

In Australia, car makers have come to be seen by many as more of a cost than a benefit, a failing industry that was too reliant on government handouts. But in the United States, many state governments have attracted foreign investment that has provided ongoing economic security.

Now the end of car manufacturing in Australia is fast approaching. Ford Australia will close its production line in Broadmeadows on October 7, where the iconic Falcon has been made for almost six decades.

On the same day, Holden will close Cruze production in Adelaide, and Ford will shutter its engine plant in Geelong. In the course of the next year, Australia's three car makers – Ford, Holden, and Toyota – will shut down completely.

In all, more than 5,000 production jobs, plus many more white collar and supplier positions, [will be lost](#).

The shutdowns come following the 1984 Button Plan, a Hawke government initiative that provided for phased tariff reductions (2.5% per annum) as well as fewer separate manufacturing facilities. After this, industry protections were gradually removed and successive governments also signed more free trade agreements that made it easier for imported brands to penetrate the Australian market.

Prior to the closures, Holden boss Mike Devereux fought for two years for an increase of more than A\$200 million in government funding, [claiming this would save the assembly lines](#).

By contrast in the US over the past few decades, a series of states have paid large financial incentives to attract foreign-owned car makers.

In 1980, Tennessee officials offered Nissan a US\$33 million package to build its first American

plant in Smyrna, while in 1985 Kentucky committed US\$149 million in subsidies to lure Toyota to Georgetown. Another generous package, including a US\$1 a year lease on a US\$36 million piece of land, brought BMW to Greer, South Carolina in the early 1990s. From there, the [incentives continued to escalate](#).

In the mid-1990s, Alabama spent US\$325 million to bring Mercedes-Benz to Vance, and also gave generously to secure Honda and Hyundai factories. By 2002, Alabama's total subsidies to foreign automakers [were an estimated US\\$874 million](#). More recently, Mississippi has paid close to US\$800 million to land plants by Toyota and Nissan.

Ironically, the subsidies have been dished out mainly by southern states. The South is the most conservative region in America.

Many of the incentives have been authorised not by Democrats but by conservative, patriotic Republicans. Governing over states that are among the poorest in America, they argued that the cost of landing high-paying automotive jobs was justified.

Twenty-five years ago, for example, the Deep South state of Alabama had never produced a vehicle. By 2015, more than 13,000 people were employed in four major assembly plants, [while a further 24,000 worked for suppliers](#). "Whatever it cost," economic recruiter Ellen McNair asserted, "it was worth it".

The incentives have established a thriving economic sector. In 2009, foreign-owned automotive factories [employed 78,000 people](#) and turned out more [than 25% of all vehicles manufactured in the US](#).

Even during and after the global financial crisis, none of these plants closed – unlike their domestically-owned counterparts. Instead, the sector has continued to expand.

Australians now drive many cars, including the high-end BMW X-5 and Mercedes M-Class, made in these US factories. Contrary to popular impressions, there is a thriving car industry in America; it is [foreign-owned and based largely in the southern states](#).

The US used foreign investment to develop a new car industry, a lesson Australia hasn't learned

Written by The Conversation

There are important differences between the Australian and American stories. In the US, a more decentralised political system means that states compete with one another [to land industrial investment](#). Unions are much weaker in the US than in Australia, and southern states used weak labour laws, together with promises to fight organised labour, to lure automotive investment.

Transplant car workers are paid well by the standards of their area, yet not as much as their counterparts in Michigan and other traditional car-making states. The poverty of southern US states also drove their search for car plants, whereas in Australia, economic boosters argue the economy is diversified and displaced car workers can find other employment more easily. The US also has a much bigger vehicle market than Australia.

The US story reminds us, however, that automotive [jobs have tremendous value](#). In Australia, as in the US, the industry has provided well-paid jobs to generations of new immigrants, giving them upward mobility. Research of automotive plant closings in the US – and of manufacturing shutdowns more generally - shows that they have [devastating economic and social consequences](#), as few workers [are able to gain jobs that pay as well](#).

As sociologists and others have demonstrated, displaced car workers - especially women and racial minorities - [usually suffer "downward mobility,"](#) a drop in socio-economic status as a result of losing their job. Former automotive communities have [suffered high rates of unemployment and depopulation](#) for years after plant closings.

In 1950, when the industry was booming, Detroit had 1.86 million inhabitants. Today, it [has fewer than 700,000](#).

Unlike Australia, the US has used incentives to maintain a viable automobile industry. While Australia's car industry was contracting, total domestic vehicle production in the US actually grew, and investments by foreign companies have also kept industry employment levels steady.

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Many Americans believe that a viable automotive manufacturing sector is essential for their economy. It remains to be seen whether the Australian car industry can cope easily with the shutdowns.

The US experience, however, suggests that those displaced will not be able to move on so easily, and that Australia might be losing more than many of us realise.

Timothy Minchin receives funding from the Australian Research Council to study the foreign-owned automotive sector in the U.S.

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