

Committee Secretariat

The Senate Standing Committees on Economics

PO 6100

Parliament House

CANBERRA ACT 2600

4 September 2021

Dear Committee,

Below is my submission to the Inquiry into: **The Australian manufacturing industry**

I am happy for my submission to be made public.

Other than the Terms of Reference and questions posed, this Inquiry does not appear to have any specific context as to why it was initiated, and what was hoped to be gained, which I found a bit strange considering the absolute importance of manufacturing for a functioning sovereign nation. Whatever the motivation, I appreciate the opportunity to put my concerns and suggestions in a submission and hope the Senate Committee will take them into consideration, and initiate some positive direction for the Senate to take on the issue.

My husband and I are involved in the movement of road freight and over the four plus decades of operation have witnessed many changes in our industry and, in particular, the decline in the movement of manufactured products and productive industries in our area coinciding with the rise in Australia's dependence on goods supplied from overseas. The owner of another local transport company primarily involved in the movement of shipping containers, claims Australia's biggest export, is the return of empty shipping containers back to their place of origin! Now, with the pandemic, the cost of importing has skyrocketed as have apparently the profits of the shipping lines. One of our customers who imports CNC woodwork machines, said the cost to import his last shipment increased by \$5,000 per machine/container.

ABC AM discussed this on their 4 September program beginning at 20 minutes. The discussion was referencing the US situation, and likewise Australia's dependence on imports and shipping, exacerbated under the added strain of the pandemic.

<https://www.abc.net.au/radio/programs/am/making-mrna-here/13527812>

Industries like dairy and food producers are in decline. We have very few dairy farmers left in our locality and the once productive market gardens now grow turf for the lawns of the "mortgage-burdened rich" in the abundance of housing developments now occupying land once used for grazing and other productive activity. This real estate bubble is heavily subsidised through government incentives, and funded by the privately-owned major banks which are also heavily subsidised by the government.

The ABC program The Drum interviewed Former Greek Finance Minister Yanis Varoufakis on 1 September beginning at 37 minutes. Varoufakis was asked to explain how, in a pandemic and under lockdowns, house prices and stock markets are experiencing such exuberant rises? He explains how the quantitative easing (money printing) by governments, is not going into the real economy through investment in industry such as manufacturing, but rather major corporations are using the stimulus to buy up their own shares and in the case of the banks fuelling the rise in prices in the housing bubble. <https://iview.abc.net.au/video/NC2107H153S00>

At the 50-minute mark he explains how a government bank could capture private savings and direct them into science, and into developing industry. While I disagree with his advocacy for a “green” revolution, Australia needs a revolution in manufacturing and skills training, and the principle of national banking is the only way to make it happen.

With a national development bank, the government could utilise the savings of the nation and direct credit through the bank into stimulating manufacturing, and reviving the trade institutes in order to train a workforce of qualified, skilled people.

I hope this Inquiry is not just another phoney exercise of pretend politics. Time is running out to reverse the decline.

Australia’s vulnerability and unpreparedness for the coronavirus exposed the flaws of current policy, and should be the catalyst to reverse the decades of undervaluing and robbery of the physical productive economy. Australia must become self-reliant, and instead of depending on imported finished products, we can produce our own and become a supplier to other countries.

Terms of Reference - The Australian manufacturing industry, with specific regard to:

a. what manufacturing capacities Australia requires for economic growth, national resilience, rising living standards for all Australians and security in our region;

Australia should answer this question with another: IF we were cut off from the rest of the world, physically and financially – how would we cope? We wouldn’t.

The pandemic highlighted two standout vulnerabilities in the economy:

1. the unpreparedness of our health system — the decline in hospital bed numbers per the population and dependence on imports of essential PPE, masks, medicine etc. including doctors and nurses; and
2. the importance of road transport to keep the country supplied with essential goods, these goods coming predominantly from overseas and Australia’s dependence on fuel imports to keep the trucks moving!

Australia’s national resilience and security in the region is dependent on the strength of our independence and sovereign capability to produce the things of value required for day-to-day living.

This does not mean building armaments and preparing to back the propaganda and deliberate provocations being waged by the US and some of our leaders towards China. The Australian Strategic Policy Institute, which is actually funded by the arms industry, is constantly in the news talking up the anti-China narrative to provoke and encourage those in the government who are willing to sacrifice human capital, to talk Australia into an unwinnable war on behalf of the US war mongers. This direction, is definitely not in Australia’s best interest.

Rather than demonise China, Australia should adopt their policies regarding banking, and emphasis on building infrastructure and investment in the productive economy. They do not have banks riddled with speculation; through state-owned banks they have invested heavily in manufacturing and building infrastructure, and as a result lifted millions of their citizens out of poverty. Australia's current trajectory is completely the opposite.

b. the role that the Australian manufacturing industry has played, is playing and will play in the future;

Australian manufacturing must be revived. We have to give hope and purpose to our young men and women by embarking on, not simply a revival, but a jettison of policy initiatives and investment channelled into science and research. Australia has to adopt a national perspective to develop our human potential with an emphasis on engineering and construction to build infrastructure for the next hundred years and more.

Australia has to shift our focus to solving problems and utilising our human creative capacity, rather than peddling alarmism and impotence. We will always have to deal with changes in the climate due to the natural cycles of the earth and sun, but we can use our human ingenuity to build infrastructure and mitigate the impacts these climate events have on the population and economy. The Snowy Hydro and Murrumbidgee Irrigation Scheme are proof of human ingenuity to shift high levels of water from snow melt, over the mountains to transform areas that can now produce an abundance of food.

Establishing a national development bank will be critical to provide the funds that can be directed by the government, to provide the necessary major investment into many nationally significant projects just waiting for the government to make them happen. A national development bank, major infrastructure and a strong manufacturing capability will provide genuine national security!

c. the drivers of growth in manufacturing in Australia and around the world;

Domestic demand should be the number one driver for growth in Australia followed by supplying export markets. Likewise, when it comes to funding to build up manufacturing and infrastructure, domestic funding is the key, not foreign investment.

Australia used to have a national development bank back when the government was planning and building a country focused on the future. Back then, the Commonwealth Bank was that institution – a People's Bank with the purpose of serving the economy. Since it was corporatized and then privatised the Commonwealth Bank is now perhaps the most predatory and parasitic financial institution of the Big Four major banks, outside of Macquarie Bank, which are all sucking the lifeblood out of the economy.

Speculation, dependent on debt and mortgage bubbles are not the economy, and bubbles always burst. A functioning economy needs manufacturing to produce things of value and a national development bank is the means of directing our own sovereign credit as a nation. The government would own the bank and could use the deposits and power of government to create a-debt-to-ourselves, which would be backed by the wealth of the whole country to direct credit into the essential projects that will build up economic value.

d. the strengths of Australia's existing manufacturing industry and opportunities for its development and expansion;

A major problem for Australia's existing manufacturing industry, and other essential industries, is the immediate lack of skilled workers to work in these industries, and unfortunately I fail to see any indication that either of the major parties have a plan to reverse this trend. The future determines the present, and when successive Australia governments have bought into the idea that the "markets" are God, and that everything is determined by the markets, we stopped planning for the future and dropped the ball on incentivising young people to take up trade skills and aspire to be Australia's next JJC Bradfield.

Both the government and opposition have to stop bowing to foreign directives from the "market manipulators" and instead, take the opposite direction and focus on building up and developing Australia's true potential; we are the lucky country, endowed with natural and human resources that are currently being exploited by foreign interests, primarily UK and US interests!

e. the sectors in which Australian manufacturers enjoy a natural advantage in energy, access to primary resources and skilled workers over international competitors, and how to capitalise on those advantages;

Australia is a minerals rich country and rather than exporting the raw materials, we should be manufacturing them into finished products. Value-adding increases by magnitudes the financial profit to the business itself, and to taxpayers through increased tax revenue. More money for the budget! Manufacturing finished aluminium products as opposed to the value of the bauxite raw ingredient, illustrates the point. The Gorton government in 1970 were proposing the Australian Industry Development Corporation act as a public bank to invest in manufacturing, and used the example of aluminium to make their point. They compared the value lost to the economy by simply exporting bauxite as opposed to the income that would come from manufacturing it into first Alumina, then if it was manufactured into Aluminium, and finally if manufactured into finished Aluminium products. The figures quoted were an astounding \$600 million for the finished product as opposed to \$5 million as Bauxite.

Australia has a unique opportunity for steel production in the north of Australia with the Iron Boomerang project. By utilising existing mining of iron ore on the West coast and coking coal on the East coast, multiple steel plants could be built on both sides of the country connected by rail with the potential to produce 44 million tonnes of steel a year. With a revival of manufacturing and emphasis on building major infrastructure – high-speed rail, dams, nuclear power stations etc. domestic demand for steel will skyrocket and if Australia encourages other countries to develop their infrastructure, so too will demand globally.

Projects like Iron Boomerang should not be contingent on investors, domestic or foreign, the government can make this happen with a national development bank.

<https://citizensparty.org.au/videos/presentation/build-iron-boomerang>

f. identifying new areas in which the Australian manufacturing industry can establish itself as a global leader;

Whatever changes there have been over time, people need to eat. Australia is in a unique position to supply fresh produce to the Asia Pacific region. Millions of people live to our north who would

benefit from a revival of our rural industries to produce food. A high-speed rail network into Darwin and fast shipping could get fresh produce to Asian markets within days. This would open a whole new opportunity that would benefit both us, and them.

Australia has much to gain from collaborating with our neighbours.

To aid in the production of food, Australia should build the Bradfield Scheme and other proposed significant dam projects along the coastal regions to capture excess water from areas of high rainfall that are regularly subjected to flooding, and flow it into the areas of less regular rainfall often plagued by drought. Headwaters from the Clarence River in northern NSW could be pumped over the ranges and fed into the Murray-Darling River system. The Clarence often floods and the Murray often needs a flush.

https://citizensparty.org.au/videos/presentation/Bradfield_Ad

g. the role that government can play in assisting our domestic manufacturing industry, with specific regard to:

- ***research and development;***
- ***attracting investment;***
- ***supply chain support;***
- ***government procurement;***
- ***trade policy;***
- ***skills and training; and***

The government's role is pivotal to all of the above. The government has the authority to legislate a national development bank that can direct credit into research and development. Australians would flock to deposit their savings in a government bank; a government bank offers them security, and most Australians would like to know the bank can direct their money for the good of the country. For all the reasons outlined elsewhere in this submission, once the government takes the lead and sets the agenda to focus on physical production and collaboration based on mutual respect with our trade partners, as opposed to protecting the financial predators and war protagonists, all government policy and incentives: supply chain support, government procurement, trade policy and skills training will be geared and aligned towards physical production. This approach will secure the well-being and protection of both Australian citizens and environment, as well as our neighbours in the region.

h. the opportunity for reliable, cheap, renewable energy to keep Australia's manufactured exports competitive in a carbon-constrained global economy and the role that our manufacturing industry can play in delivering the reliable, cheap, renewable energy that is needed

I fail to see how renewable energy can ever replace fossil fuels unless we intend to cover the whole of the country with solar panels and wind mills! Then the question arises as to how we dispose of the spent products, and do we have the capacity to build new ones? Rather than looking backwards and simply thinking our energy needs are covered, if we can keep the lights on, Australia has to utilise our abundance of Uranium and Thorium, in particular Thorium and develop the type of high energy-flux-density power generation that will take us into the next century and beyond. Rather than export these minerals and let other countries take advantage of our resources to benefit their economies, we must develop our own nuclear industry. Australia is positioned geographically where

we can take a leading position in space exploration, but not if we shackle the economy to backward energy technology.

If the IPCC and other climate alarmists really, genuinely want to reduce emissions, then nuclear power would be included in their mix of green alternatives, but it isn't.

When the world's climate danger can be somehow managed by the "markets", run by a bunch of international bankers determining carbon pricing and dictating to governments, you have to ask yourself; how much is this about climate and how much is it about making money? The bankers, not climate change, will destroy society and the environment as they force countries to deindustrialise; exposing themselves to the ravages of nature and undermining their ability to provide the essentials to support their population at a good and just standard of living.

I implore the committee to recommend and insist on a change in policy direction. Australian manufacturing is vital for the security of the country, and a national development bank is vital to secure the adequate funding.

Yours sincerely,

Ann Lawler

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