

# Carmageddon Down Under

***By Professor Alex de Ruyter, Director at Centre for Brexit Studies, Birmingham City University, UK***

In this last blog from my current stint “Down Under”, I look at the demise of the Australian domestic car industry in a free-trade environment, in order to gain some insights as to whether there are any lessons for the UK as Brexit negotiations continue to mean uncertainty for UK auto. As the current drama around Honda’s announcement of shutting down its Swindon plant by 2021, with the anticipated loss of 3,500 jobs (and knock-on job losses in the supply chain) demonstrates, the future of UK auto is now highly uncertain as a Hard Brexit looms. This only adds to pressures facing the industry arising out of a shift from diesel to electric vehicles and a slow-down in demand from the all-important Chinese market.

I focus on the departure of Ford from 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. At this point, dear Reader, I must confess a personal interest as I am originally from Geelong and worked in the Ford Casting Plant (for a very brief period of time) knocking “slag” off engine blocks, and my father also worked at the factory.

The Ford Motor Company of Australia was formed in 1925 and production commenced in Geelong in that year (with other sites following in Adelaide, Sydney, Brisbane and Fremantle), originally producing the famous Model T.<sup>[1]</sup> 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 (horse-drawn) carriage-makers.

Post-WWII expansion of the domestic industry in 1948 saw the emergence of the rival iconic “Holden” brand (an Australian subsidiary of General Motors, also 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<sup>[2]</sup> (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 characteristic line to his son, “you’re not taking the Kingswood!”[\[3\]](#)). However the 1970s also saw more economical Japanese vehicles begin to make inroads into the Australian market (with “Datsun”, now known as Nissan, being an early pioneer).

Japanese companies, namely Toyota and Mitsubishi (who took over the Chrysler operations in Tonsley Park in Adelaide in 1981), of course, had also engaged in production in Australia. However, increased trade liberalisation in the 1980s and 1990s emphasised measures to promote industry “competitiveness”. 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. Thus, 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.[\[4\]](#)

By May 2013, Ford had declared its intention to close down its 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.[\[5\]](#) 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 large-scale 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.<sup>[6]</sup> Whilst the Labor (Federal) Government in 2013 had provided a package of assistance measures to facilitate adjustment for the sector, totalling some 66 million Australian dollars, these were focussed on retraining.<sup>[7]</sup> 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.<sup>[8]</sup> However, the number of staff directly employed is trivial. It remains to be seen whether this can fully compensate for the loss of vehicle manufacturing to the Geelong region.

The Australian experience points to 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. 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”.[\[9\]](#)

For the Brexit-ing Britain, the parallels are striking. 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; and the location-specific advantages of the UK with its flexible market environment *inside* the EU 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, Wolverhampton, Derby and Swindon (all in areas with a majority Brexit vote).

Stripped of these advantages post-Brexit and facing likely new tariff and regulatory barriers, the clear incentive – as Honda and Nissan are currently demonstrating – for multinationals, will be to divest themselves over the coming period of production in the UK and reinvest elsewhere.

PS I do not see anyone driving Falcons or Commodores anymore in Australia. Imported Japanese and European brands reign supreme...

***Note to Readers: the full version of this article can be found in our forthcoming Bite-Size Brexit book ‘Keeping the Wheels on the Road: UK Auto Post Brexit’ – Edited by David Bailey, Alex De Ruyter, Neil Fowler and John Mair. ‘Keeping the Wheels on the Road: UK Auto Post Brexit’ will soon be available on Amazon and digitally on Kindle.***

[\[1\] https://www.abc.net.au/news/2016-10-07/timeline-ford-australia-ceases-production/7911742](https://www.abc.net.au/news/2016-10-07/timeline-ford-australia-ceases-production/7911742)

[\[2\] https://www.abc.net.au/news/2016-10-07/timeline-ford-australia-ceases-production/7911742](https://www.abc.net.au/news/2016-10-07/timeline-ford-australia-ceases-production/7911742)

[\[3\] http://www.adelaiderecuperation.com.au/youre-not-touching-the-kingswood/](http://www.adelaiderecuperation.com.au/youre-not-touching-the-kingswood/)



[4] [https://en.wikipedia.org/wiki/Automotive\\_industry\\_in\\_Australia](https://en.wikipedia.org/wiki/Automotive_industry_in_Australia)

[5] See: Andrew Beer (2018), 'The closure of the Australian car manufacturing industry: redundancy, policy and community impacts', *Australian Geographer*, DOI: 10.1080/00049182.2017.1402452

[6] <https://www.thegordon.edu.au/sitedocs/skilling-the-bay/geelong-regional-labour-market-snapshot.aspx>

[7] <https://www.abc.net.au/news/2016-10-07/timeline-ford-australia-ceases-production/7911742>

[8] <https://www.rdv.vic.gov.au/news/wind-turbines-bring-manufacturing-jobs-to-geelong>

[9] Ibid. Beer argues convincingly 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”.