

Economics References Committee inquiry into;

“The Australian manufacturing industry”

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Submission from;
Geoff Savage
M.Eng(M&Re),
G.Dip(AppSci.IM)



About myself

- Certificated “Manufacturing” Metallurgist
 - 15 years experience in Australian manufacturing from 1975 to 1990 (the decline became obvious from the mid 80’s)
- Almost 30 years in Mining
 - From technical entry level to senior “Management Committee” Manager, ultimately controlling department OPEX budgets of up to US\$45m and CAPEX of up to US\$15m
- Further formal studies;
 - Master of Engineering, (Maintenance and Reliability Engineering), and Grad Dip; Applied Science in International Management.

From my beginnings in Australian manufacturing I’ve worked and lived in a total of eight countries, on three continents, and have a broad perspective on what constitutes success and how to set common goals and missions and achieve them.

Terms of Reference

- What are the manufacturing capacities Australia requires?;

Mission;

Australia, (prior to the Lima Agreement), could have been a vertically integrated, technically advanced, export oriented, manufacturing global super power, and can still be!

How to achieve the Mission? (1)

- **Reduce energy prices to below that of our main competitors, and provide confidence in that energy market**
 - CCP consumers pay between 12 and 16c/kW while, depending on which state and tariff, we pay between 24 and 45c/kW.
 - The CCP use our coal, gas and Uranium to produce their cheap power, while we have seriously damaged our energy economics through the heavily subsidized introduction of CCP made wind and solar hardware, made from the very natural resources, sold cheaply to them by Australia
- **Solutions;**
 - Remove all energy subsidies in Australia and let the market determine price
 - Reserve our energy, from our natural resources, at cost plus royalties, (CPR), for local consumption
 - Place tariffs on energy exports, not to penalize our customers but to share the benefits of our natural wealth more equitably, with the Australian community.
 - Ensure these arrangements are in place for long periods with annual royalty and tariff reviews
- **Principle;**

The concept of a “Free Trade Agreement” with a hard line communist regime is an oxymoron. At best, such aspiration was always going to be naive.

How to achieve the Mission? (2)

- **Rethink our logistics**
 - Organize our energy, minerals, mineral processing, manufacturing and shipping, to create economies of scale and eliminate bottlenecks
 - Where our energy and minerals are, there should be incentives for large scale mineral processing and manufacturing to be located – create new or re-engineer existing, well serviced, vertically integrated industrial cities.
 - If existing Australians don't want to live in these beautiful places, bring in more skilled migrants.
 - The Pilbara and North Queensland locations being the most obvious
 - The Pilbara has enormous, under-utilised water resources from the adjacent Ord Scheme and the promised “Bradfield for the 21st Century” would need to be developed for North Queensland

How to achieve the Mission? (3)

- **Trade incentives**

- Work closely with our traditional trading partners to attract investment into these new major manufacturing hubs
- Ensure high tech solutions are applied to traditional mass scale manufacturing through those partnerships
- Incentivise our own mining and industrial magnates to coopt their traditional trading partners for these investments, (not CCP or their corporate machine).
- Develop expandable industrial port facilities, for export of manufactured products, at each of these new industrial cities
- Provide advantageous tax and charge arrangements for investment in these new industrial cities
 - Consider expropriating these regions into new territories, with Federal administration as opposed to elected government, at least until development targets are achieved.
 - State red and green tape is a brick wall to Australia's growth, of any form.
- Ensure domestic and international travel is relatively easy from these new cities, which should grow to out size our existing major cities
- Limit Fly-In-Fly-Out, this adds cost and disincentivizes population growth into those new cities.

How to achieve the Mission? (4)

- **Investment motivation**

- Demand value adding of our energy and raw materials
- Examine what Indonesia has done to force miners to down stream process.
 - This has lifted Indonesia into the G20 in a very short period of time.
 - Indonesia were radical in their implementation of this policy, although coupled with exemptions for NEW investment in down stream processing, to allow DSO, (Direct Shipment of Ore), similar and specifically targeted policy can be highly effective for motivating Australian miners.

How to achieve the Mission? (5)

- **Trade Disincentives**

- Australia is a country which is highly responsible toward our environment and social values
 - As an example,
 - An Australian Avacado farmer is required to use pesticides which cost up to \$800 per litre. These are high tech and have very short life in the environment. Our competitors purchase pesticides which are highly persistent in the environment, therefore having high probability of consequential damage, as well as persisting in the food chain, which cost as little as \$1 per litre.
 - The CCP, and other countries who do not apply our social standards, use slave and prison labour or labour which is paid at relative levels considerably lower than what the UN considers appropriate for meeting the basic essentials of life.

Should Australia, and our traditional partners, encourage bad behaviour through any free trade agreement, which does not compensate or drive improvement for those unreasonable practices, although is only economically advantageous to those regimes?

How to achieve the Mission? (6)

- **Rethink financing;**

- Our commercial banking system has become highly politicized, with boards now largely commanded by large international owners like CITI, JPMorgan and HSBC.
 - These international merchant banks will not allow the sort of development Australia needs for our future industrial economic growth. They are openly investing in the CCP and preferencing the CCP for capital over traditional markets like the US.
- Create an Australian Capital Investment Bank, non-listed and for the sole purpose of investing in large scale, industrial, capital projects.
 - Our future fund and the “Northern Australia Development Fund” would be seed capital.
 - Ultimately, Royalties from the “CPR”, cost plus royalty schemes, could also be partly directed to this entity.
 - Under this, set-up an Australian Postal Bank, turning Australia Post into a savings and loans bank, to compete in the marketplace, with the majors who are owned largely, by the International merchant banks, which control them.

How to achieve the Mission? (7)

- **Engage**

- Our remote communities can benefit enormously from these projects and Australia's re-emergence as a major manufacturing economy.
- Our great leaders like Jacinta Nampijinpa Price, Nyunggai Warren Mundine and other could help lift our remote communities into prosperity by creating opportunities specifically for our first nations people, in the major enterprises described.
 - States have a clear strategy of keeping our remote communities largely dependant on welfare and therefore a bureaucratic industry revolves around that agenda. We can overcome that.

Summary

Senator Button said, when he released the plan to close our car manufacturing, *“Australia only has 15 million people, we don’t have the market to have a significant car manufacturing industry”*.

From that time, we became a can’t do society in regard to manufacturing!

Instead of looking at the world as our market for our natural wealth of minerals and energy, transformed into end products, and saying we can do it, we can use our skills and technology to transform and sell to the world, we became a nation of miners, farms and tourist operators, giving our natural wealth away, very cheaply to others, including those hostile to us, from which they have built empires and threaten us!

We can, always could, and should be; “a vertically integrated, technically advanced, export oriented, manufacturing global super power”

If we don’t, Indonesia will overtake us while we fall out of the G20, within the next decade and our opportunity will be lost.

THANKYOU

