

The Australian Manufacturing Industry Inquiry

Dear Senators of the Economics References Committee,

I am a retiree, born in Australia, of migrant parents from post-war Europe. I have spent my entire working career here and seen the decline of manufacturing industries during my lifetime. I am not a member of any political party and thank you for the opportunity to make this submission.

"What hope is there for Australian manufacturing?" We need to urgently harness the wealth of the nation through an Australian Government Deposit/Postal Bank supported by its citizens. We need to urgently establish a National Development Bank, already recommended by a Senate Inquiry in February 2021, and supported through investment by our superannuation funds. Any other piecemeal approach is not sufficient for any meaningful recovery.

Australia only produces two thirds of the amount of manufactured goods it consumes, while most developed nations produce excess to their requirements. Compared with other OECD countries this puts Australia at 36th....ie. Last. (ref.4)

Manufacturing as a percentage of GDP has continually fallen from almost 30 per cent in the 1950s and 60s, to less than 14% in 1990 and to less than 6% in 2019-20. This puts us on a par with war torn Afghanistan, and Albania with a population of 2.862 million, both at 6% in 2020. (ref.1)

We used to make nearly everything we needed. My husband tells me we no longer make pencils....nor pens for that matter....yet we're a country of 'pen-pushers'. I couldn't believe that ...I fact-checked... it's true. (ref.2)

Government's concentrated on creating wealth from our natural resources, to be dug up and exported overseas for value adding elsewhere, whilst our industries shut down. As manufacturing fell, GDP input concentrated in the Services Industry at 66% for 2020. Anyone that ever had a brilliant idea, innovation, or unique product was certainly praised, but then abandoned to seek investment and manufacturing support overseas.

It truly is an indictment on us as a nation, our governments, and our representatives.

To change, requires an unwavering resolve to take action, firstly on the part of the government. Incentivising and supporting Australian manufacturing through their own government supply contracts... to buy 'Australian Made'...even if it also requires incentivising State Governments to buy local. Yes, and right through to the Local Government level. It's a start.

I have addressed some of the Terms of Reference, as follows:-

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

My parents migrated to Australia from Europe in the 1950s. Though their grasp of English did not at that time give them opportunities for executive levels of employment, they were happy to obtain employment in manufacturing industries from textiles to jam factories to machine shops and production lines. Australia's future population growth is, likewise, set to increase from a

largely migrant non-english speaking background where employment opportunities in the manufacturing industry can be a mainstay.

Fast-forward to the present. GDP from manufacturing increased from an all time low of 25685 AUD million in July Quarter 2020 to 27893 in the first quarter of 2021 due solely to restricted overseas supply chains, although this figure has not surpassed pre-covid levels. (ref.3)

Local manufacturers are still subject to our own covid measures and, whilst they may uptool and employ extra labour to make up the shortfall from overseas manufacturers, this could very well be short-lived and a fruitless exercise unless the impetus is there from the government to support continued manufacturing.

There will be many other manufacturers at a tipping point, wondering whether to invest in manufacturing, based on a 'pandemic induced' increase in demand that may vanish, or whether there will be real action and assistance by the government to expand local manufacturing.

Case study 1 (ref.4)

As manufacturing processes have become more automated, Australian manufacturers are no longer disadvantaged by cheap labour costs in Asia, particularly in the field of electronics. eg In 2018 working with Siemens in Australia, Circuitwise Electronics, a 100% Australian owned electronics company, 'pipped' Asian manufacturers to be awarded the contract to manufacture the printed circuit board assemblies (previously outsourced to Asia), for Siemens' 'Fusesaver', the world's fastest vacuum circuit-breaker which increases power distribution network reliability and is reported to be beneficial in bushfire-prone areas.

Case Study 2 (ref.5)

The widespread shutdown of global supply chains caused by COVID-19 has been good news for Adelaide metal printing company AML3D. "We've seen quite a reasonable increase, probably two-fold from what we would normally get." The company makes metal parts, such as propellers and compressors for ships and the automotive industry, at its factory in Adelaide and exports them around the world. There is growing interest from the oil and gas sector for its locally made products as well as the potential for making parts for the Australian Navy.

Case Study 3 (ref.6)

When the pandemic hit at the start of 2020, Med-Con was the only surgical mask manufacturer in the entire country. The federal government begged Med-Con to boost its supply from two million to a staggering 60 million masks by November 2020. Med-Con sprang into action, purchasing 10 new machines, hiring more than 100 staff and even enlisting the help of the Australian Defence Force. Finally, in December 2020, Med-Con reached its target – 60 million masks. But once pandemic pressures started to ease, health services rapidly returned to their overseas suppliers of old. And for Med-Con, business suddenly dried up. Now, they are down to just 25 staff, often with only two machines running.

The strengths of Australia's existing manufacturing industry and opportunities for its development and expansion.

More jobs for Australians

Reduced transport costs

Shorter lead times

Reliability of delivery

Environmental impact

Standard of Safety and Quality Control

Local customer support and communication

Local collaboration for design specifications enabling greater efficiency and streamlined manufacturing processes

Intellectual property protection

No tariff vulnerability

The opportunities for manufacturing development and expansion relies on commitment, investment, a suitable workforce and continuity of markets (both local and export markets).

The private banking sector has not supported manufacturers to the extent required, no matter what the incentives, and the government must therefore step up with a government owned National Development Bank to support the growth of manufacturing.

The February 2021 Senate Report into Diversifying Australia's Trade and Investment Profile gave the following recommendation. What has been done since?

Recommendation 21

4.107 The Committee recommends that the Australian Government consider the establishment of a national development bank to assist in the development of Australian manufacturing capacity.

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

- i. research and development;**
- ii. attracting investment;**
- iii. supply chain support;**
- iv. government procurement;**
- v. trade policy;**
- vi. skills and training**

The government must establish both a National Development Bank and an Australian Postal Savings Bank. There are some 67 development banks (ref.7) already operating around the world and some 21 Government Postal Banks (ref.8), including New Zealand's KiwiBank which was recreated in 2002 after the former postal bank was bought by ANZ in 1989. This was during the same era as the privatisation of our own government owned, Commonwealth Bank.

By harnessing the wealth of our nation, through a government owned deposit/postal bank for its citizens and sourcing investment into a national development bank by accessing the wealth of our own superannuation funds, we can regain a strong manufacturing capability (without the catalyst of war to make it happen).

A sovereign manufacturing capability is of greater benefit to the nation and its people than a country of 'paper-pushers' that we have become.

Yours faithfully,

Monica Mesch.

References:-

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5. <https://www.circuitwise.com.au/post/winning-against-asian-competition>
6. <https://www.abc.net.au/news/2021-07-20/australian-mask-manufacturer-dumped-for-cheaper-suppliers/100304530>
7. https://en.wikipedia.org/wiki/National_development_bank
8. https://en.wikipedia.org/wiki/Postal_savings_system