



AUSTRALIAN MANUFACTURING WORKERS' UNION

SUBMISSION TO NATIONAL RECONSTRUCTION FUND CORPORATION BILL 2022 CONSULTATION

February 2023

The Australian Manufacturing Workers' Union (AMWU) welcomes the opportunity to make a submission to the consultation regarding the National Reconstruction Fund Corporation Bill 2022. The AMWU has also provided feedback on the government's National Reconstruction Fund Consultation Paper. Our submission has been provided as an appendix to this submission.¹

For 170 years, the AMWU has organised and represented workers in every city and region of the country. Our members make and repair Australia's trucks, trains, aircraft, and ferries. They process the food our farmers grow and create environmentally sustainable packaging to export them all around the world. Looking forward, it is our members who will build the green energy infrastructure Australia requires for the 21st century. They will build and maintain the medical equipment that we use in our hospitals and the electric buses that will get us where we need to go. And it is AMWU members who will build the defence equipment used by our armed services.

When the fund was announced while Labor was in opposition, its stated aim was to rebuild Australia's diminished manufacturing capabilities. It promised to:

... to support projects that create secure well-paid jobs, drive regional development, and invest in our national sovereign capability, broadening and diversifying Australia's economy.²

As the leading voice of Australian manufacturing workers for the last 170 years, the Australian Manufacturing Workers' Union (AMWU) strongly supports these ambitions. Our union has been calling for the establishment of a federal government fund geared towards the reindustrialisation of Australia's economy for several years.³ In the *A Fair Share for Australian Manufacturing* report (from now 'Fair Share report'), commissioned by the union and written by Professor Jim Stanford, the union argued for the establishment of an Advanced Manufacturing Investment Fund, with share funding from the federal government:

¹ <https://consult.industry.gov.au/national-reconstruction-fund>

² Australian Labor Party (2020) *National Reconstruction Fund*. Available at: https://www.alp.org.au/policies/national_reconstruction_fund

³ Australian Manufacturing Workers' Union. 2021. *Rebuilding Aussie Manufacturing: planning for secure jobs and a strong future*. Submission to the Senate Economics Reference Committee's inquiry into manufacturing. Available at: https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/REFSManufacturing/Submissions

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... to make strategic equity investments in projects identified and developed as part of the Advanced Manufacturing Sector Councils, with a special focus on access to finance for medium-sized manufacturing enterprises.⁴

At present, the Australian manufacturing sector is battered but resilient. Despite decades of policy negligence by the previous government manufacturing remains a major employer in this country. But that neglect has left Australia as one of the world's least self-sufficient industrialised nations when it comes to manufactured goods. As Australia looks to build its sovereign manufacturing sectors, it must look to initiatives being deployed in major economies around the world and develop co-ordinated industry policy to ensure that our supply chains are resilient and able to successfully transition this country to a new economy.

There is strong public support for local manufacturing, with the broader public largely understanding that the sector is vital to our nation's economy and critical to maintaining high living standards.⁵ Research by the Advanced Manufacturing Growth Centre found that:

- 72% (+7% from 2019) of Australians believe manufacturing is important, or very important to the economy.
- The importance of manufacturing is rated more highly in regional areas, compared to metro.
- 69% (+6% from 2019) of Australians believe manufacturing is important to maintain our standard of living.
- 80% of Australians believe it is important to purchase local products where possible.
- 63% believe these products are of higher quality and 58% noted that locally made products were worth paying a premium for.
- Almost half of the respondents view Australian manufacturing as high-tech and globally competitive.

Designed properly, the National Reconstruction Fund is well-placed to rebuild sovereign capabilities in the manufacturing sector, grow the workforce, and ensure that jobs in the sector are secure, unionised jobs. While the AMWU welcomes the National Reconstruction Fund Corporation Bill ("the Bill") introduced into Parliament on 30 November 2022, there are a number of areas that can be strengthened, and which we encourage the Committee to address. The AMWU supports the submission made by the Australian Council of Trade Unions (ACTU), which details our proposals for how these areas can be strengthened.

We would appreciate the opportunity to be consulted further about the legislation.



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NATIONAL SECRETARY

⁴ Stanford, J. (2020) *A Fair Share for Australian Manufacturing: Manufacturing Renewal for the Post-COVID Economy*. Report for the Australian Manufacturing Workers' Union. Available at: <https://futurework.org.au/report/a-fair-share-for-australian-manufacturing/>

⁵ <https://www.amgc.org.au/media-releases/australians-perception-of-local-manufacturing-on-the-rise/>



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... to support projects that create secure well-paid jobs, drive regional development, and invest in our national sovereign capability, broadening and diversifying Australia's economy.¹

As the leading voice of Australian manufacturing workers for the last 170 years, the Australian Manufacturing Workers' Union (AMWU) strongly supports these ambitions. Our union has been calling for the establishment of a federal government fund geared towards the reindustrialisation of Australia's economy for several years.² In the *A Fair Share for Australian Manufacturing* report (from now 'Fair Share report'), commissioned by the union and written by Professor Jim Stanford, the union argued for the establishment of an Advanced Manufacturing Investment Fund, with share funding from the federal government:

... to make strategic equity investments in projects identified and developed as part of the Advanced Manufacturing Sector Councils, with a special focus on access to finance for medium-sized manufacturing enterprises.³

The AMWU set out its vision for rebuilding Australia's battered manufacturing industry in four booklets published before the federal election last year. These booklets have been included at the end of this submission.

There is strong public support for local manufacturing, with the broader public largely understanding that the sector is vital to our nation's economy and critical to maintaining high living standards.⁴ Research by the Advanced Manufacturing Growth Centre found that:

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- Almost half of the respondents view Australian manufacturing as high-tech and globally competitive.

Below, we respond to some of the questions in the consultation paper and make some additional recommendations which would lay the foundations for the NRF to help reindustrialise Australia with high value adding industry and high-skilled, high-paying union jobs. Our response is informed by, and of relevance to, the work of our members across many of the priority areas identified for NRF funding. We welcome further discussion and collaboration on rebuilding Australia's manufacturing industries for the benefit of workers and the economy.

In addition to this submission, the AMWU also intends to make a submission to the National Reconstruction Fund Corporation bill 2022 consultation.⁵ In that submission we will address in detail the importance of a tripartite governance structure, and the need for robust accountability in grant-making and the subsequent assessment of outcomes.

Investment Needs and Opportunities

What are the opportunities for value-add, growth and diversification in each of the priority areas?

What are the manufacturing capabilities needed to support each priority area?

What are other capabilities needed to support each priority area?

In broad terms, the AMWU supports the inclusion of the seven priority areas identified in the consultation paper. Our union has long advocated for rebuilding Australian manufacturing around renewables and low emissions technologies⁶, medical technologies, transport equipment, value adding agriculture, and forestry, value adding to natural resources, and defence capabilities.⁷ In addition to these priority of these areas, we have also advocated for the importance of food processing, as one of the largest manufacturing sectors in the country.

Within the scope of the defined priority sectors and industries, there are four types of projects that the AMWU believe the NRF should be geared towards:

1. Ensuring Supply Chain Resilience and Long-term Import Replacement
2. Common User Facilities
3. Aiding Major Employers to Transition

⁵ https://www.apf.gov.au/Parliamentary_Business/Committees/Senate/Economics/ReconstructionBill2022

⁶ AMWU. 2022. Australia's Opportunity: A Green Manufacturing Superpower. Available at: https://www.amwu.org.au/renewable_2022

⁷ AMWU. 2021. The Future of Australian Manufacturing. Available at: https://www.amwu.org.au/submission_manufacturing2021

4. Helping small and medium enterprises reach scale and new businesses with a commitment to local manufacturing.

1. Ensuring Supply Chain Resilience and Long-term Import Replacement

The development of a robust and resilient local manufacturing section must take a whole of supply chain approach, investing in value-add projects from the point of extraction to the final product. In each of the identified priority areas, the government must develop an industry policy that identifies local and international market opportunities for product sales.

These industry policies must include expanding local capabilities, import replacement and supply chain resilience plans, which:

- Identify opportunities to build local replacements for supply chain inputs; and
- Map local and export markets to identify opportunities of scale.

In line with Victorian procurement legislation, the NRF should require all funded projects include minimum local content requirements and reporting. Where the planning process has identified gaps in Australian industry capability regarding local supply chain inputs, the government should look to encourage and support local industry to develop capabilities, in both direct and indirect ways:

- By directly assisting local manufacturing businesses to invest in new advanced production technologies through provision of low-interest finance, government share capital, loan guarantees, public ownership and other mechanisms;
- indirectly by establishing common user facilities (CUFs). CUFs (discussed further below), which provides the capital, infrastructural, skills and logistical resources for alliances and joint ventures of SMEs to achieve scale and deliver complex projects of national strategic importance; and
- directly and indirectly by establishing skills centres nearby to CUFs and in industrial precincts to guarantee a pipeline of skilled apprentices at a minimum ratio to workers, plus ensuring the onsite upskilling of workers.
- Directly by establishing both a Manufacturing Advocate and a tripartite 'Australian Manufacturing Council'.

2. Common User Facilities

Rebuilding Australia's manufacturing capacity requires strategic government investment in technology and infrastructure to help facilitate the growth of small and medium enterprises. CUFs in the vein of the Australian Marine Complex⁸ Western Australia have a demonstrated capacity to facilitate the growth of small and medium enterprises, diversify industry, and support the development of advanced manufacturing. The AMC CUF in Henderson is a large, 40ha integrated facility and has supported the development of a world class shipbuilding and maintenance industry in Western Australia. Since its establishment the AMC has delivered hundreds of infrastructure

⁸ Development WA. *Australian Marine Complex*. <https://developmentwa.com.au/projects/industrial-and-commercial/australian-marine-complex/about-the-amc>

projects and tens of thousands of jobs.⁹ The AMC CUF also supports fabrication and manufacturing for the WA mining, oil and gas industries.

The Western Australian government maintains ownership of the AMC CUF which provides open access to multiple users. Rather than handing out money to private enterprises the government invests in a publicly owned space and allows firms to bid for access. This model provides firms with access to cutting edge common use infrastructure including industry 4.0, additive manufacturing and machine learning technologies. CUFs support SMEs to achieve scale through alliances and joint ventures to bid for major projects. They can provide firms with access to research and development opportunities to help them innovate. Finally, these CUFs should contain skills centres, run in conjunction with TAFEs and universities, which provide access to state-of-the-art education and training facilities for the training of apprentices and the upskilling of workers. All these benefits are provided while maintaining public ownership over infrastructure; all proceeds generating from leasing the infrastructure is reinvested in the facilities.

The Business Council of Australia has advocated that the NRF be geared towards to building a handful of “internationally significant precincts” in strategic locations around the country.¹⁰ The AMWU supports this idea but argues that public ownership should be maintained of these facilities in order to ensure long term benefits of the investments are controlled in the interests of the Australian people. The CUF model—on a similar template to the AMC facility—should be expanded to facilitate the growth of advanced manufacturing in other locations in Australia.

3. Aiding major employers to transition.

In the context of rapid technological change and transition away from fossil fuels, many major employers in Australia will need to reorganise their production processes. This means that significant investment will be required to maintain global competitiveness and continue to employ large numbers of Australians. The NRF should be geared to ensuring major brownfields sites have the capacity to adopt new technologies in the move away from fossil fuels and to meet new product markets. Two examples within the AMWU’s coverage are illustrative here:

- Incat is a shipbuilding firm that employs more than 400 people in Hobart, Tasmania. In addition to building ferries for Australian public transport and private sales, it also exports boats to Asia, Europe and the Americas. The firm has recently begun to move from internal combustion engines to electric engines in line with changes in demand. These technological changes will require significant workforce retraining as well as investment in fixed capital. The NRF has a role to play in assisting this transition through low interest finance or co-investment.¹¹
- A similar transition is occurring in Australia’s heavy vehicle market, as demand grows for zero emissions vehicles. Some policy analysts and industry groups have advocated for a change to Australian Design Rules (ADRs) for heavy vehicles to allow for the importation of

⁹ Government of Western Australia Department of Commerce. 2016. *Australian Marine Complex Brochure*. https://www.commerce.wa.gov.au/sites/default/files/atoms/files/amc_brochure_may_2016.pdf

¹⁰ <https://www.innovationaus.com/use-15bn-nrf-to-build-future-industry-precincts-bca/>

¹¹ <https://www.aumanufacturing.com.au/incat-sells-first-electric-passenger-and-vehicle-ferry>

zero emissions vehicles made overseas. The existing ADRs act as a technical trade requirement and changing them would risk thousand of Australian manufacturing jobs. Australia maintains a significant footprint in heavy vehicle manufacturing including trucks, buses and heavy vehicle trailers.

- Over the next decade, Australia will need to electrify millions of household appliances in a shift from fossil fuel (gas) energy to renewable energy sources. To address medium-term cost of living pressures, and long-term climate change adaptation, higher efficiency standards will also be needed for refrigerators and ovens, and energy appliances like heat pumps will be in huge demand as alternatives to gas-fired hot water and heating systems. The demand-driven growth of a high-efficiency appliance manufacturing sector in Australia will drive the scale and scope of local capabilities that make the sector economically sustainable and a high potential for export markets. Beyond public procurement contracts, initial government support to help transition the sector through investment support and market creation will then support the sector to tailor products that meet differentiated markets for products such as new homes, homeowners and landlords, and including commercial, luxury and export orientations. The AMWU recently made a submission on this topic to the government's National Energy Performance Strategy. This is included at Appendix 5.

4. Helping small and medium enterprises reach scale and new businesses with a commitment to local manufacturing.

Many successful Australian manufacturing small and medium enterprises struggle to take the 'next step' and scale to larger enterprises due to the small size of the local market. The NRF should play a role in helping firms in this vein reach new markets and increase their opportunities to provide good jobs for Australian workers.

While noting the best international evidence suggests that start-ups and new businesses should not form the cornerstone of industry policy,¹² the AMWU also believes that they have a role to play in rebuilding Australia's industrial ecosystem. Here, firms with a commitment to developing a significant manufacturing footprint in Australia should be prioritised.

Industrial transformation is inevitable and indeed desirable for Australian industry to do higher value adding production, creating higher skilled jobs, and increasing international competitiveness.

How could the NRF consider Government policy priorities in performing its investment function?

In addition to financial returns, the NRF investment mandate must explicitly include as the creation of secure, well-paid jobs as a primary objective.

As a prerequisite for tendering, companies must have in place standards to ensure that employment is direct and secure, jobs have fair wages, safe working conditions, support for collective bargaining

¹² Mazzucato, M. 2014. Startup myths and obsessions. The Economist. Available at: <https://www.economist.com/schumpeter/2014/02/03/startup-myths-and-obsessions>

and ready access to unionisation, and commitments to workforce development, training, and apprenticeship — especially for women and ATSI workers.

The Government's proposed Secure Jobs Code should represent best practice in this regard and apply to the NRF, as well as other government funding and procurement. The Functions, Principles and Objects stated in the NRF legislation should mirror and enhance those contained in the [Victorian Local Jobs Act](#), the [Queensland Procurement Policy 2021](#) and the [NSW Electricity Infrastructure Act](#).

The AMWU proposes that the "Secure Australian Jobs Code" should include, at a minimum:

- Enterprise agreement with unions as a pre-condition of tender. Note: in the case of start-ups, we may consider that an MOU to enter into an agreement as part of the tender process, but the agreement must be finalised prior to award of tender. The requirement to have a "current certified industrial agreement registered with the Fair Work Commission is a current requirement for tenders under the full NSW Renewable Energy Sector Board plan.¹³
- To qualify for funding, a company must not have any unresolved, adverse industrial rulings against it, including whether it has engaged in conduct that took advantage of, treated unfairly or otherwise harmed its workers.
- Companies must commit to direct employment as a condition of tender. Where contractors and/or labour providers are used, the indirect workforce must be employed on the same conditions as the direct workforce.
- Requirements or ratios regarding the appointment of cadets, trainees and apprentices.

As a condition of funding, manufacturers should be required to appoint a minimum ratio of apprentices to tradespersons. This is already the policy of several state governments and has previously been implemented at a federal level. Applications by firms proactively meeting or exceeding quotes for women in skilled trades occupations, apprenticeships or traineeships should be assessed more favourably.

Increased union presence and growth in the uptake of collective agreements does not occur at the expense of investment returns.¹⁴ Instead, research shows that high union density is correlated with positive improvements in productivity, reductions in turnover, and significantly improved WHS.¹⁵ To take just a few examples:

- Increases in unionisation rates are associated with up to a 2.8% decrease in on-the-job deaths.¹⁶
- A Norwegian study of company data from 2002 – 2018, found that an increase in union density of 1% raised overall firm productivity by 1.7%-1.8%. This was largely attributed to the ability for workers to efficiently feedback and influence the company in a collective manner.¹⁷

¹³ <https://www.energy.nsw.gov.au/sites/default/files/2022-09/nsw-renewable-energy-sector-board-plan.pdf>, p. 28.

¹⁴ For a review of the literature see: Trillium Asset Management (2022), *The Investor Case for Supporting Workers' Rights*, <https://www.trilliuminvest.com/news-views/the-investor-case-for-supporting-worker-organizing-rights>

¹⁵ Ibid.

¹⁶ Ibid, p. 5

¹⁷ Ibid, p. 2

- Another study showed that non-union members demonstrated a mean intention to leave of 4.07 compared to unionized members' intention of 2.87 on a scale of 1-10 ($t = 11.10$, $p < 0.001$).¹⁸

Returns, financial instruments and working with other investors

No response

Complementary reforms

Advanced Manufacturing Sector Councils

In many instances, the principal non-financial barriers to the development of Australian industry relate to a lack of industry co-ordination and planning. As a relatively small global market, Australian firms will often find it difficult to reach scale in the domestic market, which could then be used as a launching pad to enter export markets¹⁹. The role of government here should be to convene tripartite co-ordinating bodies for the seven priority areas to develop and oversee the implementation of industry plans covering the areas of research and development; technological adoptions; skills and training; supply chain co-ordination; and targeting export opportunities.

Policy research commissioned by the AMWU has advocated for the establishment of “a network of Advanced Manufacturing Sector Councils, supported by a broad infrastructure and secretariat at the Department of Industry, Science, Energy and Resources.”²⁰ These Sector Councils would be made up of representatives from industry, government, and trade unions, and would engage sector stakeholders to identify the most promising sub-sectors for investment and development. Sector Councils would develop investment and innovation plans for the identified sub-sectors and oversee the implementation of these plans with the support of other government bodies.

The Federal government’s National Rail Manufacturing plan²¹ involves three components that are aimed at addressing some of these issues:

- (1) Office of National Rail Industry Coordination within the Department of Industry tasked with co-ordinating regulation and standards in the sector to maximise consistency and help firms reach scale;
- (2) a tripartite Rail Industry Innovation Council tasked with assisting industry with research and development and technological adoption; and
- (3) a Rail Supplier Advocate, tasked with co-ordinating rail manufacturers and helping small and medium enterprises gain a foothold in rail supply chains.

The AMWU is also advocating for the establishment of a tripartite National Innovation Council for Zero Emissions Vehicles which would operate in a similar vein to the Rail innovation council. The

¹⁸ <https://www.abs.gov.au/statistics/economy/finance/monthly-household-spending-indicator/nov-2022>

¹⁹ Lin, F. L. and Ho, C. W. 2019. The knowledge of entry mode decision for small and medium enterprises. *Journal of Innovation & Knowledge*. Volume 4 (1)

²⁰ Stanford, J. 2020. A Fair Share for Australian Manufacturing: Manufacturing Renewal for the Post-COVID Economy. Report by the Centre for Future Work at the Australia Institute.

²¹ Chan, R. 2022. *Government Pledges to Boost Rail Manufacturing*. Rail Express, <https://www.railexpress.com.au/government-pledges-to-boost-rail-manufacturing/>

Federal government should consider similar reforms in other sectors to maximise the impact of the NRF.

Skills and Training

Manufacturing skills have been neglected—and sometimes deliberately sabotaged—in recent years. TAFE has been systematically underfunded by successive Coalition governments. The number of Australians in apprenticeships and traineeships has declined significantly in the last 10 years, despite a recent uptick. The impacts of these policy failures are starting to be felt in the real economy through skills shortages.

The number of total apprentices and trainees in 2021 was 34 per cent lower than in 2012, while the percentage of all employment in apprenticeships and training was down 43 per cent. If Australia is to rebuild its domestic supply chains, significant investment is required to train the highly skilled workforce needed for Australia to harness its resource advantages in energy and minerals and become an advanced manufacturing superpower.

The recently established tripartite Jobs and Skills Australia should be properly resourced to assess workforce and training needs. Funding to address any shortages identified should not be provided through the PRF but be apportioned through the broader VET and education budgets.

The AMWU has made several recommendations to other consultations to address skills shortages across the manufacturing sector as a whole, including:

- Nation-wide free TAFE, like the policies in place in Victoria and Queensland. Within this framework, the union supports establishing a national Manufacturing VET policy board tasked with developing and implementing measures to build a more coherent and constructive framework for VET training, skills and qualifications in manufacturing.
- The federal government, in conjunction with industry and trade unions, must develop clear guidelines to ensure we have proper governance of our skills system which incorporates the principles enunciated in the original Award/Structural Efficiency processes. Such a governance structure would help ensure our training system produces resilient and adaptable workers with the skills and qualifications to do the work of the future, and secure industrial mechanisms for recognising those skills and qualifications.
- A minimum ratio of apprentices-to-tradespersons on all projects that attract government investment, finance, and other forms of support. This policy has been successfully implemented at a federal level previously and is currently the policy of several state governments. Previous federal governments and current state governments have induced private firms to engage high levels of apprentices and trainees through procurement policies. A tried-and-tested method involves requiring a minimum ratio of apprentices and/or trainees on all projects that attract government support. When bidding for government contracts, only firms that put their apprentices through nationally recognised training packages should be utilised.

Other Comments

In addition to this submission, the AMWU also intends to make a submission to the National Reconstruction Fund Corporation bill 2022 consultation.²² In that submission we will address the importance of a tripartite governance structure, and the need for robust accountability in grant-making and the subsequent assessment of outcomes.

If the NRF is to be successful in building a strong, robust manufacturing sector now and into the future, the legislation must enshrine the stated mission of the NRF to create “secure well-paid jobs, building on our national strengths, diversifying Australia’s industrial base, developing our national sovereign capability, and driving regional economic diversification and development”.

The **composition of the NRF Board** must include two ACTU-nominated positions, two employer-nominated positions, and positions from representatives from academia and pro-union elements of civil society. Legislation should require the positions indicated above to be filled by individuals who meet certain skill requirements, namely knowledge, experience and understanding of industry policy matters, particularly at the industrial relations level. We are not opposed to the Government creating articles and having a Board administer them as a corporation. Rather, the deficiencies lie in the make-up of the Boards of those agencies the Government seeks to use as a model for the NRF, namely the Clean Energy Finance Corporation (CEFC). The CEFC has never included workers’ representatives. The Board composition of the CEFC should not be emulated in the NRF. Rather than following the CEFC model of four to six Board members, the NRF legislation should be much more specific in shaping Board composition.

The bill must also contain the right monitoring, compliance, and enforcement framework, including to monitor how the Board sets key performance indicators (KPIs) and environmental, social and governance (ESG) standards. The bill itself should contemplate the establishment of industry or sector-based tripartite reference committees (with union and employer representatives on the committees), the functions of which would include the provision of advice to the Board as well as playing a role in the monitoring, compliance and enforcement frameworks for specific industry sectors, as well as establishing, reviewing and recommending improvements to performance and procurement benchmarks for industry sub-sectors.

To ensure optimal oversight of performance, the NRF legislation should also contemplate the data recording and reporting requirements that will be needed including by ensuring the NRF is capable of interacting with other regulatory bodies and departments and uses (or establishes) a fit for purpose data warehouse for these purposes.

Finally, the NRF Board must have a clear function to work with the forthcoming Energy Transitions Authority (ETA), recognising the NRF will need to play a role in receiving advice from and considering and assisting the implementation of the JTA’s policies, including, for example, facilitating investment to deliver projects identified by the JTA as priorities.

²² https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/ReconstructionBill2022

Conclusion

The AMWU welcomes the opportunity to make a submission to the Government's NRF consultation.

Once again, thank you for the opportunity to make a submission. If you require any further information, please contact Katie Hepworth (katie.hepworth@amwu.org.au) in the first instance.

Yours sincerely,



STEVE MURPHY

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