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TRANSNATIONAL CORPORATE PLANNING AND NATIONAL INDUSTRIAL PLANNING: THE CASE OF THE FORD MOTOR COMPANY IN AUSTRALIA[1]

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Ford Australia made two announcements on the 9th February 1994. One was for the closure of the Sydney Assembly Plant at Homebush in September 1994, and the end of production of the Ford Laser. The other was that the Ford Capri sports car would cease production in May 1994. This created much media interest for a couple of days, and then the issue disappeared. A few days earlier Mitsubishi confirmed plans to inject $500 million in the development and production of a new Magna model for 1996, with continued export to Europe and the U.S. of this vehicle in station wagon form. In contrast to Ford's announcements, Mitsubishi's plans attracted virtually no media interest.

The two items together encapsulate the dramatic structural changes currently going on in the Australian motor vehicle industry. In the mid-1980's Ford Australia was the undisputed leader in this industry. It had the largest market share and was the only one of the then five manufacturers consistently making profits. In February 1994, Ford Australia was the only manufacturer which had not made a long-term commitment concerning its future in Australia. Nissan abandoned local production in 1992. Toyota and Holden merged most of their

1 I am grateful to Neil Hart, Carmel Hurley and JAPE referees for their helpful comments on earlier drafts of this paper.

manufacturing productions, with the rest of their manufacture locked into strong export to other parts of their respective global networks. Mitsubishi dumped its small Colt to produce only one car world-wide, the Magna, and committed itself to some Australian Magna production.

Ford Australia's position in early 1994 was the result of an interplay of two types of planning processes over the last 15 years. The first was national state industrial planning in the form of various Federal Government motor vehicle industry car plans. The second was the more important corporate planning of large transnationals that control the Australian motor vehicle industry. This paper analyses the interplay of these planning processes on Ford Australia and their implications for its fixed investment. It provides an appreciation of the options available to the last major uncommitted player in the Australian motor vehicle industry - Ford Australia. This case study illustrates how national industrial planning can be either in accord with transnational corporate planning ("dependent development") or a challenge to it.

Ford Australia is placed within two contexts - the historical background of the Australian motor vehicle industry; and the framework of interplay between the industry's globalisation plans and domestic government industry policy. Two issues are explored. First is how national industrial planning relates to transnational corporate planning. Second is the nature of this transnational corporate planning and its implications for fixed investment in a small open economy like Australia. The conclusion outlines an alternative, multi-faceted managed approach to industry policy which takes account of Ford Australia's recent experiences.

Background

In Australia, the manufacture of motor vehicles is highly concentrated and totally foreign controlled; it has been virtually like this since the late 1930's (Wrenford, 1981:167). The "motor vehicle industry" here refers to producers and importers of complete motor vehicles, whether from domestic or imported components. All are overseas owned transnational corporations. The producers either purely assemble components brought in from other companies or produce some of the components themselves.

The "automotive industry" refers to all firms involved in the production of some aspect of any motor vehicle. As at February 1994, the latter consisted of four producers, nine importers, and over 500 local specialist component manufacturers (most of which are very small). Component producers are generally locked-in to supplying one (or more) major producer(s).

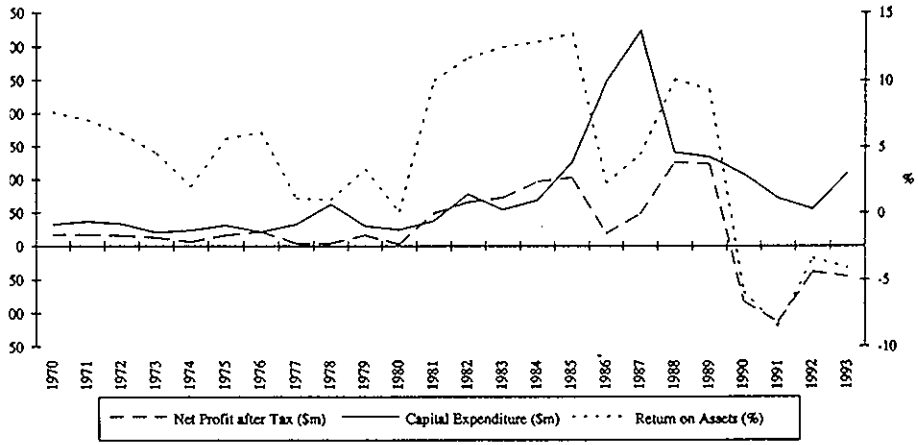
The motor vehicle industry is typically characterised as a price leadership industry. An early 1970's survey of the Australian motor vehicle industry concluded that the medium-sized Holden car, as market leader, was the basis of all the cost-plus pricing decisions adopted by all firms (Stubbs, 1972:134-5). More recent studies have shown that price leadership still continues; only the leader changes based on market share dominance (de Silva, 1989; AIA, 1990). Discounting occurs at the retail level, generally in the form of trade-ins, as a sales promotion without a general price cutting process. This restrained price competition together with volatile sales of vehicles, due to their durable nature and the long planning horizon for new models, makes it imperative that firms concentrate in the short-term on market shares (rather than absolute sales volumes) for gauging success. Greater market share enables economies of scale to be achieved in the long-term.

Market conduct meshes with a highly capital-intensive and strongly integrated manufacturing structure in the Australian motor vehicle industry to ensure that the large firms can operate well below full capacity for lengthy periods without making losses. An early post-war Australian estimate showed that the break-even point was at fifty per cent capacity if standard volume was eighty per cent of capacity (Maxcy, 1963:496). This led to a proliferation of underutilised manufacturing and assembly plants under very strong protectionist measures, producing many different models and ranges of cars that covered the complete domestic market.

General Motors-Holden's Limited [GMH] was the early post-WWII industry leader, starting with the success of the first Holden in the early 1950's. In 1972, Ford Australia surpassed GMH's net profit for the first time: $15.8m. c.f. $15.3m. (Courvisanos, 1994b:60). On the basis of this profit strength and a relatively high gearing ratio, Ford Australia developed aggressive corporate investment plans. This led to a strong

investment programme in the early 1970's around twice that of GM-H, maintaining capacity investment when the other local producers were cutting back. From then on the automotive industry investment cycle was closely correlated in its downturns and upturns with Ford Australia's investment spending and not GMH's spending (Courvisanos, 1994b:22-3). Figure 1 shows Ford Australia's investment cycle since 1970, along with its profitability over this period.

Figure 1: Ford Australia - Profitability and Investment, 1970-1993



Sources: Courvisanos (1994b:60-61,66,70-71), Ford Australia (1994).

In 1984, Ford Australia took over market share leadership of the motor vehicle industry. The fall in oil prices sent demand back towards the traditional six cylinder, and Ford was waiting with the Falcon, the only "name" product available after the demise of both the Holden and Valiant (Martec,#10 1987:22). As market leader and the only car producer consistently earning profits in the 1980's, Ford Australia invested large amounts on efficiency and product investment (see Figure 1). Both types of investment meshed in well, particularly in relation to the development of the new EA Falcon launched in February 1988 (the only remaining all Australian designed and produced car), and the export-oriented Ford Capri launched in November 1989 (and began its U.S. sales effort in July 1990).

Ford Australia's ambitious corporate plan set the standards of investment for the automotive industry and the others had to follow in order to compete. This included GMH lengthening its German Opel to compete with the new EA Falcon in 1988 (GMHA, 1990:83). A product investment boom was started by Ford Australia in 1983, and with it a three-fold increase in efficiency investment in the industry followed (AIA, 1990:92). The industry reached an extremely strong investment peak in 1987/88, a 121 per cent real increase over the previous investment peak in 1981/82 (Courvisanos, 1994a:373).

Stages of Globalisation

In the middle 1970's the transnational motor vehicle producers began to develop strong globalisation plans which would link various national-based car plants around the world. This would replace the largely domestically integrated nature of car production. The impetus for globalisation came from two sides. On the retail side there was threat of new effective world competition by Japanese automotive companies exporting the same vehicle models world-wide. This was occurring when western markets were showing significant signs of strong slowdown in demand. On the production side, investment instability had increased since the relatively stable 1960's, due to the strong rise in excess capacity. This problem arose from the continual fragmentation of the car market with the proliferation of different car models for different regions

world-wide. The large capacity investment needed for this market strategy was under threat by the less fragmented Japanese companies.

Table 1 summarises three stages of globalisation. Each stage exhibits an increasingly globalised nature and can be identified and related to different cycles of economic activity. The **first** stage in the globalisation process was "world-sourcing" through intra- and inter-company links on design and componentry. The aim was to gain better plant utilisation in markets that no longer were growing quickly. The world-sourcing concept involved standardisation and international division of the production process. Ford, which by 1973 had half of its labour force and a third of its production outside North America, began to pursue this process during the 1960's by increased commonality of design and components (Wrenford, 1981:181).

The Japanese threat galvanised the U.S. giant automotive firms into world-sourcing by trying to co-opt Japanese design and production. In 1971 General Motors [GM] began the first concerted world-sourcing plan to integrate various plants world-wide into a smaller medium-sized "world car" with Isuzu design assistance (GMHA, 1990:60). Chrysler (US) followed with its own "world car" plan in collaboration with Mitsubishi (AIM, 6-8-72:1). Ford's own strong world network of subsidiaries meant that its linkage with a Japanese firm was less urgent.

In the financially stringent circumstances of the world recession of 1979-82, a reconsideration of the globalisation planning process was going on both at head offices and subsidiaries as a result of the growing costs of process and product innovation. Technology needed for design and production of new models was much more expensive due to the sophisticated computer based processes required. In addition; safety, pollution and fuel economy demands of governments by the late 1970's forced new targets for innovation. The cost of model changes became much greater (Abernathy, 1978:166). It was now becoming "...too costly investing into new products alone." (AIM, 13-1-84:2) World-sourcing was not providing the expected cost efficiencies due to local-based redesigning to fit into each national government's different demands and to cater for differing needs of various geographical markets (AIM, 24-6-83:2).

Table 1: Stages of Globalisation

Stage	First: World-Sourcing	Second: Model-Sharing (Badge Engineering)	Third: Equity-Sharing
Period	1970's	late 1970's - early 1980's	late 1980's - early 1990's
Process	Intra-company standardisation of components and division of labour on world scale	Inter-company sharing of components, models and designs within regions	Equity links between companies through joint ventures in design and production
Major Problem addressed in each stage	Saturation of car markets and world expansion of Japanese firms	Increased cost of redesigning to suit specific markets	Short-term gains only in 2nd stage, as firms diverge directions and breakdown in share arrangements
Objective of more efficient capital stock utilisation	By developing a commonality in one firm's world-wide resources	By minor changes of other firm's models to suit specific markets	By creating a level of joint long-term commitment to planning between firms

The problems with world-sourcing led to the development of the **second** stage of globalisation: model-sharing (see Table 1). This stage often involved merely taking one company's vehicle and placing another company's badge on it with only minor cosmetic changes (if any). Model-sharing required less investment than world-sourcing because underutilised facilities of a competitor in the same geographical region could be used to ameliorate the risk and uncertainty of huge investments. Thus, model-sharing between companies within regions was expected to provide cost advantages, while being much quicker (and safer) in providing new models than investing in world car plant operations. In November 1979, Ford(U.S.) gained a 25 per cent acquisition in Mazda,

and opted for a quick and low capital spending "model-sharing" solution to counter GM's world car. Ford(U.S.)'s investment fell from $US3.5b. in 1979 to $US2.8b. in 1980 and to $2.3b.in 1981 (Ford U.S., 1985).[2]

In Australia, the change of tack in corporate planning was dramatic and was brought on by the increasing (financial) risk of huge investment needed for the firms to follow GMH's "world car" strategy. By 1981, the plant and equipment in the motor vehicle industry was the oldest ever, underutilised in a stable market which did not suffer the U.S.'s dramatic sales slump, and irrelevant to the technological needs of the new process and product innovations being developed (Courvisanos, 1994b:37) In order for Ford to compete, under financially stringent conditions, with the smaller GM-based world car and take advantage of the government's export facilitation provisions beginning in March 1982, model-sharing had to be embraced. This quickly altered Ford's strategy in Australia from world-sourcing on its own prior to 1979, to Mazda 323-sourced Lasers by September 1980. Significant downward modifications in investment spending followed. In early 1980 Ford Australia had announced a $300m. investment programme, but it spent significantly less than this (see Figure 1).

Ford Australia's $13m. upgrading of the Homebush plant for Mazda-designed Lasers led to an average of 115-120 units per day produced. Previously, 100 units per day was the most that Ford's own Escorts were ever made at Homebush. At Homebush, Ford also invested (for the first time anywhere in the world) in robots for underbody car assembly. This enabled car model production to change in a weekend instead of requiring a six months shutdown (AIM, 6-8-82:10). The Laser investment provided a short-term panacea to the need for a four cylinder car. The Laser, along with the larger Ford Telstar, challenged GM's world J-car (called Camira in Australia) and the Japanese small cars. Delays in the launching of the J-car world-wide by GM due to technical problems at Isuzu (AIM, 25-3-83:5), and then ceasing to offer a two litre

2 Similarly, Chrysler (U.S.)'s equity link with Mitsubishi enabled it to provide the latter's small cars under its own name.

Camira competitor to Telstar, allowed the Laser/323 to dominate the Australian market below the large Commodore/Falcon segment in the mid-1980's.[3]

Ford Australia suffered from having a parent experiencing a series of heavy losses during the early 1980's. This led to a very large repatriation of dividends from 1981 to 1985 (Ford Australia, 1988:24) and a tendency for head office to be conservative in approving capital spending.[4] World-wide, a conservative "siege" mentality gripped an industry unable to handle high gearing and falling sales (Courvisanos, 1994b:39). A investment downturn in the Australian industry resulted in 1982/83. Ford Australia exemplified this investment downturn, despite its strong return on assets (see Figure 1).

Discussions on rationalisation between companies in Australia went much further in the 1987-88 period than ever before. This was the **third** stage in the globalisation process, called equity-sharing (see Table 1). Closer alliances had already developed at the parent-to-parent level, and due to pressures from the Australian government's own plans for the industry to rationalise, local alliances were cemented by mid-1988. This allowed a small investment rise in 1989, and a much larger investment rise in 1990. The interrelation between firm and government planning in

3 I thank Peter Earl's correspondence to me for this last point on how the Camira unsuccessfully fell into a size competition somewhere between Telstar and the smaller Laser.

4 When all the major U.S. automotive firms went into losses in 1979 their Australian subsidiaries were forced to modify downwards their investment plans. Ford in the U.S. was in trouble for much longer than GM, keeping low the investment of its Australian subsidiary till the second half of the 1980's (see Figure 1). An Australian industry observer expressed this situation very dramatically:

> In this country Ford and GM - but not so much Chrysler - depend on a reasonably healthy total corporation to get spending plans approved. When they're in trouble in Detroit the lemon is squeezed in Australia - and are they screwing right now. (AIM, 12-11-79:5)

the mid-to-late 1980's, when Ford Australia was the indisputable automotive leader, is the subject of the next two sections.

Corporate Plan versus Industry Plan: A General Framework

Government motor vehicle industry plans usually dovetail in with the needs of corporate planning by the dominant transnationals. Two processes can be at work here. The first is pressure placed on the state by major transnational corporations for the industry plan to support the current globalisation strategy. The second is the state needing to develop a plan in line with the new global strategy because of a crisis in the local industry whose structure is more appropriate to a past industrial pattern. Both these processes are consistent with the theory of dependent development, for which transnational corporate planning leads to "...the loss of national control over the *investment decision*." (Crough and Wheelwright, 1983:20, original emphasis).

The first post-W.W.II motor vehicle industry plan coincided with the rise of a globally based U.S. transnational dominated motor vehicle industry. Import quotas and tariffs, together with government sponsored bank loans, enabled the U.S. major automotive firms to set up local production in the 1950's, breaking the British import-based domination of the market. Local content plans in the 1960's entrenched local production and added further local producers (Courvisanos, 1994b:8-18). These industry plans supported the transnational firms' regional export franchise strategy, aiming to gain market share in regions with domestic production. This gave them a "local identity" behind a strong tariff wall, while protecting their own large U.S. domestic market from competition against their own subsidiaries in small markets like Australia.

Sometimes the plans of global corporations and government industry plans do not coincide. The Fraser Government's 1976 industry plan, based on tighter local content rules, ignored the world-sourcing that was being established by the global firms. Woodgate (1979) details how the government was persuaded by GMH to alter these plans and provide export facilitation provisions in time for the new four cylinder J-car engine plant to gain import credits for its purely export oriented product.

The Fraser Government's indecision on post-1984 industry plans added to uncertainty in a period described in the previous section as highly precarious. The new Hawke Government's response took a year to formulate by achieving agreement from all parties including the unions. The result on 29 May 1984 was the well received "Button Plan" that gave hope of stability and thus provided a level of confidence not seen in the industry since the early 1950's. It was a managed approach to industry policy targeted specifically to achieving structural change in the industry (Hart, 1992:20-1). This was based on a strategic plan, guiding the industry towards a less fragmented, more export-oriented perspective by phasing out import quotas and assisting Australian design and participation in only a few local model lines. This plan was devised to mesh into the growing globalisation process, and in particular the sharing of components on a bilateral basis to obtain scale economies.

Corporate Plan versus Industry Plan: The Case of Ford Australia in the 1980's

The various Labor Government car plans (from 1984 to 1993) and their relationship with Ford's world-wide planning provides an understanding of the strains and dilemmas that Ford Australia faced as the leader of this industry. These pressures reveal how Ford's globalisation strategy seriously debilitated Ford Australia. These pressures also forced the Labor Government to revise its car plans, shifting the focus from a "strategic" to a "deregulatory" position, further endangering Ford Australia's operations.

In 1984, Ford Australia was anxious to take advantage of the export credit provisions in the new Button Plan.[5] Ford Australia's proposal in late 1984 was to produce a new locally designed and developed Falcon with a second production shift of over 100,000 units at the

5 GMH had already taken maximum advantage of these export credits through its new J-car engine plant, which exported four cylinder engines to other parts of the GM network.

Broadmeadows plant. This second shift would be mainly for fully-built exports to Europe (targeting the Volvo and Audi markets), as well as to the U.S. and Japan (Bartholomeusz, 1985). Ford(U.S.) chose to adopt a more conservative investment strategy for Australia. As a "consolation prize", the Detroit-based parent eventually approved in late 1986 the export of 30,000 units of the (Mazda 323 floor plan and Italian-designed) sports Capri to the U.S. (Robertson, 1986). The new 1988 Australian-designed EA Falcon would remain a fully-integrated local product purely for domestic consumption, in contradiction to the globalisation process.

Ford Australia's large investment between 1985 and 1987 (see Figure 1) was essentially a locally-based product innovation investment expansion, trying to entrench its newly acquired domestic market leadership. By 1986 Ford Australia had to begin borrowing long-term to fund further investment and thus significantly raising the gearing ratio from naught in 1984 to 0.4 in 1987 (Courvisanos, 1994b:70). This large investment spurt made Ford Australia highly vulnerable, especially when all the other producers had restructured and invested in new products to challenge Ford. The risk was becoming more serious than anticipated:

> You get the feeling now that they didn't quite realise how much they were biting off at the time. It was decided that much of the Geelong and Broadmeadows factories would have to be modernised, with highly automated flexible equipment. (Tuckey, 1988:44)

The vulnerability of Ford Australia to its investment was evident in its submission to the Industry Commission [IC] inquiry into the industry (Ford, 1990). This was heightened by the financial problems of Ford's parent company, which stemmed from soaring engineering and tooling costs and its acquisition of Jaguar for $US2.5b., which was an "extraordinary price" simply for the prestige name (Levin, 1991; AIM #22, 1990:9). The highly vulnerable nature of previous investment commitments forced Ford(U.S.) to adopt a conservative investment position world-wide for the late 1980's.

The large depreciation of the Australian dollar in the mid-1980's gave greater than anticipated protection, while the advice to the Labor Government became increasingly dominated by the economic rationalist

position (Pusey, 1991). The result of both forces was a shift to a deregulatory focus in the revised Button Plan announced on the 13 April 1988. These changes were to the detriment of the one very strongly investing local based producer, Ford Australia. The expensive design and development Capri export programme was based on local content [LC] and export facilitation [EF] benefits. The LC benefits were eliminated (replaced by 15 per cent duty free importation), and the EF benefits were substantially reduced. Quota restrictions were also abandoned and tariffs reduced by 12.5 per cent immediately and a further ten per cent by 1992.

The revised car plan was in line with the increasingly equity-oriented globalisation of major firms, except Ford which had opted for a prestige name rather than an improved global sourcing network. The car plan now provided opportunities for relatively low risk overseas sourcing without the risks and costs of a major export project like the Capri (Ford, 1990:8). The appreciation of the dollar and higher inflation that followed in 1989-90 further encouraged importation. The car plan no longer featured a clear guiding and supportive path to structural change, allowing instead the pressure of freer trade to achieve this objective. As Martec (#8 1988:2) noted, "...[t]he Government is slowly opting out. It is now more of a `dog eat dog' fight with market share tied much more to currency, facilitation earned, oil prices, and domestic product quality, quantity and cost."

As a result, the revised Button Plan placed pressure on companies to extend the third stage of globalisation to Australia. A joint venture company called United Australian Automotive Industries Limited [UAAIL] owned equally by GM(U.S.) and Toyota(Japan) was announced in late 1987. UAAIL in May 1988 took over ownership of AMI-Toyota, Toyota Motor Corporation Australia, and General Motors-Holden's Automotive [GMHA]. The aim of this venture was to first share three car models and then to co-ordinate all manufacturing operations of Holden and Toyota in Australia on an equity-based arrangement. A strong complementarity existed between the excess capacity and large export credits of strongly investing Holden on the one side, and the capacity constraints and large commercial import base of poorly investing Toyota on the other.

The Holden-Nissan product-sharing relationship soured in 1986 because of Holden's decision to locally produce a GM-designed six cylinder engine for its new "extended" Commodore in 1988. Nissan was supplying the six cylinder engine to the Commodore then current, but it could not reach a decision on its future model-sharing with GMH (Kennedy, 1987). Losing the Astra-Pulsar model share threatened the viability of its production. At the same time the Ford-Mazda link was becoming limited by the weak post-devaluation performance of Mazda (with Laser simply taking the 323's market). Both Ford and Nissan wanted better partners, with deeper economies of scale generated in Australia and to counter the UAAIL deal. In early 1988 a comprehensive model-sharing programme began first to swap four-wheel drive and utility models and then to develop a four cylinder car together which would be exported to Nissan Japan (AIA, 1989:55).

The two strategic alliances induced an investment expansion in the automotive industry which reached a peak in real dollars 4.5 per cent higher than the strong investment peak of 1987/88 (Courvisanos, 1994a:373). The investment expansion was short-lived. Given the strong market share competition world-wide, freer trade government policies intensified risk and uncertainty, leading to increased investment instability. This instability was complemented by the open market position of the revised Button Plan. Parent firms still wanted to invest in Australia to win market share. However, fear of liquidity constraints from overcapacity forced large scaling down of investment when the 1990-91 recession hit.

In 1990, two years after the Ford-Nissan deal was signed, the recession forced Nissan to scale down its local content because its financial problems in Australia deepened (AIM, 11-1-91:3). Then on the 3rd February 1992, with further tariff reductions occurring under the deregulatory Button Plan, and no end of the recession in sight, "...Nissan Japan could wait no longer for tangible improvement, not after 10 years in 11 of losing money", and announced the closure in October 1992 of its one car-making plant in Clayton, while maintaining its solid export earning aluminium casting plant (Maley and Skulley, 1992). This left Ford Australia on its own again, against the UAAIL venture and the stronger globalised network of all its competitors in Australia.

By 1990/91 the strategic alliances-based investment boom in Australia created high vulnerability. There was a feeling in the local industry that firms should not have invested so strongly, with "...the fear that Ford has possibly being locked into an expensive production position during the 1990's while arch rival Toyota (and, to a lesser extent, GMHA) seem to be avoiding the same investment constraints." (AIM, 23-3-90:2) The Labor Government's more open market position intensified such concerns, with Ford Australia the most vulnerable after the 1988 changes. The government's position was in line with the globalisation process of much stronger cross-firm linkages. Local content became irrelevant in such developments. Ford (U.S.) changed belatedly to this process with a codevelopment and coproduction of multipurpose vehicles with Nissan(Japan) starting in late 1991.

The post-1992 government car plan was announced in March 1991. It was another step in the free trade/globalisation direction. The new plan is committed to reducing tariffs from 32.5 per cent in 1992 to 15 per cent by 2000. A new export credit scheme included in the plan aimed to link up importers to plan producers with export credits. This scheme provided Ford Australia, with its Mazda import link, some support for its export programme after it strongly expressed concerns with the 1988 changes. The government, however, rejected Ford Australia's interventionist strategic proposal for the post-1992 era. This involved duty free importation to all producers who achieved 80 per cent "local value added" in exports plus Australian product technological investment (Ford, 1990:26-28). This was an attempt by Ford Australia to ameliorate its high vulnerability to the investment in domestic product innovation that it had committed during the late 1980's. The old Laser/323 link was a weak reed of state support for Ford Australia in the post-1992 plan.

Ford Australia's innovative investment position was in contrast to its parent company's growing conservative approach to investment decisions. This put into question the local subsidiary's whole investment strategy developed over the 1980's. At the same time, the federal government's increasingly deregulatory oriented approach to industry policy magnified Ford Australia's concerns in respect to its long-term survival as a manufacturer in Australia.

Ford Australia's Downturn

Ford Australia's large 1985-87 investment was based on the twin expectations that the original Button Plan would continue and that the company had the ability to remain market leader in Australia. Figure 1 shows Ford Australia in 1988 reduced investment by 56.5 per cent over 1987, but then stabilised it in 1989 with its strong 1988 profits, which were maintained in 1989. The 1990/91 recession brought a massive turnaround in Ford's profitability. The net loss of $82.7m. for 1990 was large and Ford's first loss since 1964. This was followed the next year by an even larger $113.8m. net loss. Given Ford's high vulnerability to risk and uncertainty, this profit reversal sent Ford's investment orders further down in 1991 and 1992, reaching the lowest level of investment since 1983 in nominal dollars (see Figure 1).

Ford Australia's strong domestic innovation-based leadership was tested with the recession, and it failed. The conservative management of Toyota took over total market leadership in October 1990 and increased its lead in 1991 and 1992, due particularly to its strength in the commercial vehicle field with fully imported products. Toyota's parent had a very low long-term debt structure, huge cash on hand of $20b. and very high quality vehicles. Ford on top of its financial problems, had problems with the poor quality of the initial runs of both the EA Falcon and the Capri (Davis, 1994:41). These quality problems were a function of "learning by doing" in all innovative investment. These difficulties were reflected by the EA Falcon being "outrageously expensive" and the Capri only coming close to meeting its export target in the first year of sale in 1990/91 (Davis, 1994:41). Within Australia, UAAIL had by 1993 a 51 per cent share of sales of locally made cars, with the rest split between the Falcon and Mitsubishi's Magna (Kennedy, 1994).

Ford Australia also had a large workforce which it reduced severely under the guise of the recession. In early 1991, after reducing its primary workforce by 25 per cent, Ford had still more than double Toyota's workforce (AIM, 7-12-90:1). Ford showed much the same problems as

GMH had ten years previously (over-staffing, overcapacity, and an excessive debt) before GMH itself became a division of GM and accepted a non-innovatory and much lower profile position in Australia.[6]

The revised 1991 EB Falcon improved sales under the sales pitch: "Have you driven a Ford...lately?" (a giveaway that people had not been doing so!). The only all Australian car became Australia's top selling vehicle again. However, Ford Australia's globalisation efforts were failing. By July 1993 the Capri was selling around 10,000 units p.a. in the U.S. market (20,000 below target), and making huge losses as a result (Davis, 1994:41). The complete collapse of Laser sales was the final element in the destruction of Ford Australia's global strategy. In the late 1980's the Homebush plant was assembling between 30,000 and 40,000 Lasers p.a.; by 1993 it had reduced to about 15,000 (Button, 1994). The Laser's problems stemmed from the recession and were compounded by "...rising cost because of the appreciating yen, and model-planning decisions which saw the car grow larger and move out of the small-car class" (Roberts, 1994).

The first sign that Ford Australia's downturn may have ended came with a nearly $44m. unaudited after tax operating profit in 1993. The first operating positive profit result since 1989. As a consequence of a non-recurring charge of $89.3m. for the redundancy and closure costs involved in closing the Homebush plant and cessation of the Capri model production, a net after tax loss of $45.3m. was registered (Ford Australia, 1994). This loss, together with the model closures, leave open to question the future path of its investment strategy. The release of the ED Falcon facelift model in August 1993 required a near doubling of investment over the extremely low capital expenditure figure of 1992 (see Figure 1). Little further investment will occur until the question of strategy is resolved.

With the cessation of production of the Capri and the Laser, Ford Australia is the only local car producer without a global presence which

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6 For an outline of the GMH story ten years earlier, see Courvisanos (1994b:18-29).

could ensure its long-term survival as a major force in the local industry. A sound export program is required for Ford Australia to gain state support under the post-1992 car plan and to integrate itself as an important part of Ford(U.S.)'s global strategy into the next century. Decisions must be made quickly. "Ford head office in Detroit has ordered its satellites to report on their plans for the next few years - and the word is that everything is up for grabs. If it doesn't make a profit, it's not on." (Kennedy, 1994) This means that, unlike past experiences in Australia, the parent company is not prepared to support projects that make losses.

Lessons From Experience

Two major lessons can be drawn from the story of Ford Australia presented above. The **first** is that national industry plans tend to accept the prevailing global position held by the major transnationals in the industry. Pressure is exerted to alter industry plans when they diverge from the current global strategy. Under both stage one and stage two of the globalisation process (see Table 1), Australian Federal Governments were induced to alter their motor vehicle industry plans in order to fit into these stages.

In the mid-1970's, GMH induced the Fraser Government to follow the "world car" strategy in their car industry plan and abandon the local content rules approach. This strategy failed to provide the launching pad for a strong local industry, as GMH collapsed when the "world car" failed and was replaced by a much smaller GM subsidiary operation. This allowed Ford Australia to dominate the local market.

In the early 1980's, the "model-sharing" strategy which Ford adopted world-wide as a counter to GM's world car was a less risky global investment strategy. For the rising dominant local producer of the time, Ford Australia, the original Button Plan fitted neatly into the new global strategy. The Laser was Ford Australia's short-term starting point to this strategy, and the Capri was its most ambitious effort. The secretary of the Automotive Industry Authority [AIA] in February 1988 saw the Capri as "...very much the litmus test for the whole industry...The success of the

Capri would mean us having a future as a manufacturer on the world stage rather than becoming an industry backwater." (Kennedy, 1988)

Shortly after the AIA pronouncement, the Button Plan was altered in line with the third ("equity-sharing") stage which was more in line with the powerful UAAIL venture formed in late 1977. This revised Button plan supported more market-oriented conservative, less innovative, strategies. It offered a lower risk-based overseas sourcing path to structural change which suited Toyota rather than the more expensive path of Ford Australia. With the Laser long past its prime, the problems with the EA Falcon and Capri projects allowed the conservative management strategy of Toyota to take over from Ford as Australian market leader.

The post-1992 "deregulatory" car plan further entrenched the less innovatory investment strategies of Toyota and GM (under the UAAIL venture). Toyota has taken the initiative with its "lean production" system at an all new Altona regionally-based car plant (Hills, 1991). Economies of scale are expected to be attained from an Asian-based regional production network of which the Altona plant will be part, rather than the previous mass production globalisation strategies of stages one and two (see Table 1). Toyota will depend on a high level of imported components and less links (vis-a-vis Ford) to other parts of the Australian automotive industry and the Australian economy in general. Ford on a global basis is re-examining its investment strategies in line with stage three of globalisation. Labor Government support for this stage three means that current transnational corporations' global strategies are providing the Australian motor vehicle industry with less innovative opportunities and weaker multiplier effects.

The **second** lesson is that transnational corporate planning at the head office is generally conservative. Such planning decisions take a long time to be made, and are only approved if they fit into the total globalisation process that is currently in vogue. Subsidiaries on the periphery, like Australia, tend to be more innovative with risky marketing strategies. This began in 1946 with Laurence Harnett's attempt to manufacture a fully indigenous designed Holden by GMH (Birney, 1985:60) and ended in 1985 with Ford Australia's attempt to export world-wide a fully indigenous designed Falcon. Both these major initiatives failed to be accepted at head office in Detroit. The Capri was a

consolation prize with only limited "niche market" benefits even if it had succeeded.

Head offices of transnational car companies tend to support investment projects in Australia that require less risky innovation and are based on producing the lower value added components for export, due to the large distances from major motor vehicle markets. The Asian network currently being developed by Toyota provides another angle to this same conservative strategy. In this case, production in Australia is based on the projected strong nearby Asian demand for motor vehicles in the future, while taking advantage of Australia's politically stable position and its deregulatory industry support.

Conservative management-based investment decisions in transnational planning from head office have been seen by Australian policy-makers and the media as dictating that national industry planning in Australia should adapt to such decisions. There has been a lack of support by successive federal governments for the more risky innovative strategies of local car managers.[7] The result of this approach has been car plans which endorsed transnational planning, but which also regularly changed to take account of more recent global strategies, to the detriment of previously established investment commitments, as with Ford Australia and its innovatory investment of the mid-1980's.

Industry plans aim to ameliorate risk and uncertainty of investment in the private sector. The Australian approach to industry policy has been to fit into the current strategies of transnational corporate planning. This intensifies the vulnerability to investment of some local subsidiary (e.g. Ford Australia) which committed much long-term investment in a previous strategy. The conservative nature of transnational head offices ensure this vulnerability turns into lower investment and ceasation of some (or all) local Australian operations which heavily committed themselves to investment on the basis of strategies later to be considered

7 The Menzies Government did not come to the aid of the Hartnett car project after Hartnett left GMH, despite the fulsome support for GM in its efforts to bring a U.S. designed Holden to Australia (Hartnett, 1981:253).

outmoded in global terms (e.g. British Leyland, Chrysler, Nissan and now Ford). With these vulnerable firms ending (or severely curtailing) local production, investment in the Australian motor vehicle industry is now dependent on the current 'stage three' global strategy which makes less effective use of Australian skills and resources than does previous strategies.

Is There An Alternative?

An alternative approach to government industry planning is indicated by this case study examination of globalisation and the role of the state. The details and feasibility of such an approach would be a separate study in itself. Only its two broadest features are outlined in this final section. The basic intension of this approach should be to add a further dimension to the original Button Plan by setting out a strategic path of development in concert with the needs, resources and skills available in the nation. The industry plan would particularly need to counter the sort of problems that Ford Australia encountered in the 1980's, both domestically and from the constraints of its transnational parent.

Under such a managed approach, government industry plans should shape the industrial scene to ensure that quality long-term innovative investment is made in Australia, destined for a more efficient export oriented industry. The shaping must take account of international realities, like the globalisation strategies of the dominant motor vehicle transnational corporations. Attempts to ignore such global strategies will either result in corporate pressure on government to adapt industry policies to globalisation needs (as occurred to motor vehicle industry plans under both Fraser and Hawke governments) or, if such pressure is unsuccessful, for these dominant firms to withdraw from major local investment commitments.

A broad development path consistent with global strategy needs to be developed by the state. A careful exposition by the state of the focus and priorities within this path, and the concomitant investment the state would be willing to support, should be set out for the local industry. The state should support the more risky local-based investment proposals that

are in line with this broad path of development with specific and results-based domestic incentives (e.g. sunset clause-based export credits, bounties, training subsidies). The other crucial component of this alternative approach is to develop effective lobby pressure on transnational head offices to support these innovative proposals from the local-based subsidiary rather than allow acceptance of "consolation prizes" that amount to "crumbs" on the global network.[8].

Ford Australia's future within the current post-1992 deregulatory car plan is uncertain: "Ford has about 12 months to refocus and come up with an export and local manufacturing strategy if it is to be making cars in Australia by 2000." (Kennedy, 1994) Ford Australia's strategy proposal to Ford(U.S.) must be submitted in 1994. Ford(U.S.) will decide whether its Australian satellite should go either the way of Nissan (drop out of local manufacture), or Mitsubishi (marginal export linkage), or Toyota and GM (major globalisation arm, but with limited innovation and R&D in Australia). The days of a fully integrated, stand alone manufacture of a unique product package (e.g. EA Falcon) seem numbered in the globalised motor vehicle industry network. If Ford Australia is to survive as a major player in the Australian motor vehicle industry, the state should only support a new structure which is based on a long-term strategy that maximises the level of innovative investment, not the short-term type (e.g. Laser project) or consolation type (e.g. Capri project) strategies employed in the 1980's by Ford.

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8 There is some evidence that the $420m. Toyota Altona car plant (completed in mid-1994) was announced on 26th July 1991 after some Australian government initiatives (or pressure) on head office in Japan. The latter seemed to have been "dithering" for quite a while over this Australian investment proposal (Courvisanos, 1994b:53-4).

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EVALUATING WOMEN'S WORK: NEW SOUTH WALES NURSES AND PROFESSIONAL RATES

Gabrielle Meagher

The transformation of nursing from a menial occupation akin to domestic service to professional status has taken more than one hundred years. Taking NSW public hospital nurses as an example, this paper examines the course of this transformation in the last couple of decades. It concentrates on the role played by institutions of labour regulation in reorganising the labour process and hierarchical structure of nursing. This emphasis allows insight into the broader problem of sex inequality in the labour market. Although institutional rules and processes supporting unequal treatment of men and women in the Australian labour market have been progressively overturned since World War Two, a significant gender wages gap remains.

A major cause of pay inequity between men and women derives from the gendered nature of skill definition and valuation. Cultural norms which define and differentially value skills are embedded in wage-fixing practices, thereby shaping the distribution of work and income along gendered lines. It is argued here that the trajectory of nursing change has been plotted in part by the masculinist principles underpinning determinations in the industrial arbitration system. Because certain skills and attributes could not be 'recognised' by the system, wage fixing principles and practices (among other pressures) have facilitated the predominance of hierarchically organised, technically based nursing practice at the expense of other models. Masculinising the representation of nurses' work has been the means by which the significant industrial successes were achieved in the 1980s in this quintessentially feminine occupation.