

To Whom it may concern,

This is a statement by Michael Craig McWilliams in relation to the position paper released by the Productivity Commission, on the 31st of January 2014. Some is related specifically to facts, whilst some is emotional, in order to provide context.

Context has become important in Australia as our economic position and trading strength has improved since the global economic crisis which still affects the performance of many of the world's economies.

I am very disappointed in the recent announcements regarding the departure of all three major automotive manufacturers (Holden, Ford and Toyota) from Australia. My primary concern is for the economic performance of the directly affected regions and their contribution to the federal economy as a whole.

I note that in your position paper, you discredit estimates provided by submission, specifically by citing the following reference:

Gretton, P. 2013, *On Input-Output Tables: Uses and Abuses*, Staff Research Note, September, Productivity Commission, Canberra.

Utilising this staff research note, the commission arrives at the following conclusion:

Claims based on 'multiplier effects' from promoting production through government assistance typically fail to consider the cost of that assistance to taxpayers and the alternative use of resources in other industries in the economy (which themselves have flow-on effects). For example, a motor vehicle producer might use government funding to buy more parts from component manufacturers, but equally government spending of those resources on health and education (for example) could be used to invest in the health and education workforces — people who would contribute to Australia's economic development and social wellbeing, and who would spend their income in ways that also generate economic activity. In the Commission's view, the reported multipliers do not justify dedicated government assistance to the automotive manufacturing industry.

I am confused as to why this distinction was made. Is it not the role of submissions to provide you with information? Is it really necessary for estimates to hold against possible options for comparison in the submission phase when there currently is no alternative, in order to be considered valid?

No doubt, those calculations are difficult and often require detailed modelling, which I am sure the commission will carry out with dedication and impartiality. There will obviously be reams and reams of calculations and input data and no reliance on multipliers.

Is the use of multipliers always going to be used as a point of validity for every public inquiry and productivity commission?

As an Australian citizen, and one that took great pride in Australia's ability to build cars that are the envy of many car fans the world over, there is one key point which I would like answered. In all honesty, I can't see why you would want to answer anything else.

A= the benefit provided to the Australian economy

B= the current level of industry assistance

C= the benefit of alternative policy to the Australian economy

D= the benefit lost from the Australian economy due to the loss industry + cost of alternative policy

$X = A - B$

$Y = C - D$

Is X greater than Y?

Obviously, the circumstances have changed due to the withdraw of the major manufacturers, however there are still thousands of jobs in the component industry (including aftermarket) and research, development and design companies whom will now need to accelerate their transition strategies.

Additionally, if Australia truly is open for business and the Liberal government is non-interventionist, then in place of the current co-investment schemes, there should be applicable attractive funding for companies to invest in the skillset that Australia has within its Automotive manufacturing industry.

After all, Australia has invested billions of dollars over the last decade. To remove the capability to utilise skills developed from that investment is an additional cost. Those automotive manufacturing skills are still an asset for this economy. Please consider the loss of skills as a cost when estimating the value of alternative policy.

I also consider the ability to manufacture motor vehicles as an important part of our status on the world stage. Building cars assists in demonstrating the breadth of talent we have developed in Australia, including our historic ability to do more with less.

Please do not discount the pride and emotional benefit of the capabilities of this country. It's hard to quantify in dollar figures, but dollars should not be all that counts.

Australia isn't a business.

This is a country. You can't "rationalise" your population.

Sincerely,

Michael McWilliams

Director

LoflytTECH

