Australia Plans $288M Subsidy For General Motors

Rod McGuirk, Associated Press

CANBERRA, Australia (AP) — The government announced Thursday a 275 million Australian dollar ($288 million) subsidy for General Motors Co. to guarantee it continues to make cars in Australia for another decade through its subsidiary Holden Ltd.

As part of the deal, U.S.-based GM said in a statement it has agreed to invest more than $1 billion in car manufacturing at its Melbourne and Adelaide plants until at least 2022.

Holden will use the government assistance to design and build two new cars for the global market after 2015, the statement said.

Prime Minister Julia Gillard said GM had considered closing its entire design and manufacturing operations in Australia, costing 12,000 Holden jobs.

"This funding is not a handout. It is a strategic investment that will boost our economy, foster innovation, build new business opportunities and promote adoption of new fuel-saving and safety technologies," Gillard told reporters.

The government is not becoming a shareholder in Holden.

Australian manufacturers including Holden have been losing exports due to the strong Australian dollar, which has been bolstered by record Chinese industrial demand for minerals and energy.

Holden is one of seven global GM operations that designs, builds and sells vehicles for domestic and international markets.

The federal government will provide AU$215 million while the Victoria and South Australia state governments will provide the remainder.

Innes Willox, chief executive of business advocate Australian Industry Group, welcomed the deal as providing much needed certainty for auto manufacturers and related industries.

"It will be welcomed by the broad cross-section of Australian businesses that benefit from the management expertise and work force skills nurtured in the auto sector," Willox said in a statement.

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