Dear Productivity Commission,

I am a private citizen with an interest in economics.

I have friends in South Australia and Victoria. Many regions of those states would be extremely hard hit by the closure of the car industry in Australia.

To analyse the net effects of a collapse in our auto industry, lets use the old debits/credits system. On the credits side, the government will save $1 billion in assistance payments to the car industry. Good so far. Now lets look at the debits side. Firstly, $5 billion in lost production will reduce GDP. Add multiplier effects and this impact will be keenly felt in a subdued economy, particularly in regions concerned. Secondly, transfer payments to those made unemployed will increase as the government must support those workers made unemployed. There go any savings to the government. Next, we lose jobs in an industry which has above average productivity. Fourthly, we lose skills and technologies in industries such as electronics, chemicals and plastics which are vital to a modern economy. Lastly, and perhaps most importantly, as the country will still need to import cars the $5 billion in lost production will be added each year to our current account deficit. Right now we could afford that but when our terms of trade decline again this will be a severe drag on growth. This is especially true when we bear in mind, despite the biggest mining boom in our history, Australia already has the highest net foreign debt of any developed nation in the world. Keeping the car industry afloat is, quite frankly, a 'no-brainer'.

The closure of the car industry will affect the country in ways we cannot even predict. It will have negative flow on effects on the nation's security, self sufficiency and confidence just to mention a few.

Kind Regards,
Andrew Warrilow