

Carmagedden Down Under; how a country lost an entire auto industry.

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No country has a right to an auto industry. Auto production is footloose and can move if conditions don't suit it anymore.

With Honda and Ford pull-outs in the UK attributed to a range of reasons, and Peugeot [warning](#) that a No Deal Brexit will see it shift Astra production from the UK to a South European plant (which could mean anything south of the UK), fears are mounting that the UK car industry is at a tipping-point.

UK auto has been squeezed by diesel's demise, falling sales in China AND Brexit uncertainty hampering growth – at the same time as the need to invest in new technology going forward.

Investment in UK auto has stalled, down 80% in the last three years according to the SMMT, as auto firms sit on their hands given the Brexit uncertainty. And the [SMMT has again warned](#) that a hard Brexit is an 'existential threat' to UK auto.

But could the UK really lose all (or much) of this industry? Our answer is yes, and one can look to recent Australian experience by way of illustration.

To do so, we chart the disappearance of the Australian domestic car industry, asking whether there are any lessons for the UK as Brexit continues to mean uncertainty for UK auto.

While we focus on Ford ending production in the city of Geelong in the state of Victoria (given its primacy as a key employer for the city for much of the 20th century), we also note the demise of Mitsubishi in Adelaide and Toyota in Melbourne.

[Ford](#) set up in Australia back in 1925 and production started in Geelong in that year (with other sites following in Adelaide, Sydney, Brisbane and Fremantle), originally producing the famous Model T.

Domestic production was a necessity to supply the Australian market as the Australian Government had banned the import of luxury goods (including car bodies) in 1917 during World War One, in order to promote domestic industries – and provide new employment for its carriage-makers.

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This was an example of protectionist policy typified by tariffs, which was to endure until the 1970s. Post-WWII expansion of the domestic industry in 1948 saw the emergence of the rival iconic ‘Holden’ brand (an Australian subsidiary of General Motors, known as GMH) that soon dominated the domestic market. This prompted Ford to develop and produce an Australian version of the US-designed ‘[Falcon](#)’ in [1960](#) (with successive models also designed in Australia from 1972 onwards), specifically adapted to cope with the often harsh Australian driving conditions.

The rivalry between these two US-owned subsidiaries (producing big cars with six-cylinder and eight-cylinder / V8 engines and petrol consumption to match) continued through the sixties, seventies and eighties, with the Ford Falcon and the Holden ‘Kingswood’ and then ‘Commodore’ (an Australian version of the Vauxhall Omega) vying to be Australia’s most popular car (even spawning a popular 70s’ television sit-com: ‘*Kingswood Country*’ with the lead character’s line to his son, “[you’re not taking the Kingswood!](#)”).

However the 1970s also saw more economical Japanese vehicles begin to make inroads into the Australian market (Nissan’s ‘Datsun’ brand being an early pioneer) as import tariffs were lowered, with a particularly notable tariff cut of 25% in 1973 by the then Whitlam Labor[\[1\]](#) government.

Fierce opposition from domestic producers (notably GMH, which stood down 5,000 workers in response) saw this cut reduced to 15% but it was notable at the time that the industry, which at its peak employed 100,000 people, was seen as being characterised by:

“too many producers with extensive operations in multiple states, resulting in product proliferation, scale inefficiencies, and components industries that were forced into exceptionally short production runs, together with excessive and costly parts inventories.” [\[2\]](#)

Added to this, the rising costs of fuel would erode the popularity of the large cars such as the Falcon that had underpinned the profitability of US-owned subsidiaries in Australia.

Japanese companies, notably Toyota and Mitsubishi (who took over Chrysler operations in Tonsley Park in Adelaide in 1981), also started production in Australia.

However, increased trade liberalisation in the 1980s and 1990s (under both labour and conservative governments) emphasised measures to promote industry ‘competitiveness’ (the 1984 Button Plan of phased tariff reductions epitomised this for steel, textiles and automotive [\[3\]](#)).

This, combined with the emergence of the more cost-competitive ‘Asian Tiger’ economies would combine to fatally undermine the logic of domestic production in Australia as the new century dawned. Car production in Australia peaked in the 1970s (475,000 in 1970, which ranked Australia tenth in the world at the time) and declined more-or-less from there on.

By May 2013, Ford declared its intention to close down remaining production plants at Geelong and Broadmeadows (in Melbourne), following a cumulative period of successive losses. This in turn had been preceded by Mitsubishi’s closure of its Adelaide plant in 2008. [\[4\]](#) GMH (December 2013) and Toyota (February 2014) followed suit, which by the end of 2017 had brought to an end a period of some 70 years of vehicle production in Australia.

For Geelong, the ceasing of manufacturing was particularly painful, as prior to the closure of Ford, manufacturing had provided (in 2012) some 44% of the [city’s output](#). The company – not only directly in terms of its own workforce but also in terms of dependent SMEs in the supply chain – was the most significant employer of the city’s workforce.

Whilst the Labor (Federal) Government in 2013 had provided a package of assistance measures to facilitate adjustment, totalling some 66 million Australian dollars, these measures were principally focussed on retraining. Subsequent efforts have seen some manufacturing return to the site of Ford's former Geelong operations plant in the form of wind turbine assembly by Danish firm Vestas:

“The VREH will involve investment of approximately \$3.5 million and directly employ over 20 employees. The project will train hundreds of local staff in wind turbine maintenance and see wind turbine component assembly in Australia for the first time in over 10 years.”

However, as noted, the number of staff directly employed is tiny. It remains to be seen whether can compensate for the loss of vehicle manufacturing in the Geelong region.

The Australian experience highlights the primacy of the state as fostering industry policy and industrialisation. In this sense, the availability of abundant, cheap raw materials combined with a protectionist state regime that offered incentives such as land packages meant domestic production was the only feasible way to supply the Australian market.

Proximity to a large domestic market is also an attraction for car producers. Australia did not have a large or integrated domestic market, being subject to a historical legacy of varying jurisdictions across the different States.

Furthermore, its trade liberalisation and integration policies with the Asia-Pacific meant that it made increasing economic sense for companies such as Ford and Toyota to produce in the geographically proximate low-cost countries of Indonesia and Thailand and export complete vehicles to Australia (this was not helped by a mining boom in the 2000s that raised the value of the Australian Dollar and eroded export manufacturing competitiveness – a form of ‘Dutch disease’).

As such, the Australian experience also points to the transformative role of the state (at various spatial levels) as a driver of the structural changes forces far all too readily solely attributed to ‘globalisation’.[\[5\]](#)

For Brexit Britain, some points are worth noting. Like Australia in its protectionist days, domestic production was feasible when the presence of external trade barriers acted as an inhibitor to exporting to the UK from a country of origin outside the EU; the location-specific advantages of the UK with its flexible market environment *inside* the EU has made it an attractive location to be a production platform integrated with the rest of the EU.

Also striking is how the car industry in the UK, much like Ford was in Geelong, is particularly important for middling-sized towns/cities such as Coventry (no production but JLR research and development), Sunderland (Nissan), Wolverhampton (i4 engine plant), Derby (Toyota), and Swindon (Honda) – all in areas with a majority Brexit vote.

Thirdly, in contrast with Australia, other relatively high cost locations like Canada (and the UK) have been able to hold onto an automotive industry – in part through management and labour working very flexibly to get costs down and make sites attractive to investment. That, however, may not be enough. As we've noted recently, in the case of Vauxhall, a hard-fought battle by management and workers to secure investment against international competition [risks being unwound under a No-Deal Brexit](#).

In the event of No deal, the clear incentive for multinationals facing customs delays and new tariff and regulatory barriers will be to divest from the UK and reinvest elsewhere, as [Peugeot is threatening to do](#).

Whilst state direction to foster the growth of high-technology sectors to compensate for the loss of vehicle production may soften the blow of plant closures and consequent job loss, the UK now lacks Regional Development Agencies of the sort that prepared for and reacted to the MG Rover closure (with associated place-based industrial policy), as our previous [research](#) has highlighted.

Australia at least has State governments that are forced to consider regional development as part of their *raison d'être*) and the need to re-skill workers to compete in emergent sectors.

[1] Labor, formally known as *the Australian Labor Party*, or ALP (American spelling convention used). The conservative parties in

Australia have had various manifestations over the years, namely; *Free Trade Party*, *Nationalist Party*, *United Australia Party* and *Liberal Party*, generally as a coalition with the *Country Party* (now *National Party*).

[2] <http://theconversation.com/whitlam-made-the-case-for-reform-an-enduring-economic-legacy-33226>

[3] <https://theconversation.com/whitlam-made-the-case-for-reform-an-enduring-economic-legacy-33226>

[4] See: Andrew Beer (2018), 'The closure of the Australian car manufacturing industry: redundancy, policy and community impacts', *Australian Geographer*, <https://www.tandfonline.com/doi/full/10.1080/00049182.2017.1402452>

[5] Beer (2018) argues that this process has been typified by the Federal Government in Australia prioritising overall growth and competitiveness over regional well-being, with state governments and local authorities being left to deal with the "negative consequences of economic change". See: <https://www.tandfonline.com/doi/full/10.1080/00049182.2017.1402452>