

Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Industry, Innovation, Science, Research and Tertiary Education Portfolio
Supplementary Budget Estimates Hearing 2012-13
17 October 2012

AGENCY/DEPARTMENT: DEPARTMENT OF INDUSTRY, INNOVATION, SCIENCE, RESEARCH AND TERTIARY EDUCATION

TOPIC: Car Industry - Multiplier effect

REFERENCE: Question on Notice (Hansard, 17 October 2012, pages 41 and 42)

QUESTION No.: SI-20

Senator RYAN - Does that 200,000 include 30,000 people that might work in the after-car support market?

Mr Durrant: No.

Senator RYAN: So this is a multiplier about other manufacturing industry.

Mr Durrant: That is right. It is just the multiplier purely on the manufacturing of motor vehicles.

Senator RYAN: I remember working in an industry that used to talk about multipliers a lot. So you do not have any evidence, you are simply applying a multiplier effect to the just under 50,000 people employed directly manufacturing cars, components and, I think you said, after-car. Did you say after-car or support?

Mr Durrant: It includes service providers to the toolers.

Senator RYAN: In the 50,000, you are not counting those who are after-market support for imported cars. It is only those related to the manufacture.

Mr Durrant: That is correct, it is related to the manufacturing.

Senator RYAN: Have you investigated or undertaken any work investigating the multiplier effect? Some of these multiplier effects—I have done a bit of work on them myself—do not always survive scrutiny.

Mr Durrant: Yes. Like I said, it is a national figure. It is one that is used around the world by various—

Senator RYAN: Car manufacturers?

Mr Durrant: Car manufacturers use it, but academics also use it. We have not done the multiplier effect ourselves.

Senator RYAN: Is this multiplier effect challenged?

Mr Durrant: I think it is a generally accepted one.

Senator RYAN: I am not familiar off the top of my head with the work, but, for example, in reports the Productivity Commission has done into cars, have they challenged it?

Mr Durrant: Not that I am aware of

Senator RYAN: Can you give me some references for the multiplier effect that the department uses to reference or footnote it, for want of a better way of putting it.

Mr Durrant: I will take that on notice.

ANSWER

There are many estimates of the multiplier effect on employment from motor vehicle and parts manufacturing. For example, the Center for Automotive Research (*Contribution of the Automotive Industry to the Economies of all Fifty States and the United States*, April 2010) reported an

employment multiplier of 10 for motor vehicle manufacturing and assembly, and a multiplier of 4.8 for motor vehicle parts manufacturing.

The Organisation Internationale des Constructeurs d'Automobiles (International Organisation of Motor Vehicle Manufacturers) notes the “motor vehicle industry employs 9 million people and that each direct job supports at least another 5 indirect jobs in the community” (Source: <http://oica.net/category/economic-contributions>).

The (Parliament of Australia) House Standing Committee on Employment, Workplace Relations and Workforce Participation's Inquiry into the Automotive Manufacturing Sector (2005) reported “each job has a multiplier effect – studies estimate that for every job created in the automotive industry, 6.5 jobs are created in supply and consumer industries”.