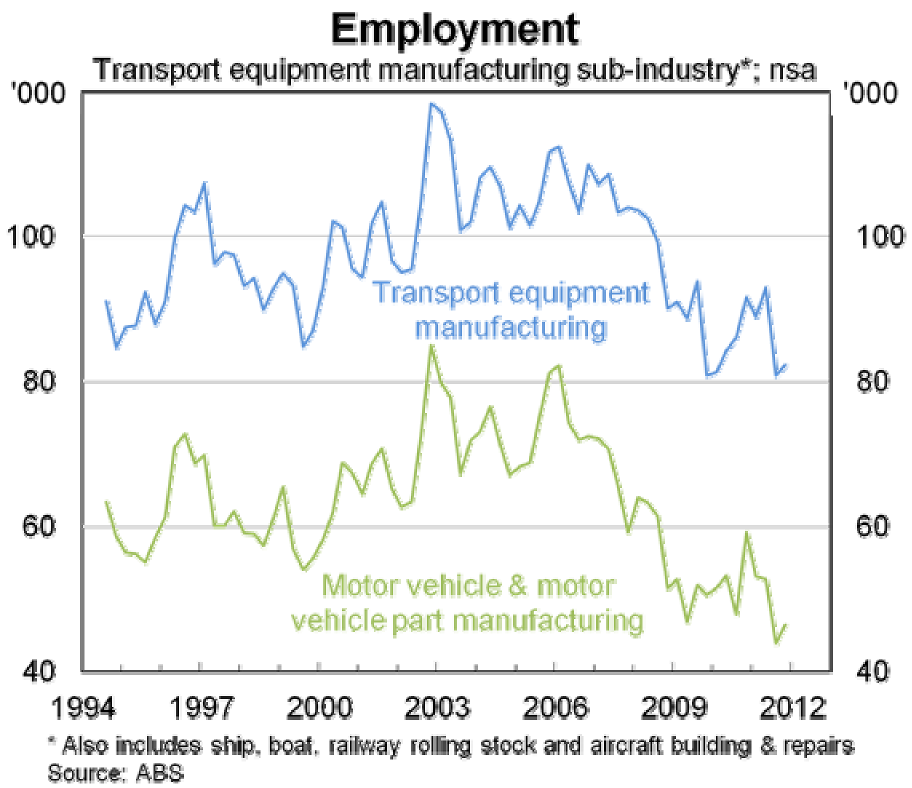
From:
Sent: Wednesday, 1 February 2012 11:46 AM
To:
Cc:
Subject: RE: Motor vehicle industry employment (direct and indirect) [SEC=UNCLASSIFIED]

Hi

Our estimates suggest that between 120,000 and 150,000 people are employed directly and indirectly in manufacturing, wholesaling and retailing motor vehicles. This does not include employment in vehicle repair, which we think should be considered separately.

ABS data suggest that around 50,000 people are directly employed in manufacturing and assembly of vehicle bodies & parts. This is roughly consistent with company data and other available information from industry bodies – the three car manufacturers employ about 13,000 directly. This category makes up a large part of the transport equipment manufacturing sub-industry. The ABS data suggest employment in that sub-industry fell by around 20,000 over 2006-2009 period, which covers the closure of Mitsubishi's Adelaide plant in 2008, which employed about 1,000 workers.



Estimates of indirect employment are difficult to obtain. Using the 2007/08 input-output tables suggests that around another 50,000 people are indirectly employed in providing inputs to the car manufacturing process. This includes a large number of people employed in other manufacturing sub-industries, as well as people in the professional, scientific & technical services industry and other industries such as wholesale trade. These estimates are crude as we've had to make a number of assumptions, for example about the relationship between gross output and employment in each sector. Other industry estimates of indirect employment have been higher (in the range of 200,000 to 300,000). These larger estimates may include people involved in vehicle distribution and sales (which we discuss below), and indeed the repair and maintenance sub-industry (which, according to the ABS, employs around 140,000 people).

ABS industry data suggest that around 20,000 people are employed in wholesaling and retailing motor vehicles and parts. This estimate strikes us as too low, particularly as Holden and Toyota state that they alone employ around 25,000 people in their dealerships. Given this, we think that 50,000 would be a more reasonable number.

Again, I should emphasise that these are very imprecise estimates. Unfortunately ABS data at this level are very fragmented and inconclusive, and estimates of 'indirect' employment depend critically on how broad the scope is. If you'd like more detail on what we've done or where we've found this data do let me know.

Cheers,

Economist - Labour Market | Economic Group
RESERVE BANK OF AUSTRALIA | 65 Martin Place, Sydney NSW 2000
| w: www.rba.gov.au

From:
Sent: Monday, 23 January 2012 16:27
To:
Cc:
Subject: Motor vehicle industry employment (direct and indirect)

Hi

As we just discussed, has requested information on the number of people employed either directly or indirectly in the motor vehicle industry. This might include those producing vehicles, including parts, manufacturing, etc..., as well as those assembling, servicing and selling vehicles.

The priority on this request is low.

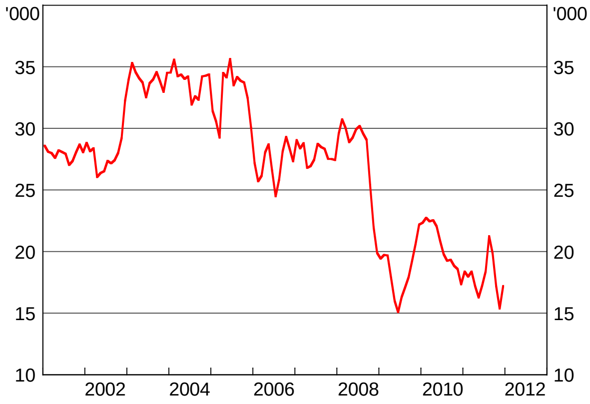
Regards,

| Economic Assistant |
RESERVE BANK OF AUSTRALIA | 65 Martin Place, Sydney NSW 2000
| w: www.rba.gov.au

RIA: Manufacturing Sector

Current conditions

Graph 4
Motor Vehicle Production



Source: FCAI

Regarding sub-sectors reporting above-average conditions in the PMI:

- Strength in **transport equipment** manufacturing may reflect good conditions for producers of road transport equipment and some mining-related demand (which together account for just under ½ this industry), although conditions are weak in motor vehicle production.

    - **Motor vehicle production** declined by around 10 per cent over 2011, to be back around early 2009 levels (**Graph 4**). Suppliers forecast that there will be minimal growth in production levels in the next two years. Reflecting this, Toyota recently announced 350 redundancies, Holden is cutting around 100 casual and temporary jobs, and Ford cut 240 jobs last year.

    - This weakness owes to a loss of domestic market share to importers and the withdrawal and loss of sales in export markets. In addition, the import content of local production is declining as local firms lose contracts or import more inputs.

    - The automotive industry contributes around $4½ billion to national value added and employs just under 50 000 workers. Around 60 per cent of the industry is vehicle manufacturing and the remainder is parts production.

Structural change

- In the **automotive sector** specifically, long-term contracts mean that some adjustment will be deferred for as long as 2-3 years, until supply contracts are fully re-tendered. **Government support** and the huge cost of redundancy payments are also delaying decisions about the viability of domestic production.
    - Around $3.4 billion in federal funding has been earmarked for the automotive industry over 2011 to 2020.[1] Ford recently received $34 million from the federal government, and there are media reports that GM Holden is currently negotiating a subsidy worth $100 million.

[1] See Automotive Transfer Scheme.

Regional and Industry Analysis
20 February 2012

Current Conditions in the Manufacturing Industry: December Half 2011

Machinery & equipment was the only other significant contributor to output growth, with strong domestic and international demand for specialist and high-tech equipment, particularly within the mining industry, offsetting an ongoing contraction in motor vehicle manufacturing.

Recent performance

The trend decline in employment is in line with ongoing structural adjustment within the industry (see below for details of recent high-profile job losses in the automotive and metal products sub-industries).

Machinery & equipment

In contrast, production of transport equipment continues to contract due to declining motor vehicle production, which fell by around 10 per cent over 2011, to be back around early 2009 levels (motor vehicles and parts make up around two-thirds of transport equipment value-added). Liaison contacts report that the viability of local car manufacturers is in doubt due to a loss of market share in both domestic and export markets,[8] but that such decisions are being delayed by government support and the huge cost of redundancy payments.[9] In response to this pressure, domestic motor vehicle manufacturers have undertaken significant cuts to labour costs,[10] and continue to reduce domestic content in vehicles. Further adjustment is anticipated over the next 2 to 3 years as supply contracts are retendered. Beyond motor vehicles, liaison suggests better conditions for producers of road transport and rail equipment, partly due to mining-related demand.

8 The automotive sector employs around 46 000 workers and contributes $4½ billion to national value added.

9 Around $3.4 billion in federal funding has been earmarked for the automotive industry over 2011 to 2020 (see Automotive Transfer Scheme). Ford recently received $34 million in federal government funding, and GM Holden has reportedly secured assistance worth $275 million (see 'No Job Guarantees in Holden Handout', AFR 23/3/12).

10 Toyota recently announced 350 redundancies, Holden is cutting around 100 casual and temporary jobs, and Ford cut 240 iobs in 2011

South Australian Office
Economic Analysis Department
23 March 2011

Note - date should read March 2012

Where is the Growth? Recent Trends in Manufactured Exports

In general, there has been a decline in some of Australia's more traditional manufacturing export sectors, such as construction materials and road vehicles.

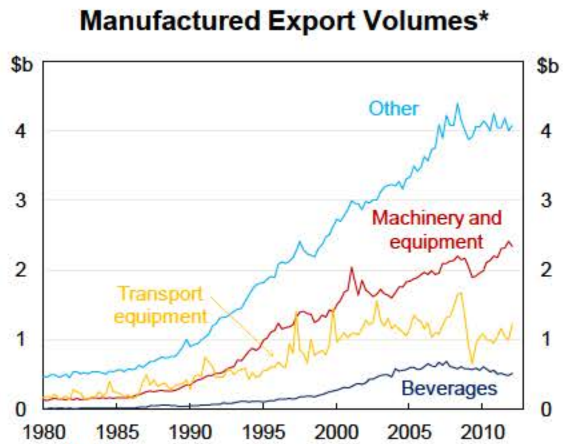
Trends in manufactured exports

- During the global financial crisis, Australia's manufactured exports fell sharply alongside a contraction in global trade. Manufactured exports fell by around 20 per cent from their peak in June 2008 to their trough in mid 2009, with exports of transport equipment, in particular road vehicles, the largest contributor to the sharp decline.

Exports of transport equipment declined sharply during the financial crisis, in particular exports of road vehicles (which make up the bulk of transport equipment exports) (Graph 3). This decline in exports followed a strong increase from late 2007 after Holden started exporting to the United States. However, Holden's export contract to supply General Motors was cancelled in 2009 and was a big driver behind the fall. Transport exports have been unable to recover following the financial crisis and are little changed from their level in the early 2000s. The appreciation of the Australian dollar continues to weigh on the competitiveness and viability of local car production.

However, despite some liaison contacts indicating they were uncertain about their export strategies and competitiveness going forward, Holden recently announced a new export program to North America, due to begin in late 2013.

Graph 3



* 2009/10 prices
Source: ABS

Prospects

The decline in exports in some of the more traditional manufacturing sectors such as road vehicles is currently being more than offset by growth in exports of more specialised manufacturing products, reflecting demand from Asian markets as well as expertise in manufacturing areas related to mining.

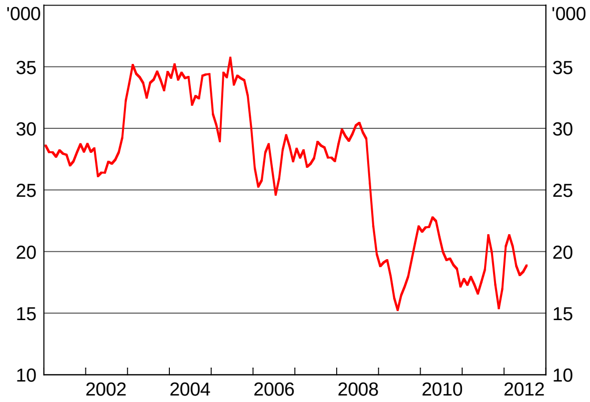
Economic Activity & Forecasting
Economic Analysis Department
4 July 2012

RIA: Manufacturing Sector

Trade-exposed manufacturing

Current conditions

Graph 4
Motor Vehicle Production



Source: FCAI

- Weakness in **transport equipment** manufacturing is being driven by soft motor vehicle production, while conditions are stronger for producers of road and mining-related transport equipment.
  - **Motor vehicle production** has declined by around 11 per cent since February (Graph 4). Suppliers forecast that there will be minimal growth in production levels in the next two years.
  - This weakness owes to a loss of domestic market share to importers and the withdrawal and loss of sales in export markets. In addition, the import content of local production is declining as local firms lose contracts or import more inputs.
  - The automotive industry contributes around $4½ billion to national value added and employs just under 50 000 workers. Around 60 per cent of the industry is vehicle manufacturing and the remainder is parts production.

Structural change

- In the **automotive sector** specifically, long-term contracts mean that some adjustment will be deferred for as long as 2-3 years, until supply contracts are fully re-tendered. Government support and the huge cost of redundancy payments are also delaying decisions about the viability of domestic production. Around $3.4 billion in federal funding has been earmarked for the automotive industry over 2011 to 2020.[1]
  - Ford recently announced that it will cut its daily production rate by 30 per cent by November, resulting in 440 blue-collar job cuts and prompting speculation that Ford will not continue domestic production beyond 2015. Liaison with suppliers indicates that while Ford is a relatively small customer, a reduction to only two local producers would significantly increase their demand risk.

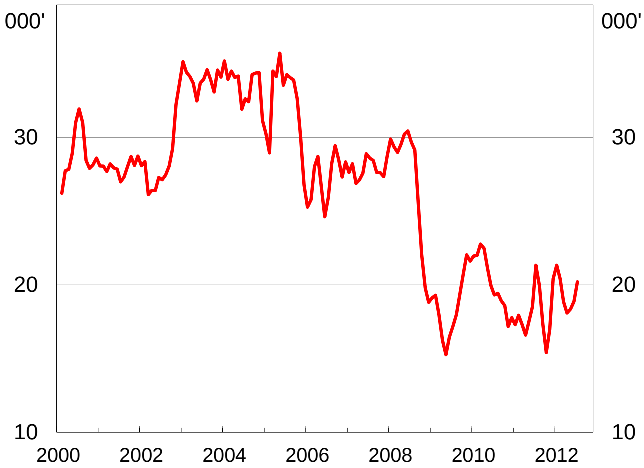
[1] See Automotive Transfer Scheme.

Regional and Industry Analysis
August 2012

Developments by sub-industry

At the other end of the spectrum, **machinery & equipment** output grew by 10 per cent in six-month annualised terms over the first half of this year, due to strength in the March quarter (though has been broadly flat over recent years). The Business Indicators release attributes this recent strength to the *transport* half of the sub-industry, whose output has now recovered from a significant decline between June 2010 and September 2011. This profile is roughly consistent with that of motor vehicle production (Graph 5; motor vehicles and parts make up around two-thirds of transport equipment value-added), though liaison also points to sustained, moderate growth in production of road transport, defence shipbuilding and rail equipment, partly due to mining-related demand. Looking ahead, suppliers forecast that there will be minimal growth in production levels in the next two years, with domestic manufacturers continuing to struggle against importers and a loss of business in export markets. Ford announced in July that it will cut its daily productions rate by 30 per cent by November, resulting in 440 blue-collar job cuts and prompting speculation that it will not continue domestic production beyond 2015.[6] Liaison with suppliers indicates that while Ford is a relatively small customer, a reduction to only two local producers would significantly increase their demand risk. Furthermore, sales of some other locally-produced vehicles are generating a limited amount of work for local suppliers due to their high import content.

Graph 5
Motor Vehicle Production
Seasonally adjusted; 3 month moving average



Source: Federal Chamber of Automotive Industries

6 See 'Labor says no extra cash for Ford' page 1, Australian Financial Review 18 July 2012.

South Australian Office
Economic Analysis Department
25 September 2012

Current Conditions in the Manufacturing Industry: December Half 2012

Developments by sub-industry

Machinery & equipment

On *transport equipment*, liaison indicates that there has been some increase in truck production of late (although this now appears to be slowing), but domestic motor vehicle production fell by almost 20 per cent (seasonally adjusted) in the December quarter, to be around its lowest recorded level ever, and there are considerable concerns about the long-term viability of the industry.

South Australian Office
Economic Analysis Department
15 March 2013