to the



**BLEAK OUTLOOK:** Shaun Kennedy with son Lachlan.

Federal Government's intervention in an ownership issue - prompting ASC management to warn a further 500 jobs face the axe by November.

ASC workers bore a coffin symbolising the threat of death to what has been called the country's biggest engineering feat since the Snowy River scheme.

Senator Minchin said 36,000 more South Australians had obtained jobs under the Howard Government and contrasted its record with that of federal and

state Labor governments. The Howard Government was committed to fixing Labor's "hopeless mismanagement" of the ASC and was attempting to ensure as much work as possible continued to be done at Osborne, he said.

Senator Minchin dismissed claims a pre-GST "buyer's strike" had harmed the car industry, saying it was set to record its third highest sales figures ever, while the Howard Government had acted to freeze tariffs and give SA car manufacturers \$1 billion from an automotive investment fund to operate from July.

Premier Olsen told Parliament yesterday the state's manufacturing industries were set to change dramatically due to global pressures but his government was looking at ways to improve job security.

ASC worker Shaun Kennedy, 34, carrying son Lachlan, 2, at the march said he feared not only for his rigging job, but for local manufacturing and the employment future of his two children.

"I might have to move interstate to ensure there's employment for me, and for them in the years to come," Mr Kennedy said.

# Tannery sacks final 30 workers

By Political Reporter  
DAVID ECCLES

THE decline of Michell Leather tannery ended yesterday with the sacking of the last 30 workers.

The Liquor, Hospitality and Miscellaneous Workers Union said the firm announced it would dismiss its remaining workers and close its West Thebarton doors on June 9.

Until recently the plant was the state's largest tannery, with more than 100 workers.

Its decline began in February last year after 40 staff were sacked due to a slump in exports.

Prices for sheepskins, exported mainly to Russia, had dropped to the point where it was no longer viable to process them.

Another 70 workers were told in November they would lose their jobs, leading to brief industrial action over redundancy packages.

The final 30 workers were told yesterday they would be out of work within weeks.

Union state secretary Mark Butler said the textile industry, like many others in South Australia, was under pressure.

"This is another example of a manufacturing industry lost to this state, and it is about time the State Government woke up to the demise of manufacturing in this state," Mr Butler said.

Federal Government tariff reduction policies meant job losses in the textile and other industries, he said.