

sessions. The background to the Task Force and its progress to date was outlined at the training sessions, along with the procedures for the distribution and collection of the questionnaires. In addition, the foremen/supervisors were familiarised with the content of the questionnaire and made aware that arrangements could be made with the Department of Maori Affairs and the Ministry of Pacific Island Affairs for any workers encountering problems in completing the questionnaire to receive some assistance.

- 2.5 In an effort to gain the confidence and co-operation of the plant workers, the Task Force publicised its work and the questionnaire itself in several ways: first a 'flier' was prepared in the Samoan language and distributed to the Samoan workers at the plant; secondly informal Maori and Pacific Island networks were used to disseminate information; and thirdly, an information bulletin was broadcast on Radio Pacific.
- 2.6 The returned questionnaires were coded, processed and analysed in December 1986 and January 1987 by the Town and Country Planning Directorate of the Ministry of Works and Development.

3. VALIDITY OF THE DATA

- 3.1 A total of 500 questionnaires were given to the Company to be distributed and 171 were returned, giving a response rate of about a third. The following factors may have been responsible for this low figure:
 - a) despite efforts by the Task Force to conduct the survey at an appropriate time, an industrial dispute took place whilst it was being conducted;
 - b) as the Task Force represented a wide range of interests, the final questionnaire was lengthy. This may have deterred some of the workers from completing it. Furthermore, although efforts were made to provide assistance for those who could have encountered difficulties in filling out the questionnaire, it is uncertain how effective this was and some of the workers for whom English is a second language may still have experienced problems;
 - c) the Company had conducted a survey earlier in October and it was possible that the workers were unwilling to lend their support to what they mistakenly saw as another Company survey. The latter was compounded by the fact that, as the Company would not agree to union delegates distributing the questionnaires, the foremen / supervisors handled the distribution. The Task Force subsequently approached union delegates for help in getting workers to return the questionnaires.
- 3.2 Although 171 questionnaires were returned, the response rates for the individual questions varied. Most questions elicited a 95% response rate, but, for example, only 38% of the respondents answered the question on household income and 66% gave a response to the question about the amount of overtime worked.
- 3.3 The Company have stated that a questionnaire was distributed to each member of the local office workforce. It would appear, however, that management did not receive a questionnaire. At the time that the closure was announced (February 1986) the Company stated that a total of 700 people were employed at the plant. Of these, 83 were Head Office staff, leaving 617 local office people.

In January 1986, the Company had stated that there were 554 hourly-rated staff at the plant, although by the time of the announcement this figure had reduced to an estimated 540. By December 1986 (two months after the Task Force survey was completed), during redundancy negotiations, this figure had reduced still further to 424. Thus, in January 1986 there were about 70 salaried, local office staff at the Seaview plant, a figure which is believed to have reduced only a little by the end of that year. The total figure, therefore, of both salaried and hourly-rated local office staff working in the plant at the time that the Task Force conducted its survey may be estimated to be about 500.

- 3.4 However, the 171 workers who returned their questionnaires were hourly-rated workers. Salaried staff did not appear in the Task Force survey results, presumably having failed to complete and return a questionnaire. The Company have revealed that salaried staff were resistant to completing the questionnaires.
- 3.5 In order to assess the degree to which the respondents of the Task Force survey were representative of all workers at the plant, the Company were asked to provide some basic data about the workforce at the plant. The information which was provided related to hourly-rated staff as at February 1986-April 1986. Thus, it should be kept in mind that local salaried staff at the plant (about 70 persons), and Head Office personnel (about 83 persons), have essentially been omitted from any analysis of the workforce at the plant.
- 3.6 Using the data supplied by the Company, a statistical chi-square test was employed to test whether the Task Force survey population was in fact, a random sample, and could legitimately be used to draw conclusions about the total hourly-rated workforce at the plant. This test essentially measured the 'goodness of fit' of the Task Force survey to the total plant workforce as outlined in the Company data. When the two data sets were compared by sex, ethnicity and residential location, there was found to be no significant difference between the two ($p=0.05$). A significant difference was found for age, but this was not considered to be problematic as the two data sets had each used different age categories and the computed chi-square statistic revealed that the difference was minimal. According to at least three variables therefore, and for the purposes of subsequent analysis, the Task Force survey data could be used to make generalisations about the total hourly-rated workforce at the plant. The chi-square test could not be applied to two variables - length of service and occupational category - because of a paucity of suitable data.

4. WORKFORCE PROFILE : QUESTIONNAIRE ANALYSIS

Demographic Characteristics

- 4.1 Tables 3 - 1, 3 - 2 and 3 - 3 compare the data supplied by the Company with the Task Force survey according to age, sex and ethnicity respectively. They show that the workforce is predominantly male (89%). The age groups are fairly evenly spread throughout the workforce with three categories - less than 30 years, 30-40 years and 40+ years - each containing about a third of the workforce population. Similarly, the Company data in Table 3-3 revealed that just over a third of the workforce are Pacific Islanders, whilst Maori and European workers each make up just under a third. The other ethnic groups which make up 6% of the workforce include Vietnamese, Chinese and Cambodian.

TABLE 3 - 1

AGE OF WORKFORCE

<u>Company data : Total hourly-rated workers</u>			<u>Task Force Survey</u>		
<u>Age Group</u>	<u>No.</u>	<u>%</u>	<u>Age Group</u>	<u>No.</u>	<u>%</u>
15-19	26	6	15-20	7	4
20-29	116	28	21-30	54	32
30-39	124	30	31-40	62	37
40-67	148	36	41-50	26)	
			51-60	19)	27
			61+	1)	
Total	<u>414</u>	<u>100</u>	Total	<u>169</u>	<u>100</u>
			Not stated	2	

Chi-square = 8.00, significant, p=0.05, 3df.

TABLE 3 - 2

SEX OF WORKFORCE

<u>Company data : Total hourly-rated workers</u>			<u>Task Force Survey</u>	
	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>
Male	331	85	151	89
Female	60	15	18	11
Total	<u>391</u>	<u>100</u>	<u>169</u>	<u>100</u>
			Not stated	2

Chi-square = 2.3, no significant, p=0.05, 1 df.

TABLE 3 - 3

ETHNICITY OF WORKFORCE

<u>Company data : Total hourly-rated workers</u>			<u>Task Force Survey</u>	
	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>
Maori	119	29	42	25
Pacific Islander	142	34	73	43
European/Pakeha	128	31	42	25
Other	27	6	11	7
Total	<u>416</u>	<u>100</u>	<u>168</u>	<u>100</u>
			Not stated	3

Chi-square = 7.16, not significant, p=0.05, 3df.

- 4.2 In the Task Force survey, 40% of the Maori workers cited the East Cape as their region of origin whilst a half cited Central North Island regions (including Waikato, King Country, Taranaki and Bay of Plenty). Two thirds of the Pacific Islanders are Samoan whilst a fifth are Cook Islanders.
- 4.3 Half of the women in the Task Force survey were aged under 30 years and 72% of the workers stated that they were married or living in a de facto relationship. Of the 152 workers who replied to the question about household size, 28% lived in households with more than two adults and 60% lived in households with children. Of the latter, 80% contained 2 or more children. The children tended to be young, with 77% being either pre-school or primary school age.
- 4.4 Thus, on the evidence available, any loss of earnings in these households could cause severe hardship (see Chapter 5).

Employment

- 4.5 All the workers are employed full-time. Three quarters of them had been employed at the plant for over five years and a third for over ten years. This is regarded as a stable workforce for the car assembly industry and the Company is proud of the low staff turnover rate. The Task Force survey revealed that workers who had more than ten years of service at the plant tended to be inspectors, metal finishers, foremen and repairers.
- 4.6 Table 3 - 4 shows the occupations of the workers who responded to the Task Force survey, whilst Table 3 - 5 shows the proportion of occupations in all car assembly plants as contained in the Combined Motor Assembly Plant and Componentry Industry Unions' Submission to the Industries Development Commission. In this submission the point is made that the proportion of workers with easily transferable skills is quite small and that in some cases, semi-skilled jobs such as spray painting, metal finishing or production welding, involve a considerable degree of skill, but often have no formal qualifications. In any case, according to the Unions' submission, the skills are not in demand in other industries.

TABLE 3 -4

OCCUPATIONS OF WORKFORCE - TASK FORCE SURVEY

	<u>Stated Occupation</u>	<u>No.</u>	<u>%</u>	
Body/Mechanical Trim/Assembler	(Welder	29)	63	38.9
	(Assembler	21)		
	(Repairman	6)		
	(Engineer	6)		
	(Grinder	1)		
Tradesman	(Fitter	9)	12	7.0
	(Mechanic	2)		
	(Tool Maker	1)		
Stores Worker	(Storemen	15)	20	12.3
	(Forklift Driver	5)		
Caretakers & Cleaners	(Security Guard	2)	3	1.8
	(Cleaner	1)		
	Paint Process Worker	9		5.6
	Metal Finisher	9		5.6
	Foreman	6		3.7
	Inspectors	8		4.9
	Painter	25		15.4
	Clerical	6		3.7
	Sealer	1		0.6
		<u>162</u>		<u>100</u>
	not stated	9		

TABLE 3 -5

PROPORTIONS OF OCCUPATIONS IN ALL ASSEMBLY PLANTS

	<u>Union Survey Occupation</u>	<u>%</u>
	Qualified Tradesman	5.9
	Unqualified Tradesman	2.5
	Spray Painter	4.8
	Inspector	7.9
	Metal Finisher	4.1
	Clerical/Office	4.1
	Sewing Machinist	1.4
	Body/Mechanical Trim/Assembler	38.5
	Cleaner	2.9
	Stores Worker	11.5
	Machine Operator	0.2
*	Battery Worker	0.0
*	Process Worker	4.3
	Paint Process Worker	6.1
*	Tool Setter	0.0
	Trimmer, Cutter	0.2
	Other	5.6
		<u>100.0</u>

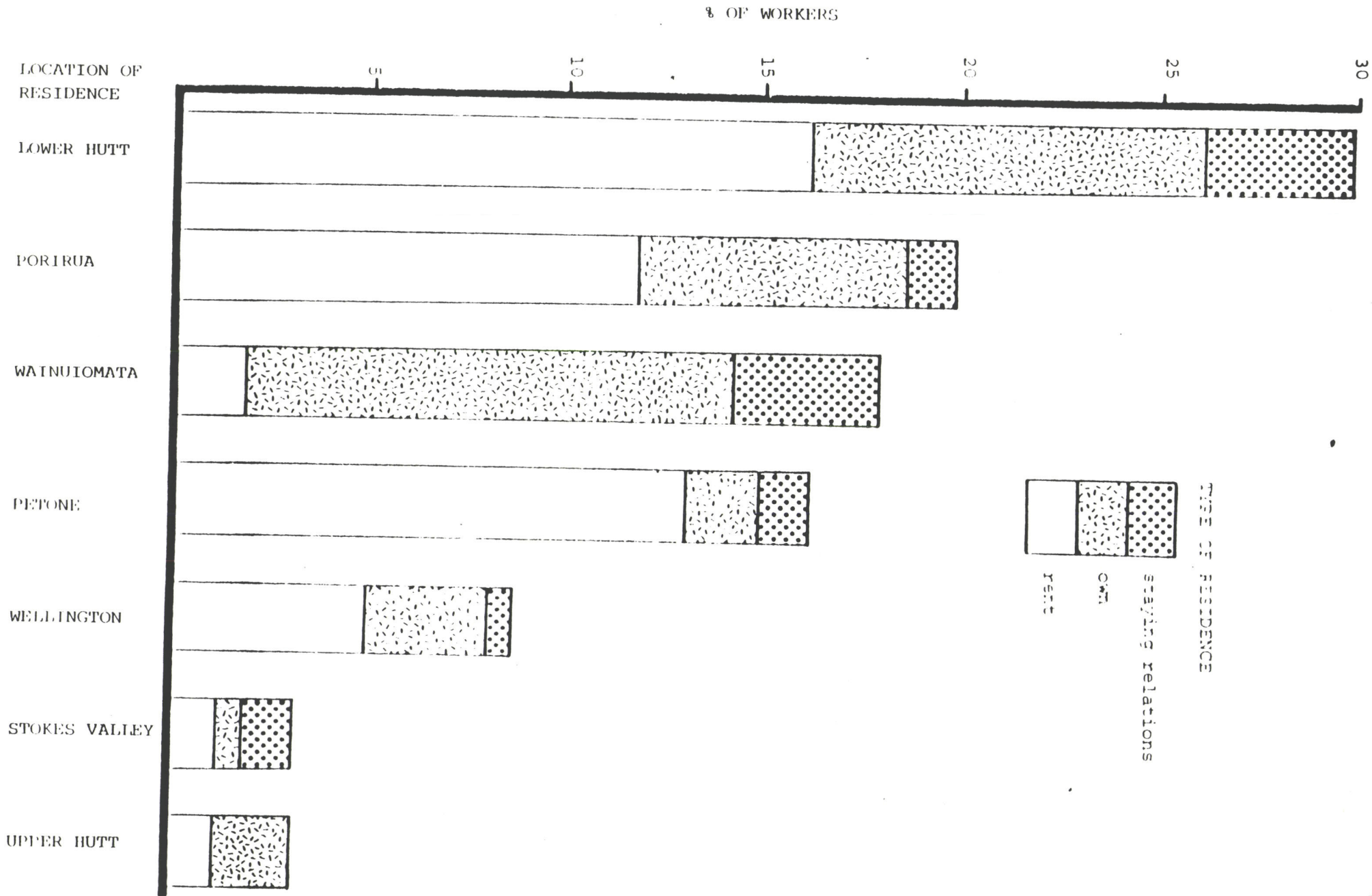
* Not applicable to Ford Motor Company

- 4.7 Only a fifth of the workers reported that they had other work or trade skills apart from those related to their present jobs and these were mainly welding, heavy motor vehicle driving, forklift driving and metal finishing, not all of which would appear to be of use when seeking other employment. Similarly, only a fifth of the workers had any formal trade qualifications. Half of these, however, possess more than one qualification such as a trade certificate, a welding certificate or a completed apprenticeship. None of the workers indicated that they had a NZ Certificate in Engineering or other trade, an Advanced Trade Certificate or a Boiler Attendants Ticket. These figures are in agreement with those presented in the Unions' submission quoted earlier which reported that 80% of workers in all assembly plants are unqualified.
- 4.8 For many, working for the Ford Motor Company was not their first job. Two-thirds of the workforce in the Task Force survey indicated that they had been employed before joining Ford. A quarter of these listed their last employer as a car assembly plant. Others stated that they had been self-employed, employed by a manufacturing company or another company, or they had worked for local or central government. The range of occupations varied, the more common being painter or welder, assembler, metal finisher, fitter and storeman.
- 4.9 Only four workers said that they had been made redundant in another job in the Hutt Valley in the last five years and each had worked for General Motors, Petone. Three of these four workers had registered as unemployed with the Department of Labour after having been made redundant. Thus, redundancy would appear to be a new experience for the majority of workers at the Ford Plant.
- 4.10 Over 90% of the workforce reported having worked overtime during the past year, but only a third estimated that this had amounted to over 50 hours. The occupational classes which had worked the most overtime were assemblers, fitters and storemen. Some 80% of the workers included in the Task Force survey earned \$201-\$300 after tax, but not including overtime.
- 4.11 A third of the workers' spouses/partners were in part or full time employment, a third were not in paid work and a third were single or did not answer the question. The median household income for workers who were married or living in a de facto relationship and whose spouse / partner was working was \$401-\$500. For those workers without a spouse / partner in paid employment, the median household income was \$201-\$300. Although it was not specified in the questionnaire, these figures would appear to represent net income.

Housing

- 4.12 Figure 3 -1 shows that 70% of the workforce lives locally in Lower Hutt, Petone and Wainuiomata. A fifth travel to work each day from Porirua.
- 4.13 The questionnaire did not ask respondents to specify their home addresses and so it is not known whether there are any pockets within the areas already referred to in Figure 3 -1 which might be particularly affected by the closure.
- 4.14 A high proportion of the respondents (half) said that they lived in

FIGURE 3-1: LOCATION OF RESIDENCE BY TYPE OF RESIDENCE



rented accommodation, 12% were staying with parents or relations and a third owned their own home. These proportions varied little according to area of residence although a higher proportion of workers living in Wainuiomata and Upper Hutt owned their own homes than in other areas. Petone showed a higher proportion of workers living in rental accommodation.

- 4.15 Of those respondents who owned their own homes, three-quarters said that they were paying off a mortgage. The repayments of about 90% of those mortgages amounted to over \$100/week and a third were over \$300/week. Almost two-thirds (62%) of the mortgages are with the Housing Corporation, a third (30%) are with banks and other lending institutions, whilst 8% are with the Department of Maori Affairs. Of those workers who are renting, about half rent from the Housing Corporation.

Role in the Community

- 4.16 Figure 3 -2 shows the means of transport to work according to place of residence. A third of the workers said that they drove to work, a third travel by Company bus and 17% either use a bicycle, public transport or a combination of transport modes.
- 4.17 Virtually all the workers shop in the area in which they live, although half of the Petone residents shop in Lower Hutt.
- 4.18 A third of the workers reported belonging to church groups and 17% to social clubs, but almost half did not belong to any clubs or organisations in their home area. Three-quarters of Pacific Island workers belonged to community clubs or organisations, compared to 50% of Maori and European/Pakeha workers.

Future Plans

- 4.19 In general, the workers were unsure of their future plans. Only 6% of the workers at the time of the Task Force survey said that they intended leaving the region when the plant closes. Just under a half of the workers stated that they intended to stay in the area in which they currently live, whilst a half said that they were uncertain about their future plans. There was little variation in these figures between areas of residence although a lower proportion (a third) of Petone residents said that they intended staying in the area.
- 4.20 Figure 3 - 3 shows the stated future residential intentions of the workers by age and reveals that there is a tendency for the older age groups to plan to stay in the region, whilst a greater proportion of those in younger age groups were unsure of their future plans.
- 4.21 Only 4% of the workers indicated that they would be interested in moving to the Wiri Plant if they were offered a job there, although a further 25% said that they were uncertain. Some workers commented that they were uncertain about what any deal to move would include and, in particular, if any housing or removal assistance would be provided.

FIGURE 3-2: LOCATION OF RESIDENCE BY MODE OF TRANSPORT

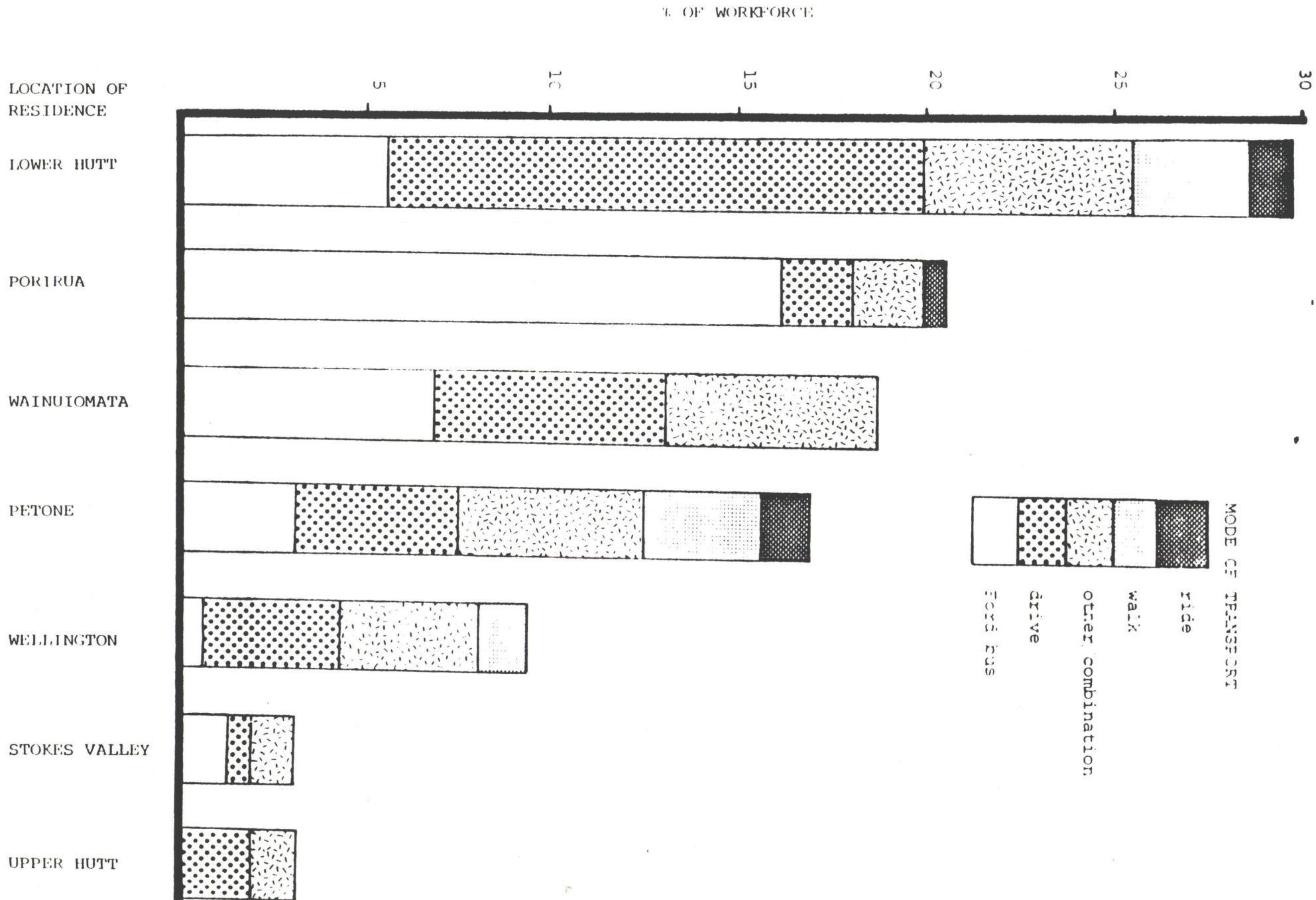
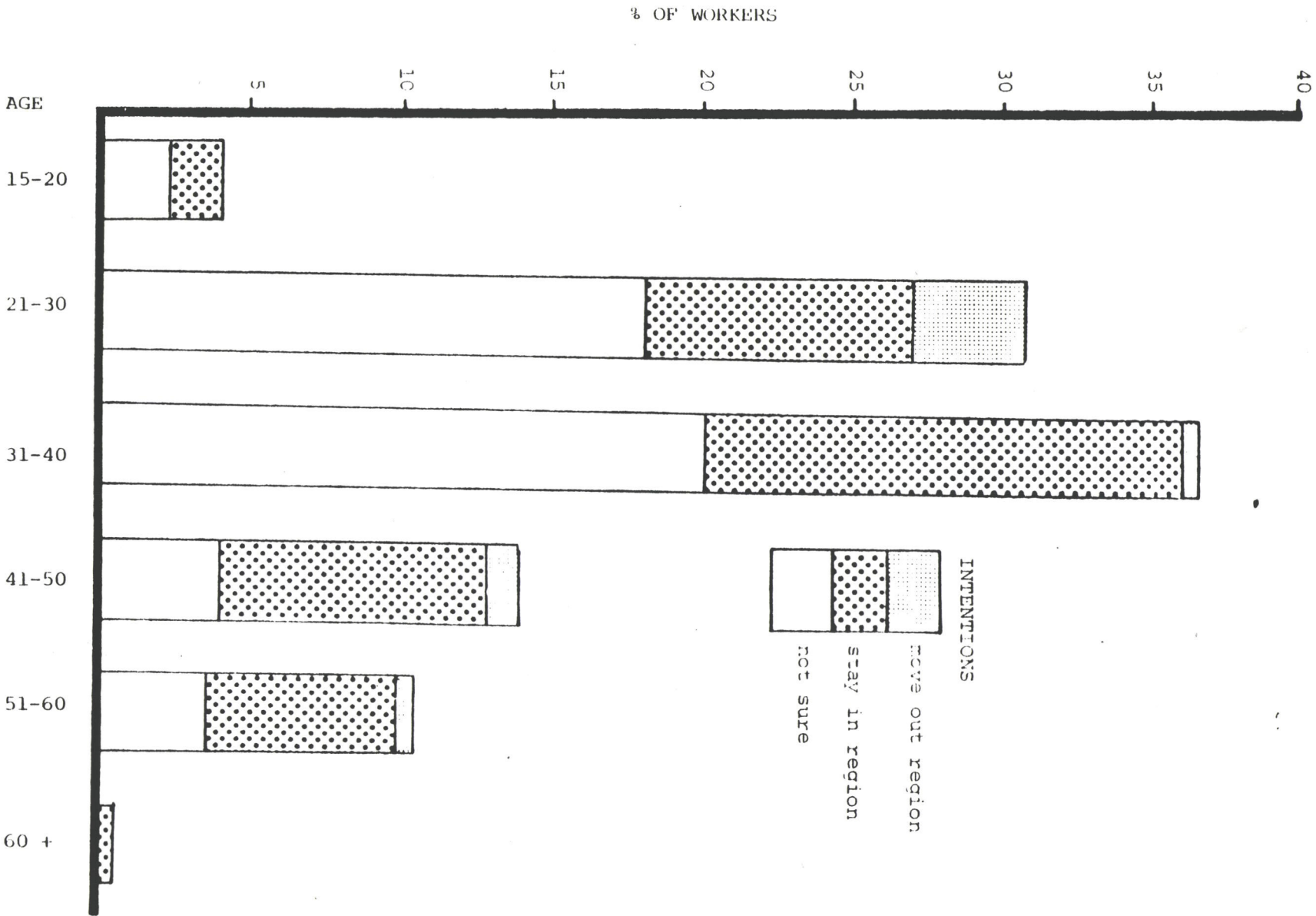


FIGURE 3-3: AGE OF WORKER BY FUTURE RESIDENTIAL INTENTIONS



- 4.22 The questionnaire included a question on child-care arrangements to see if the provision of adequate child-care was a constraint to moving away from the region. Two-thirds of the workers indicated that they had children and 24% of these have child-care/after-school care arrangements. Of these, only a quarter indicated that they expected that their child-care arrangements would make it difficult to move away from the area to get another job, although 43% were unsure of whether or not they would pose a problem.
- 4.23 The Maori workers who stated that they intended moving away from the Region were asked whether they planned to return to their tribal area. Only a fifth replied in the affirmative and none of these expected to find a job there.
- 4.24 Figure 3 - 4 shows the future employment intentions of those workers intending to stay in the region and shows that of the time of the Task Force Survey, future plans varied. A third said that they intended finding a job similar to their present one, whilst a similar proportion intended looking for a different sort of job. Only 14%, at that time, intended to re-train.
- 4.25 Only a quarter of the workers expressed any interest in joining a co-operative if one was set up with people at the plant. The question, however, did not elaborate about the nature of the co-operative which was being referred to and was therefore, difficult to respond to. A similar proportion (23%) of the workers stated that they would be interested in becoming self-employed when they finished working at the Ford plant, whilst 37% expressed uncertainty about this.

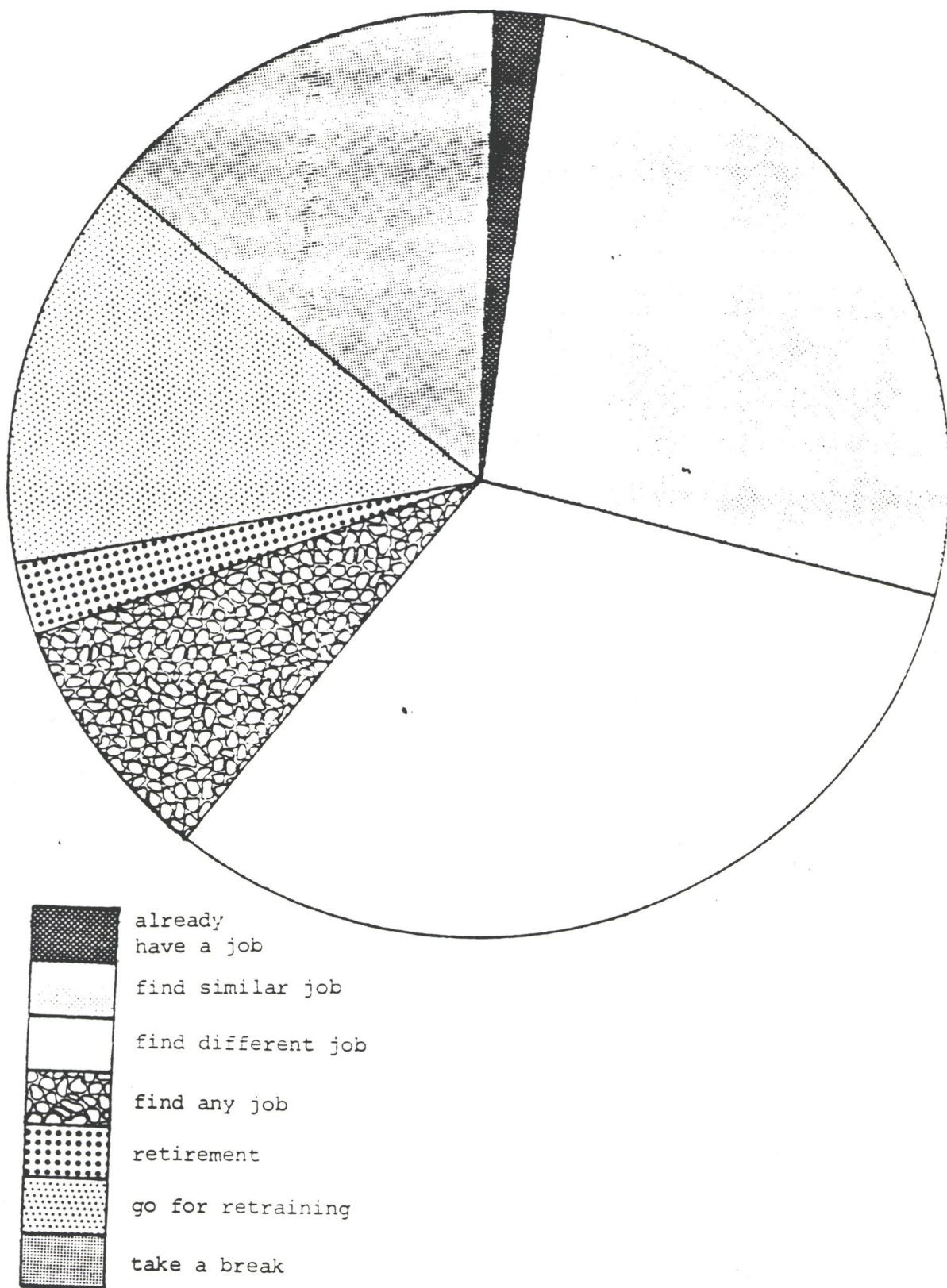
Comments

- 4.26 The end of the questionnaire provided an opportunity for the workers to comment both about the closure and about the questionnaire itself. Only a small proportion of the workers took advantage of this opportunity.
- 4.27 The questionnaire was thought to be 'a good idea', 'racially biased', and containing some questions which were 'too personal' or 'irrelevant'. Several workers hoped that it would be of help to them.
- 4.28 Thirty-four workers, or 20% of the respondents, commented on the Ford closure or on what was being done to help the workforce. Several respondents criticised the Company for not giving adequate assistance in finding other jobs or re-training.

"I'm 50 years old and I think it's too difficult for me to find another job. What does the Company do to help people of my age to get a job?"

"I think it's about time Ford get a move on bringing Training Schemes in as they promised. Ford should spend more time and money on Work Schemes so that every member of the workforce gets a chance to do what they really want to do - perhaps gets a ticket in any trade."

FIGURE 3-4: FUTURE INTENTIONS OF WORKERS INTENDING TO STAY IN THE LOWER HUTT/WELLINGTON REGION



"So far I have not seen nor heard nothing about the things that Ford have said that they would do - i.e. having programmes within the plant, looking for work schemes - things like that. Surely if they were really worried about searching for jobs then they should put more emphasis in doing training schemes within the factory - schemes like welding, basic and heavy trade licenses, panel-beating, clerical experience, store experience - stuff like that - things they can do within the plant. Ford have got all these facilities available and more and I feel they should open it up to the people that really needs this kind of help." *

- 4.29 Many expressed concern about finding another job and feared for the future.

"I feel quite sick about the Ford closure because I have no skill or trade qualifications and with a family of five the future appears bleak."

"I very much disagree with the closure of the company because then I'll be out of a job. I have reached the age where it's hard to find a job suitable for me. All my children are now attending school and it's hard to meet ends with the prices of school fees, school uniforms of today."

- 4.30 A feel of sadness about the closure was often expressed.

"All I have to say is I wish it wasn't closing down. I would like to have seen a few more years here. But I guess all good things got to end somewhere."

"Been here three years. Quite content to stay where I am. Like the job. Wish it weren't closing."

- 4.31 Some workers were quite vehement about the need for information, particularly about the redundancy package. Concern was expressed that the redundancy payment would be reasonable.

"I have asked some questions and got very little information on those questions. In fact, I have had no firm answers as yet."

"To the management of Ford Motors you are treating the workers like dirt. If you are Christian and know how to care about people and not just your pocket you would still keep the plant open. You still make a bit of profit from our hard work - and now the Union was right on all the things that they were fighting for. The last thing the management should do is give us good redundancies."

"What is the exact date or estimated time of closure?"

* The Ford Company has arranged some re-training after the distribution of the questionnaire (see Chapter 5).

4.32 Other workers were accepting and understanding of the closure.

"I am very annoyed that the Ford Motor Co. is closing down, but I also understand the circumstances."

"Sad, but necessary for the money-makers."

4.33 Some respondents were complimentary about the Company.

"I've enjoyed every moment of my work here. The Company have been the Greatest."

"I thank you to the Company for all time I work there to support my family for the money."

CHAPTER 4

ECONOMIC IMPLICATIONS OF THE FORD ASSEMBLY PLANT CLOSURE AT SEAVIEW

- 1.1 Introduction: This chapter assesses the effects that the closure of the Ford Motor company's assembly plant in Lower Hutt may have upon the Wellington region. A regional multiplier has been used in an attempt to quantify the effects that the reduction in expenditure will have on the region due to the closure.
- 1.2 The economic effects of a closure are likely to be many and complex. They go well beyond the initial loss of employment and income to a region, to include the reactions of a wide range of employees and residents. Consequently, in this study, an attempt has been made to look at the net effect of the closure, eg to take into account new projects or expansion into the premises left by the Ford Motor Company rather than to look only at the direct effects of the closure.
- 1.3 Overall, the closure may have a relatively small effect on the region's economy compared to the size of economic activity in it but there is other evidence that the closure will have a significant impact on some individuals. There are, however, many uncertainties about what the precise effects of the closure will be, given that at the time of writing, the final closure remains over six months away.
- 2.1 Background: The New Zealand Government has been involved in protection for the Motor Vehicle industry since 1907 when a duty was imposed on CBU's (completely built up motor vehicles) at 20 percent and the tariff for chassis and materials was 0 percent. This was effectively providing protection for local vehicle body builders (i.e. at that time coachbuilders).
- 2.2 The motor vehicle assembly industry was initiated in 1926 when General Motors set up its plant in Petone. In 1934 tariffs were introduced which encouraged the sourcing of materials from Britain and the local assembly of motor vehicles.
- 2.3 The result of these tariff changes was the start up of three new assemblers:
- | | |
|------|--------------------------------|
| 1935 | Todd Motors
Dominion Motors |
| 1936 | Ford Motor Company |
- 2.4 In 1938 import licensing was introduced. Up until the introduction of the present Motor Vehicle Plan, import licences were used to restrict the entry of CBU's and CKD (completely knocked down motor vehicles) packs. Restrictions have been successively relaxed or tightened generally depending upon the health of New Zealand's Balance of Payments. Also during this time period, the range of parts included in a CKD pack steadily decreased, due to the Government's wish for more components to be sourced locally.
- 2.5 The effect of import protection on the motor vehicle industry was very large.
- 2.6 For some years, there has been growing official concern about what was perceived to be a less than optimal allocation of resources in the industry, in large measure because of high protection levels.

- 2.7 In the 1970s there was an industry high of 16 motor vehicle assembly plants in New Zealand. By 1984 rationalisation had reduced this number to 14 plants owned by 10 companies.
- 2.8 In December 1984 the Motor Vehicle Industry Plan was announced by the Government which basically resulted in significant changes in the protection regime surrounding the industry.
- a Import licensing was to be phased down.
 - b Tariffs were to be reduced.
 - c Some componentry required to be sourced locally was able to be imported.
- 3.1 The Wellington Region's Assembly Industry: The Wellington region currently has three car assembly operations. The table below gives details of these operations in 1985, prior to Ford's decision to close its Lower Hutt plant.

TABLE 4 - 1

Wellington Region's Assembly Industry

<u>Company</u>	<u>Date Company Established</u>	<u>Plant Location</u>	<u>Date Plant Opened</u>	<u>Employment</u>
Ford Motor Co. of N Z Ltd	1936	Lower Hutt	1936	685
General Motors N Z Ltd	1926	Upper Hutt	1964	1,200
Todd Motors Ltd*	1931	Porirua	1973	1,092
				2,977

*Now Mitsubishi

Source: Dan Witt, The New Zealand Motor Car Industry The Plan (New Zealand Institute of Economic Research, Research Paper 3) p.6

- 3.2 This industry has an important impact upon the local areas in which plants are situated. These impacts relate to the linkages between the actual industry, the industries and labour providing inputs, industries handling outputs and social linkages.
- 4.1 The Industry as an Employer: Details of the industry's contribution to employment in 1985, prior to the Ford closure announcement, are set out below.

TABLE 4 - 2

Assembly Industry in Wellington Region

Percentage of regional manufacturing sector employment	= 2977/27647 = 10.8 percent
Percentage of total regional employed labour force	= 2977/152499 = 2.0 percent

Sources: Witt, op.cit.,
Department of Labour, Quarterly Employment Survey,
February 1985.

- 5.1 Methodology Used In This Report: A number of alternative techniques could be used to determine the effects on a region of the closure of a plant, such as Ford's Seaview plant. Ideally, if a general equilibrium econometric model of the Wellington Region was available, it could be used to analyse the effects at a very broad level. Linkages to the national economy, local businesses, Government and private agencies could all be explored. Unfortunately, no such model is available.
- 5.2 This chapter is restricted to an examination of the income effects of the Ford closure. However it is acknowledged that the real and complex effects of the closure are likely to extend beyond those directly measurable in cash terms, to include externalities (eg pollution, which may be a cost to a region, but not to the firm creating it). These are discussed later in the report. Given the limited resources available for this study, no attempt is made in this study to consider the effects of inflation or in most cases taxation. Dollar amounts quoted in this chapter refer to 1985-86 values but precision has not always been possible. It should be noted that this will typically lead to an understatement of the nominal dollar value of the effects of the closure compared with the position at the time the closure process is complete. This will however make little difference to the main task of the chapter, which is to obtain an impression of the real impact of the closure. Market prices have been accepted as indicators of resource costs.
- 5.3 Secondary effects of the closure are estimated using regional multiplier analysis. The technique is discussed later in the chapter. What it does is attempt to measure the effects that the loss of income by Ford's employees and suppliers will have on other businesses and employees in the region, as the spending of those receiving income directly from Ford ceases.
- 5.4 Important potential offsets to the first round loss of income within the region are canvassed where applicable.
- 5.5 Some important caveats to this overall approach should be noted:
- * The economic impacts of this closure are likely to be many and complex. The approach used is therefore a partial one and inevitably simplifies the true picture.
 - * In many instances, it was not possible to obtain necessary data. Ford, for example, has felt unable to supply some commercially confidential information. Limitations on resources for this study have also restricted the amount of data which could be gathered.

- * The closure has not taken place at the time of writing for which reason there have been difficulties in estimating many critical parameters. The length of time some Ford employees may be without work is an example.
- 5.6 As a consequence, many of the estimates in this report must be taken only as indicative of orders of magnitude and not as true estimates.
- 5.7 An important methodological issue that had to be faced in this analysis was to decide which scenarios to compare. There was no conceptual problem in visualising the nature of the lost income streams due to the closure. It was harder to judge with what these should be compared. Should it be Ford's production in an average year, in the relatively depressed year of 1986 or some other phase?
- 5.8 A judgement was made that this chapter should compare the position in the year ending March 1986 (before announcement of the closure) with the year immediately after closure (1988-89). There will of course be continuing effects after 1989, but these become increasingly speculative and are by and large ignored for present purposes. It is considered that first year effects give at least a qualitative picture of effects likely to apply in subsequent years.
- 5.9 The timing of the closure is not straightforward to define. Ford's workforce has been declining since the closure announcement in 1986 and final closure will not be until early 1988. The year after closure therefore becomes a somewhat tenuous concept. It should be interpreted as the first full year without Ford's payments being made within the region - in effect 1988-89. The procedure of comparing 1985-86 and 1988-89 necessarily provides little information about the intervening period.
- 5.10 In practice lack of data has meant that in some instances, it was difficult to be fully consistent with this desired time-frame for comparison.
- 5.11 The Region considered in this chapter has not been closely defined but unless otherwise mentioned may be taken as that covered by the Wellington Regional Council.
- 5.12 Another methodological issue relates to treatment of capital asset value changes.
- 5.13 The closure of the Ford plant will have direct effects on the value of Ford's assets (land, buildings, plant) and possibly the assets of its neighbours, suppliers and employees (eg houses). These effects impact on the wealth of Wellington residents and can therefore be seen as direct economic effects.
- 5.14 It might be argued that Ford's Seaview assets will drop in value, as a result of the closure and this drop should be counted as a loss to the Region. For example, the value of Ford's assets may be seen to be reduced from a going concern or replacement value to a 'scrap' basis. Arguments for and against the inclusion of capital asset valuation changes in studies such as this are many and varied.* The results vary accordingly.

* McDermott 1986; Harcourt and Lain, 1971; Nicholls & Piesse, 1982.

- 5.15 One approach to valuing capital, for example is to take the present value of future output less the costs incurred in producing that output. (A discounted cash flow approach would be used for calculating the net present value). Ford was making a profit at its Seaview plant prior to closure but the alteration of the motor vehicle assembly industry, brought about by the Industry Plan, opened up opportunities for the company to improve its profitability by rationalising its operations in Auckland. If the capital tied up in the plant and site makes a greater return by being put to a more efficient use, it can be argued that the closure is more likely to generate a capital gain on Ford's assets than a capital loss.
- 5.16 Effects on the values of assets owned by other Wellington residents are equally difficult to predict. Sometimes, neighbouring houses or commercial buildings can rise in value if a closure makes their area seem more desirable. On the other hand, business confidence and agglomeration economies may be adversely affected by a closure of the magnitude of the Ford plant at Seaview. Some adverse effects may be alleviated if the plant is replaced by other comparable activities.
- 5.17 Only a small proportion of Ford employees seem likely to leave the Region, suggesting that effects on residential property values in the Region as a whole are likely to be small. According to Peck, in her survey of New Zealand close down literature, concerns about property values in other closures proved to be largely unfounded.
- 5.18 In this report we take the view of Nicholls and Piesse and do not make any allowance for capital gains or losses. This is on the grounds that it is not clear whether we are dealing with gains or losses and that some, although not all, capital effects are in any case probably reflected in the income and cost streams which form the main analytical approach of the chapter.
- 5.19 Treatment of payments to and from central Government has to be considered. In one sense central Government might be seen to be a part of the Wellington Region. The location of head offices here supports such a view. However, it is probably more correct to see central Government as being "located" outside the Region for the purposes of this analysis, because any effects on central Government are effectively spread across the whole country, with the Wellington Region perhaps having a share of around 10 percent of any costs or benefits associated with the closure (based on the Region's share of national population).
- 5.20 It should be noted that this analysis takes no account of sub-regional effects, i.e. losses and benefits to residents anywhere within the Region are considered to be of equal value. It would have been informative to explore this aspect as some of the most significant sub-regional impacts may well be identified in terms of localised effects (e.g. restaurant patronage, petroleum sales). Unfortunately the questionnaire data gathered from the Ford employees did not provide sufficient information to investigate and assess this aspect. This is discussed in Chapter 5, paragraph 2.27.
- 6.1 First Round Direct Effects of the Closure on the Wellington Region:
The major first round impact of the Ford Motor Company's plant closure is reflected in changes in expenditure in the Region by Ford. These can be divided into two major categories:

- 1 Payment to the Ford Motor Company and employees at the Lower Hutt plant.
- 2 Payments to suppliers for goods and services consumed by the plant.

6.2 Payments to the Ford Motor Company Employees: The labour force at Ford's Lower Hutt Plant prior to the announcement of the closure comprised just under 700 employees and can be divided into three groups: head office staff, plant management and clerical staff, and plant wage workers. On this basis, the estimated wage bill is set out below.

TABLE 4 - 3

Estimated Wage Bill 1985-86 (Per Annum)

	<u>(Million \$)</u>
Head Office Staff	4.4
Plant Management and Clerical Staff	4.0
Plant Wage Workers	10.0
	—
Estimated Total Wage Bill	18.4
Less Net Income Tax	4.3
	—
Total Net Income	14.1
	—

6.3 Notes on Table 4-3: The following points should be taken into account in reading Table 4 - 3:

- (1) Income tax has been calculated on the assumptions of one dependent child per employee net of family assistance measures and that all income is earned by the principal earner in case of two parent families (from 1985 Budget).
- (2) The wage bill was calculated on the bases of an estimate which assumed that Ford employees were spread amongst the three categories as follows:

Head Office	90
Plant Management etc	100
Wage Workers	500

The distribution was actually 83, 60 and 540 respectively when the closure was announced. As such, the estimate under-represents wage workers by 40 or 8 percent.

- (3) The Company did not supply precise information on the total wage and salary payments made by Ford in 1985-86. Hence, these calculations are based on assumptions about the wage and salary levels. For the various groups, the average salaries were assumed to be:

\$

Head Office	48,889
Plant Management etc	39,500
Wage Workers	20,000
Overall Average	26,667

- 6.4 These estimates may err on the high side. The reasons for this view are:
- (1) These figures relate to 1985-86.
 - (2) The group for which most information is available is wage workers. Currently a typical wage worker would earn \$8.9761 per hour, which for a 40 hour week and 52 week year amounts to around \$18,600. Overtime hours and allowances would not add greatly to this. This figure reflects the 1986 wage round of 7.5 percent and 1985 wage round of 15.5 percent, which would have taken effect from December 1985, and certainly imply 1985-86 wages would have been below \$20,000 per annum.
 - (3) The \$39,500 and \$48,889 figures for plant management and accounts and head office staff also seem likely to be high for the 1985-86 period. The figures are regarded as "too high" by a member of Ford management who was consulted by a representative of the Department of Trades and Industry. Based on information that the company supplied to him, Mr G Clarke of the Coachworkers Union judges the head office figure to be too low. A personnel consultant contacted considered that the head office figure was a reasonable estimate in 1987. However, it was pointed out that underlying it would be a very skewed income distribution, in which the Managing Director would earn a very high salary, but the majority of head office staff would be well below the average but as a rule above \$20,000.
- 6.5 From the Regional perspective, all jobs at the plant and thus associated income, are assumed to be lost in this report. (In practice a small number such as security or maintenance staff might be required even at a vacant site).
- 6.6 Some staff at head office have already been transferred to Auckland. Their incomes will certainly be lost to the Region. However, most plant management are expected to remain in Wellington. Given the shortage of experienced management and clerical staff in the Wellington Region, it is expected that those not transferring will have little difficulty obtaining alternative employment at similar income levels. Nevertheless the disappearance of jobs which have been disestablished constitutes a job loss to the Region. Ford management has claimed that some staff in these categories choosing to remain in Wellington already have firm prospects.
- 6.7 The situation is less clear cut for plant wage workers. Some have skills which can be readily perceived to be in demand in the Region. Amongst these are fitters and clerks. They can be expected to find work quickly. Possibly 15 to 20 percent of the workforce fall into this category.

- 6.8 Yet other staff have already left voluntarily, with the current hourly rated workforce at the time of writing around 330 compared with 554 prior to announcement of the closure. Some workers have accepted the current redundancy package or similar Ford offers and left to go to alternative employment.
- 6.9 At this stage it is difficult to ascertain the likelihood of remaining workers obtaining alternative employment when the plant does finally close. There are, however, several factors that will influence the outcome:
- 6.10 First, Ford staff generally appear to be highly regarded by other employers, due to Ford's training and operating systems. The relatively stable work record of most Ford employees should also help to make them appear more attractive to prospective employers. At the same time, this could make such Regional job market for others seeking similar employment more competitive.
- 6.11 The two official measures of unemployment - numbers of registered unemployed and the Household Labour Force Survey (HLFS) - reveal some contradictions. Lower Hutt and Wellington Employment Districts experienced rates of registered unemployment (not including those on subsidised job schemes) of 2.5 and 2.9 percent respectively compared with 6.3 nationally in June 1987. Whilst this reflects a better aggregate situation than is the case nationally, it does not necessarily indicate that either district is better off in terms of manufacturing unemployment. An examination of the official statistics of occupations sought by the registered unemployed for June 1987 indicates that the largest group seeking work was "unskilled workers" (with significant numbers in other production and process worker groups) that the unemployment rate amongst these groups is typically higher than the regional average. Moreover, as discussed in Chapter 2, total unemployment in the Wellington Region (according to the HLFS) - whilst at a lower rate than New Zealand's - increased against a small national decline between 1986 and 1987.
- 6.12 As at July 1987, the Lower Hutt District Office of the Department of Labour indicated that unskilled vacancies continued to be notified at a steady rate.
- 6.13 Peck's * examination of previous closures concluded that, apart from in isolated, single industry towns, "re-employment was not a massive problem for the majority of men". Older people, women and ethnic groups had more difficulty. That finding appears to be significant for this study in that the majority of the Ford assembly plant workforce would fall within one or more of these categories.
- 6.14 At the time of writing, over the period until final closure in 1988, most economic forecasters appear to be predicting an upturn in the national economy. For instance, the NZIER's June 1987 Quarterly Predictions in discussing 1988-89 employment states at page 26 "The recovery expected in the manufacturing and distributive sectors should be associated with increases in employment.....". The significance that such a recovery could have for the Wellington Region would depend on how evenly the growth was distributed amongst the regions. It is quite feasible that manufacturers in the Auckland Region could experience an upturn while the converse applied to their Wellington counterparts.

* Peck, 1985, p.42.

Another factor to be considered is that this recovery would be following on from a significant downturn in manufacturing. According to the NZIER's March 1987 Quarterly Survey of Business Opinion for the Wellington Region, the Wellington manufacturers group had experienced a fall in employment and overtime levels in the previous 3 months and this was expected to continue for the next 3 months. Wellington manufacturers reported a "pessimistic outlook with regard to the level of business confidence" and "indicated a weakening of confidence over the next 6 months".

- 6.15 Generally, Ford's announced programmes of phased workforce reductions means that very large groups of workers will not be released into the labour force all at once. At most, there should not be more than about 150 workers released at any one time. This should make it easier for them to find new work. According to Peck phasing redundancies has lessened the impact of mass unemployment. On the other hand, the release of workers into the workforce could have a displacements effect.
- 6.16 Ford has established a number of training programmes, which allow workers to pick up skills which may be useful in other sectors of the economy, (eg heavy truck courses).
- 6.17 Kriegler; and Nicholls and Piesse both conducted studies on particular plant closures. Contained in their reports were comments on the length of time the average worker was unemployed - Kriegler suggested less than one week; Nicholls and Piesse suggested 6.6 months. These two contrasting results generally reflected the employment opportunities for the workers who were made redundant, given the range of economic conditions applicable in each case. In Kriegler's study those workers released had skills required by other local factories, whereas in the Nicholls and Piesse study there was an oversupply of workers with the particular skills available (as in the Ford example).
- 6.18 However, for the purposes of this study, taking account of experiences from other closures and current Wellington employment opportunities, it will be assumed that wage workers will be unemployed for approximately eight weeks on average.
- 6.19 The eight week figure is based on an assessment of the overall economic and employment conditions in the Wellington Region. It may be that this does not adequately reflect the true nature of the situation in the manufacturing sector. However, it should be noted that the eight week figure is an average for the workforce as it stood at the time of the announcement of the closure (approximately 540 wage workers). Wage workers numbered 330 at the time of writing and therefore an average of 8 weeks unemployment incorporates a longer period of unemployment for those still working at Ford. Alternatively it includes an allowance for some further period of unemployment in the event that new employment proves unstable. (Refer to note 2 paragraph 6.22).
- 6.20 During any period of unemployment, ex-Ford staff will have lost wages. However, they will be eligible for social welfare payments and the Ford redundancy package. Some may also voluntarily use the opportunity to take leave from the workforce.
- 6.21 Table 4 - 4 below shows the estimated net first year impact on employee incomes. Once again, readers should be reminded of the relatively arbitrary nature of these estimates, which should be seen as illustrative rather than precise:

TABLE 4-4

Net Change in Employee Incomes

Received over One Year

		<u>Estimated Gross Payments (\$ million)</u>
Total net income (from Table 3)		14.1
Total Redundancy Payments (1)	5.1	
Unemployment and other Welfare Benefits (2)	<u>0.4</u>	5.5
Net Change in Income before taking into account income earned in new jobs		8.6
Income earned by Ford employees in new positions in Wellington Region (3)	8.6	—
Net change in income accruing to Ford employees in the first year after closure		<u>0.0</u>

6.22 The notes in Table 4-4 above may be clarified as follows:

- (1) Calculated on current employment levels. These levels are less than those used for pre-closure employment levels, given that some workers have already left for alternative employment. Income tax is deducted. The redundancy package assumed to apply is six weeks pay for the first year of employment and 2 weeks for each succeeding year, for an average length of service of 11 years for plant management and 8 years for wage workers. At the time of writing 72 plant management and 550 wage workers were eligible for redundancy payments. The calculation includes 12 head office staff not moving to Auckland.
- (2) This assumes that the net after tax employment benefit rate of \$153.87 per week for a married couple without dependents as of 1 January 1986 applies; that 60 workers are ineligible because their spouse earns income and that the average period for which the benefit is received is 10 weeks. (The 8 weeks average unemployment assumption for the pre-closure wage workforce of 540 implies an average unemployment period of 11.5 weeks for the current workforce).
- (3) Income earned by Ford employees in new positions in the Region is calculated on the basis that:
 - Only wage workers experienced a drop in income from Ford levels on re-employment. The assumed drop in income is 20 percent, reflecting a loss of seniority and the above average wages paid in motor vehicle assembly.
 - Wage workers average 8 weeks out of the workforce; other employees average 4 weeks out of the workforce.

- No employees leave the Region, other than those transferring with Ford. Six percent of employees in replying to the Task Force questionnaire, indicated they would wish to leave the Region. It may be that few of the Ford workers will decide to migrate from the Region given that employment opportunities are fewer in most other centres. Existing housing or other commitments may also be important considerations that influence an individual's decision to stay in the Region.
- 6.23 From the Table 4.4 it can be estimated that the employee will lose virtually nothing from the loss of workers' direct income over the next year. This loss is small mainly due to the short time those not transferring to Auckland are anticipated to be out of work, and the level of redundancy payments to be made.
- 7.1 Displacement of Other Unemployed Workers by Ford Staff:
Although it seems that Ford staff overall will lose little income from the closure in the first year, the Region's loss could be somewhat greater, as Ford staff may displace other job seekers from finding work. The extent of this displacement effect is difficult to estimate. In full employment conditions, it might be insignificant. Whilst the unemployment rate is less than the average national rate there is still likely to be some displacement as employment prospects in Wellington Region's manufacturing sector are less favourable than in other sectors.
- 7.2 Rather than make one specific estimate of the displacement effect, because of the uncertainties involved, two scenarios are costed - a high displacement effect and a medium displacement effect.
- 8.1 High Displacement: The most pessimistic view would be that there would be 100 percent displacement of other employees by Ford workers obtaining employment. This view in fact was taken by Nicholls and Piesse * in their Southdown analysis, partly because Southdown workers generally moved into positions in which their skills were not utilised and unemployment was relatively high. It implies that none of the income earned by ex-Ford employees in their new jobs should be counted as an offset to the initial loss of income to the Region. However, to the extent that other people remain unemployed because ex-Ford staff occupy jobs they could have had, some of those people would be eligible for unemployment benefits. Assuming half actually received benefits at 1 January 1986 married rate (without dependents) of \$153.87 per week, additional payments would accrue to the Region by Central Government of \$2.4 million per annum.
- 9.1 Medium Displacement: There are some reasons to take a less pessimistic view about the size of the displacement effect.
- 9.2 Some of the skills of the Ford workforce are in short supply, for example fitters, as mentioned earlier in this chapter. Employers may also prefer workers with an apparently stable work record, such as many of those at Ford's plant, over those in the current pool of unemployed. This can mean vacancies for unskilled work exist even in the face of significant levels of unemployment.

* Nicholls and Piesse p 42 and 55.

9.3 Measuring changes in employment and unemployment is a complex undertaking. Not every factory closure automatically adds one person to the ranks of the unemployed, as factory closures in a region are usually accompanied by at least some factory openings. In addition, the numbers of employees in each establishment varies. Furthermore, a factory closure does not automatically add one person to the group looking for work. Layoffs by firms continuing in operation can be accompanied by some firms taking on staff, even during recessions, which can then result in either a net job loss or gain. Table 4-5 below shows the recent position in the Lower Hutt Employment District, according to the Labour Department's openings and closure data.

TABLE 4-5

Factory Openings and Closures Recorded in
the Lower Hutt Employment District

<u>March Year</u>	<u>Openings</u>	<u>Employees</u>	<u>Closures</u>	<u>Employees</u>	<u>Net Openings</u>	<u>Net Employment Change</u>
1985	67	310	49	420	18	- 110
1986	82	402	55	364	27	38
1987	88	449	92	472	- 4	27
Total	—	—	—	—	—	—
3 yrs.	237	1,161	196	1,256	41	- 45
	—	—	—	—	—	—

Source: Department of Labour

9.4 Although this data does not provide a complete record of the total factory births and deaths in the Wellington Region it does show that openings can and do occur at the same time as closures. In terms of net employment effects, however, the data shows that, of the factories studied, 45 jobs were lost to the region between 1985 and 1986. Aggregate registered unemployment in the Lower Hutt District declined from 1825 to 1441 over the same period. However, the largest occupational group amongst the registered unemployed in Lower Hutt as at June 1987 remained "unskilled workers" and "skilled metal and electrical production workers". This follows a national trend, i.e. that production and process worker groups are typically the largest occupational group amongst the registered unemployed. This indicates that the decline in registered unemployment in the district could be attributed rather to improvements in other sectors.

- 9.5 It is not easy to make an estimate of the magnitude of the displacement effect given this data, as it implies that depending on economic conditions at the time, as little as nil net displacement from any given factory closure is possible. For the sake of illustration however, an assumption that 50 percent of Ford wage workers (but not ex Head Office or plant management staff) displace someone else from obtaining employment would imply that \$5.8 million of the income estimated to be earned in new positions should be counted as offsetting the loss of Ford staff income to the region. There would also be unemployment benefits of \$1.0 million paid to workers displaced by Ford staff. Together, a net total of \$6.8 million of income could be counted as offsetting the loss of Ford salary and wage payments to the region, rather than the \$8.6 million shown in Table 4.4.*
- 10.1 Payments to Suppliers of Goods and Services Consumed by the Plant:
Suppliers of goods and services to Ford fall into three distinct categories:
- (1) Suppliers situated outside New Zealand.
 - (2) Suppliers situated in regions other than the Wellington Region.
 - (3) Suppliers situated within the Region.
- 10.2 For this study, products falling into categories (1) and (2) are regarded as imports. Only payments by Ford to (3) suppliers situated within the Region, count as contributing local income flows.
- 10.3 Completely knocked-down (CKD) vehicle packs represent a major expense, but are entirely imported from overseas. The local costs incurred other than the pack cost, include freight, insurance and customs. These will still have to be paid by Ford, however, the Wellington operators involved will lose this revenue to Auckland operators. The main losses of payments to the Wellington Region are probably those relating to freight, which are discussed below.

* Note: In 1981 the Unions in the Motor Vehicle Industry undertook a survey of the Motor Vehicle and Component Industry Workforce which revealed that 15 to 20 percent of the workforce fell into a category of workers which have skills which are in demand in the Region. For that reason this category can be assumed to have no displacement effect. (This means that at least 80 percent of the workforce would not fall in this category). However in the survey of the Ford workforce, 6 percent of the workers indicated that they would like to leave the region. It might be inferred then that a 75-80 percent displacement effect is a more realistic scenario. On this basis, the Medium Displacement effect (which assumes that 50 percent of the Ford wage of the Ford wage-workers displace someone else) may be a substantial understatement.

11.1 New Zealand Supplied Components: The Wellington Region is host to a significant proportion of New Zealand's component manufacturers. Payments to them possibly constitute the majority of Ford's payments to the Region. Although no specific data is available on Ford's payments to component suppliers, Witt * gives data for an unidentified major manufacturer showing local componentry to be 15.34 percent of the retail price or 56.11 percent of assembly costs. In addition, materials are shown to be 1.35 percent of the retail price or 4.94 percent of the assembly costs.

11.2 Components probably supplied to complete CKD assembly at Lower Hutt plant will include all or some of the following:

- Arm rests
- Battery cables and earth straps
- Brake hoses and cables
- Coiled suspension springs
- Driveshafts
- Electric batteries (accumulators)
- Exhaust systems (comprising piping and mufflers)
- Exterior Rear Vision Mirrors
- Floor coverings - cut, fabricated or moulded to shape
- Glass, curved or flat
- Head restraints
- Horns
- Hub caps, hub centres, full wheel covers, wheel rim bands and discs and wheel rim reimpellers
- Ignition coils
- Interior trim components of hardboard, cardboard or similar materials, leather, and plastic sheetings
- Laminated undercarriage springs
- Melt sheets cut to shape
- Pneumatic rubber tyres and inner tubes of rubber
- Radiator assemblies including pressure caps
- Seat belts
- Seat frame and spring frame assemblies (including seat reclining mechanisms)
- Seat springs
- Spark plugs
- Sun visors and covers, including arms and fixing brackets
- Upholsterers' materials (such as flock, wadding, batting, fluting, padding foams) cut, or moulded or fabricated to shape
- Upholsterers textiles, fabrics, leathers or plastic sheetings, cut, moulded or fabricated to shape
- Wireless broadcast receiving sets uited or designed for use in motor vehicles
- Wiring looms or harnesses
- Wheels of magnesium, aluminium alloys, chrome or decorative steel wheels whether one piece construction or composite.

* Witt, op.cit. p 56.

- 11.3 The Department of Trade and Industry has contacted 10 significant Wellington suppliers of components to ascertain how they expect to be affected by the Ford closure. Two of the companies did not supply Ford and gave no indication that they expect this situation to change. Of the others contacted, one plant acknowledged some uncertainty about its prospects of continuing to supply Ford moving to Auckland. It should be noted, however, that these companies were contacted more than a year before the closure of the Ford plant. There may be changes in the reliability a year hence of such a prediction to the extent that the Company's circumstances and its business environment may have changed. One company has been contacted since the original survey and it is now known that they will shift some of their production to Auckland as a direct result of the Ford closure. However, some of the operations currently undertaken at their Auckland location will be transferred to Wellington. The net effect is unclear but this example highlights the complexity of such an assessment. It should also be noted that the survey was restricted to some of the more significant component manufacturers in the Wellington Region which does not constitute a statistically representative sample of the sector particularly given that componentry encompasses products flowing from a wide range of industries and firms. It may also be that the small component suppliers will be affected in a different manner from the large operators.

The greatest effect on most Wellington component suppliers is probably only a possible increase in freight costs. Even any increase in this expense may well be partly borne by Ford, depending upon the deals that Wellington component suppliers are able to negotiate with Ford in Auckland. Several of the component suppliers contacted already supply Auckland assemblers. One of those considered that the extra volumes being sent to Auckland after the local closure might help it to achieve lower average freight costs, because of the increased volumes involved.

- 11.4 The current geographical distribution of the assembly industry implies that the Wellington Region is a relatively central location for component manufacturers to locate in. There will continue to be two important assemblers in the Wellington Region, as well as some assembly in New Plymouth, Nelson (in which the New Zealand Motor Corporation is consolidating upon closure of its Auckland plant), Christchurch, Thames, Wanganui and Palmerston North.
- 11.5 Only those component suppliers who derive large amounts of their income from Fords might consider the possibility of relocating to Auckland, but currently the prospect of any component manufacturer relocating their entire operations because of Fords move seems remote.
- 11.6 Component manufacturers could of course face some extra competition from Auckland-based companies to capture their Ford business. However, some Wellington-based component suppliers already supply to other assemblers in the Auckland Region and they continue to remain competitive. This indicates that the Ford closure is not likely to result in major changes in the Wellington Region componentry industry.
- 11.7 One exception to this conclusion could be component suppliers which have factories in both Auckland and Wellington. Examples include Fibrelok Industries, which supplies carpet and Brugger Industries which supplies interior trim and seating.

- 11.8 Seating amounts to 30 percent of total componentry costs according to the IDC's report. * Based on Ford's 1985 vehicle throughput and average 1986 prices for its main Lower Hutt models and Witt's componentry data, seating costs could come to approximately \$10 million. It is clear that Brugger Industries proposes to transfer part of its seating activity in respect of Ford to its Auckland plant. However, this does not mean \$10 million of business will be lost to the Wellington Region. Part of the seating activity at least seems likely to remain in Wellington.
- 11.9 This chapter does not attempt to put a dollar value on the potential loss of component manufacturing income to the Wellington Region. This should not be taken as an indication that the component industry will not experience a net loss but rather as an acknowledgement of the difficulties and uncertainties inherent in assigning such a value.
- 12.1 Materials: As mentioned above, materials amount to 4.94 percent of assembly costs in the example provided by Witt. These include goods other than components used in the assembly process. The value of materials used at the Ford plant in 1985-86 could be around \$2.8 million based on Witt's data. Some of these, although it is not clear how much, would be locally supplied and sales could be lost with the transfer to Auckland. An arbitrary amount of \$0.7 million is allowed in this chapter for the loss of materials business to Wellington suppliers. This figure is based on an assumption that half of the materials purchased are imported while only half of those materials purchased in New Zealand will be sourced from within the Wellington Region.
- 13.1 Transport: The local use of transport operators and handlers to bring materials to the Seaview plant will disappear on the plant closure and hence these businesses will face some downturn in activity. The Wellington Harbour Board and related services will also lose some business. Around 40 percent of the new vehicle market is in the Auckland region, which will mean some reduction in the amount of business in hauling new cars within the North Island.
- 13.2 On the positive side, existing transport operators will be required to transport built-up cars from Ford's plant in Auckland to Wellington and beyond. Currently, almost all this business is in the hands of the Pacifica Shipping Co and road transport operators. If the assumption is correct that many component manufacturers will stay in Wellington, their products for Ford will be transported out of the region to Auckland (see section on componentry manufacturers). This will be additional transport business, of which Wellington operators and employees might reasonably expect a share.
- 13.3 It is likely that different transport operators will benefit while others will lose. Essentially, those involved in inward shipping of inputs, especially from overseas, will be the main losers, but there may be some additional road transport work relating to sending components to Auckland.

* Industries Development Commission, 1983, p 164.

- 13.4 At present Ford uses a staging yard at Paekakareiki. Completely built-up vehicles produced at Seaview, destined for North Island centres, are stored there for future distribution. CBU's from Auckland are also transported to this depot for distribution to the Wellington region. It is likely that this yard will remain in operation but with diminished usage. This may impact on current transport operators as there will be more short runs, especially to Wellington, but less long runs to other centres.
- 13.5 At present many of the variables involved in these transport effects are unknown. The net cost to the region of transport revenue foregone is possibly in the order of magnitude of \$3-4 million dollars. (On the basis of 1985-86 business). This approximation mainly reflects a confidential estimate received from the Wellington Harbour Board, together with some allowance for loss of road transport business. However, the impact of any loss upon the Region may be diminished to the extent that some of the burden falls upon transport firms owned and operating outside the Region.
- 13.6 It should be noted that implicit in those estimates is a small reduction in transport sector jobs mostly at the port, although current arrangements for port employment may mean that effects on port employment may be delayed beyond one year after closure.
- 14.1 Miscellaneous Services: This section covers the expenditure that Ford makes on such services as
- Insurance
 - Lawyers
 - Accountants
 - Auditors
 - Financial Services
 - Advertising Agencies
- 14.2 There is little information about Ford's present use of these services. Most are provided by national firms, with operations concentrated in Wellington and Auckland but again the distribution of Ford's patronage between services in those centres is unknown.
- 14.3 If services are in fact concentrated in this way, some of the business generated by Ford will already be undertaken between those centres. It is uncertain what changes will eventuate after Ford's relocation.
- 14.4 A factor which may help to retain some of this business in Wellington is that Wellington-based professional advisers may have developed some expertise in handling Ford's business. Some of the payments Ford makes for miscellaneous services will inevitably be lost to Wellington over time, but without better information, no allowance is made for such a loss in the summary figures provided at the end of this chapter.
- 15.1 Investment: Some investment expenditure by Ford, made in the course of keeping its general plant operating will be lost to the Region because of the closure. Such investment would simply cover ongoing modifications and replacements of plant and buildings.

- 15.2 Conceptually it is difficult to see how ongoing investment should be treated, as:
- (1) Ford will not have made large new investments at the plant for some time, pending a decision on the future of the plant. This makes an ongoing, pre-closure level of investment difficult to estimate, even if data was available.
 - (2) Some investment expenditure may consist of internal expenditure by Ford and is probably covered already by this chapter's analysis of Ford's employment and raw materials expenditure, but some may also be contracted from outside the company structure.
 - (3) It is probably reasonable to expect a significant proportion of investment expenditure may be on imports external to the Region.
- 15.3 For the purposes of the overall estimates of regional inputs at the end of this chapter, investment expenditure is not considered.
- 16.1 Rates: Rates have some of the characteristics of a tax and some of the characteristics of payments for a service. In the present context, their most important characteristic is as payments to regional bodies, which means they form part of the flow of income from Ford within the Wellington Region.
- 16.2 The land occupied by Ford incurred a rates bill of \$149,877.60 for the 1986-87 year and it is estimated the rates will be \$193,211.20 for the 1987-88 year. If the property remains in its present form, and zoned industrial, there will be no loss to the Regional and Lower Hutt City Councils due to decreases in rates. Either Ford, or any organisation to which it sells the land will be liable to pay the rates bill.
- 16.3 There are several other possibilities. If the land was subdivided and still zoned industrial, the rates might well increase and hence a benefit would be incurred by the local authorities concerned. However, it is conceivable that the benefit could be offset by a net reduction in demand for land within the Region, once Ford no longer needs its site.
- 16.4 If however, the land was rezoned commercial, the rates received by the Lower Hutt City Council would fall by \$23,489.52 to \$169,721.68 for the 1987-88 year. This loss is small, but could well have to be recovered from other ratepayers. It is likely that rates would simply increase over Lower Hutt commercial and/or industrial properties. Hence, the cost would be passed on to the private sector.
- 16.5 As at present there are no indications as to what is going to happen to the site. It will be assumed that the area will remain zoned industrial. In the short term rates will remain constant. Hence, the City Council will incur no immediate costs due to the Ford Seaview closure.
- 17.1 Water: The Wellington Regional Council imposed a permit fee for underground water on Ford of \$789.38 for the 1986-87 year. It is estimated that this would rise to \$900 for the 1987-88 year. This is obviously very small. The flow of payments to the Regional Council will depend on future water requirements of site users.
- 18.1 Drainage Board: Ford paid \$1,659.84 in excess sewerage (trade wastes) charges in the 1985-86 year but this charge was not incurred in 1986-87. Again, this charge depends upon future users of the site.

- 19.1 Energy Requirements: All energy used by Ford is imported from other regions or countries. Gas and electricity are supplied by the Hutt Valley Energy Board. Small amounts of fuels are sourced from oil companies. The main loss to the Region is therefore likely to be the loss of local distribution margins. This loss could, of course, be partly offset if new energy demand arises from new users of Ford's site.
- 19.2 A further adverse effect within the Region could arise if energy suppliers find it necessary to recover costs by raising charges to other users of a particular energy product.
- 19.3 The closure of Fords Seaview plant seems likely to reduce net energy margins by around \$400,000.
- 20.1 Increases in Expenditure: Up until now this chapter has concentrated on areas in which a reduction in expenditure by Ford in the Wellington Region is expected.
- 20.2 There will, however, be some increases in expenditure by Ford due to the closure. Most increases in expenditure due to the closure will be of a one off nature.
- 20.3 The most obvious increases in expenditure will be shut down costs, (i.e. cost of dis-assembly of plant, costs of selling surplus goods and transporting salvaged products to Ford's premises in Auckland).
- 20.4 The cost of dis-assembly is perhaps the most significant of these and depend upon the use of the plant after production ceases.
- 20.5 Given uncertainty over whether such a payment will in fact arise, it seems more prudent not to allow for it in our estimate of the first round effects.
- 21.1 First Round Effects from Re-deployment of Assets: With the closure, some inputs used by Fords now will become available to other industries. These inputs will be:
- Land, buildings and machinery
 - Labour
 - Energy forms (e.g. gas, electricity)
 - Sewerage services
 - Water
- 21.2 The increased availability of these inputs could benefit the Regional economy where there is excess demand for them and this is acting as a constraint on growth within the Region. What is important for present purposes is whether any additional income (or cost savings) is generated from the re-deployment within the Region of these inputs.
- 21.3 Information obtained from real estate agents appears to indicate that the type of land owned and occupied by Ford in Seaview is in short supply and provides an attractive site for many alternative propositions. The site is 7.28 hectares in size in a prime industrial location. The extent of the benefit to the Region that the freeing of this land will have cannot, however, be evaluated yet as the site is still being used by Ford and hence new users have not been identified. There have been indications of interest in purchasing the land.

- 21.4 It is conceivable that the availability of the land may allow some new industrial or commercial activity to locate in the Wellington Region. The amount of income this would generate is difficult to ascertain, but could potentially be large. Certainly, there is evidence that the availability of other large sites in the Region has encouraged some new activities (e.g. the availability of the Gear site did so). In one sense, any new activity on the site will have a replacement role. This may or may not, replace the present assembly operation with another manufacturing activity.
- 21.5 The availability of Ford's buildings and machinery seems less likely to generate many opportunities for new industrial activities. Much of this capital is either old or specialised for use in the motor vehicle industry. Ford will no doubt salvage useful equipment for its Auckland plant where feasible.
- 21.6 The re-deployment of the proportion of the Ford workforce which has particular skills or attributes which are in demand may assist other employers in the Region who generate that demand to attain their desired production levels. Again it is difficult to place an estimate on the value of this beneficial effect for the Region. Much of this benefit would of course be picked up in the analysis of wages paid to ex-Ford employees earlier in the chapter. However, any benefit would be additional to those already discussed.
- 21.7 Although not conclusive, the increased availability of the inputs referred to above is unlikely to have broken any supply "bottlenecks" which were constraining other enterprises in the Region. On the other hand, there could be potential cost savings if the loss of Ford's demand for these inputs helped to reduce the costs of marginal supply of some of these. Overall, however, Ford's demand for these other inputs and services is relatively small.
- 21.8 No allowance is made for any potential benefits from freeing up inputs used by Ford in the calculations of net regional economic effects at the end of this chapter, given the difficulty of quantifying these potential benefits.
- 22.1 Forward Linkages: Ford's output is a final product, with almost no further processing done on it once it leaves the factory. Any further processing that is done is likely to be continued at the site of sale to the final consumer, e.g. grooming of cars. Thus there is likely to be no significant effect on payments in the Wellington Region associated with forward linkages.
- 23.1 Welfare Assistance: The closure of Ford's Seaview plant is likely to result in additional welfare requirements within the Region. These will be provided for from both public and private sources.
- 23.2 Nicholls and Piesse * identified three areas in which privately sourced welfare assistance to workers may be supplied. These are:
- (1) A simple transfer of resources from existing recipients of assistance to people affected by the Ford closure. No increase in economic cost would be incurred:
 - (2) Agencies simply working harder for no increase in monetary rewards. The Regional monetary impact of this would be nil.

* Nicholls and Piesse 1982, p70

- (3) Increases in assistance provided, resulting in a net increase in resources used. The cost of this would be the opportunity cost of the use of these additional resources.
- 23.3 Nicholls and Piesse suggest that (2) is the most important effect. That is, increased assistance is made available by increasing the work-loads of agencies and individuals without any compensating reduction in assistance elsewhere or increase in expenditure by the agencies. Similarities between the events studied do exist, although there are dissimilarities amongst the specific groups involved and the communities they live in. With these qualifications, however, it seems reasonable to assume that there will be a similar outcome as a result of the Ford closure.
- 23.4 Closure induced costs faced by central government other than for unemployment benefits seem likely to be minimal. (Unemployment payments were dealt with earlier in this chapter). These other costs mainly include coping with any social problems which are likely from the closure.
- 23.5 The closure will have brought a net increase in central government resources to the region and this should be treated as a benefit in the short run even although it seems likely to be small (see Table 4-4). This benefit will be slightly offset to the extent that Wellington faces its share of higher taxation to pay towards the cost of welfare measures. Of course, as jobs are being created in Auckland by the move, some welfare payments elsewhere in New Zealand will presumably be reduced.
- 24.1 Externalities: Externalities occur when the activity of an individual directly affects the welfare of another but this effect is not reflected in payments between them.
- 24.2 An industry such as car assembly probably incurs few externalities for society. The classic examples of externalities relate to pollution, research and development and training spillovers.
- 24.3 The Ford plant probably creates few pollution externalities. These are in any case generally minimised through regulations forcing the company to use only land zoned industrial, or by imposing water and other standards.
- 24.4 The company undertakes very little of its own research and development. It normally obtains this intellectual property from other Ford plants throughout the world. Leakages of technology used or developed by Ford to the Wellington Region would seem likely to be minimal.
- 24.5 Perhaps the greatest potential externality which Ford's presence might bring to the Wellington Region is the leakage of skills imparted by Ford to its workforce, in the normal course of staff turnover. However, this also seems unlikely to be great because:
- Many of Ford' employees have been long serving:
 - Ford will both receive and impart skills within the Wellington Region:
 - The level of recognised skills training was not historically high e.g. Ford generally has taken on just three apprentices per year.

- 24.6 For these reasons, and because of the difficulties of quantifying the externalities that do occur, this chapter has not attempted to place a value on the loss of externalities the Ford closure brings to the Region.
- 25.1 Secondary Effects of Closure on the Wellington Region: The preceding sections of this chapter have discussed the initial first round net effects of the Ford closure, stemming from changed income flows into the Wellington Region. There are further important secondary effects. For example, those who have experienced a reduction in income due to a reduction in expenditure by those affected directly by the closure, will in turn reduce their expenditure. This second-round reduction in expenditure will in turn lead to a third round reduction in both income and expenditure. In each subsequent round the change in expenditure progressively lessens until no more reductions in expenditure and hence incomes are measurable.
- 25.2 As a practical example, secondary effects might include the reduced spending by dairy proprietors located close to the Ford plant, as their turnover decreases after losing sales to Ford staff.
- 25.3 Regional multiplier analysis attempts to capture these effects. The actual multiplier is multiplied to the first round reduction in income, to give the estimated total income multipliers effect. Typically, such multipliers are estimated to be in a range of about 1.5 to 3 times the initial income effects.
- 25.4 It is normally expected that the regional multiplier effect arising from a decrease in expenditure will be lower than the national multiplier effect from a similar decrease in expenditure. The rationale for this is that the imports play a greater role in a regional economy than in a national economy. Regional spending quickly leaks out to other regions.
- 25.5 In this particular case however the national effect will be smaller than the regional effect as the expenditure is being transferred from one region to another as opposed to being stopped.
- 25.6 Regional multiplier analysis faces many problems including:
- (1) Obtaining reliable data.
 - (2) The assumption of maximum regional self sufficiency which is usually made, is at best a tenuous argument.
- 25.7 The table below was constructed by Butcher (1987) to illustrate some of the factors leading to Understatement, Overstatement and Indeterminate Errors of Multipliers.

TABLE 4-6
Understatement

Assumed non-competitiveness of national imports.

Increase in regional self-sufficiency in support industries.

Substitutability of outputs from different industries (i.e. regional technical co-efficients differing from national average) leading to greater local inputs than is suggested by measures of self-sufficiency.

Consequential growth in other regions which further boosts growth in Region under study.

Overstatement

Assumed maximum local content.

Marginal increases in labour productivity, especially in areas where under-employment exists.

Projects being close to a regional boundary, or where there is significant commuting into the region.

Economies of scale.

Consequential fall off in other activity (e.g. forestry using former farmland).

Indeterminate

Differences between survey year and long term average relationships. Changes in technology over time.

Non-homogeneity of industries with regard to input requirements and outputs.

Consequential changes in the wider economic environment.

25.8 For this study a regional multiplier estimated by Butcher is used. It should be emphasised that the result obtained by using this or any regional multiplier should only be used to indicate the level of magnitude of a regional impact as opposed to an absolute figure. Butcher constructed several different multipliers. For this study we have elected to use the income multipliers defined by West et al (1980) * as a Type 11 multiplier. The Type 11 multiplier is defined as:

$$\text{Initial Effect} + \text{Production Induced Effects} + \text{Consumption Induced Effects}$$

Initial Effects

where the effects are defined as:

- a) The Initial Effect: This refers to the assumed initial dollar increase (decrease) in output, employment or, as in this case, incomes.
- b) Production Induced Effects: These consist of the sum of (i) and (ii):
 - (i) The First Round Effect: This refers to the effect of the first round of purchases by the sector providing the initial stimulus. In the case of income, it refers to the income increases occasioned by the first round requirements.

* Quoted in Butcher, 1985, p 5.

- (ii) Industrial Support Effects: This term applies to the 'second and subsequent round' effects as successive waves of necessary output increases occur in the economy following the first round impacts. The income and employment effects are defined consistently with this.
- c) The Consumption Induced Effect: The increase in output, income and employment associated with the increased demand for goods made by households who have received increased income from the initial and subsequent rounds of increased production.
- 26.1 Results for Region: The total loss of payments to the Region in the first full year after the Ford closure is estimated at \$6.4 million under a medium labour displacement scenario in which half of Ford's wage workers displace other members of the Regional labour force from jobs upon re-employment. With a high labour displacement scenario, under which all Ford employees finding work displace someone else from the workforce the figure becomes \$10.8 million. As discussed earlier in the chapter (paragraph 9.5), somewhere between the medium and high scenario appears to be the most realistic assessment.
- 26.2 The income multiplier estimated by Butcher for the Wellington Region for fabricated metal products, machinery and equipment was 1.7. Therefore the total estimated first year Regional cost is \$10.9 million (medium displacement) or \$18.4 million (high displacement). This compares with a very rough estimate of Regional GDP as probably being at least \$5 billion, expressed in 1985-86 dollars. (This estimate is based on Frankel's * estimate for 1979-80 of \$2,168.1 million, updated on the assumptions that Wellington has shared proportionally in national growth and faced inflation at national levels since then).
- 26.3 These estimates should be seen as indicative rather than precise. Moreover, they take no account of any effects from the re-deployment of Ford's assets and workforce within the Region or possible offsetting payments by Ford other than redundancy. Should such effects occur they would further reduce these estimates. On the other hand, there has also been no allowance for any loss of payments by Ford for professional services or adverse effects on component suppliers.
- 26.4 It should also be noted that after the first year, there will be no additional redundancy payments to offset the loss of incomes of those transferring out of the Region. On the basis of the estimates in this report, the loss of income to the Region in the second and subsequent years after closure could be of the order of magnitude of \$11.5 million, or \$19.6 million after allowing for secondary effects, under the medium displacement scenario.
- 26.5 The additional question that will only be resolved by events is whether, and if so to what extent, the release of the Ford site will generate new or replacement activities and whether any activities that happen to utilise the site will be net gains for the Region or merely relocations of existing developments within the Region. The other question, given the structural shift that is occurring between employment in the secondary and tertiary sectors, is whether any new development that does happen to occur on the site replacing the assembly operation would also be of a manufacturing nature or whether it would be a service activity. This will also be resolved by events.

* Frankel, 1972, p 122.

- 27.1 The National Effect: As previously indicated the national cost of the move will be significantly smaller than the Regional effect as benefits to Auckland offset losses to Wellington. However, in the absence of an economy wide modelling approach the actual net national effect will remain unclear. Ford, for instance, has claimed that consolidation of assembly under one roof will "enhance its efficiency and productivity improvements, eliminate a double overhead environment, and justify investment in more advanced manufacturing facilities." (Press statement, 5 February 1986). Benefits will presumably accrue to Ford but whether the move will also translate into an improvement in the economic performance of New Zealand, including Wellington, is less certain.
- 28.1 Conclusion: This chapter has used multiplier analysis to analyse the economic impact of the Ford closure on the Wellington Region. The major step required was to estimate the initial losses of income to the region. These are found to arise mainly from lost payments to employees and suppliers of services, such as transport services. Net losses of income to employees seem likely to be relatively small, first on the assumption that the average period of unemployment for wage workers will be in the order of eight weeks, and because there will be offsetting social welfare and redundancy payments. However, it seems likely that substantial displacement will occur. The greater the extent to which Ford employees displace others from jobs, the greater the loss to the Region will be in respect of Ford's payments to employees.
- 28.2 Suppliers of componentry, as the only other major group receiving payments from Ford, will be affected by the closure but it is unlikely that this will result in similar closures in the Wellington componentry sector.
- 28.3 These results must be read subject to some major qualifications:
- The plant has not yet closed. We do not know exactly what will happen.
 - Hard data was difficult to obtain. Commercial confidentiality requirements restricted what Ford was able to supply. (Its general co-operation has been appreciated).
 - A number of conceptual difficulties exist with this type of analysis. Multipliers are not rigorous and inevitably some effects are excluded.
- 28.4 It may be that, if some national benefits do accrue from the closure in that it creates a more efficient single enterprise, the Wellington region would share in some of those downstream benefits. Some people living in the Wellington region and some businesses, will be adversely affected and may not necessarily be compensated by the more indirect benefits.

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CHAPTER 5

AN ASSESSMENT OF THE SOCIAL IMPACTS OF THE CLOSURE OF THE SEAVIEW ASSEMBLY PLANT

1. INTRODUCTION
- 1.1 The closure of the Ford assembly plant at Seaview continues the decline in manufacturing industry which has taken place over the last five years in the Hutt Valley and has already affected a number of communities. This chapter focusses on the effects of the closure on those communities in which significant numbers of the Ford workforce live (i.e. Lower Hutt, Petone, Wainuiomata and Porirua) and suggests some measures which may be taken to alleviate any negative effects. Unfortunately, as was pointed out in Chapter 3, it is likely that the workers are concentrated in smaller areas within these communities, but it has not been possible to locate these precisely from the data available.
2. SOCIAL IMPACTS ON THE COMMUNITY
- 2.1 Migration: The social impacts of the closure will to a large degree depend on the extent to which redistribution of population will take place. The workers were asked whether they intended to remain in the area or move elsewhere. Only 6 per cent of the respondents indicated that they intended to leave the Lower Hutt/Wellington Region. Forty-five per cent intended to stay and 49 per cent had not decided what they would do. There was a greater degree of uncertainty in Petone with 61 per cent being undecided. Most of those intending to leave the Region were in the 21-30 age group.
- 2.2 It is important to remember, however, that the questionnaire was administered in October/November 1986, a year before the actual closure. Many of the respondents may have been unable to accurately assess their future plans. It is likely that many will not make any decisions until nearer to, or after, the time of closure.
- 2.3 About one third of the workforce completed the questionnaire. Chapter 3 indicated that the Task Force Survey sample was broadly representative of the total hourly-rated workforce. Even so, it is still important to be mindful of the fact that only one-sixth of the total workforce has given any definite statement of intention (i.e. to remain in the area or move elsewhere) and that these statements were made long before the closure.
- 2.4 Working Assumptions: On the basis of the information supplied by the Housing Corporation, the Department of Labour, Chapter 3 of this report, and the literature on closures in New Zealand, it is assumed that there will not be a significant shift of population as a result of the Ford closure. It is expected that most workers will stay where they are, and look for work within the area. Those who leave will be replaced with people moving into the Region to look for work.
- 2.5 Experience of closures elsewhere would suggest that some Maori workers are likely to return to their tribal lands.

It is not possible to make an accurate prediction from the Task Force Survey data of the likely proportion of the 199 Maori workers at Ford who will take this course of action. All we can say is that a number will go back. In rural areas, this may put further strain on resources which are already stretched, particularly in the field of job creation.

- 2.6 Future Employment: Past experience suggests that even when there is a closedown in an area with very limited alternative employment, very few people choose to relocate (Peck 1985).
- 2.7 The employment intentions of the workforce, as shown by the Task Force Survey, are reported in Chapter 3. A third of the respondents said that they intended finding a job similar to their present one, whilst a similar proportion intended looking for a different sort of job. Only 14 per cent, at the time of the Survey, intended to retrain. (This retraining may already have been undertaken. See below). Unemployment is lower in the Wellington Region than in most other parts of the country. The unemployment rate according to 1986 Census data (the number unemployed is expressed as a percentage of the total labour force (full and part-time workers) at the territorial unit level) for the Wellington Region is 5.6 per cent compared with a national figure of 6.7 per cent. Nevertheless, what appears to be a relatively healthy situation is tempered by the fact that there are wide variations within the Region, with Petone and Porirua showing high unemployment rates at 6.4 per cent and 8.7 per cent respectively. Figures for the other territorial units within the Region are: Hutt County 4.8 per cent; Upper Hutt 4.8 per cent; Lower Hutt 5.3 per cent; Eastbourne 4.4 per cent; Tawa 4.4 per cent and Wellington 5.0 per cent. Thus, two of the areas where many Ford workers live - Porirua and Petone - actually show rates which far exceed both the national and regional unemployment figures.
- 2.8 In the week beginning 15 June 1987, 40 job vacancies were received by the Lower Hutt Office of the Department of Labour. Most of these were for semi or unskilled workers such as labourers, factory hands and process workers. A total of 828 persons, however, were registered at that office in May 1987 as being unemployed and seeking work.
- 2.9 Employment in the manufacturing sector continues to decline in Lower Hutt and Wellington Districts, whilst there is a growth in the Wellington Employment District in the service sector (Chapter 2). It may be, however, that the skills of the displaced Ford workers are not transferable to the service sector. The Company points out that around 150 workers have already left to go to other jobs. We do not know, however, whether or not these jobs are in the Wellington Region. Even so, it is likely that those with less adaptable skills, especially older workers, might find it less easy to find alternative employment. The comments of workers which are quoted at the end of Chapter 3 exemplify their fears.
- 2.10 In addition, Ford workers are comparatively well-paid and so may find it difficult to find employment which will match their current income levels and thus enable financial obligations to be met. Those workers who presently travel to Ford from Porirua by Company bus may add to the unemployment figures of an area already experiencing problems. Even if work was available in the Hutt Valley, it is likely that transport difficulties would be encountered.

- 2.11 Thus, although the official data suggests that the general prospect of employment is better in the Wellington Region than elsewhere, it cannot be assumed that the Ford workers will find employment appropriate to their needs and skills. It must also be recognised that those Ford workers who do find alternative employment may displace other job seekers.
- 2.12 Housing: Around half the Ford workforce are in rental accommodation, split evenly between the Housing Corporation and the private sector. A further one third own their own homes and of these two thirds have mortgages with the Housing Corporation.
- 2.13 As at 31 March 1987, the Porirua and Lower Hutt offices of the Housing Corporation had waiting lists for those seeking rental accommodation of 377 and 348 respectively. The Porirua figure pertains to the Porirua Basin area only. These figures are gradually increasing against a national trend. If people leave the area because of the closure of the Ford plant, their houses will be quickly re-allocated. The Corporation is more likely to have problems finding accommodation for people who come to the Region to look for work. Emergency houses in the Region are already full, with some spaces being used by those coming to the Region from outside, having been attracted by the possibility of employment.
- 2.14 For those renting privately, high rentals might prove to be a constraint to moving. The number of private rental properties is falling within the Region and thus, if finding a new job involves moving house, it is likely that accommodation will be difficult to find and may involve paying a higher rent.
- 2.15 Workers who own their own homes and wish to relocate should not experience undue difficulties in selling their homes for a reasonable price. A local agent said that there is a steady demand for houses in all areas. Thus, compared with other closures, e.g. Patea, Marsden Point, selling a house for a reasonable price should be relatively easy.
- 2.16 Nevertheless, those with Housing Corporation mortgages may find it problematic to sell up and purchase another home as the relatively low interest rate mortgages are tied to first home ownership and, therefore, buying another property would involve obtaining a mortgage at higher market interest rates. They may, therefore, be discouraged from moving. It is possible, however, that for those moving outside the Region, these higher rates will be counteracted by lower property prices.
- 2.17 For those who stay in the Region increased arrears, with the accompanying stress, may be a problem, although there are procedures to deal with this such as restructuring of Housing Corporation mortgage schedules and rental subsidies (see below).
- 2.18 Education: Chapter 3 revealed that 60 per cent of the Task Force Survey respondents lived in households with children and that 80 per cent of these contained two or more children. The children tended to be young with 77 per cent being of other pre-school or primary school age.

- 2.19 There are two possible effects on schools as a result of the closure: first, changes in the size of school rolls; and secondly, an increase in stress amongst pupils whose families have been affected by the closure.
- 2.20 Changes in the size of school rolls seem to be unlikely because the closure is not expected to cause any major shifts in the distribution of population.
- 2.21 Interviews were conducted with the principals of a sample of schools suggested by the Department of Education and by workers in the local communities.

<u>Porirua</u>	<u>Lower Hutt</u>	<u>Petone, Wainuiomata</u>
Aotea College	Hutt Valley High	Hutt Valley Memorial
Porirua College	Randwick	Petone Central
Mana College	Epuni	Parkway
Cannons Creek	Taita Intermediate	Parkway Intermediate
	Naenae	Wilford
		Fernlea

- 2.22 None of the secondary school principals expected the closure to have any significant effect on their rolls. One principal of a Petone school had prepared for the expected effects of previous closures in the area (the Gear Meat Company and General Motors), but experienced no effects from these closures in the school and expects no effects from the Ford closure. The principal of a Lower Hutt school said that there was already an atmosphere of uncertainty in the school arising from the current decline in the manufacturing industry as a whole in the Hutt Valley which would be exacerbated by the Ford closure, but he did not expect the closure to have any particular effects on his school.
- 2.23 The same manufacturing decline seems to have had a more specific effect on particular primary schools. Their rolls are much smaller than secondary schools so the loss of ten pupils can mean the loss of a teacher position. Particular concern was expressed by the principals of Randwick School in Moera and Fernlea in Wainuiomata. The rolls of both these schools have dropped substantially over the last five years and further deterioration could threaten their viability.
- 2.24 Guidance staff in the schools and the Psychological Service of the Education Department are aware of the stress which can result from unemployment in the home. The Psychological Service is already working to capacity. Children who present behavioural problems as a result of stress will simply be added to the waiting list unless additional resources are made available.
- 2.25 Local Economic Impacts: Chapter 4 deals with the economic effects on the Region. This section addresses the extent to which local businesses will suffer because of reduced income in the area. The loss in income is estimated at \$1.8 million under a medium labour displacement scenario or \$6.2 million if it assumed that all Ford employees finding work displace someone else from the workforce. In circumstances of reduced income, it is usually the non-essential retail outlets (e.g. take-out food bars) which lose business.

While it is reasonable to assume that this will be one of the outcomes of the Ford closure it is not possible to predict the distribution of such losses since data available on the home addresses of the workforce are restricted to general areas. Moreover, we have no way of ascertaining the businesses patronised by the Ford employees. It is quite likely that many purchases are conducted in shopping areas which serve large populations with the result that the small reduction in spending power of the Ford workforce is not likely to have a significant effect. Some establishments located in the immediate vicinity of the Ford plant, such as gas stations, coffee shops, bars and restaurants, can be expected to experience a reduction in business following the closure of the plant. Of course, the degree to which their business is affected will depend on the extent to which their patronage was comprised of Ford workers.

- 2.26 Personal and Family Impacts: The impact of the Ford closure is likely to be felt more severely by individual workers and their families than by the community as a whole. To help them cope, workers facing redundancy need information on retraining, budgeting, interview and job search skills and registration for unemployment and welfare benefits. A booklet covering this information has been prepared jointly by the Ford Company and the Task Force. However, to minimise the impacts on individuals of the Ford closure, it is important to recognise that some workers and their families will experience residual social and psychological impacts in the medium term.
- 2.27 Those people who find themselves still unemployed six to eight weeks after the plant closure may well experience considerable stress. After a period of time, when the redundancy money has gone, the novelty of not working has worn off, mates have found work and perhaps the depressing round of visits to the various agencies has begun, there will be worries about money, perhaps rent arrears and unpaid bills. There may also be feelings of personal inadequacy, depression, boredom and general uncertainty.
- 2.28 The possible disruption of personal and family life in particular individual instances is a direct impact of the Ford closure, although it is not possible to put a quantitative estimate on these effects. The extent of these impacts has been reduced by the work of the Company and the Task Force. Nevertheless, judging from other closures, impacts of this nature will occur. As a result there will be an increased demand for services from affected Government Departments, Local Authorities and community service providers in the areas of Lower Hutt, Petone, Porirua and Wainuiomata.
- 2.29 Experienced community workers in these areas were asked to suggest those community organisations which are likely to have to meet these needs, in order to make an assessment of how well equipped they are to cope and also to provide some further suggestions for managing these impacts. They made the point that many of the organisations are already working at maximum levels and cannot cope with a greater demand on services unless better resourced. A list of these organisations is attached at the end of this chapter as Appendix 5.1.
- 2.30 The assumption that the average length of unemployment will be eight weeks is considered by some to be optimistic.

It conceals the fact that there will be a number of workers (particularly those who may be in late middle age, or who have a short record of employment or who have least skills) who will not find work and will become part of the long term unemployed with consequent strain on their family and personal lives.

- 2.31 The Department of Maori Affairs has offered to staff an office at the Ford plant for workers who require the services of their Department and/or other Government Departments. The Ford Company has rejected this offer unless it is balanced by the provision of similar services for all other workers. The Department of Social Welfare would appear to be an obvious choice for such a task, but their resources are presently more than fully committed at the Lower Hutt Office and the Department states that they will require two to three months notice in order to provide a benefits officer at the plant. As an alternative, the Company could follow the example of other companies which have closed and provide a community worker who could possibly work in conjunction with other agencies, both prior to and after the closure. This possibility is explored more fully below.
- 2.32 Experience elsewhere in New Zealand has shown that many workers do not accept the reality of unemployment until some weeks after the plant has closed. Provision of the information booklet and the presence of either representatives from the affected Government Departments, or a community worker at the plant, should help to ensure that the workforce know about the services available to them and where and how to make use of them when their position is more clear.

3. SOCIAL IMPACT MANAGEMENT

- 3.1 One of the main strategies adopted for managing the impacts of the closure has been the production of an Information Booklet for the workforce. There has been wide consultation in the design of this booklet. It is hoped that it will prevent the anxiety and stress which can be experienced by workers because of a lack of information about services which are available to them. The booklet describes these services and explains how workers can obtain them.
- 3.2 Peck in her review of the closedown literature states:
- "Individuals relied on informal support networks and the provisions made by the Government and other official agencies were underused. Factors which may have been responsible for underuse were: lack of knowledge and/or understanding; reluctance to make use; fragmentation of services making them difficult to locate and use; and a lack of demand."
- 3.3 Less than half of the respondents to the questionnaire requested help from specific agencies (see Appendix 5.2). This "poor" response could be due to any of the reasons listed above. However, it is more likely to be a reflection of the timing of the questionnaire which was over a year before most workers were to be made redundant. Many workers, particularly those who had been at Ford for a long time (75 per cent of the workforce for over five years, 33 per cent for over ten years) would have no clear idea of their future situation at that time.